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LATIN AMERICA: Rapid urbanisation calls for remedies

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Abstract

The consequences of high urbanisation levels in Latin America.

Latin America and the Caribbean (LAC) has become the most urbanised region in the world. Urbanisation has improved living conditions for the majority of people but has also led to chronic problems, such as housing and infrastructure deficit, increased urban violence and poor environmental conditions.

Full text

SUBJECT:The consequences of high urbanisation levels in Latin America.

SIGNIFICANCE:Latin America and the Caribbean (LAC) has become the most urbanised region in the world. Urbanisation has improved living conditions for the majority of people but has also led to chronic problems, such as housing and infrastructure deficit, increased urban violence and poor environmental conditions.

ANALYSIS: Impacts.

Urban middle class expansion will create new opportunities for businesses.

Most new jobs will be in the services sector, where low productivity will constitute a major constraint on growth.

The quality of urban services will become an important political issue.

Long-term government commitment is needed for policy success, but the region often suffers from political short-termism.

Smaller cities with little to offer in a globalised economy risk long-term impoverishment.

Some 468 million people -- 80% of the total population -- currently live in urban areas in the LAC region. Although the pace of urbanisation has slowed since the 1990s and will continue to do so, the urban share of the regional population is set to near 90% by 2050. The recently published 2012 UN Human Settlements Programme (UN-Habitat) report on the "State of Latin America and Caribbean Cities", shows that urbanisation in the region has a mixed record:

It has brought improved access to education, health services, water, sanitation and employment opportunities, and increased well-being.

Yet urbanisation has been extremely rapid, and part of the process occurred in a context of mounting external debt, high volatility and low economic growth.

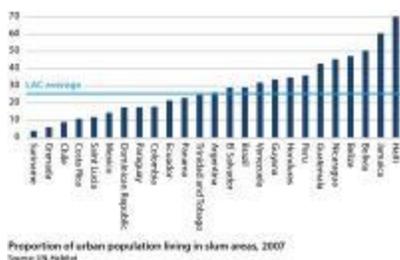
Common features.

For decades, governments have been unable to cope with the needs of a growing urban population, a product both of natural demographic growth and massive migration from rural areas (see INTERNATIONAL: Urbanisation fuels growth, instability - April 11, 2011). In countries with marked economic and social inequalities, the result has been sharp social and physical divisions in cities (see INTERNATIONAL: Persistent inequality affects growth - July 13, 2011).

Despite significant differences within LAC, cities in the region display some common features:

Housing deficits.

It is estimated that 111 million urban dwellers (24% of the total urban population) live in slums. While this affects cities across the region, the share of people affected varies. For example, in Honduras and Nicaragua more than half of households lack adequate housing, while in Argentina and Venezuela that figure is closer to 30%.



Partial successes.

Policies to help families gain access to decent housing in Brazil, Colombia, Chile, Mexico and other countries have proved effective in certain cases. Yet they have failed to provide for the poorest segments of the population.

Water and sanitation.

Access to basic urban services has improved. Water is available to most of the urban population, but 74 million (16% of LAC city dwellers) do not have adequate sanitation facilities. Moreover, there are shortfalls in terms of quality, regularity and efficiency. Furthermore, in some cases the high costs of water services undermine access for low-income families (see INTERNATIONAL: Risk management will drive water policy - July 26, 2012).

Traffic.

An increasing number of LAC cities are adopting initiatives such as integrated mass transit systems to facilitate

mobility and reduce transportation costs. However, rising motorisation rates and policy inefficiency will lead to further traffic congestion and air pollution --- which in some cities, such as Sao Paulo, have been extremely serious and chronic problems for decades.

Urban violence.

Violence has become a major concern in the entire region. The average LAC homicide rate is 20 per 100,000 people (see LATIN AMERICA: Urban violence undermines governance - August 26, 2011).

Environment.

Despite increasing awareness about environmental problems, decisive action on issues such as urban waste management and sewage treatment remains a challenge in many LAC cities.

Poor planning.

Recent data show that while cities tend to expand geographically, population density is declining. There are several reasons for this, including:

a perception that new residential areas in the urban periphery are safer;

emergence of new slum areas in regions further away from city centres; and

real estate speculation, especially given that most LAC economies have grown significantly in recent years.

By and large, cities have 'sprawled' with little or no planning, and with adverse effects for the environment. Many have grown beyond their administrative boundaries, often absorbing adjacent urban areas. This has two main consequences, namely:

higher costs for infrastructure and basic urban services; and

the emergence of new challenges brought about by the lack of coordination among multiples municipalities in urban agglomerations.

According to UN-Habitat, 40 urban agglomerations -- in a region with more than 2,000 cities with a population in excess of 20,000 -- account for one-third of the overall GDP. Faced with increasing urban challenges, some of these large cities seem to be losing their competitive advantage. Conversely, an increasing number of medium-sized cities are gaining ground and attracting more investments and workers.

Key obstacles.

In most cases, economic growth will be important to support better governance in LAC cities. Yet it will not suffice, and other factors will also play an essential role:

Global economic woes.

Thus far, the region has weathered global volatility relatively well. However, growth has fallen and, despite stronger fundamentals in countries, LAC economies are still vulnerable to further deterioration in the global outlook (see LATIN AMERICA: Global uncertainties mar growth outlook - June 15, 2012).

Productivity .

Productivity gains in the region have been low compared to other emerging economies amid weaker progress in education and high rates of informality. The informal sector represents 50-70% of the workforce (see

LATIN AMERICA: Challenges to sustained growth persist - July 18, 2011).

Decentralisation.

The decentralisation process that began in the 1980s in the region increased the power of local governments. Yet it remains incomplete. Without sufficient financial resources and training, cities will be unable to respond to the various demands of urban populations. Improvements in legal and fiscal systems to allow cities to finance themselves will also be key to address urban challenges in the medium term.

Outlook.

With slower population growth, many Latin American countries currently enjoy a demographic dividend. However, this may prove short-lived -- and indeed a combination of low productivity and population ageing poses formidable challenges to the region and its cities in the longer term. Governments will seek to integrate efforts across policy areas and levels of administration. While this will bring positive results in several cities, political short-termism, poor coordination and corruption will undermine efforts in others.

CONCLUSION: Population growth and urbanisation will stabilise in the LAC region over the coming decades. This will provide policy opportunities for governments to address challenges associated with the urbanisation process. Yet the magnitude both of existing problems and wider policy difficulties is such that most challenges will not be overcome in the foreseeable future. Degrees of success will vary across the region, with positive results supported by -- but not necessarily correlated to -- economic growth.

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