CRITICAL COMMENTARY: URBAN GROWTH AND ACCESS TO OPPORTUNITIES: A CHALLENGE FOR LATIN AMERICA

FROM THE ADC - DEVELOPMENT BANK OF LATIN AMERICA

COMENTÁRIO CRÍTICO: CRESCIMENTO URBANO E ACESSO A OPORTUNIDADES: UM DESAFIO PARA A AMÉRICA LATINA DO ADC - BANCO DE DESENVOLVIMENTO DA AMÉRICA LATINA

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Abstract

This essay discusses, based on a critical reading of the argumentative lines of the Urban growth and Access to opportunities: a challenge for Latin America Report. In the first place, the technical logics of the treatment of urban issues in Latin America, whose emphasis in quantitative variables ignores the socio-spatial contradictions derived from the existing intense class conflicts over the region. In the second place, it highlights that the discourse of development fostered by the ADC aims at generating efficient institutional arrangements, that is why the attention is directed to create “sustainable urban governance schemes” and not to generate political and economic strategies intended to unequal distribution of wealth in the region. In the third place, it is suggested in this comment, that under the protection of contemporary dynamics of capital, new instruments of public policies which promote financing the market of ground and housing are legitimized, while the need to integrate urban communities in the decision–making process is preached.

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Keywords: Bank of Development of Latin America, Urban growth, Socio-spatial contradictions, Class conflicts, Development, Metropolitan governance.

Resumo

Este ensaio discute, com base em uma leitura crítica das linhas argumentativas do crescimento urbano e acesso a oportunidades: um desafio para o Relatório da América Latina. Em primeiro lugar, a lógica técnica do tratamento de questões urbanas na América Latina, cuja ênfase nas variáveis quantitativas ignora as contradições socioespaciais derivadas dos intensos conflitos de classe existentes na região. Em segundo lugar, destaca que o discurso do desenvolvimento promovido pela ADC visa gerar arranjos institucionais eficientes, por isso a atenção é direcionada para criar “esquemas de governança urbana sustentável” e não para gerar estratégias políticas e econômicas destinadas à distribuição desigual de riqueza na região. Em terceiro lugar, sugere-se neste comentário que, sob a proteção da dinâmica contemporânea do capital, sejam legitimados novos instrumentos de políticas públicas que promovam o financiamento do mercado de solo e habitação, enquanto a necessidade de integrar as comunidades urbanas na decisão - processo de fabricação é pregado.

Palavras-chave: Banco de Desenvolvimento da América Latina, Crescimento urbano, Contradições socioespaciais, Conflitos de classe, Desenvolvimento, Governança metropolitana.

Introduction

In the late 1960’s, the ‘Corporación Andina de Fomento’ – CAF (Andean Development Corporation), henceforth ADC, was founded as an initiative from the Andean Community of Nations (ACN) for the management of projects on infrastructure in the member nations: Venezuela, Colombia, Perú and Bolivia. Later on, the service portfolio and the ADC outreach were enlarged to take care of clients who were located beyond the borders of the Andean countries. In the year 2010, the ADC became the Bank of Development of Latin America, in a period where the Bank of the South, promoted by the so-called progressive governments of South America, was regarded as a financial alternative before the traditional multilateral institutions (Inter-American Development Bank (IDB), World Bank (WB) and International Monetary Fund (IMF)). In that sense, the main aim of the ADC-Bank of Development of Latin America is to foster a “a sustainable development approach by means of credit operations, non-refundable resources and support in technical and
financial structuring of projects in the public and private sectors of Latin America”, as the ones related to urban infrastructure, mobility and transportation, housing, among others.

The ADC-Bank of Development of Latin America frequently publishes reviews, reports and diagnoses on the economy in Latin America, and in those, it focuses primarily on urban development topics. Such documents are offered to national, subnational and local governments from the regions, with the end of guiding their public policies, Thus, in 2017 was published the Urban growth and Access to opportunities: a challenge for Latin America Report3 (henceforth Report) (CAF, 2017), which was elaborated by both officials from the Bank and academicians from different universities in Latin America.

In that document, the summoned experts in economy and development, suggest that in order to reach the goals set in the New Urban Agenda of the UN Habitat III, it is fundamental to “increase productivity, wealth and welfare”, based on the recognition of the “accessibility as a measure of welfare”. To achieve it, three critical areas of performance are defined: a. “ground and urban structure”, b. “mobility and transportation” and c. “Market of formal and informal housing”; from which new mechanisms of metropolitan governance should be structured.

Based on a critical reading of the argumentative lines of the Report, this comment discusses, in the first place, the technical logics of the treatment of urban issues in Latin America, whose emphasis in quantitative variables ignores the socio-spatial contradictions derived from the existing intense class conflicts over the region. In the second place, it highlights that the discourse of development fostered by the ADC aims at generating efficient institutional arrangements, that is why the attention is directed to create “sustainable urban governance schemes” and not to generate political and economic strategies intended to unequal distribution of wealth in the region. In the third place, it is suggested in this comment, that under the protection of contemporary dynamics of capital, new instruments of public policies which promote financing the market of ground and housing are legitimized, while the need to integrate urban communities in the decision-making process is preached.

Some background facts of the development of Latin America

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3 This Report was written in Spanish.
The discussions on the development in Latin America have been ample and the literature on the subject is profuse. We do not intend to make a profound review of the debates that have arisen in academic or government scenarios on this matter. Nonetheless, defining some general elements on development allows for the discussion of the general arguments of the Report. At some point, Arturo Escobar (2007) in his book *Encountering Development, the Making and Unmaking of the Third World*, points out the words of Harry Truman in his inauguration speech as the president of the United States as a clear indication of an important transformation in the policies of this country, for the underdeveloped countries. Truman remarks, upon making reference to the poverty issues in those countries, that “What we have in mind is a development program based on the concepts of fair and democratic treatment (...) To produce more is the key for peace and prosperity. And the key to produce more is a greater and more vigorous application of the technical and scientific modern knowledge” (TRUMAN, 1964, *apud* ESCOBAR, 1995, p. 3).

Only after 1950, did this notion of development echo in the so-called theories of modernization (ROSTOW, 1960; LEWIS, 1995, 1954; GERMANI, 1969, 1976), which suggest broadly speaking, the need to move from primitive production forms typical of Latin America to modern economic scenarios as the ones of the Western World. To achieve it, they believe the intervention of capital to be vital as a touchstone of the development and reduction of poverty.

In Latin America the postulates of these theories were widely spread by the Economic Commission for Latin America and the Caribbean (ECLAC) and received good acclaim by the government in the region. Together with the ECLAC, important research centers, cooperation agencies and multilateral institutions committed themselves to making the continent a fully developed region, and, therefore, made massive financial and technical resources available to leverage projects as well as to create directives and advisors frameworks related to the industrial economic development.

From 1950 to 1970 industrialization is the dominant economic view and the engine of the development directed by the State. In this context, the main cities in Latin America experienced unprecedented growth and urban expansion processes. To some authors as Quijano (1983, 1974) or Nun (1969, 1999) the ones who arrived in the cities and were not absorbed by the modern sector of the economy, constituted a marginal mass who would find in informality a survival resource. This vision, peculiar to the dualism of the theories of modernization and development, had as starting point the identification of the existence of a formal sector (modern) and an informal one.
(traditional), that opposed one to the other, and moreover, hindered the possibilities for the advancement of national economies (HERNÁNDEZ, 2017).

From the 1980’s up to now, the modernization of actions, the design and implementation and public policies for development, are in charge of free market and a reduced intervention from the State. For this reason, in the studies and current diagnoses on the development of Latin American cities, as it is the case of the Report, it is seen a view in which experts justify at the same time the intervention of capital, the construction of new institutional arrangements but a slight intervention from the State.

**Report outline and scope**

In the *Report Urban growth and access to opportunities: a challenge for Latin America* “it is expected to collaborate with an urban development agenda which, based on rigorous evidence provides for public policies proposals which improve accessibility in Latin American cities, and therefore, the welfare of their inhabitants” (p.2.). Thus, from this premise, the Report is organized in five chapters: Urban planning without development?, 2. There is space to grow: the use of ground and urban structure, 3. Mobility for accessibility, 4. The housing markets and urban informality, and 5. Toward a better metropolitan governance, through which it is intended to offer a reading on the way urban development policies for the continent must be addressed.

Each of the sections is intrinsically linked to the “substantial public policies ambiances” (n. p.), by means of which the actions of financial promotion from the Bank of Development of Latin America are channeled. Thus, “the planning of use of urban ground, the provision of infrastructure and mobility regulation, the flexibility of housing market and the existence of coordination mechanisms and governance on the metropolitan level” (p. 1), in full articulation, will allow decision-makers on a national, subnational and local levels, to consolidate innovating mechanisms of governance which contribute to a better development and welfare in Latin American countries.

Likewise, with the coordinated application of these principles, it is expected to reduce the negative externalities as it is the case of informality, the lack of housing, the deregulation of transportation, the risk and vulnerability, among others. All of those externalities resulted from decades characterized by institutional management and capital investment not so consistent with
the economic growth aims, led by world and regional level institutions (UN, IMF, WB, IDB and ECLAC).

**Critique of the argumentative lines of the Report**

As it was noted earlier, the Report is conceived as a diagnostic document from which the local governments can make decisions that aim to achieve better indexes of economic performance. To fulfill this task, the ADC also produces management manuals on particular areas: *Public-Private Partnership in Latin America. Guide for Regional and Local Governments* [Asociación Público-Privada en América Latina. Guía para Gobiernos Regionales y Locales] (CAF, 2018), *Transportation and Development in Latin America* [Transporte y Desarrollo en América Latina] (CAF, 2018) or *Public-Private Partnership in Latin America. Facing the challenge of connecting and improving the cities* [Asociación Público-Privada en América Latina. Afrontando el reto de conectar y mejorar las ciudades] (CAF, 2019), whose guidelines are based on the views and economic and political budgets depicted in the Report. Given the need to understand the outreach and constraints of this view, in this section a critical view on nodal elements of the discourse which supports the analytical structure of this document is presented.

**Technical logics; quantitative and methodological aspects**

The analysis which is made on the Report is based on a strong quantitative methodology, which reflects not only their professional and research careers of those who are in charge of writing each one of the chapters, but also the way how these specialists approach the city as a subject matter. Besides, the focus is set fundamentally on looking for “[empiric] rigorous evidences” (p.2), for the decision-making process of regional governments, due to the fact that “the existing (...) on the topics analyzed (...) is scarce and has quality and space-time coverage limitations” (p.57).

In this sense, according to its authors, the *Report remedies the “need* to produce more information” on the understanding that, complex urban problematics “have been scarcely studied in Latin America” (p. 57). Thus, the document makes tabula rasa of decades of urban studies in the continent (CARRIÓN & DAMMERT, 2016; SCHTEINGART, 2012), to which not only academicians from each of the countries have contributed (from multiple analytical, political and ideological views), but also cooperation agencies and diverse international entities.
Within this framework, the main source of information used for the analysis is the *Survey on access, quality and satisfaction with public services in Latin America* (CAF, 2016), instrument produced by the very Bank of Development of Latin America. With such survey it is warned a view fundamentally objectivist, derived from complex econometric and statistical methods, which are intended to reveal the reality of urban process of Latin America accurately, but which are distant from the contexts which embody, misery, poverty the informality and the environmental deterioration of cities and their inhabitants.

Anchored in the “reliable data” from the Review (CAF, 2016) the *Report* (CAF, 2017) advances on a methodological field in which matters such as *machine learning* (CAF, 2017, p. 22) become the main guideline for the understanding of urban dynamics, under the understanding that reliability is determined by the high capacity for processing of enormous amounts of data. Moreover, from techniques of satellites images analysis of main urban zones of the continents, it is expected to identify a “conglomerate of stable pixels of night luminosity” (p.36) which gives an account, without any approach to neighborhood areas of urban informality levels, inasmuch as the illuminated areas, according to the *Report*, are a clear indicator of lesser standards of living associated to the absence of electrical power networks. It could be said therefore, that the complex universe of informality and the space occupation mechanisms, end up being reduced into data which can be processed by advanced technological means and not by means of understanding unequal dynamics of urban space.

The above mentioned information gives us an account of a panorama of analysis of urban dynamics in which the complex and hectic reality are reduced to statistical data, under the premise that this allows for the development of generalized answers which could not be obtained with other kinds of approaches more centered on the understanding of urban life in greater terms. Thus, it is not about a criticism per se to the methodological resources used by the *Report* but point out the bias which those distill on the answers offered by the international institutions, and besides, by the way in which these preconfigure an urban reality which, under institutional budgets, are far away from the living conditions from those who dwell in the cities.

In short, talking about this view on urban life is important as in the view in which the Report is embodied, the dimensions of dwelling are reduced to figures of location and size of housing, disregarding the way in which people of lesser income in main cities produce in their habitat. Thus, for the *Report*, living the city is an act of repetition in which accessing to housing and public
transportation can be measured in terms of space occupation, and not in the light of what Lefebvre (1971a, 1971b, 1991a, 1991b), from his approach of “criticism to daily life”, understood as the possibilities of creating spaces of political action before the subjugation of the technic and the repetitive matters.

Development, institutional arrangements and governance

The Report of the ADC for the year 2017, unlike the previous ones, focuses its attention on the urban issue. From there it is ensured in the first place, that “cities are the primary engine of development of countries” (p.5) because it is precisely in these places in which the highest levels of technical advancement is placed as well as the institutional arrangement, the infrastructure and the human capital which allow for it. However, the Report also suggests that in the cities “there are processes which obscure the achievements” (p.5) of the economic development and, in the same direction, “hinder individual possibilities” (p.176) of progress of the areas dwellers “with high levels of poverty and social marginalization” (p.176).

Thus, for the Report, the problems of urbanization without development derive from the tardy industrialization process of Latin America. In this way, unlike Western Europe and the U.S.A, where the urban growth was interwoven from XIX Century with the industrial development, in our continent urbanization took place as “an answer to the price increase of natural resources (...) and the improvements in healthiness” (p.22). Another explanatory element is linked to “high rates of poverty in the rural sector” (p.22) which promote constant waves of immigration toward urban areas, where urban informality traits linked to the low productivity of activities performed by the “marginalized” individuals are configured.

Derived from what was mentioned above, the texts moves on to the thesis that urbanization processes in Latin America have not been able to reduce “negative externalities” linked, for example, to the uncontrolled expansions, since those processes have taken place without a solid foundation for development. In this sense, the analytical circle proposed by the ADC which is closed upon a scenario in which it is vital in the attempt to sort out the lack of development difficulties, the application of solid public policies, in which “the generation of new cycles of innovation and technological change” (p.20), and the implementation of mechanisms of efficient urban governance allow that, aligned by what De Soto (1989) points out, the coexistence of healthiness, poverty and inequity, not be a limitation but a creative source of opportunity.
As a response to these imbalances in the functioning of urban systems, the ADC (CAF, 2017, p. 5) calls for as fundamental mechanisms the “intervention of public policies “which allow the people who build their house in an informal way to transit orderly into a formal market of ground and, in this fashion, enjoy the comparative advantages of formality: the availability of financing, property ownership, utilities, public transport. On the other hand, it is also suggested that formalization, beyond the housing setting, it is the expected way to achieve a greater articulation with the guarantees that the “economies of agglomeration offer” (p.50) since it also contributes to reducing the “congestion costs” and the “negative externalities”.

Upon understanding the urbanization as a non-reversible process, and therefore undisputable in which market guarantees should cover the wide social spectrum, it is precise, according to the Report, to ensure property right, as one of the pillars of the success of the set of institutions which rule the social urban processes so that this discourse in which social classes are replaced by institutions, may have the effect of depoliticize the debate to provide instead, for technical answers focused on “hegemonic governmental rationality” (ROSSI, 2017, p. 80) and its operation rules (HARVEY, 2014, 2017)

On the other hand, the Report, after reviewing the problems related to “the suboptimal regulations of the use of ground (Chapter 2); to the poor infrastructure of transportation, particularly of public transportation (Chapter 3), and to the limited offer to affordable housing (Chapter 4)”, states that public policies should find a positive atmosphere for their application, and that depends primarily, on the “metropolitan governance” (p.235). This way, while a critique to the fundamentally technical application of the suggested policies, some strategies of instrumental nature are proposed as a solution to most urgent, urban problems, in which “organizational and institutional aspects of the implementation and coordination of public policies on a metropolitan level” (p.235) become important.

As it is observed, for the Report urban development issues derive from institutionally related matters and structure related ones, and therefore, the solutions that derive from there are sustained in the spirit of actions proper of a technocratic tradition that has had its way in Latin America since the 1070’s. Thus, the adequate interaction between “public institutions of different government levels, the private sector and the civil society” (p.235) will allow to correct the effect of the escalation of negative externalities as well as find the most suitable channels for the correct decision-making process.
It is worth pointing out in this argumentation about metropolitan governance the unawareness of analytical advances that have taken place in Latin America regarding the production of urban informality. For this reason, the Report emphasizes the idea of understanding, when it deals with the modalities of governance, the urban reality in dichotomous terms: “the modalities of metropolitan government can be classified according to the mechanisms which they have to solve coordination problems: formal versus informal/institutions” (p.245). Based on what has been stated in the document, it is possible to conclude that for the specialists hired by the Bank of Development of Latin America, the formal/institutional modality holds a higher status than does the informal modality, as the former one allows to cope with “the complexity of coordination problems, legitimacy, transparence, citizen participation in metropolitan decision-making and resources availability (p.245), the informal modality” in general lack a wholesome view of municipal development[and]in this sense, are not enough to solve fragmentation problems among different municipalities” (p.246).

From what was mentioned above, it is indicated that upon understanding the urban universe from the dual formal/informal view, the suggested strategies are aimed at promoting urban development from political arrangements in which, initially, the voice of communities will find limitations for its recognition and legitimacy as it has not been transmitted by the institutional channels. Thus, this peculiar way of understanding the urban universe makes whole sense when it is observed that dissertation upon urban governance resides in the needs to guarantee the management of economic resources which allow for a suitable financing of cities in Latin America (CAF, 2017, p. 255) and this is only possible, on the restricted view of the Report, from the centralized administration and not from the social management of resources.

**Financialization of housing and ground**

For the Report the “distorting policies and excessive commercial protectionisms” (p.50) that prevail in the urban market of Latin America are factors that should be transformed so that public policies promoted by the organization have the expected impact. Because of that not all the urban panorama in the continent is problematic. On the contrary, there is “good news” (p.569) and within such pieces of news, it is found that “the current high urbanization rates reflect that, for many people, urban opportunities are better than rural poverty” (p.56). Thus, the priority of public policies must be primarily to intervene the urban spaces, “ensuring high levels of accessibility and reducing the congestion externalities that accompany the urbanization process”
Altogether, these guidelines of public policies stemmed from the organization will ultimately result in “a higher welfare for most of Latin Americans” (p.56).

The achievement of the ambitious goals set by the Report is mainly due to the design of fiscal instruments that close the gap of opacity in the public finances management and allow in the same direction, a greater transparency in the management of resources allocated by institutions for urban development projects; besides, it must be ensured that these loans have an allotment which be coherent with the political and institutional guidelines promoted by these financial organizations. At this point, the Report is emphatic in that it points out that in the performance fields a business atmosphere that ensures the investors should be taken into account. Such an atmosphere should allow for return rate in line with market conditions.

This rhetoric has been analyzed by Raquel Rolnik (2019) in urban Warfare: Housing under the Empire of Finance to remark that from the 1970’s the global level financial institutions have structured complex operations to ensure high return rates for their investment in the urban setting. The author describes, bye mans of the performance analysis of the housing market in several contexts, how housing has transformed from being a good to being a financial asset of high valorization. On characterizing those processes under the concept of Financialization, Rolnik (2019) shows how after the mortgage crisis in mainstreams countries of Latin America the organizations have found in urban ground speculation and housing a possibility to alleviate the effects that financialization brings about.

It is no accident that, that the Bank of Development of Latin America be the organization which by means of the Report advocates precisely as the ideal way to reach better urban development goals and economic dynamisms the mechanisms that Rolnik (2019) denounces in her text. Thus, the proposals of the Report on “ground and urban structure”, “mobility and transportation” and “formal and informal housing market” have in common the fact that they stem from the needs to clear the obstacles and barriers imposed by the state regulatory regimes, and suggest a greater articulation between the private initiative and the public action: public-private alliances and other mechanisms. This view can be regarded in the following aspects of the Report proposal:
a. avoiding the debates on urban, compact, extended cities areas: “one of the main messages of the report is that the debate on public policies should not focus necessarily on promoting cities which are more or less compact” (p.58).

b. highlighting that the norms on the minimal size of housing hinder the cities from having better performance indexes: “The regulations that affect the use of ground are vast” and consequently, “generate new negative externalities or enlarge the existing ones” (p.88).

c. insisting on the need to enable the urban ground for real estate development: “the limitations on ground use for urban development increase the ground price and, therefore, the price of housing” (p.107).

d. fostering the generation of further incentives for access to loans: “The high prices of housing, the low and volatile and income and the scarce opportunities to access to loans to finance the purchase are factors to hamper the access into the formal sector of cities” (p.214).

These guidelines are intrinsically connected to the fundamental features of the urban space financialization (ROLNIK, 2019) and correspond to the functioning strategies of the real estate capital that have been widely studied by authors such as Madden and Marcuse (2016), Slater (2013), Mohan and May (2019), O’Neill (2019), O’Brien, O’Neil and Pike (2019) and Desmond (2016). Thus, it is clear that the search carried out by the Bank of Latin America to generate better institutional arrangements and to promote the configuration of metropolitan governance ambiances, is aimed by a neoliberal discourse in which the investors ‘interests prevail over the needs and realities of urban communities, even though it is remarked that what is fundamental is to “increase the productivity of cities and the welfare of their inhabitants” (CAF, 2017, p. 264).

Conclusions

As it has been discussed, the authors of the Report manifest that the urban development issues in Latin America derive from the lack of an adequate institutional coordination, and that in the absence of such coordination, the advancement of the most vulnerable sectors toward better conditions is hindered. This way, and irrespective of the problems of urbanization without development, and “even when the economic benefits of urbanization are seen as being partially overshadowed by poverty and inequality” (p.20), it is argued that the urban scene, derived from the correct institutional, financial and political articulation is provisional, since besides being
urbanization “an unstoppable process” (p.20), This has enough potential to contribute to closing the gap of incomes that exists among the different social sectors.

However, as some authors who position themselves on the opposite verge of the ADC postulates indicate, these aseptic views of reality rise to hide that the strategies of urban governance tailored by international organizations, seek, rather than general welfare, favoring the interest of capital at the expense of the most urgent needs of the urban communities. This reality is tangible in the public speeches of local authorities of the region, who at the time of postulating plans of action suggest as foundation of those plans the recommendations of organizations as the ADC. Furthermore, it is clear that for governments, complying with those recommendations turns into the normative horizon, as the release of resources which finance urban infrastructure projects is anchored to the compliance of those guidelines.

The critical reading of the *Urban growth and access to opportunities Report: a challenge for Latin America*, constitutes the first input in the vital task of understanding the way in which intervention of urban space in our continent is structured. From there, it is understood that the relevant function of the critical study of economic, political and social processes, rather than pointing out the weaknesses of the neoliberal views of worldwide financial organizations should aim at the elaboration, not of a innovating or alternative discourse but some other ways of producing urban space.

References


Trabalho enviado em 29 de abril de 2020

Aceito em 14 de maio de 2020