

## **Chapter 1**

### **Latin American Cities: Their Origins, Achievements and Problems**

By Eduardo Lora<sup>1</sup>

Draft for Van Praag et al book “Monitoring Urban Quality of Life”

#### **Introduction**

Latin America is the only region in the developing world where the majority of the population lives in urban areas. While in Asia and Africa less than 40% of the population resides in cities or towns, in Latin America 77% of the population is urban, according to UN calculations for 2005<sup>1</sup>. Large urban areas imply many positive externalities as well as negative ones. Indeed the very existence of these areas of dense population suggests that the benefits of agglomeration outweigh the costs. However, this presumption falls short of providing any criteria to prioritize policy actions in order to improve the quality of life in the fast growing Latin American cities.

This process of urbanization has been accompanied by a very substantial improvement in the quality of the housing infrastructure. Though much remains to be done to solve the persistent deficit in dwellings of reasonable quality, many other problems, from insecurity to traffic congestion, and from lack of public spaces to severe socio-economic segregation, affect many Latin American cities. This chapter aims at providing a panorama of the urbanization process and some of the challenges facing Latin American cities as seen both through the lens of the traditional indicators used in the region and through a new lens: that of people’s own opinions.

#### **The Great Urban Expansion**

Since the mid-20<sup>th</sup> Century, the urbanization process in Latin America has progressed more rapidly than in any other region (see Figure 1). Squalid living conditions in the countryside due to the concentration of land ownership in the hands of a few families and the low productivity of the work of *campesinos* and tenant farmers sparked a process of migration from rural areas to the

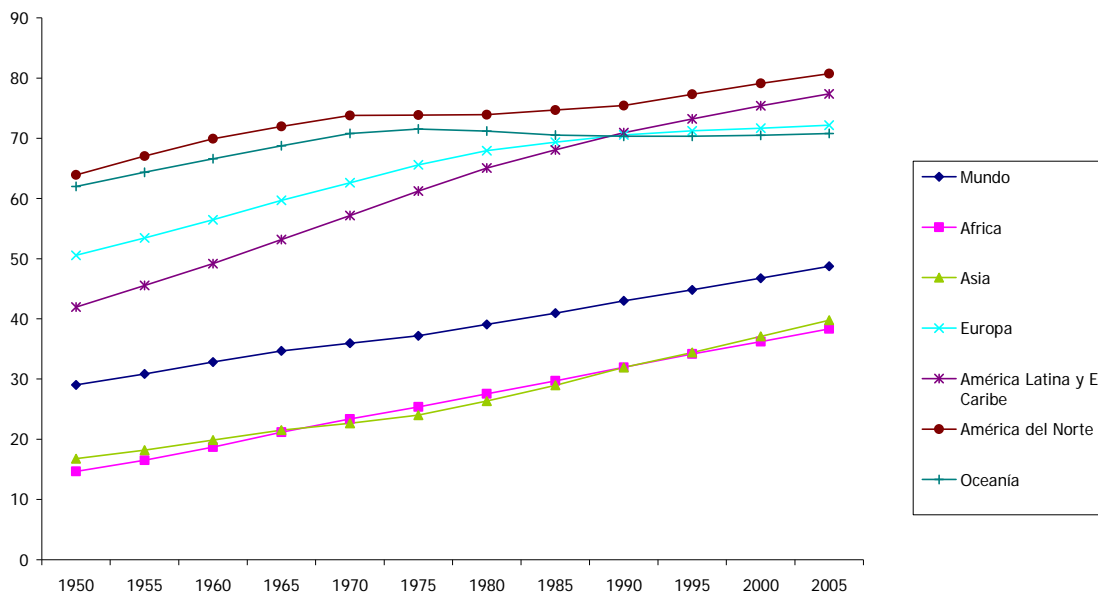
---

<sup>1</sup> The author acknowledges valuable research assistantship by María Victoria Rodríguez and useful comments by many colleagues, including Juan Camilo Chaparro, Rita Funaro and Andrew Powell. This chapter draws partly from work commissioned by the IADB Research Department to FIEL (Buenos Aires) as reported in Cristina and Moya (2008).

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

city that continues in many countries. The driving force of the great expansion of Bogotá, Caracas, México City and Lima since the 1960s has been rural migration, intensified by still high fertility rates and by lower (and rapidly falling) infant mortality rates in the cities. In the 1960s and 1970s some large cities such as São Paulo also received large numbers of foreigners, who were more educated and had more capital than destitute *campesinos* and rural workers. But this was exceptional. Urban expansion was mostly driven by internal migration and the new city dwellers tended to have little or no education or capital. Moreover, guerrillas and armed conflicts in rural areas in Peru in the 1980s, in Guatemala, El Salvador and Nicaragua for several decades, and even now in Colombia have speeded up the migration process to the large cities by the impoverished inhabitants of rural areas.

**Figure 1 Urban Population By Continents (% of the Total Population)**



Source: Cristini y Moya (2008) based on World Urbanization Prospects: The 2005 Revision Population Database.

The migration process led to the urbanization of poverty because, although the poverty rate is higher in the countryside, the poor are concentrated in urban areas. Of the 209 million poor Latin Americans in 2007 (representing 40% of the population), 138 million are estimated to live in urban areas (ECLAC Social Panorama, 2006). Because large cities are dominant in Latin

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

America, the possibility of the urban poor escaping poverty and improving their quality of life is crucially dependant on the opportunities and conditions that the large cities offer them.

Latin America has four of the world's 20 cities with over 10 million inhabitants, and 55 of the world's 414 cities with over one million people. These 55 cities are home to 183 million people, one third of all Latin Americans. However, the largest cities are no longer the fastest growing. In Argentina, Brazil, Chile and Mexico, which urbanized more rapidly and are more advanced in the demographic transition process than most of the other countries, mega-cities are growing more slowly and losing importance in relation to intermediate cities. As expected, the cities that are growing most rapidly at present are in countries where population growth is still high and urbanization rates low. As a result of this redistribution of urban growth, the urban population, throughout the region has been gradually dispersing from the large to the intermediate cities.<sup>2</sup>

Instability, both political and economic, also seems to have had an impact on urban growth patterns in recent decades. Migration processes are triggered not only by the conflicts in the countryside but also by irregular changes of power in the cities. There is an inconclusive debate about the reasons, but it is possible that closeness to power is an attraction for relocating to the large cities when regular mechanisms of allocation of public resources weaken. The fact that economic instability, and not only economic growth, contributes to accelerating the growth of the large cities suggests that they offer better opportunities for improving income, as well as for coping with economic risks.<sup>3</sup>

### **Home Ownership and Services**

The expansion of Latin American cities in the second half of the 20th century produced a democratization of home ownership at unprecedented rates in the region and possibly in the world. Around 1950 roughly only one in four families in Buenos Aires, Mexico City, or Santiago owned their own home (see Table 1) but now about two thirds of families are homeowners in those cities. Nevertheless, in Colombia home ownership has stabilized at lower levels and even reduced slightly according to recent statistics. The most recent surveys of urban

---

<sup>2</sup> According to Cristini and Moya (2008) the Hirschman-Herfindahl concentration index of urban population decreased to half between 1950 and 2005.

<sup>3</sup> See the theoretical and empirical analysis of Ades and Glaeser (1995), and Gaviria and Stein (2000).

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

areas in 22 countries show average ownership rates of 68.4% (Table 2). This rate is higher than other developing countries and very close to that of the US (69%), which has very developed mortgage markets and a long tradition of incentives for home ownership (Fay and Wellenstein, 2005). In the region as a whole, the urban home ownership rate is higher among families with higher incomes, (71% versus 64%) but this average difference of 7% hides some more marked cases. In Uruguay, for example, home ownership is over 75% for higher income families and just 44% for lower income families. On the other hand, in countries with larger rural populations home ownership among the poor may even be higher than among higher income families as home ownership tends to be higher in rural areas that also tend to be poorer.

**Table 1 Home Ownership**  
(Percentage of the families who own their houses)

	1974-1952	1970-1973	1990-1993	1998-2002
Bogotá	43.0	42.0	53.7	52.0
Buenos Aires	27.0	61.0	72.0	75.0
Ciudad de México	25.0	43.0	70.0	76.0
Guadalajara	29.0	43.0	68.0	62.0
Medellín	51.0	57.0	63.0	55.7
Rio de Janeiro	33.0	54.0	63.0	75.0
Santiago	26.0	57.0	71.0	73.0

*Fuente:* Gilbert (2001), UN Habitat (2003), Encuestas del DANE (Colombia 90-93 y 98-02)

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

**Table 2 Home Ownership Rates by Income**  
(Urban Areas)

	Low Income	High Income	Average
Argentina	58.4	70.6	66.0
Bolivia	55.4	55.0	53.9
Brasil	65.3	73.0	69.9
Chile	59.8	69.2	65.9
Colombia	57.8	64.1	60.0
Costa Rica	69.1	74.2	72.2
Rep. Dominican	59.3	58.3	59.3
Ecuador	70.6	69.5	69.4
El Salvador	56.3	71.0	66.0
Guatemala	71.1	70.0	70.0
Honduras	57.2	62.0	59.2
México	67.3	71.8	69.5
Nicaragua	67.6	79.6	76.6
Paraguay	75.6	74.2	74.4
Perú	55.1	70.0	65.7
Uruguay	43.9	75.5	64.0
Venezuela	77.2	74.3	75.3
Bahamas	51.9	61.8	57.7
Guyana	31.3	42.9	40.6
Haiti	47.3	45.2	46.0
Jamaica	57.2	48.5	52.5
Suriname	65.4	67.1	63.7
<b>LAC *</b>	<b>63.6</b>	<b>71.3</b>	<b>68.4</b>

*Source:* Cristini y Moya (2008) based on SEDLAC. Vivienda.

*Note:* Low income corresponds to the lowest two quintils and high income to the highest two quintils

*Note:* The data comes from household surveys and they may differ from census data.

\* Weighted Average

The democratization of housing in cities in rapid expansion in the second half of the 20th century occurred spontaneously, largely based on irregular acquisition of land by rural immigrants and the poor urban classes. Methods of acquisition ranged from the purchase of suburban land without subdivision permits to de facto occupation of privately or officially owned land. Most of the settlements of poor families in Peru originated through land occupations. The district of San Juan de Lurigancho, where over 830,000 people now live representing over 10% of the population of Lima, began in the 1960s as an irregular settlement area, like most of the districts in the three "cones" which extend toward the desert to the north, east and south of Lima (Reid, 2007). Occasionally occupations have been permitted by the government, as was the case

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

of some Brazilian and Mexican cities in the 1970s and 1980s, in Santiago before 1973, and in Lima during the administration of President Odría (1948-1950).

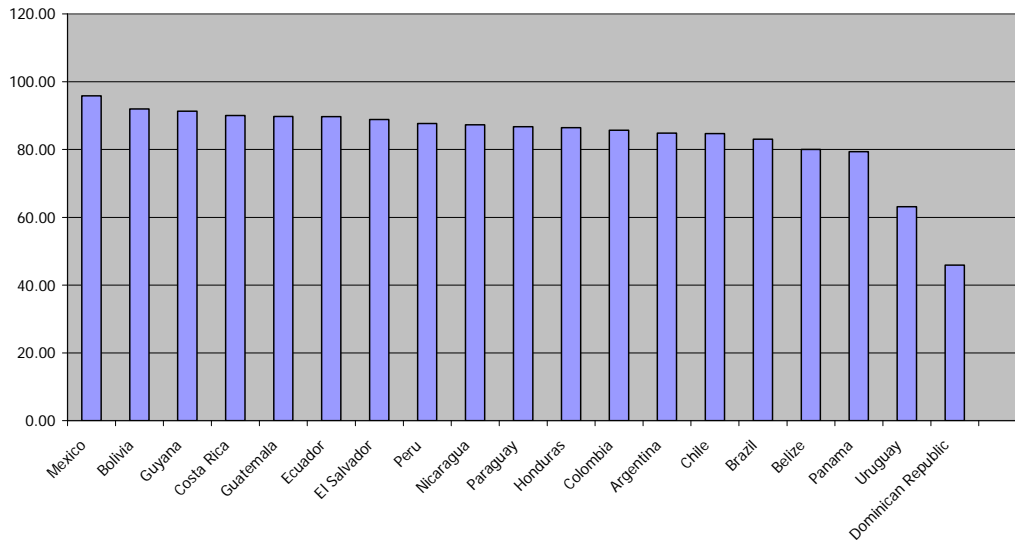
However, not all irregular settlements originated from illegal occupations. Currently, a large part of the illegality is only formal in the sense of non-compliance with planning regulations or the absence of relevant title deeds to confirm voluntary transfers of ownership. Many governments have implemented ownership title programs to solve this problem. The military government in Chile handed over more than half a million title deeds between 1979 and 1989, and the two democratic governments that followed distributed another 150,000 title deeds up to 1998 (Rugiero 1998). In Peru, the Commission for Formalization of Informal Ownership (COFOPRI) recorded over one million titles between 1996 and 2000 (Calderón 2001). But even today, about half the homeowners in low socioeconomic levels lack deeds, and some countries exhibit even higher levels (see Figure 2)<sup>4</sup>. The lack of title deeds has contributed to disorderly development of home building in large Latin American cities. For example, it is calculated that 60% of the population of Mexico City lived in 1990 in houses that had been self-built and that the situation was similar in Caracas (42%) and Lima (38%) (Gilbert, 2001).

---

<sup>4</sup> These figures have large margins of error because of the small size of the samples (approximately 1,000 households per country) and the random method used to select the individual interviewed in the household.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

**Figure 2 Percentage of Households with Title Deeds in the Lowest Two Quintils, 2007**



Source: Gallup (2007).

Forty or fifty years after the great urban expansion, relatively high percentages of homes have now achieved acceptable standards of construction and access to basic domiciliary services. What constitutes an acceptable home, and what does not, has been the subject of intense debate among economists, architects, urban planners and sociologists in Latin America for several decades. All agree that no universal standard can be defined because basic requirements depend on climate, building methods, customs and, in the last instance, individual needs and tastes. A simple standard imposed more by available information than by conceptual rigor, consists of defining unfit as housing built with low-quality materials according to the standards of each country. Using this criterion for a set of 65 cities in the region that account for over half the urban population, an average of 18% of homes are unfit. However, this average hides a distribution with rates ranging from 5% to almost 20% of unfit housing in 17 of the 22 largest cities in the region. And the rates are particularly alarming in the intermediate cities of Bolivia, Mexico and Brazil (Cristini and Moya, 2008).

Apart from the quality of building materials, access to the basic services of sanitation, water, electricity and, more debatably, telephone, is considered a basic requirement for good quality housing. Although there are notable disparities between countries, access to electricity is practically universal in the urban areas of the region (95% of homes have this service) and access

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

to running water is high (86%). In contrast, a very high percentage of homes have no connection to sanitation networks (coverage is only 60%) and telephone service (average coverage of fixed telephones is 61%, but rises to 87% when mobile telephones are included).<sup>5</sup> These differences are reflected in access gaps by socioeconomic group, which tend to be moderated for the electricity and water services, but are much more substantial for sanitation and telephone services. However, there are access gaps of over 20 percentage points in electricity in Haiti and water in El Salvador, Paraguay and Peru. In sanitation, countries with relatively high income levels - such as Argentina, Brazil, Mexico, and Uruguay - have access gaps of over 30 points (see Table 3). Democratization of access to services has advanced at a much more modest rate than democratization of ownership or improvement of home building materials. But each city is a different story. Considering the five cities in Figures 3, 4 and 5, Caracas is the city where access to public services is most extensive and equal. Still, one out of three homes among the families in the three lowest income deciles suffers basic deficiencies in building materials. In Buenos Aires and São Paulo, few homes are considered unfit, at least by official standards, but in Buenos Aires, four out of five homes in the lowest decile lack sanitation, water or telephone, and in São Paulo less than half the families in the three lowest deciles own their homes. In Mexico City and Lima home ownership rates are not high but there is not much difference between rich and poor. Both cities have made an enormous effort to provide basic services to all homes, but 15% of homes in the poorest decile in Mexico City and 33% in Lima are still without one of the services. The poorest families in these two cities will have to make a great effort to improve their homes: in Mexico City there is a 35 point difference between the highest and lowest deciles in percentage of unfit homes and in Lima 27 points.

---

<sup>5</sup> Figures for telephone coverage come from the Gallup polls, whose margins of error are substantially greater than those of official household surveys where the other figures are taken from.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

**Table 3 Urban Public Services Coverage and Coverage Gap Between the highest two quintils and the lowest two quintils**

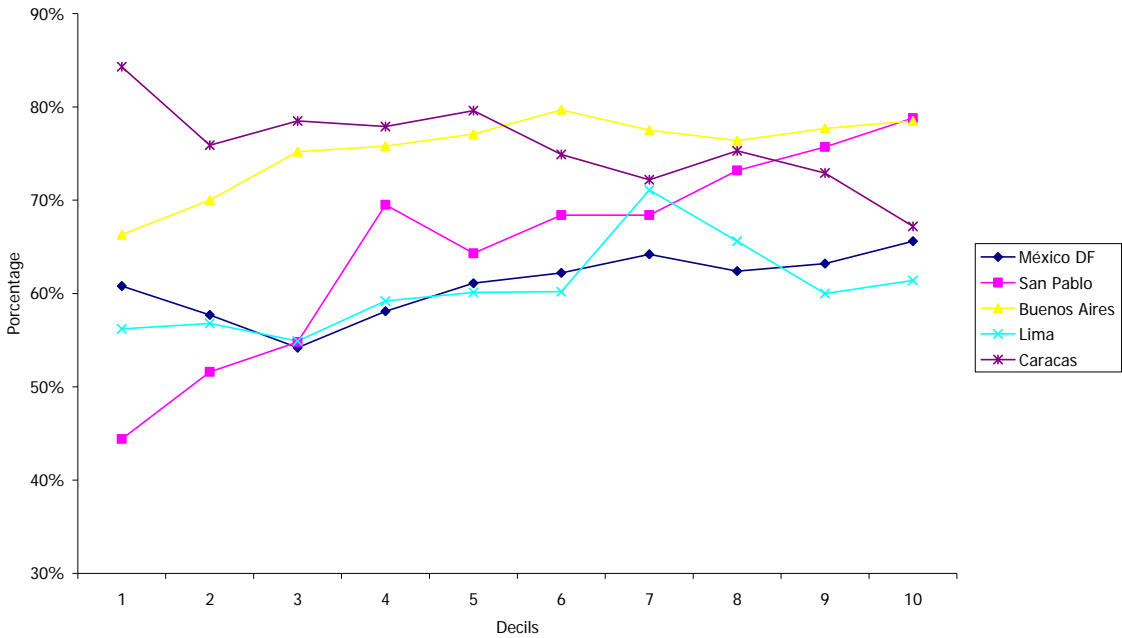
	Year	Sanitation		Water		Electricity		Telephone		Telephone/Cellphone	
		Coverage	Gap	Coverage	Gap	Coverage	Gap	Coverage	Gap	Coverage	Gap
Argentina	2003	60.40	39.20	98.40	4.00	99.50	1.20	64.77	39.48	92.99	11.15
Bolivia	2003-04	61.20	-3.20	90.20	9.70	92.50	6.10	45.55	26.97	86.64	11.03
Brasil	2005	65.50	30.20	95.60	9.90	99.60	0.90	95.67	7.04	98.03	4.03
Chile	2003	91.80	11.20	99.30	1.30	99.70	0.60	69.79	24.92	93.07	13.04
Colombia	2004	87.60	10.40	89.90	5.20	90.40	4.60	76.22	13.73	94.94	4.79
Costa Rica	2005	43.40	5.80	98.90	0.60	99.90	0.20	74.10	15.05	87.83	14.22
Rep. Dominicana	2006	32.30	14.60	80.60	18.90	94.40	4.70	40.65	43.78	84.86	20.11
Ecuador	2003	67.40	28.70	91.10	9.70	99.30	1.20	49.27	39.23	77.87	31.54
El Salvador	2004	50.60	30.70	73.70	23.80	90.70	14.40	59.03	19.21	87.24	8.94
Guatemala	2004	66.70	23.90	77.90	0.80	96.00	11.00	42.95	25.06	84.28	14.00
Honduras	2006	63.80	31.10	n.d.	n.d.	97.00	10.10	51.26	5.77	70.48	6.75
México	2005	69.50	37.10	94.90	8.90	99.60	1.00	68.41	20.26	81.37	23.32
Nicaragua	2005	36.40	23.80	89.50	13.40	95.50	12.80	37.06	32.38	79.52	18.76
Paraguay	2005	15.00	14.70	89.70	20.10	98.40	3.80	40.08	48.03	82.57	28.87
Perú	2006	77.60	34.30	83.40	23.80	96.30	12.60	58.16	50.50	82.18	29.14
Uruguay	2005	66.20	38.30	98.80	1.50	99.30	1.90	71.91	42.07	90.07	21.42
Venezuela	2002	95.10	5.70	93.90	6.70	99.10	0.90	69.23	24.48	89.80	12.61
Bahamas	2001	12.80	-0.10	86.70	12.40	96.10	5.70	n.d.	n.d.	n.d.	n.d.
Belice	1999	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	62.67	38.89	93.33	n.d.
Guyana	1992-93	1.60	-3.30	88.70	7.30	91.00	14.60	83.33	1.56	95.24	0.39
Haití	2001	n.d.	n.d.	23.20	11.10	61.90	28.70	n.d.	n.d.	n.d.	n.d.
Jamaica	2002	32.90	1.30	65.30	12.00	92.30	6.30	n.d.	n.d.	n.d.	n.d.
Suriname	1999	97.80	0.10	87.30	7.40	99.30	0.20	n.d.	n.d.	n.d.	n.d.
<b>Average</b>		<b>56.90</b>	<b>17.80</b>	<b>85.60</b>	<b>9.90</b>	<b>94.90</b>	<b>6.50</b>	<b>61.06</b>	<b>27.28</b>	<b>86.96</b>	<b>15.23</b>

Source: Cristini y Moya (2008) en base a SEDLAC. Infraestructura.

\* The data for telephone coverage comes from Gallup 2007

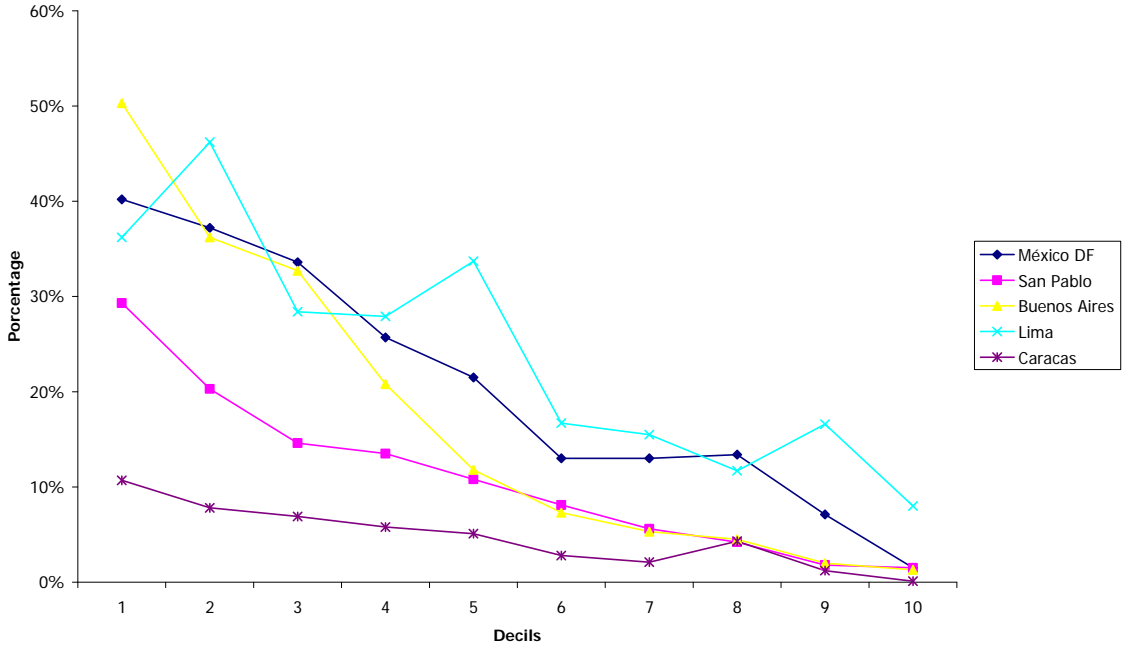
PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

Figure 3 Percentage of Home Owners by Decil



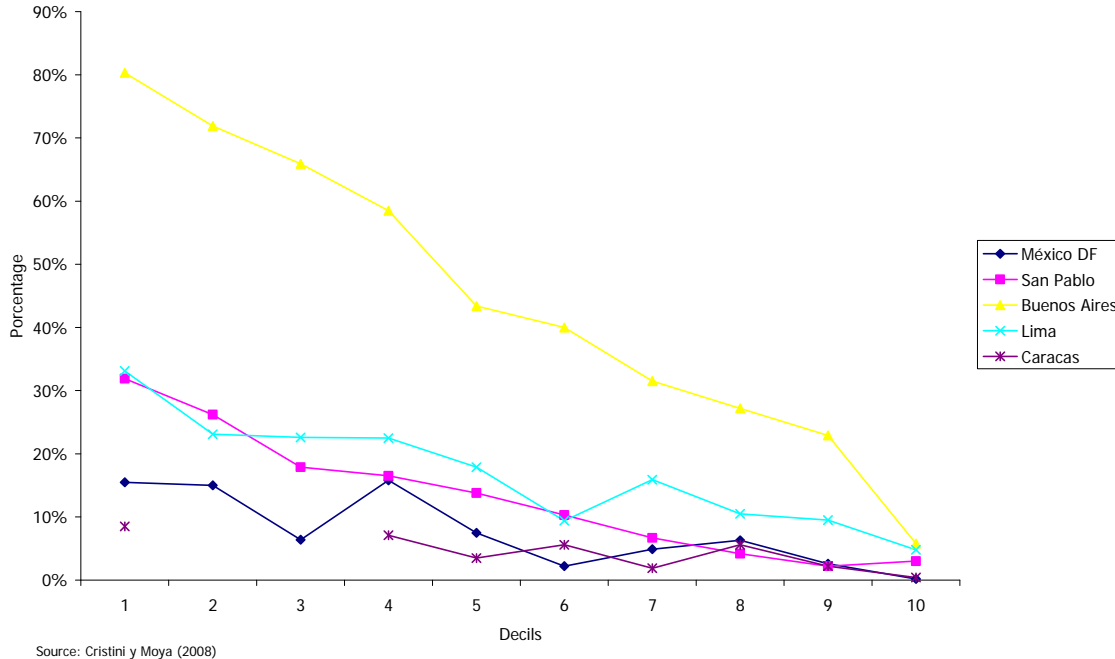
Source: Cristini y Moya (2008)

Figure 4 Percentage of Unfit Households by Decil



Source: Cristini y Moya (2008)

**Figure 5 Percentatge of Households Lacking Any Public Service**



## Housing Deficits

How far are Latin American cities from solving the most basic deficiencies of home building and provision of water, sanitation and electricity services? This has been a recurring question that is usually tackled on the basis of calculations of the "quantitative" and "qualitative" housing deficits. The former is the difference between the number of households and the number of homes, and the latter is some measure of the quality of the housing based on quality of building materials, access to services or other criteria. In 1995, ECLAC (1996) estimated that the total (quantitative and qualitative) deficit in all Latin America and Caribbean countries was 53 million homes, which was equivalent at that time to 54% of the housing stock. The quantitative deficit was calculated at 28 million homes, and the qualitative at 25 million (defined simply by lack of connection to running water). The most recent estimates, which have used more refined criteria for

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

calculating the deficit, reveal alarming total deficits: 64% of total housing in Bolivia and between 27% and 40% in Chile, Colombia and Uruguay (Szalachman 2000).

The main limitation of these calculations is their attempt to cover everything, which means imposing homogeneous criteria across countries, across rural and urban areas, and between cities, based on a very small number of variables. Because each city is a different story, it can be more informative and more useful for policy purposes to analyze each city separately, based on the best information available in each case. Another crucial limitation is that the deficit expressed as a number (or percentage) of homes does not convey the seriousness of the deficiencies or the cost of fixing them.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

A recent study by Cristini and Moya (2008) is a step in that direction. For 64 cities they calculated quantitative deficits with the traditional definition (households less homes), and qualitative deficits according to the quality of materials (based on local standards) and access to water and sanitation services. They also calculated the costs of solving the deficits taking into account, city by city, housing prices at low levels (implicit in the value of rentals), the possibility of recovering existing homes (using predominant materials), and the cost of connecting to services. Table 4 summarizes the results for 17 of the largest cities included in the study. Eliminating the basic deficits of housing, water and sanitation would cost an average of 8% of the GDP of the cities considered. About half of this cost relates to improving unfit homes built with deficient materials. Various Brazilian cities have considerable challenges in this area, with costs of over 10% of city GDP in the cases of Recife and Fortaleza, but in other large cities - such as Mexico City, Greater Buenos Aires or São Paulo – this represents less than 4% of the GDP of the cities. Correcting quantitative housing deficits would cost over 7% of local GDP in Bogotá and Recife, but in other cities the costs are modest and would represent on average only 3.3% of their GDP. The fixed cost of the investment in infrastructure needed to provide universal access to water and sanitation services would be equivalent on average to only 1% of the GDP of the cities (although in Greater Buenos Aires this cost is 2.5% of GDP and in Fortaleza and Recife over 5%). These costs are modest, as previous studies have concluded<sup>6</sup>.

---

<sup>6</sup> Fay (2001) calculated the cost of addressing the growing requirements of water and sanitation in Latin America and the Caribbean in the 2000-05 period at between 0.05% and 0.18% of GDP.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

**Table 4 Qualitative and Quantitative Deficits and the Costs of Urban Infrastructure Improvement Policies**

Country	City	Missing Households		Unfitted Households			
		Quantitative Deficit		Unfit Households		Households with no Sanitation nor water	
		% of Households	Cost (% of the city's GDP)	% of Households	Cost (% of the city's GDP)	% of Households	Cost (% of the city's GDP)
México	Ciudad de México	3.60	1.70	15.80	3.60	6.20	0.30
Brasil	San Pablo	4.80	3.00	12.40	2.50	13.70	0.70
Argentina	Gran Buenos Aires	3.70	2.60	13.50	4.00	41.20	2.50
Brasil	Rio de Janeiro	6.10	6.20	12.70	5.50	9.40	0.80
Colombia	Santa Fe de Bogotá	12.10	7.50	sd	sd	sd	sd
Perú	Gran Lima	4.80	2.20	17.30	3.40	15.80	1.70
Brasil	Belo Horizonte	6.50	4.60	19.20	5.00	14.40	1.00
México	Guadalajara	5.40	2.20	10.50	2.00	4.50	0.30
Brasil	Pôrto Alegre	5.30	4.60	10.90	3.50	15.30	1.30
México	Monterrey	4.50	2.60	9.30	0.40	0.90	0.04
Brasil	Recife	10.30	8.70	50.60	18.50	56.00	5.20
Brasil	Brasilia	3.30	1.50	10.30	2.00	17.10	1.00
Brasil	Salvador	9.20	6.30	20.50	6.00	14.60	1.00
Brasil	Fortaleza	10.20	6.60	41.70	11.60	49.20	5.10
Colombia	Medellin	4.10	2.80	sd	sd	sd	sd
Venezuela	Caracas	sd	sd	5.60	1.60	4.20	0.30
Brasil	Curitiba	4.90	3.80	17.60	5.80	20.50	1.30

Source: Cristini y Moya (2008) basado en encuestas de hogares y censos nacionales

However refined they are, calculations of housing deficits and the cost of eliminating them are no more than an illustrative but hypothetical exercise because they do not take into account the demand side. Who would be willing to pay for such improvements or connections to services? If the families cannot afford to pay these costs, would payment by national or local governments be justified? Moreover, if the resources are not sufficient to cover all the deficits at the same time, which should get priority?

Housing deficits have another implicit limitation with respect to guiding policy decisions: they are based on only some aspects of housing and ignore the multitude of factors that affect the quality of urban life beyond the physical characteristics of housing. Provision of public spaces, quality of public transport and public safety can be as, or more, important than the characteristics of housing, depending naturally on individual conditions and tastes.

**How Satisfied are Latin Americans with their Homes and their Cities? Results from a Cross-Country Analysis**

An alternative approach to these types of calculations on “deficits” is simply to ask, through surveys, people’s opinions about their homes and urban living conditions to understand the most important constraints on improving their quality of lives. Using results from the 2007 wave of the Gallup World Poll (Gallup, 2008), which interviewed representative samples of 1,000 individuals per country in 130 countries (20 from Latin America and the Caribbean) , it is found that the great majority of Latin Americans claim they are satisfied with a) their homes and b) their cities. The percentage is identical on average for both questions (79.6%) and also close to the answer obtained from other regions of the developed or developing world - with the exception of Sub-Saharan Africa, where it is significantly lower (see Table 5). In Latin America, the highest satisfaction rates for both home and city are in Guatemala (90.6% and 92.5% respectively), and the lowest satisfaction with housing in Haiti and Trinidad and Tobago (57% and 66%), and for satisfaction with the city in Haiti and Peru (49% and 70%).

**Table 5 Percentage of Latin Americans Satisfied with their homes and city**

	Satisfied with their Homes	Satisfied with their Cities	City is Improving
East Asia & Pacific	82.11	87.19	68.60
Europe & Central Asia	75.21	79.75	60.47
Latin America and the Caribbean	79.66	79.48	52.91
Middle East & North Africa	80.02	79.41	72.45
North America	0.00	87.97	57.90
South Asia	87.62	87.45	67.29
Sub-Saharan Africa	62.20	69.73	55.24
Western Europe	89.94	92.39	50.17

Source: Gallup 2007

Opinions are more critical and rather more diverse on the question, "would you say that the city/area where you live is improving or worsening as a place to live?" Only 53% of Latin Americans answer positively, ranging from a low 36.4% in Uruguay to 66.3% in Ecuador. But again, Latin Americans are not substantially different from the rest of the world (the most favorable opinions are in the Middle East and North Africa at 72.4%, and the most pessimistic in Western Europe at 50.2%).

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

An analysis of the overall level of satisfaction with the home and the city (Table 5) reveals that the level of satisfaction does not in general correlate with objective conditions. Economic conditions of each country affect perceptions in ways that are not fully consistent with predictions of conventional economics. While higher levels of income per capita are associated (in a statistically significant way) with higher levels of satisfaction with housing and cities (see Table 6), in contrast, the growth rate of income per capita is *inversely* associated (and very significantly) with satisfaction with housing. (Income growth is positively associated with satisfaction with the city but this result is not very robust.) The unconventional association between economic growth and satisfaction is present in many other dimensions of people’s lives, giving origin to the so-called “Paradox of Unhappy Growth”, which suggests that satisfaction is influenced by aspirations, which increase with economic growth as individuals contrast their own consumption with that of others (Lora and Chaparro, 2008).

**Table 6 National Regressions**

Independent Variables	Dependent Variables						
	Satisfaction with their Homes		Satisfaction with their Cities		City is Improving		
Regional Dummies	Yes	No	Yes	No	Yes	No	
Logaritmo Natural, PIB x capita PPP, 2005	0.0544 ***	0.0470 ***	0.0573 ***	0.0558 ***	0.0362 *	0.0317	
Promedio Real Anual del Crecimiento del PIB x Capita, 2000 - 2005	-0.0084 **	-0.0089 *	-0.0003	-0.0009	0.0183 **	0.0166 *	
Crecimiento de la población urbana 1950-2000	0.0012	0.0049	0.0173 *	0.0197 *	0.0465 ***	0.0248	
Constante	0.3499 ***	0.4448 **	0.2765 *	0.2579	0.0909	0.2225	
	N	91	91	76	76	68	68
	Pseudo R2	0.4356	0.5538	0.2798	0.4078	0.2365	0.3586

Note: \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

Source: Gallup 2007

**Factors that Influence Satisfaction with Housing: Results from an Analysis across Individuals**

Individual data is often more informative than country-level data when describing satisfaction with housing. While some authors (see for example Deaton 2007) suggest that using cross-country regressions may be valid since averaging at the country level reduces potential individual biases, using regressions where the unit of analysis is the

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

country misses a lot of information and may average out individual responses that are quite revealing. As housing quality and the provision of neighborhood services varies greatly within countries, this is one area in which individual opinions appear to be an interesting and at least complementary, if not superior, avenue for research.

For example, the results across individuals can be used to answer questions such as, what are the basic characteristics of homes that allow Latin Americans to be satisfied with their houses. Access to services stands out as a very important feature, which justifies why it is usually identified as one of the criteria for defining qualitative housing deficits. Access to running water increases the probability of satisfaction with the home by 34%, and telephone service by 22%, assuming that the other characteristics of the homes and the families that inhabit them are the same (see list of control variables in Table 7).

**Table 7 Factors Contributing to House Satisfaction**

	How much does the probability of being satisfied with houses increase when....
<i>House Characteristics</i>	
House have water	34.082 ***
Someone in the house have telephone	22.232 **
House have Electricity	-4.843
Person is the owner	26.179 *
Person has a title deed	50.172 ***
<i>Personal Characteristics</i>	
Women	5.053
Age	-5.315 ***
Age Square	0.061 ***
<i>Family Characteristics</i>	
Kids at school	-0.418
Household members	0.581
Number of kids at home	-3.120
Income quintile	16.336 ***
<i>Regional Statistics</i>	
Country Fixed Effects	Si
Number of Observations	6371
R2	0.0564

Note: \* p<0.05; \*\* p<0.01; \*\*\* p<0.001

Source: Gallup 2007

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

Possession of title deeds is also closely associated with satisfaction with the home: there is a 50% higher probability that the members of a family are satisfied with their home if they have deeds, regardless of the other basic characteristics of the home or household, including home ownership, which in itself does not seem to be an important factor. Indeed, it is having title deeds, and not simply being owner of the home, that raises the probability of being satisfied with the home. This is relevant because, although home ownership rates are high even among families in the two poorest urban quintiles, about 42% of the homes owned by these families lack title deeds.

Hernando de Soto (2000) has emphasized the importance of title deeds to facilitate access to credit and release the productive potential of the capital of the poor. However, empirical studies do not support this hypothesis, possibly because access to credit for the poor can be restricted for other reasons. For instance, creditors may be hard pressed to take possession and recover the homes offered as guarantee when debtors default on their obligations (IDB, 2005, Chapter 15). An interesting study compared the behavior of families in Buenos Aires who had obtained title deeds with that of families identical in all other respects who had not had the good fortune to obtain deeds. Those with deeds tended to invest more in improving their homes and have fewer non-family members living with them, possibly because they felt less need to maintain ties of solidarity as a precaution against the risk of being left homeless (Galiani and Schardrosky, 2007). Consequently, the increased satisfaction with the home of those with title deeds may be reflected in physical improvements in the home and in the space available for family members. It may also reflect a greater sense of security.

Many other characteristics of the home, apart from access to services and possession of title deeds, can influence satisfaction. Evidently, families with higher incomes can have homes more to their taste, as confirmed by the analysis in the previous section. An individual in the richest quintile, for example, has a 16% higher probability of feeling satisfied with his home than someone from the next quintile (similar in all other basic aspects). But as demonstrated in the international comparisons discussed above, although income level contributes to satisfaction with housing, aspirations appear to operate in the opposite direction. This means that what is valid for the individual is not necessarily valid for the social group as a whole.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

### What Does Satisfaction with the City Depend On?

While satisfaction with the home is an important element of overall life satisfaction, satisfaction with the urban area where that home is located is also relevant for people's lives. In other chapters of this book, satisfaction with the home and its location will be analyzed at a more detailed neighborhood level. As background to that analysis, this section considers how Latin Americans perceive various aspects of their cities in a more general way.

**Table 8 Regional Average of Persons.....**

	Satisfied with the following domains...							Who feel...
	Public Transport	Roads	Education	Health Quality	Quality and price of the available housing	Air Quality	Water Quality	Safe walking alone at night
East Asia & Pacific	76.16	75.47	79.64	80.89	71.07	72.05	82.39	70.54
Europe & Central Asia	66.42	42.63	57.58	41.44	37.57	45.74	53.14	44.82
Latin America and the Caribbean	59.44	54.06	67.96	59.15	48.77	68.71	74.06	41.62
Middle East & North Africa	65.55	61.00	63.40	62.50	46.77	53.64	59.10	69.69
North America	67.27	61.05	66.88	72.66	49.42	70.74	85.30	72.19
South Asia	78.10	69.63	82.97	75.17	52.64	76.23	72.75	69.83
Sub-Saharan Africa	47.17	40.14	58.24	49.04	43.54	63.43	60.78	47.48
Western Europe	75.53	75.77	81.32	81.15	39.76	70.15	87.78	68.24
Is LAC above or under the world average?	4.59	1.51	1.56	0.74	-1.48	2.22	6.82 **	-17.38 **

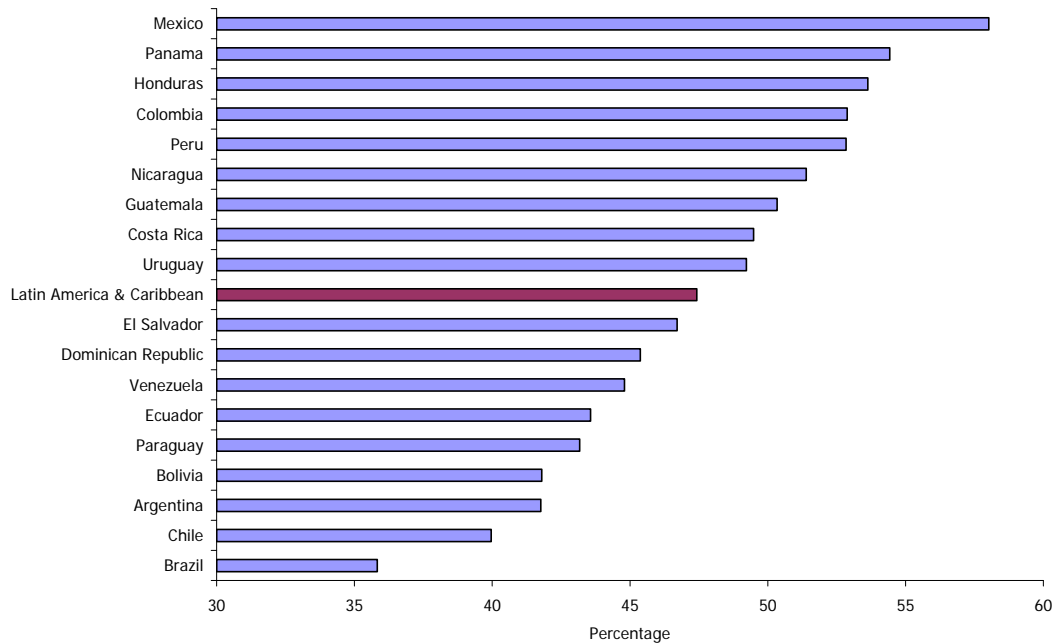
*Note:* \* p<0.05; \*\* p<0.01; \*\*\* p<0.001  
*Source:* Gallup 2007

The Gallup World Poll allows to compare urban areas of Latin America and the Caribbean with other regions of the world in various dimensions (Table 8). Public safety is the weakest point of Latin American cities to judge by the low percentage of Latin Americans (41.6% in 2006) who feel safe walking alone at night in their cities or residential areas. This percentage is not far from that of the ex-communist countries of Europe and Asia or the countries of Sub-Saharan Africa, but is substantially lower than other regions of the world. Latin Americans report having one of the highest victimization rates in the world (having money stolen and being mugged, during the last 12 months), second only to Sub Saharan Africa.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

Not a single Latin American country has managed to create a climate of real urban security. Safety perceptions and confidence in police are low. Brazil, Chile, Argentina and Bolivia are at the bottom in safety perceptions. However, confidence in police is high in some of the countries most affected by fears of insecurity, as Chile (Figures 6 and 7). This contrast raises the question of the extent to which perceptions are shaped by the objective reality of their surroundings. Perceptions may not correctly reflect the real risks that people face: some of the countries where the population feels safest have very high homicide rates, even by regional standards.<sup>7</sup>

**Figure 6 Percentage of People who Feel Safe Walking Alone at Night**

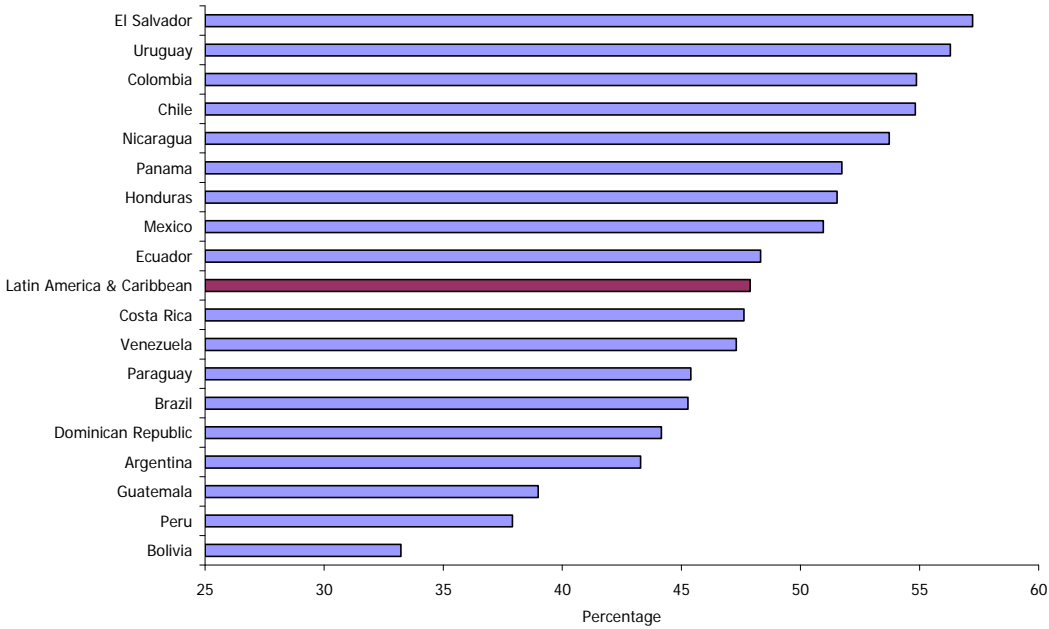


Source: Gallup (2007).

<sup>7</sup> The homicide rate per 100,000 inhabitants in 2007 was 59 in Jamaica and 30 in Trinidad and Tobago. (Source: *The Economist*; February 2, 2008).

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

Figure 7 Percentage of People who Have Confidence in Local Police Force

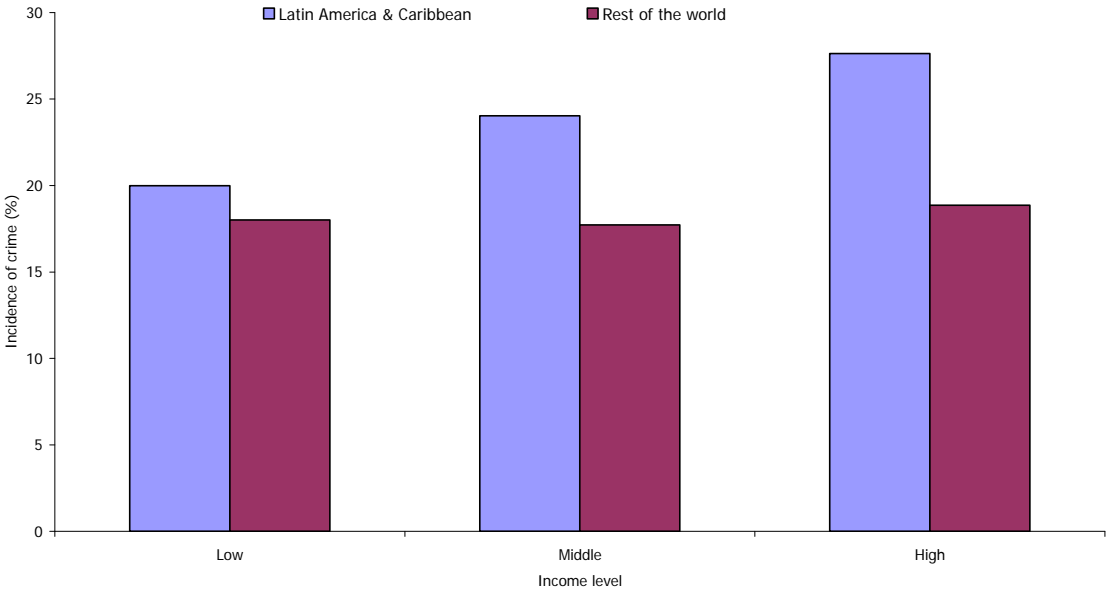


Source: Gallup (2007).

The relationship between crime, safety and income is not straightforward. In line with the findings that Gaviria and Pages (2002) report using data from the Latinobarometro, the GWP data reveals higher reporting of crime victimization among people with higher incomes in Latin America and the Caribbean, but not in the rest of the world (Figure 8). On the other hand, the sensation of being unsafe at night differs very little from one social level to another, in both Latin America and the Caribbean and the rest of the world, as Figure 9 shows.

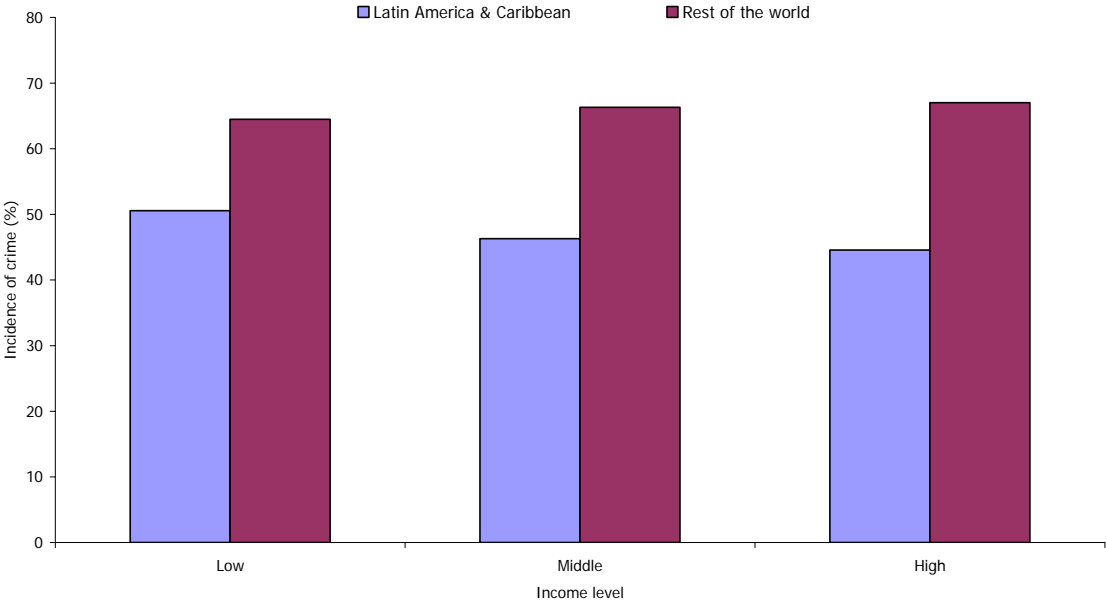
PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

**Figure 8 Percentage of People who Had Money Stolen or Were Mugged in the last 12 Months by Income Levels**



Source: Gallup (2007).

**Figure 9 Percentage of People who Feel Safe Walking Alone at Night in City by Income Levels**



Source: Gallup (2007).

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

Of the various aspects of the cities considered in the Gallup polls, only one gives Latin Americans significantly more satisfaction than would be expected for the income level of the countries: water quality (see Table 8). Three out of four Latin Americans say they are satisfied with this public service, with no appreciable differences by socioeconomic level; in contrast, there are differences by country (in Guyana, Haiti and Dominican Republic less than 60% of the population is satisfied with the quality of the service). In the other dimensions of the quality of urban life, Latin America does not differ significantly from the world pattern associated with levels of income per capita.

The opinions of the public on various aspects of their cities can be used to deduce the priorities that people would assign to each of these aspects in order to feel better about their city. There may be great dissatisfaction with a specific aspect of the cities but that does not mean that the problem should receive the highest priority, or that it has equal priority for all. Only 52% of Latin Americans say they are satisfied with the state of sidewalks or pedestrian walks, and only 55% with the availability of parks, plazas and green areas, while 75% consider water quality to be satisfactory (a very high proportion by world standards). However, the problem of water could be a priority in relation to other problems for one of three reasons: because it can be more important for individual satisfaction (with the city or, more generally, with their own life); because water quality results in benefits for people and society that individuals do not consider in their subjective judgments; or because, compared with other problems to which the two previous criteria may apply, solving the problem of water could be cheapest. This section is only concerned with the first of these criteria. The others require a discussion that is beyond the scope of this book, but should be borne in mind when trying to draw policy implications from the analysis that follows.

Figure 10 shows the relative importance, for the satisfaction of individuals, of the various aspects of the quality of urban life covered by the Gallup polls, considering *percentage of people affected* by these problems (according to the information presented) and their *impact on satisfaction* with the city. To establish the impact on satisfaction, an econometric analysis is used that attempts to identify which of the aspects of the city contribute best to predicting who would say they are satisfied or dissatisfied with their city. The econometric analysis also considers the fact that satisfaction with the city can

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

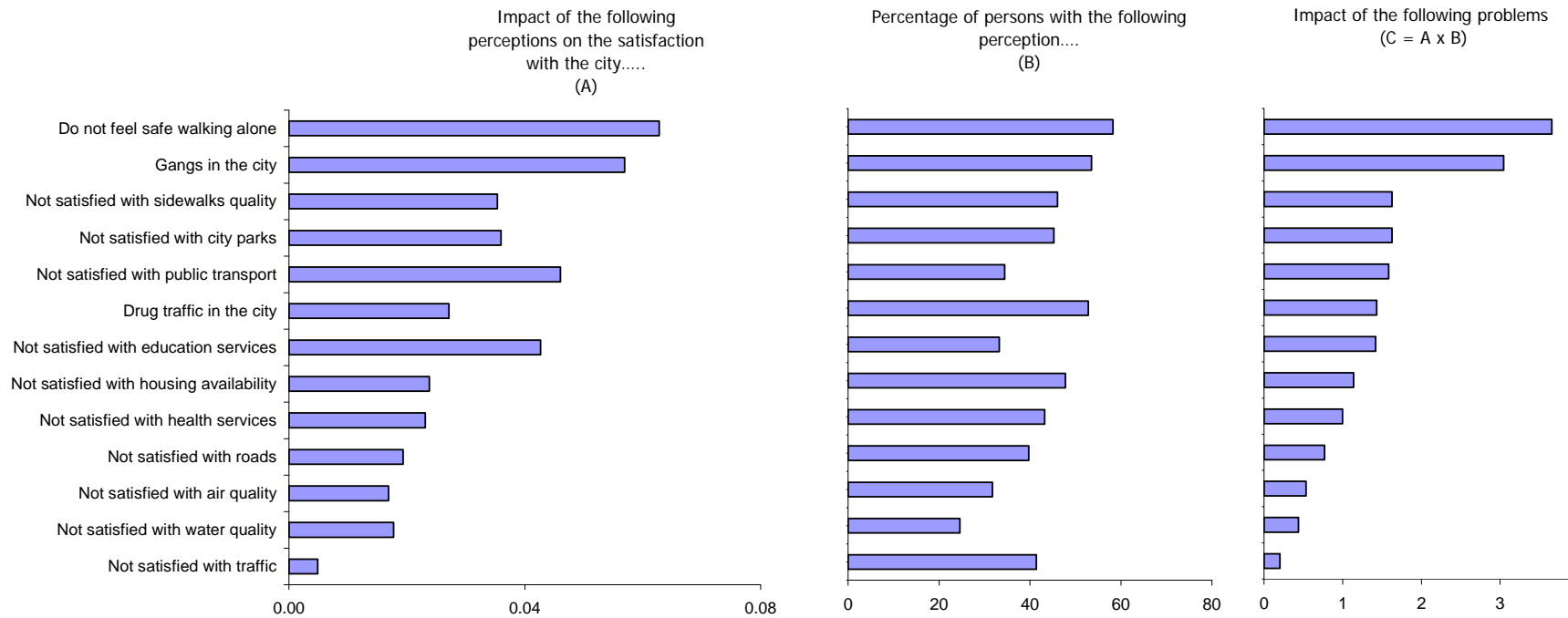
depend on an individual's own circumstances and possibilities (gender, age, if the person works, socioeconomic level), satisfaction with their home, and cultural and other common factors by country. Some of these controls weigh heavily in satisfaction with the city. In particular, satisfaction with the home has a great influence: a person who says he is satisfied with his home, compared with another whose other conditions are identical but is not satisfied, has a 19% higher probability of saying that he is satisfied with his city<sup>8</sup>.

---

<sup>8</sup> Gender has no influence on satisfaction with the city while age has a positive influence, although not statistically significant, and declining with years. Those who have a job tend to feel better about their city, but likewise this effect is not significant. Economic levels do not have a discernible influence, in one direction or another, on satisfaction with the city. National factors are important for several countries.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

**Figure 10 Importance of the Following Urban Problems According to Perceptions:**



Source: Gallup 2007

Note: These results come from a logit model for the city satisfaction in which the independent variables are those shown in the graph and controlling for sex, age, quintile, employed and house satisfaction

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

Problems of safety are very frequent and high percentages of Latin Americans say they feel unsafe walking alone at night or that there are gangs or illegal drug trafficking in their residential areas. These three expressions of lack of safety also have significant impact (statistically) on satisfaction with the city. The combination of high frequency and impact suggests that safety is the problem that most affects the quality of life in Latin American cities. Naturally, the problem may be more acute in some cities relative to others as is delved into later on. While safety-issues appear to affect all socioeconomic groups, there is evidence that the impact of feeling unsafe is stronger for women than for men (although reported victimization is higher for males). In general, problems of safety affect all age groups equally; however, the presence of illegal drug trafficking and confidence in local police seems to affect the elderly much more.

These patterns of self-reported victimization and perceptions of insecurity have direct links with different aspects of individuals' perceptions of well-being, emotions and beliefs. Di Tella et al. (2008) point out that those who report being victimized and those who report the presence of gangs and drug dealing in their neighborhoods are less likely to have felt positive emotions (enjoyment and smiled/laughed a lot) and are more likely to have felt negative emotions (anger, physical pain, worry, sadness, boredom and depression) the day before. The same results are recorded for those having lower perceptions of corruption in businesses and the government. Those who have not been victimized and have lower perceptions of corruption trust more in the local police, feel safer walking alone at night, have better perceptions of the educational opportunities offered by their country to children and to those who want to get ahead by hard work, are more satisfied with the efforts of their country to deal with the poor and are more likely to think that their country is a good place to start a new business.

Interestingly, Di Tella et al. (2008) also report how Latin Americans' well-being is negatively affected by victimization and by their perceptions of corruption; however the strength of these effects in the rest of the world is stronger than in Latin America. This may reflect an adaptation of individuals' expectations to the environment in which they live.

PRELIMINARY DRAFTS FOR DISCUSSION ONLY  
DO NOT CIRCULATE OR CITE

Apart from issues of safety, other aspects of cities that affect the quality of life include the existence and quality of sidewalks and pedestrian areas, parks and public transport. Somewhat lower in order of importance, but still with a significant influence on satisfaction with the city, are the quality of schools and the availability of housing at affordable prices. The other aspects considered (quality of health services; roads, highways and freeways; air quality, water quality, and traffic flow) do not have a significant impact on satisfaction with the city.

Many dimensions of the quality of urban life tend to have the same effect on high and low socioeconomic levels, men and women and individuals of different ages. There are some exceptions including: the state of sidewalks or pedestrian walks is more important for higher income levels but less important for elderly individuals, and the availability of good housing at affordable prices has less impact for those who are employed. However, this apparently general homogeneity of impacts could be the result of the aggregation into one single statistical exercise of a large number of urban centers inside of which some dimensions of urban life can have differentiated impacts on different groups. By analyzing particular urban areas where there is greater homogeneity, there is much more of a chance of being able to identify which characteristics of homes and neighborhoods are truly important for quality of life. This is the focus of chapters 4 through \*\*\*, where quality of life in individual cities from six\*\*\* Latin American countries is analyzed.

**References (PENDING)**

---

<sup>1</sup> This estimate is somewhat exaggerated because in Latin America very small localities are considered as urban centers. For this reason, Latin America seems as urbanized as the regions of the developed world. However even when this discrepancy is corrected, the resulting urbanization rate is 58%, which is still very much higher than other developing regions (World Bank, 2005).