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**No Business like Slum Business? The Political  
Economy of the Continued Existence of  
Slums:  
A case study of Nairobi**

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## **Abstract**

This paper examines the political economy of the continued existence of slums in Nairobi. Compared to the rest of the city's population Nairobi's slum dwellers are excluded from formal delivery systems in the land, housing and services sector. Research on inequality in Kenya identifies ethnic fragmentation as a key reason for unequal access to these resources on the national level. Using a political economy approach this paper challenges this notion. It argues that in the case of Nairobi's slums class as opposed to ethnicity has relatively greater explanatory power. This argument is based on secondary empirical evidence on the nature of political patronage, rent-seeking and collective action problems in the land, housing and services sector in Nairobi's slums.

# Table of Contents

1	Introduction .....	5
2	Literature Review: Identity-Based Political Economy Models.....	7
2.1	The ethnic fragmentation model .....	8
2.2	The interest group model.....	10
3	Methodology .....	12
4	The case of Nairobi .....	14
4.1	The land allocation process .....	16
4.1.1	Land grabbing .....	16
4.1.2	Effects of the distorted land allocation system on Nairobi’s informal settlements .....	17
4.1.3	Conclusion.....	19
4.2	The housing sector .....	20
4.2.1	The profitability of the slum business .....	20
4.2.2	The landlord-tenant relationship .....	21
4.2.3	Conclusion.....	22
4.3	The provision of basic infrastructure services in Nairobi’s slums .....	23
4.3.1	Non-commercial service providers .....	24
4.3.2	Private service providers .....	24
4.3.3	Conclusion.....	25
4.4	Slum Upgrading in Nairobi: Responses to the challenge of slums .....	26
4.4.1	Political patrons in the slum upgrading process.....	26
4.4.2	The tenure regularisation process and the landlord-tenant relationship.....	27
4.4.3	Conclusion.....	28
5	Conclusion.....	29

## **List of acronyms and abbreviations**

BPD	Building Partnerships for Development
CBO	Community-based organisation
COHRE	Centre on Housing Rights and Evictions
KENSUP	Kenya Slum Upgrading Programme
NGO	Non-governmental organisation

## 1 Introduction

Kenya's capital Nairobi is a paradox. The city is one of the most important economic hubs of the continent and contributes 60 percent of the GDP to the Kenyan economy, which had an annual growth rate of over six percent in 2007. The headquarters of UN-HABITAT, the United Nations Human Settlements Programme, which is mandated to promote sustainable cities with adequate shelter for all, are based in Nairobi. Nairobi fulfils some major preconditions for politically accountable and pro-poor governance: it has formal democratic institutions, intense political competition, a majority of poor citizens voting in high numbers and a vibrant media landscape. Yet, roughly 1.5 million people, that is 60 percent of Nairobi's official total population, live in slums (Syagga et al., 2001, 1). In these low-income informal settlements the incidence of economic poverty is high, housing is of sub-standard quality and basic services are barely provided.

The contradictions in the city, and the fact that housing and service delivery are not only technical matters but substantially subject to the political process make Nairobi an interesting case for the study of the political economy of the continued existence of slums.

Compared to the rest of the city's population, Nairobi's slum dwellers are excluded from formal delivery systems in three major sectors: They lack the formal access to land, housing and services. The unequal access to these three resources is constitutive to the emergence and persistence of slums and a major feature of inequality in contemporary Nairobi. Research on inequality on the national level identifies ethnic fragmentation as a key reason for unequal access to these resources in post-colonial Kenya (Easterly and Levine, 1997; Kanyinga, 2006; Kiringai, 2006).

The political economy literature sheds light on the link between the unequal distribution of public spending and ethnic fragmentation. Ethnic fragmentation models attribute the inequality in public spending to a patron-client relationship between members of the same ethnic group (co-ethnics). Additionally, these models predict that ethnic fragmentation results in poor policies if ethnic diversity causes collective action problems and if people vote along ethnic identity lines irrespective of the performance of politicians.

This paper challenges the notion that ethnic fragmentation is the major cause of distorted public resource allocation and thus of the persistence of slums. It argues that in the case of Nairobi's slums class as opposed to ethnicity has relatively greater explanatory power.

To examine the respective roles of ethnic fragmentation and class as explanatory variables this paper draws on secondary empirical evidence from multiple sources. It provides a narrative showing that an elite dominance story fits better with the realities in Nairobi than the ethnic fragmentation story.

This argument is theoretically based on the interest group model, a political economy approach which stresses the link between income and the likelihood of successful lobbying. The model posits that economic power enables affluent elites to lobby for, and thus buy, favourable policies from politicians leading to unequal public spending decisions.

Empirically this argument is based on findings from the analysis of collective action problems, rent-seeking and political patronage in four areas: The land market, the housing sector, the provision of basic services and slum upgrading projects. Although not invalidating ethnic fragmentation as an explanatory factor, this paper finds that benefits and costs are primarily distributed according to income: the affluent and politically well-connected elite and not specific ethnic groups benefit from the continued existence of slums; accordingly costs are predominantly born by lower income groups belonging to all major ethnic tribes in Nairobi. Furthermore, the failure of slum residents to collectively improve their settlements can only partly be attributed to ethnic divisions; other factors, such as lack of resources, are also important.

The paper itself falls into four sections. The first section is a general introduction to the relevant literature in the field of political economy. The second section outlines the methodology of the study. Focusing on the case of Nairobi the third section analyzes the pattern of land, housing and services provision as well as slum upgrading efforts. Section five presents concluding comments.

## **2 Literature Review: Identity-Based Political Economy Models**

The public allocation of land, housing and services is a core element of the economics of urban planning. Therefore, from an economic perspective this paper is concerned with the economic outcomes of policy decisions and analyzes the distribution of benefits and costs between different groups of people.

On the other hand, the allocation of public resources is essentially a political decision. Politicians intend to allocate public spending in ways that improve their chances of winning elections. In order to do so, public officials can provide goods universally and thus improve the lot of everyone, or they can target resources to localities, individuals or specific groups. Land, housing and services however share some characteristics which make them prone to targeting. Firstly, they have a strong spatial aspect and can be used to benefit the people living together in a specific location, for instance residents in ethnic enclaves or in high-income areas. Secondly, these goods are highly visible so that their allocation can easily be attributed to a political actor thereby increasing the chances of re-election. Thirdly, the publicly constrained supply and the existence of low marginal costs facilitate the exploitation of rents. Thus, an analysis of the unequal allocation of land, housing and services seems ideally suited to reveal the political motives behind the continued existence of slums.

Political economy seems to be particularly adequate to explore the dynamics of slums: it could shed light on the economic outcomes of unequal resource allocation, on the incentives of political actors, and on the feedback of economic consequences of resource allocation decisions into private agents' policy preferences. This section presents the two political economy models, which form the theoretical framework of the analysis: the ethnic fragmentation model, which is in line with existing evidence pointing to an ethnic bias in the allocation of public resources, and the interest group model, which provides an alternative explanation for distorted public policies.

## 2.1 The ethnic fragmentation model

In Kenya ethnicity is a politicised phenomenon, used as a criterion of access to economic resources such as land (Kimenyi and Ndung'u, 2005) and to political power (Mueller, 2008). There is overwhelming empirical evidence that both poverty and public spending are unequally distributed in Kenya (SID, 2004, 13-33). At the same time ethnicity has a strong spatial dimension in Kenya due to the historically determined patterns of ethnic land settlement which facilitates targeting specific ethnic groups. In combination these pieces of information suggest that politicians target public resources to their ethnic constituencies in their regions of origin. Although there are several caveats to this interpretation (particularly that the allocation of funds is also demand-driven), the figures below are illustrative.

In 1968 Jomo Kenyatta, a Kikuyu, became the first Kenyan president, leading a coalition first with Luo and then Kamba politicians. In 1978 Daniel Arap Moi, a Kalenjin, became president in alliance with the Kamba and smaller groups (Kanyinga, 2006, 356). Barkan and Chege (1989, 448-450) analyze the allocation of road building investments in Kenya between the home regions of Kenyatta and the Moi ethnic coalitions and find that under the Kenyatta-led Kikuyu coalition the share of investment in road-building was 44 percent in coalition areas and 32 percent in non-coalition areas. When the Kalenjin coalition of Moi took power in 1978 the shares went to 16 percent and 57 percent respectively. Robinson and Torvik (2005, 4) find that by the sixth year of Moi's rule his political base was still getting 67 percent of the roads budget compared to 16 percent for the Kenyatta base. Kiringai (2007, 37) documents that all newly created public universities under Moi were in the Kalenjin dominated Rift Valley or Nyanza provinces, the major location of the Luos. No university was located in Central and Eastern provinces, which are primarily Kikuyu.

In light of these findings, several scholars consider ethnicity as a major determinant of inequality in contemporary Kenya (see Kanyinga, 2006; Kiringai, 2006; Mueller, 2008; Steward, 2008). The ethnic fragmentation model provides a theoretical framework for this view. This political economy model focuses on political patronage as the mechanism that links the unequal distribution of public spending and ethnic fragmentation.

### *Political Patronage*

Political patronage is the provision of targeted rewards by a patron to clients which may be individuals or groups. Patron-client relationships are reciprocal: The patron delivers desired benefits such as favourable policies or opportunities to exploit rents in exchange for goods and political loyalty. In the ethnic fragmentation model political patronage takes the form of a differential reward to different ethnic groups. This seems particularly applicable to



contemporary Kenya, where harambee<sup>1</sup> has long dominated development policy and formed a clientelist framework (Thomas-Slayter, 1991). Thereby political patronage does not need to be limited to official channels of budget allocation, but may also take the form of bribes. This could explain Mauro's (1995) finding that ethnically fragmented societies are more corrupt.

There are two main mechanisms that link ethnicity and political patronage. More generally politicians in ethnically fragmented societies might establish a patron-client relationship with co-ethnics to mobilize or reward their political support. Furthermore, as Fearon (1999) argues, political coalitions aimed at the capture of resources have a strong incentive to limit their size in order to increase each winner's share and ethnicity works as an excellent criterion to exclude individuals from the benefits. The reason is that, in contrast to party affiliation or ideological beliefs, ethnicity can not be chosen by individuals.

However, in ethnically fragmented societies another scenario seems equally plausible: If people vote along identity lines and irrespective of public performance politicians wishing to acquire power have to spend less resources in securing the support of their ethnic constituencies. Lindbeck and Weibull (1995) show that in such a situation a politician benefits more from targeting swing voters. Thus, voters' intrinsic preferences for candidates may mean that they receive less material benefits. This is also a compelling assumption for Kenya, where elections are "fundamentally an ethnic census" in which policy records play a secondary role (Bratton and Kimenyi, 2008, 279-287).

### *Collective action problems*

The ethnic fragmentation model also sheds light on another feature of ethnically polarized societies: Ethnic fragmentation seems to be associated with a lower provision of goods which improve the lot of everyone and cannot be targeted. Easterly and Levine (1997) provide cross-country evidence that ethnically diverse societies invest less in schooling and infrastructure. Alesina et al. (1999) find that the shares of public spending on basic services in U.S. cities are inversely related to the city's ethnic fragmentation. The ethnic fragmentation model attributes this to collective action problems in ethnically diverse groups. Alesina et al. (1999) argue that the underlying reasons for these collective action problems are divergent preferences over the type or amount of a good to be funded

Another strand of research relates collective action problems in ethnically diverse societies to social capital. As social norms, trust, and networks of civic engagement are less pronounced across than within ethnic groups, social capital is supposed to be lower in ethnically diverse communities. Low social capital might be evident in a preference for homogenous groups.

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<sup>1</sup> Harambee started as a means for community members to work collectively on small-scale projects. This form of locally generated self-help facilitated a patron-client relationship between co-ethnics as the affluent elite of a community located throughout the country is expected to support their home communities (Thomas-Slayter, 1991, 306).

Alesina and La Ferrara (2000) find that participation in social groups is significantly lower in more ethnically fragmented localities and that those individuals who choose to participate less in racially mixed communities are those who most oppose racial mixing. Luttmer (2001) presents empirical evidence that individuals increase their support for welfare spending if a larger fraction of welfare recipients in their area belongs to their racial group. This suggests that, as a result of low social capital, individuals may attach a positive utility to the welfare of co-ethnics but less or no utility to the welfare of non-group members. Miguel (2001) presents evidence that in Kenya the lack of social capital also results from the inability to impose social sanctions. He finds that school committees in ethnically diverse areas impose fewer sanctions on defaulting parents and consequently have lower primary school funding and worse school facilities. This suggests that the higher frequency of social interactions among co-ethnics offers greater opportunities for sanctioning co-ethnics.

Kenya makes an interesting case for the study of these predictions, because of its high degree of ethnic fragmentation. Kenya is home to more than 40 ethnic groups, the largest ones being the Kikuyu, Luo, Luhya and the Kalenjin none of which is large enough to dominate other major groups (Government of Kenya, 1999, 6-2).

## **2.2 The interest group model**

Socio-economic divisions and elite bias in public policy suggest that, besides ethnicity, class<sup>2</sup> is a major determinant of political decision-making in Kenya. Especially in an urban setting like Nairobi, intra elite linkages tend to be both within and outside their own ethnic group (Thomas-Slayter, 1991, 308). Furthermore, high incidence of poverty and income inequality highlight the importance of class as a factor of mobilization and determinant of opportunities: 52 percent of the national population lives below the national poverty line (UNDP, 2007, 239). Moreover, the ten percent of the richest households in Kenya control more than 42 percent of income, while the poorest ten percent control less than one percent of income (SID, 2004, 5). With a gini coefficient<sup>3</sup> of 0.57, Kenya ranks among the top ten most unequal countries in the world and the fifth in Africa. Several studies illustrate that the pattern of public spending in many developing countries is biased towards the affluent elite. Alesina (1998) presents cross-country evidence that social spending on public employment, higher education, social security and health disproportionately benefits middle and higher income groups whereas the poor often lack access to these institutions.

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<sup>2</sup> This paper approaches the notion of class in material terms with an emphasis on income and the associated social status.

<sup>3</sup> The gini index measures the area between the Lorenz Curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the hypothetical line. The gini coefficient ranges between zero and one, with the values closer to one indicating greater inequality.

The interest group model posits that the underlying cause of such unequal public spending decisions is a patron-client relationship between the affluent elite and public officials (Addison and Rahman, 2001, 5). To bargain with politicians over policies and resources individuals mobilize to form interest groups. Agents who manage to overcome collective action problems and organize themselves into a lobby have more influence than less organized groups and are thus likely to receive more benefits (Olson, 1965). Politicians then receive monetary transfers – donations to political parties, direct bribes etc. – and offer in exchange benefits to their clients, for instance the opportunity to exploit rents in the housing and services sector. Interest groups with more resources are more likely to succeed as they can spend more in lobbying activities (Persson and Tabellini, 2000, 59-61). In this model political patronage is thus the outcome of the successful lobbying of interest groups.

In contrast, a lack of resources, exacerbated by the associated lack of access to credit markets, prevents poor interest groups from establishing such a patron-client-relationship. Thereby a lack of resources not only determines the bargaining power of a group but also group formation. The poor are likely to face more severe collective action problems and are thus less organized. One reason is that lobbying is costly: Resources are necessary to mobilize group members, to gain the skills necessary for lobbying and to take time off from gainful employment. Furthermore, the poor have collective action problems because they face more difficulties in accessing and evaluating information. Higher income groups are likely to have gained essential analytic and reading skills in their education and to have access to costly and independent media information. In contrast the poor are likely to lack information, due to illiteracy or because they only have access to free or state-controlled national media.

Thus the model explains inequalities in the allocation of public resources by the fact that their economic power and the wealth associated with it enable the affluent elite to buy favourable policies. Hence, elite bias is induced by pronounced income inequality. This is in line with evidence from Uganda: Reinikka and Svensson (2004) find that during 1991 and 1995 on average only 13 percent of the intended funds for primary education reached the schools, whereby schools in better-off communities managed to claim higher shares of their entitlements. The finding also suggests that income inequality works as a proxy for the political bargaining power of the rich versus the poor. Consequently, the more unequal a society's income distribution, the lower will be the bargaining power of the poor compared to the rich, and thus the greater will be the extent of allocations in favour of the rich.

In light of the high incidence of income inequality in Kenya, Nairobi, itself with a gini of 0.59 (SID, 2004, 14), is an appropriate case to examine whether the predictions of the model fit with the realities in a specific setting.

### 3 Methodology

For the design of adequate policies to tackle the challenge of rapidly expanding slums, it is necessary to consider the dynamics behind this phenomenon. Political economy offers adequate tools to explore these dynamics because slums are essentially a consequence of the politically determined access to resources. Yet the application of specific political economy models to research on slums largely remains a gap in the literature on Third World urbanisation. This paper therefore aims to extend the understanding of the causes of the continued existence of slums by providing a story that is formed by political economy.

Nairobi was chosen for a case study for two major reasons. First, Nairobi is a prominent case as an estimated 1.5 million people, roughly 60 percent of the city's official population, live in slums (Syagga et al., 2001, 1). Second, Nairobi is representative. It is typical in the sense that its characteristics, such as high income inequality, incidence of corruption and ethnic polarization are consistent with assumptions of the political economy models under consideration. This facilitates the application of findings to other settings.

Three processes are recurrent themes in the ethnic fragmentation and the interest group model of political economy. First, the literature emphasizes the role of political patronage. Second it indicates the importance of rent-seeking because the private rewards to clients by a patron can take the form of the allocation of opportunities to exploit rents. As land, housing and services have characteristics which make them prone for rent-seeking, this process is likely to be highly relevant for the analysis. The third recurrent theme in the literature review is the collective action problem.

This determines the focal points of the analysis. To evaluate whether the ethnic fragmentation or the interest group model fits better with the realities in Nairobi, the paper will examine whether patron-client relationships develop along ethnic or class lines. If the elite model is valid, one would expect that it is the affluent that benefit from political patronage; if specific ethnic groups are rewarded or excluded from the stream of benefits it suggests that the ethnic fragmentation model works better. Additionally the analysis will explore the respective roles of ethnic diversity and lack of financial resources as causes of collective action problems.

These three processes – patronage, rent-seeking and collective action failures – will be analyzed in four areas: the land market, the informal housing market, the provision of infrastructure services and slum upgrading, all of which are linked to public policies towards low income housing.

This case study takes the form of an analytical narrative drawing on secondary empirical evidence. The reviewed published and grey literature has multiple sources such as qualitative empirical studies, annual reports, and newspaper articles. Interested in the *continued* existence

of slums the data mostly refers to the last two decades. It also makes sense to focus on the period after 1990 because this is when the multiparty-system commenced and the heightened politization of housing and land policy associated with it.

There is a rich amount of studies on Nairobi's slums. However, due to the politically sensitive nature of the subject, the evidence presented seldom takes the form of "hard facts", but rather has a suggestive character, drawing heavily on qualitative data from interviews.

It is plausible that both the ethnic fragmentation and the interest group model can explain realities in Nairobi and may even work in combination. This is because in Kenya class and ethnicity are characterized by co-existence and interaction. Segregation by income, for instance, has a strong ethnic dimension as is indicated by the strong regional disparities in the distribution of poverty (SID, 2004, 13-14). Therefore this case study does not seek to invalidate one of the models, but rather aims to evaluate the relative importance of the interest group and the ethnic fragmentation model.

## **4 The case of Nairobi**

This section presents the case of Nairobi. It first provides some background information. After the introduction there follows an analysis of the land market, the low-income informal housing sector, the pattern of service provision and slum upgrading in Nairobi.

### *Spatial segregation in Nairobi*

To keep the African population low and to prevent the spread of infectious diseases the British colonial administration restricted the migration of Africans to Nairobi and systematically racially zoned the city (K'Akumu and Olima, 2007). With the attainment of independence in 1963 the racial residential segregation was reduced, and economic forces reclassified settling patterns during the first decade of independence. In contemporary Nairobi “the low-income group on specific locations, and the high-income group on the other have created two new ends of the spatial divide” (K'Akumu and Olima, 2007, 92). There is a clear segregation between high-income areas with low densities located primarily in the western, northern and southern parts of the city, and low-income areas with high densities in the east.

Ethnic partition, however, has not been completely eradicated. Contemporary Nairobi is a multi-ethnic city, with the Kikuyu predominant (constituting 33 percent of the city's population), followed by the Luo, Kamba and Luhya (Government of Kenya, 1999, 6-3). While individual informal settlements, like high income residential areas, are ethnically mixed, villages within an informal settlement often show a rough demarcation along ethnic lines, with one or mostly two predominant ethnic groups (Syagga et al., 2001, 153). The reason for the settlement along ethnic lines is presumably that migrants tend to look for housing where social networks exist, and these are often based on ethnicity.

### *Slum formation*

The first squatter settlements emerged during the colonial period when the colonial administration discouraged the provision of large-scale public housing for the African population in order to curtail the influx of Africans into Nairobi (Obudho and Aduwo, 1989). When the restriction of the migration of Africans to Nairobi was lifted following independence the population in Nairobi increased from 350,000 in 1963 to 2.5 million inhabitants today (K'Akumu and Olima, 2007, 92). The increasing demand has not been matched by a well-planned provision of adequate housing. Therefore the growth of informal settlements has accompanied the growth of the population. In part the failure of Nairobi's authorities to provide access to land, housing and services to the growing number of residents can be attributed to the lack of financial resources and poor management (Syagga et al., 2001,

46). However corruption in the Nairobi City Council<sup>4</sup>, Nairobi's spatial segregation and the possibility to target land, housing and services suggest that the lack of finance and management failures are also endogenous outcomes of political decisions.

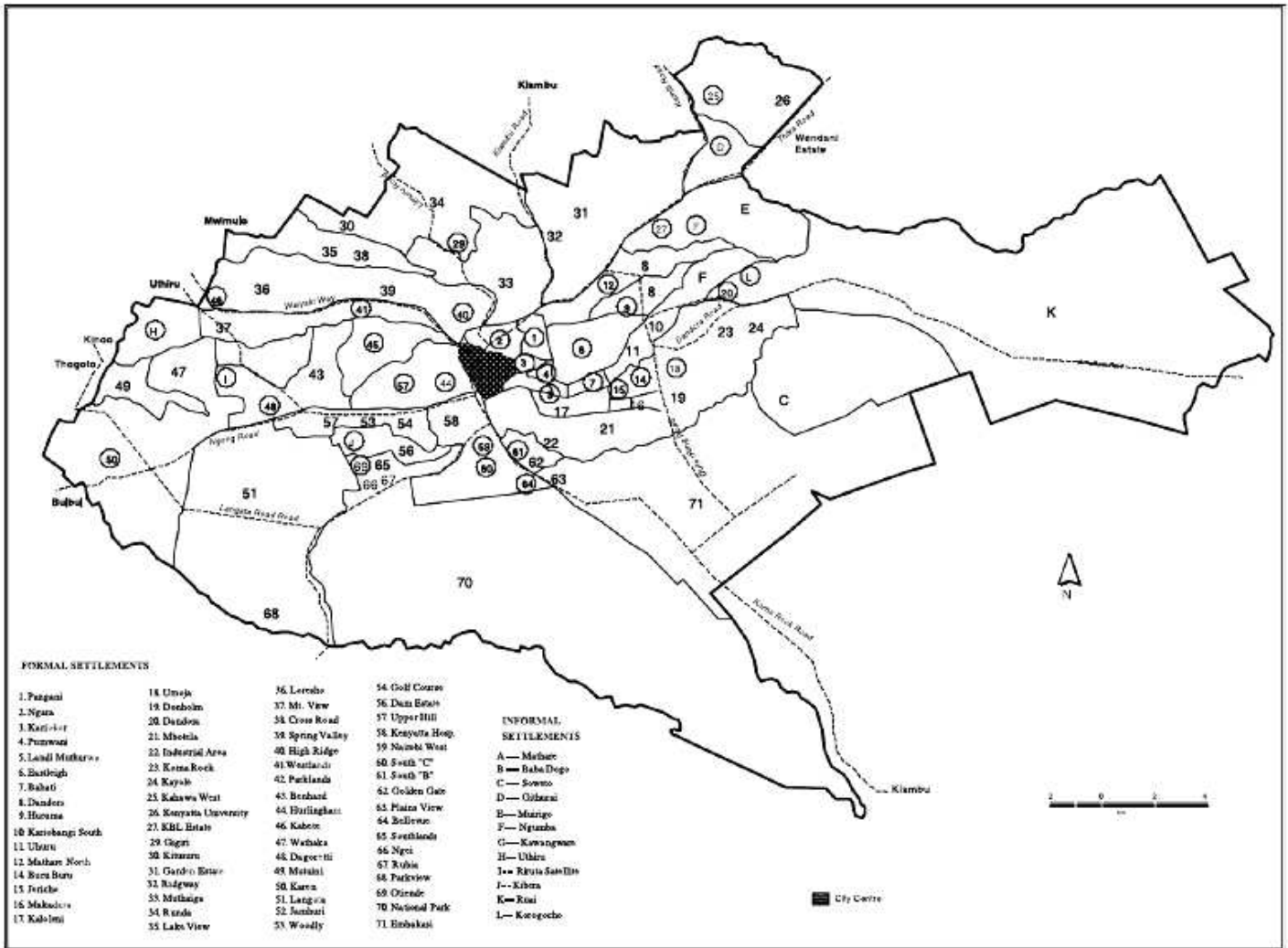


Fig. 1. Formal and informal settlements in Nairobi. Source: Shihembetsa, 1995, reproduced in K' Akumu and Olima, 2007, 88.

<sup>4</sup> The Nairobi City Council was ranked the third most corrupt public sector organisation in Kenya by Transparency International (2008).

## **4.1 The land allocation process**

After independence all land in Kenya, which had been appropriated to the Crown under British rule, was renamed government land. The Government Lands Act provides that before public land is allocated, the Commissioner of Lands, as the final authority in the process, should advertise that land and sell it at a public auction to the highest bidder (Syagga et al., 2002, 68). Yet due to a system of political patronage it is, as predicted by the political economy models, not only ability to pay but also political considerations which determine access to land.

### **4.1.1 Land grabbing**

There is overwhelming evidence that procedures for the proper allocation of land are routinely by-passed to benefit a small group of individuals at the expense of the public (Syagga et al., 2002, 90; Transparency International, 2003). Amos Kimenya, Kenyan Minister for Lands and Settlement, sees the allocation of land since independence as “a pay-back system for political supporters, though limited to certain groups of people” (Transparency International, 2003, 1). Much of this politically distorted allocation of land, referred to as land grabbing, was made public by the 2003 appointed Ndungu Commission. It found that more than 200,000 illegal titles were created between 1962 and 2002 by the orders of the President, senior public officials and politicians. That the motives behind these illegal land allocations were not just personal enrichment but political in nature, suggests the finding that land grabbing increased around the time of elections and reached its peak in the multiparty-era starting in the 1990s (Ndungu, 2006, 5-6). The commission found that, in line with the interest group model, beneficiaries of grabbed land are part of the Kenyan elite: ministers, senior civil servants, politicians and politically well-connected businessmen.

In Nairobi land grabbing has affected the urban land market in the form of spiralling land prices and illegal developments (Kinyungu, 2007). Moreover, the distorted allocation of land has translated into about 60 percent of Nairobi’s population currently living in informal settlements but occupying only 5 percent of the residential area (Syagga et al., 2001, 26).



#### 4.1.2 Effects of the distorted land allocation system on Nairobi's informal settlements

In Nairobi the provincial administration, represented by local chiefs<sup>5</sup>, is entrusted with supervising informal settlements (COHRE<sup>6</sup>, 2006, 84). Despite not having the jurisdiction to do that, officials of the provincial administration reportedly allocated public or private unclaimed land in slums to private individuals and firms (COHRE, 84-85; Syagga et al., 2001, 78). Thus slums may be referred to as *informal* settlements not only because the development of housing but also because the allocation of land has no legal basis.

As a consequence of the distorted land allocation process 92 percent of the slum households in Nairobi are rent-paying tenants (World Bank, 2006, 36). Thus slums, which are mainly located on public land, operate like the formal real estate market. The best documented example is Nairobi's largest slum Kibera housing over 700,000 people: Despite being mainly located on public land 93 percent of the residents are tenants (UN-HABITAT and Government of Kenya, 2005, 10, 45).

Syagga et al. (2001, 126) find that it is almost impossible to put up a structure within any slum without permission of the chief. In exchange for land officials expect some reward which in most cases takes the form of bribes (COHRE, 2006, 85). However, as a form of political patronage, the system of illegal land allocation does not depend solely on ability to pay. The Ndungu commission finds that churches in Nairobi were allocated land, often for very small sums of money, as an inducement or reward for mobilising political support (Mugonyi, 2004). Odenda Lumumba, Coordinator of the Kenya Land Alliance<sup>7</sup>, argues that in most cases officials allocate land to affluent individuals at premiums far below the market so that even the poor could afford them. This suggests that besides ability to pay it is important to have political leverage to acquire land in informal settlements.

This also supports the limited data available on the socio-economic background of landlords. In line with the interest group model, landlords of informal settlements belong to Nairobi's elite. COHRE (2006, 85) finds that landlords in Nairobi's slums tend to be relatively wealthy and, as expected in a country where campaign finance depends on private funds, politically influential. Their high economic status is also indicated by the finding that up to 95 percent of the structure-owners in Nairobi's slums are absentee-landlords living outside the slums (Gulyani et al., 2006, 43). Thus, resident landlords constitute a minority.

There is empirical evidence that the group of landlords also includes politicians and members of the provincial administration (COHRE, 2006, 86; Amis, 1988, 90; Syagga et al., 2002).

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<sup>5</sup> Kenya's system of local chiefs is a remnant of the colonial administration. Although their legal powers have been partially curtailed, chiefs still command significant authority within the settlements (COHRE, 2006, 37).

<sup>6</sup> The Centre on Housing Rights and Evictions (COHRE) is a non-governmental organization (NGO) campaigning for the protection of housing rights.

<sup>7</sup> The Kenya Land Alliance is a network of civil society organizations and individuals advocating for land policy and law reforms in Kenya.

Cassius Kusienya (2004, 5), Assistant Director of the Ministry of Housing, describes well the interaction between income and political influence in Mathare Valley. In Nairobi's second largest informal settlement absentee-landlords

“grew to become the most powerful people in the slums, providing not just dwellings, shops and other commercial entities but often even political leadership. Hence their close association with the local political leadership. Some actually got elected to the City Council of Nairobi and even parliament.” (Kusienya, 2004, 5)

Empirical evidence that public officials have allocated land in Nairobi's slums to benefit specific ethnic groups is scarce. Amis (1983,148-174) illustrates for Kibera how the Kikuyu-dominated provincial administration rewarded co-ethnics illegally with public land. As a result today Kikuyus are predominant among large-scale landlords in Kibera, which historically was a Sudanese enclave. Also in other informal settlements Kikuyus are predominant among landlords, for instance in Mathare Valley and Dagoretti (Chege, 1981, 79). This suggests that, as the ethnic fragmentation model predicts, patrons have used land in Nairobi's slums to reward specific ethnic groups.

However, Amis (1983, 162) argues that in Kibera being politically well-connected was the main precondition for access to land and this may or may not involve ethnicity. The fact that today the group of landlords in Kibera, like in other informal settlements, is ethnically heterogeneous supports Amis' argument: They include Luo, Luhya, and Kambas (Irin, 2001). What also goes against the predictions of the ethnic fragmentation model is that the slum dwellers who are excluded from, and bear the costs of, the distorted land allocation process, belong to all major ethnic groups in Nairobi, including the Kikuyu (IRIN, 2001; Syagga et al., 2001, 153). In Mathare Valley, Nairobi's second largest slum, Kikuyus are not only predominant among landlords but also among tenants (Chege, 1981, 79). Moreover, rather than by specific ethnic identities, slum households in Nairobi can, in line with the interest group model, be better characterized in socio-economic terms, as 73 percent of them can be classified as poor (Gulyani et al., 2006, 15).

There are two plausible explanations for the secondary role of ethnicity in patron-client relationships. First, ethnicity may be used as an additional criterion to further limit the circle of affluent and well-connected beneficiaries. Second, income has an ethnic dimension in Nairobi, where the Kikuyu have more assets than the Luo and Luhya<sup>8</sup> (Steward, 2008, 8). Thus, the predominance of Kikuyus as landlords in Kibera might also result from the higher economic status of the ethnic group as a whole.<sup>9</sup>

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<sup>8</sup> In Nairobi only the Kalenjin, whose elite was probably created in the Moi regime, are richer than the Kikuyu (Steward, 2008, 9)

<sup>9</sup> A third non-economic explanation for the predominance of Kikuyus among large-scale landlords is that they constitute the largest group in the city, that is one third of the its population (Government of Kenya, 1999, 6-3).

What about collective action of slum dwellers to purchase land? Land-buying cooperatives have played only a marginal role in Nairobi (Syagga et al., 2001, 93). Often land-buying companies started their operations as cooperatives composed of slum residents. However, later the cooperatives attracted shareholders from outside the settlement due to the profitability of the market. The results were either that the companies became controlled by the non-original shareholders or dominated by a small group of slum residents who grew to be large-scale landlords (Syagga et al., 2001, 93). Chege (1981, 78) documents this in Mathare Valley where Kikuyu slum residents pooled resources and became large-scale landlords as well as the political leaders in the settlement. This suggests that the failure of slum dwellers to act collectively and form land-buying cooperatives has been due less to ethnic fragmentation than to the dominance of commercial interests.

### **4.1.3 Conclusion**

The analysis shows that political patronage in the public allocation of land in Nairobi is effectively subsidizing a group of affluent, well-connected agents. The land allocation process consolidates their economic power as well as the political power of public officials. The realities in Nairobi fit with the interest group model because both landlords and tenants represent all major ethnic groups but are divided according to income.

The predominance of specific ethnic groups among landlords in individual settlements indicates that the ethnic fragmentation model too can explain part of the inefficiencies. Yet, it cannot do so alone. When it comes to explaining the distorted distribution of land in Nairobi both of the models need to be used in combination. This suggests that ethnicity affects the allocation of land insofar as it is used as an additional instrument to limit the number of beneficiaries in the land allocation process or as it is linked to the economic status of clients.

## **4.2 The housing sector**

Huchzermeyer (2008, 30) finds that within Nairobi's low-income housing market council housing stock plays no regulating role because entitlement to units is through illegal inheritance of occupation rights and political patronage. As a consequence, units are rented far below market rates to middle class households. Lacking access to land and public housing, the only option for the poor and less connected is to resort to the informal housing market. Yet the dynamics of this market both indicate and increase the power imbalances between slum dwellers on the one hand and landlords and public officials on the other hand.

### **4.2.1 The profitability of the slum business**

Informal rental housing in Nairobi is dominated by large-scale landlordism (Amis, 1984, 88; Syagga et al., 2001, 93). Amis (1983, 206), for instance, finds that in Kibera six percent of all landlords own 25 percent of all rooms. This indicates a high degree of ownership concentration. Furthermore, increasing densities in Nairobi's slums suggest that structure owners, bypassing official regulations, maximise their income by constructing an increasing number of units on plots (Syagga et al., 2001, 96). As a consequence densities in Nairobi's slums have reached 250 units per hectare compared to 25 units per hectare in middle income areas (Syagga et al., 2001, 21). Additionally, the rampant illegal construction of extensions in plots and the resulting problems of providing basic services have turned many of the formerly planned low cost estates in Nairobi into slums.

Additionally to operating on a large scale landlords try to maximize their profits by minimizing the costs of building a structure and maximizing rents. Therefore landlords have an incentive to provide low quality housing lacking basic facilities. BPD<sup>10</sup> (2004, 2), for instance, documents that landlords are reluctant to forfeit any potential rental income by providing scarce land to construct toilets.

Particularly in light of the poor quality of housing rents are high: Gulyani et al. (2006, 37) find that slum households pay on average a monthly rent of 790 Ksh (US \$11), accounting for 12 percent of the average monthly income. Among the major expenditure categories, rent appears to be second only to food. Syagga et al. (2002, 5) report that if the Kenyan Rent Restriction Act was applied effectively in Nairobi's slums, "rents would decrease by 70 percent (...)." This "high cost low quality trap" (Gulyani et al., 2006, 43) allows landlords to

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<sup>10</sup> Building Partnerships for Development (BPD) is an NGO focused on improving access to water and sanitation.

make a 100 percent – tax free – return on rental investment in only three years (Huchzermeyer, 2008, 30).

The opportunity to extract high rents and to operate on a large scale indicates the major role of political patronage in the informal low cost housing sector. First, the system of political patronage restricts access to land to a small group of people and these barriers to market entry enable landlords to earn oligopoly profits in the housing market. Second, to invest on a large scale in slums, one must feel politically secure. Thus only the politically well-connected are able to build on a large-scale structures violating building standards or located on public land. This is in line with the finding that slums have been treated differentially and it is primarily those lacking political protection which have been demolished (Macharia, 1992).

#### **4.2.2 The landlord-tenant relationship**

While the relationship between landlords and the provincial administration is one of reciprocity, the landlord-tenant relationship is generally conflictive and characterized by power imbalances. These are both evident in, and derive from, differences in social status: Landlords, as outlined above, tend to belong to higher income groups and are politically well-connected, whereas 73 percent of Nairobi's slum households are poor according to an expenditure-based poverty line (Gulyani et al., 2006, 14).

To consolidate their economic power landlords seem to adopt two major strategies. First, a strategy of social distancing as indicated by the phenomenon of absentee-landlordism and the use of intermediaries to collect rents (Gulyani et al., 2006, 35). This depersonalisation of landlord-tenant relationships facilitates the extraction of rents.

Second, landlords use a strategy of ethnic mismatch. Although tenants generally prefer to rent rooms where structure owners belong to their ethnic group, in the majority of the informal settlements landlords primarily choose tenants from other ethnic backgrounds (Syagga et al., 2001, 153; Amis, 1983, 261). The fact that these tenants can not seek preferential treatment in the payment of rent on the basis of some tribal loyalty suggests that landlords select tenants from other ethnic groups to facilitate the extraction of rents.

Furthermore, there is evidence that within most slum villages more than one ethnic group is predominant (Syagga et al., 2001, 153). This in line with Amis' (1983, 260-262) finding that landlords in Kibera prefer mixed tribe villages and structures, presumably to make collective action of tenants more difficult. If the assumption that landlords take advantage of ethnic polarization by actively inducing collective action problems is valid, then ethnic mixing emerges as a third strategy of landlords to consolidate their favourable position in Nairobi's political economy.

*The effect of collective action problems on power structures in Nairobi's slums*

Whether actively encouraged by landlords or not, NGOs and community based organizations (CBOs) complain that, as predicted by the ethnic fragmentation model, conflict and low social trust between different ethnic groups make collective action of tenants more difficult (Weru, 2004, 48; BPD, 2004, 1). This in turn increases power imbalances in the landlord-tenant relationship. As a result, in line with the ethnic fragmentation model, ethnically homogenous groups are a preferred form of participation in Nairobi's informal settlements (Cifuentes, 2008, 20; La Ferrara, 2002).

Yet frequent violent conflicts between landlords and tenants over rents suggest that housing is an issue that can politicize slum-dwellers. To date the most serious conflict occurred in Kibera in 2001 when tenants from a variety of ethnic backgrounds jointly organized a rent boycott. This provoked violent clashes with landlords which lasted several weeks and spread to other informal settlements (IRIN, 2001). The case of rent conflicts suggests that, if the expected benefits of cooperation are high ethnic diversity does not necessarily inhibit collective action, at least not short-term mobilization for a specific aim.

Additionally, as posited by the interest group model, slum dwellers seem to face problems in organizing themselves, not only because of ethnic fragmentation, but also because they are poor. A recent study of Kibera finds that, members of CBOs consider the lack of financial resources as a major obstacle for their work (UN-HABITAT and Government of Kenya, 2005, 17). Graham and Alder (2001, 79) point out that the most fundamental problems shelter co-operatives face are a lack of resources combined with high interest rates. CBOs also have difficulties in accessing and evaluating official information, particularly because they lack English skills and official documents are not provided in Kiswahili (COHRE, 2006, 6).

### **4.2.3 Conclusion**

In light of the finding that both landlords and tenants are primarily characterized by their economic status as opposed to their ethnic identity, the analysis of the low-cost housing market strengthens the case for the interest group model: The distorted allocation of land has created a situation of legal uncertainty but de facto recognition of Nairobi's informal settlements. As the analysis of costs and benefits in the housing market shows, landlords take advantage of this situation by earning high profits in this unregulated environment.

Ethnic polarization, as predicted by the ethnic fragmentation model, is a major cause of collective action problems and thus also contributes to the persistence of Nairobi's slums. However, realities in Nairobi can more fully be explained by elite bias. This suggests the finding that collective action problems are presumably actively induced by landlords to maintain their economic benefits and also result from the lack of financial resources.

### **4.3 The provision of basic infrastructure services in Nairobi's slums**

Access to basic public services in Nairobi's slums is far lower than Nairobi-level data suggests (Gulyani et al., 2006, 49-53).

Gulyani et al. (2006, 50) find that less than one fifth of the slum households have access to piped water, that is private in-house connections or yard taps. The vast majority of slum dwellers rely on water kiosks to buy water from private providers. By comparison, studies reporting data for Nairobi as a whole place the proportion of households with access to piped water at 71 percent (Gulyani et al., 2005, 1252). The inequality in access to basic services also applies to electricity connections: One in five households in Nairobi's slums (22 percent) is connected to electricity and uses it as a lighting fuel. In contrast, in the city as a whole 52 percent have electricity connections (Gulyani et al., 2006, 51). Despite the negative externalities of garbage, less than one in a hundred slum households (0.9 percent) is served by a publicly provided collection system (Gulyani et al., 2006, 52). The vast majority of the households in informal settlements dispose of solid waste by dumping, burning or burying it. On the level of Nairobi province six percent of the households are at least infrequently served by a publicly provided garbage collection system (KDHS, 2008, 24).

Keeping in mind Nairobi's spatial segregation according to income these exemplary figures illustrate that residents of higher income areas are provided with better infrastructure services than the urban poor living in the slums. The government justifies this by the fact that slums are informal settlements and that the delivery of services would be equivalent to their official recognition (Wegelin-Schuringa and Kodo, 1997, 181). However, one might argue that the acquiescence regarding the operations of landlords and the abuse of power of public officials in Nairobi's slums constitutes a de facto recognition of informal settlements. What also casts doubt on the official justification is that public officials in Kibera tend to divert available water from the existing piped network to neighbouring high-income areas where both revenue collection and political influence are greater (Mehrotra, 2005, 5). This suggests that, in line with the interest group model, the better coverage of high income areas also results from successful lobbying of higher income groups. What goes against the predictions of ethnic fragmentation model is that slum dwellers, representing all major ethnic groups in Nairobi, are served equally poorly by the public system.

If slum dwellers could access reasonable quality services at affordable price from alternative providers, they would not lose from the lack of public services provision. Yet in Nairobi's slums the gap left by the government has not been filled adequately.

### **4.3.1 Non-commercial service providers**

CBOs and NGOs are only minor players in the provision of basic services (Huchzermeyer, 2008). Cifuentes (2008, 21) finds that in the Korogocho slum only three percent of the residents are participating in service-delivery based groups. The lack of community mobilisation in basic service delivery indicates collective action problems among slum residents.

Furthermore, the collective action problem of slum residents seems also to result from the lack of power vis-à-vis landlords. Mehrotra (2005, 7) finds that many of the private water vendors in Kibera are landlords, making tenants reluctant to protest against high prices or to change to alternative providers. Residents also fear that if they construct latrines, landlords will raise rents (Wegelin-Schuringa and Kodo, 1997, 183). BPD (2004, 1) finds that in several instances communal toilet facilities, the only infrastructure service primarily operated by CBOs in the slums, have been “privatized” by landlords. This suggests that landlords use their powerful position to take advantage of the lack of public infrastructure and as a result perpetuate power imbalances in the slums.

### **4.3.2 Private service providers**

The gap left by public and non-commercial providers in Nairobi’s slums has been filled by a variety of private agents (Huchzermeyer, 2008). In Kibera, for instance, 630 of the 650 water kiosks in operation are run by private agents (Mehrotra, 2005, 5). Yet the lack of public services has not been compensated adequately: Slum dwellers have to pay high prices for water, which is often contaminated (Mehrotra, 2005). The low coverage of electricity and of a private garbage collection system indicates that slum households are unwilling or unable to pay for commercial providers (Gulyani et al., 2006, 51-54). Many of the CBO-operated pay-per-use latrines have deteriorated over time due to maintenance problems (BPD, 2004, 1-2). However, the lack of alternatives in the slums has turned private service provision into a profitable business (Huchzermeyer, 2008).

Water kiosk owners, in particular, can earn high revenues. Like many other cities Nairobi’s public network provides water below full-cost-recovery prices, justifying this by the importance of access to water for the poor. Yet, Gulyani et al. (2006, 50) find that slum households pay on average Ksh 100/m<sup>3</sup> (US\$1.33/m<sup>3</sup>) at water kiosks. This is eight times the price of the lowest tariff block for domestic connections (Mehrotra, 2005, 6). Thus slum households pay full-cost-recovery-level prices in contrast to residents of higher income areas and water kiosk owners who obtain water from the public network. The exploitation of high



rents is also possible because of the concentration of sales within a small number of kiosks (Mehrotra, 2005, 7). This suggests that public officials who control the entry to the water market restrict access to their clients and take the opportunity to extract bribes.

In part the profits of kiosk owners are negated by the high costs of installing kiosks (Mehrotra, 2005, 6). Additionally, some of the profit is captured by public officials. Water vendors report that at least a quarter of their initial investment is in the form of bribes to facilitate a connection. Furthermore, they are required to make on-going unofficial payments to utility officials in order to stay in business (Mehrotra, 2005, 7).

However, the high price of water is also the result of rent-seeking. Water vendors have reportedly taken advantage of temporary water shortages to make rapid profits. Usually these shortages are due to general problems at the utility. Yet Mehrotra (2005, 7) also finds that artificial shortages are sometimes created through collusion with utility officials.

### **4.3.3 Conclusion**

The deliberate exclusion of informal settlements from public services has contributed to the persistence of slums for two major reasons. First, because it consolidates the status of informality of these settlements and the associated power imbalances. Second, because the process of exclusion has created benefits to a variety of actors who have an interest in maintaining the status quo. As predicted by the interest group model, these beneficiaries are the affluent and well-connected: residents of higher income areas, public officials and landlords. The benefits accruing to private service providers also fit with the predictions of the interest group model: The profitability of the business and the barriers to market entry suggest that this group is relatively better off and better connected than the majority of slum dwellers.

The costs of the existing pattern of service provision – in terms of money, health and nuisance – are born by the residents of Nairobi's slums. Ethnic fragmentation can in part explain their bad position, for instance as a source of collective action problems. However, similar to the previous analyses of the land and housing sector, what goes against the ethnic fragmentation model is that the group of losers consists of slum dwellers representing all major tribes but sharing the characteristic of poverty.

#### **4.4 Slum Upgrading in Nairobi: Responses to the challenge of slums**

The foregoing sections show that the persistence of slums partly results from a lack of public intervention in the land, housing and services sector, through either provision or regulation. Yet the rapid and continuous expansion of slums has finally been addressed by slum upgrading efforts. These were relatively small in scale in Nairobi until the Kenyan Slum Upgrading programme (KENSUP) was launched in 2003 (Gulyani et al., 2006, 55). Similar to previous programmes in Nairobi, KENSUP focuses on improving basic services, mitigating environmental hazards, regularizing security of tenure and providing incentives for community management.

These areas of intervention suggest that upgrading, if effective, changes the existing power structures within slums and is therefore a deeply political process.

##### **4.4.1 Political patrons in the slum upgrading process**

Slum upgrading may reduce the benefits accruing to public officials, such as the extension of a network of patronage. To maintain the status quo as far as possible, landlords reportedly abuse their power.

Public officials have a strong incentive to reward their clients by illegally allocating land in an area designated for upgrading. The reason is that this is no longer possible once land has been upgraded and undergone a process of tenure regularisation. In the Kiambiu slum, which in 1994 was authorised to be upgraded, public officials have illegally sold the land designated for upgrading to developers to such an extent that upgrading is now impossible (COHRE, 2006, 133-135).

Public officials also reportedly actively prevented collective action among slum dwellers to frustrate upgrading efforts. In Kiambiu, where slum residents jointly protest against the land grabbing, the local chiefs repeatedly closed down community meetings (COHRE, 2006, 84). Cifuentes (2008, 15-16) finds that only residents of informal settlements representing the interests of local authorities were invited to consultative meetings for a public service delivery project in Korogocho.

Additionally, public officials interfere in the slum upgrading process itself, which frequently takes the form of corruption in tendering (Cifuentes, 2008, 24).

#### **4.4.2 The tenure regularisation process and the landlord-tenant relationship**

Slum upgrading not only affects the standing of public officials but also the power balance between landlords and tenants. This occurs mainly through the regularisation of tenancy.

Security of tenure is a precondition for investment in the structures and the development of community ties. Moreover, tenancy regularisation is a crucial aspect of slum upgrading because it puts an end to the informality of slums used to justify their demolition or poor service provision. The “formalisation” of slums also opens the way for the regulation of services, rents and building standards.

This indicates that the regularisation of tenancy is a sensitive issue and determines who finally benefits from low-income housing. In general it is the resident in the slum area – either tenant or resident landlord – who is intended to be the beneficiary of slum upgrading. The reason is that absentee-landlords can afford better shelter elsewhere and in many cases have been allocated the land illegally. Yet many of the large-scale landlords argue that the introduction of a tenure system which only takes account of the needs of tenants disadvantages them disproportionately because they have invested in the structure, relieved the housing shortage and moreover they lose their rental income (Syagga et al., 2002, 29).

Large-scale landlords therefore usually oppose and interfere in upgrading projects.

In the case of the KENSUP pilot project in Kibera-Soweto (COHRE, 2006, 115) and upgrading in Mathare 4A (Kusienya, 2004, 4) landlords were able to lobby for a compensation without which the proceeding of the project would have been impossible. In both cases compensations were also paid to large-scale landlords who had illegally built structures on government land. COHRE (2006, 112) finds that when redevelopment in Kibera-Soweto was announced, landlords also took advantage of the situation by replacing original tenants through evictions or rent increases. This allowed them to make low cost housing accessible for family members or to extract higher rents before the beginning of the tenure regularisation process.

However, even if landlords do not actively interfere in the upgrading process, it is not necessarily the original tenants who benefit: The application of high standards regarding densities, building materials or room size increased the rents in past redevelopment projects (Huchzermeyer, 2008). As a consequence slum dwellers could no longer afford housing in the upgraded settlements and were priced out by higher income groups. This happened for instance in the Kibera High Rise project of the early 1990s (Huchzermeyer, 2008, 21) and in Pumwani (Ochieng, 2007, 42). Thus, through the design of upgrading projects, the state has effectively subsidized groups with a higher income than the intended beneficiaries. Moreover, the fact that in both the High Rise project and the Pumwani housing redevelopment bribes were paid to officials to get units allocated, indicates that, in line with the interest group model, it is both the well-connected and the better off who benefit from public efforts to address the challenge of slums.

Slum dwellers in contrast are forced to resort again to the informal low-income housing market in expanding or newly formed slums. Yet for the vast majority of slum dwellers public intervention so far has been unable to improve their position vis-à-vis landlords and public officials.

#### 4.4.3 Conclusion

This section is different from the previous ones: While these focused on the question of whether ethnic fragmentation or elite bias can explain the behaviour of agents, this section takes the finding, that elite bias has relatively more explanatory power as given. Rather this section looked at how landlords and public officials, the key actors in the business of slums, are affected and do react in the face of a public intervention which threatens the status quo. In combination with the findings of previous sections this analysis provides a more complete story of the political economy of the continued existence of slums: It highlights how the politically determined allocation of land, housing and services creates economics outcomes (profits) and political outcomes (a network of political patronage) which in turn change the political equilibrium, that generated the practice of resource allocation in the first place. In this new political equilibrium political patrons and the landed elite have become so powerful that they are able to frustrate efforts of the government and slum dwellers to tackle the challenge of informal settlements.

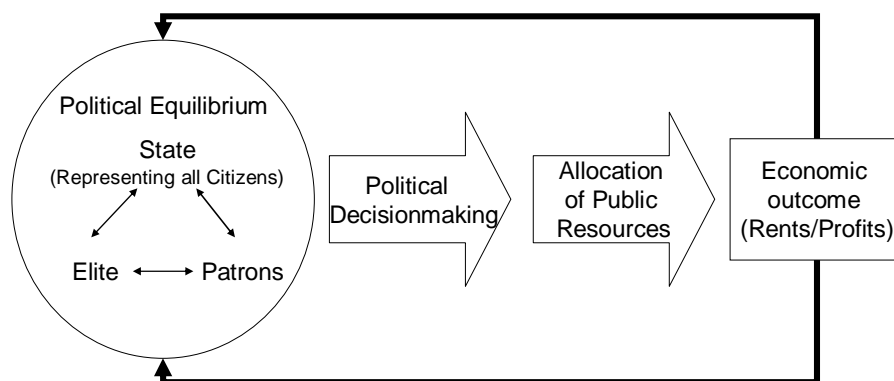


Fig. 2. The political economy of the continued existence of slums in Nairobi.

## 5 Conclusion

The interest group model of political economy can shed light on the continued existence of Nairobi's slums: This paper presents indicative evidence that political patronage enables the affluent and well-connected to benefit in financial and political terms from the continued existence of slums. In the analysis economic power emerges as the most important criterion for influence on political decision-making. In contrast, ethnic loyalties and prejudices may be subordinated the aim to consolidate economic and political power.

This is not to argue that in the case of Nairobi elite bias could explain all inefficiencies or that the ethnic fragmentation model has no explanatory power. The analysis frequently shows the interaction between ethnic fragmentation and class. An example for this is Kibera: The predominance of Luos or Luhyas among tenants and of Kikuyus among large-scale landlords suggests that Kikuyu political patrons have used land to reward co-ethnics. However in light of the fact that in Nairobi Kikuyus are more affluent than Luos or Luhyas (Steward, 2008, 9), the ethnic dimension of class makes it difficult to explain the distorted allocation of land with either one or the other model. Another caveat in the evaluation of the respective roles of class and ethnic fragmentation is that in Kenya ethnicity tends to be used instrumentally for personal gain. This has been demonstrated for the informal housing market, where landlords choose an ethnic composition of tenants which facilitates the extraction of rents.

Furthermore, though not focus in this paper, there are probably also other biases at work, sometimes in interaction with class and ethnicity. Such biases may be induced through the design of electoral institutions, the macroeconomic context or external actors like donors. A full appraisal of the continued existence of slums also would have to look at demand side issues. The purpose of this paper however was to consider only two political economy models and to explore their relative importance.

If the finding, that elite bias is a major explanatory variable in the puzzle of slums is valid, it has a number of implications. It emphasizes that if governments wish to tackle the challenge of slums they must recognize the political nature of slum upgrading and existing power imbalances based on income inequality. The Kenyan Government and donors seem to have adopted this view only to a limited extent. This is suggested by the design of low-income housing to middle class standards in the KENSUP Kibera-Soweto pilot project (Huchzermeyer, 2008, 27) or by the failure to supervise and curtail the power of local officials in Kiambiu. Future upgrading strategies should reduce opportunities for higher income groups to make use of their political power. Recognizing power imbalances within Nairobi's slums also means to employ strategies that exploit creatively the possibilities to gain support from all stakeholders. Despite the illegitimacy of some of their claims such a strategy has realistically to be one of compromise with absentee-landlords. Part of this may be the

compensation of structure owners. The role played by elite bias also points to the importance of making lobbying more affordable for the poor. Providing better access to public information or financial support to CBOs facilitates the collective action of slum dwellers and may improve their position vis-à-vis landlords and public officials.

Recent political events also emphasize the need for better policies promoting inter-ethnic cooperation: In 2007 politicians were able to mobilize ethnicity violently to improve their chances of winning the elections (Mueller, 2008, 199). In Nairobi most of the battles between ethnic groups with different political affiliations, were fought in the slums – not in the middle or high income areas (Warah, 2008). This turned landlords and tenants but also slum residents against each other. The politically instigated outbreak of violence between different ethnic groups may have long-term effects on landlord-tenant-relationships, political patronage networks and collective action of slum-dwellers. How this may change the power structures within the slums and the relative importance of elite bias and ethnic fragmentation remains an area for future research on Nairobi.

Yet even in a context of heightened politicised ethnicity elite bias will probably remain a key driver of the persistence of slums. The reason is that Nairobi's slums, where frontiers between politics and economics are vague, have turned into market places. Slums have become a business in which selected individuals gain political power through votes or contacts and economic power, based on land and rental income. Thus it seems likely that also in the future in Nairobi's informal settlements, like in any unregulated market, what finally counts is ability to pay, whereas ethnic loyalties or prejudices may be obstacles in the pursuit of commercial interests.

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