Increasing access to infrastructure and property values through urban investment in Mexico

Summary:

Urban Mexico has been a hectic place to live over the past decades. Rapid urbanization coupled with the dramatic increase in violent crime has put pressure on the social fabric of Mexican cities. The Mexican federal government under Ministry of Social Development created the Habitat program in 2003 in order to provide infrastructure investments to marginalized urban parts of the country and to provide public resources to improve the quality of life in these communities. Investments included construction of roads, water and sanitation systems, lighting, and sidewalks, as well as community centres, parks, and sports facilities. Habitat also provided funds for activities outside of infrastructure investments, such as job training and health and nutrition training for young mothers. This program represents an injection of federal spending into the development of local infrastructure more typically provided by municipal governments.

Objective and rationale:

The main objective was to provide urban infrastructure and improve the poor maintenance of the existing ones. This would also help in accelerating the economic growth. Through this initiative, it would create jobs in a short term and raise overall economic productivity. By providing these, it also aimed to reduce the costs for activities such as transportation.

Key stakeholders:

- Inter-American Development Bank (IDB)
- Government of Mexico Social Development Secretariat (SEDESOL).

Implementation strategy:

The Habitat programme focused on cities or metropolitan areas with more than 15,000 people. Within each of these cities, the Ministry of Social Development identified polygons or priority attention zones eligible to receive program support. These polygons were groups of neighbouring blocks with more than 50 percent of the households living in poverty. In cities where this condition could not be met, polygons could include neighbouring blocks in which 30 per cent of the households were assessed to be living in poverty. In 2004, field studies were conducted to verify the eligibility criteria, and authority identified 3,125 polygons were eligible to receive support. This programme has been implemented from 2003 to 2006. Furthermore, Habitat had identified the beneficiaries in a spatial manner, using a geographic information system (GIS) to define geographic perimeter outlining of neighbourhood that met the criteria for inclusion. Programme has been implemented through bottom to top institutional approach. Member of selected neighbourhoods in the program received advice from Habitat program officials on requirement of infrastructure investments to be made. Then local government officials and neighbourhood leaders (community participation) would identify the most essential infrastructure needs and local governments then used Habitat resources to invest for development of such infrastructure necessities subject to spending caps imposed by the federal government.

Resource utilization:

The Habitat programme has a plan of US$68 million infrastructure investment in 60 municipalities across 20 different Mexican states. Under this programme, the local state and municipal government has committed to a cost-sharing agreement with the federal government. The municipalities provided 40 percent of programme funds, the states provided 8 percent, and the beneficiaries had a share of 2 percent of programme fund.

Impact:

There has been large improvement witnessed in the access to well-functioning public lighting, paved roads, and sidewalks; private investment in the housing stock increases. Furthermore, crime rate has been fallen and meaningful improvement has seen in public security. Major Impact of this programme on various parameter is tabulated below.

Parameter	Impact After Habitat Programme
Access to Infrastructure: Piped water, Sewerage service, Electric lighting, Streetlight, Medians, Sidewalks, Paved road etc.	• Overall, access to infrastructure has been increased by 10.3% • Functioning of streetlights have been increased from 56% to 62% • Access to median has been increased from 59% to 67.7% • Access to sidewalks increased by 9% ~ from 59 percent pre-Habitat to 68 percent • Access to paved road has been increased by 10% ~ from 66 percent pre-habitat to 76 percent • Access to sewerage, piped water, and electric lighting were already high in most neighbourhoods, and witnessed limited significant changes on average.
Private Housing Investment and Property Value	• The number of houses with concrete floors increased by around 2.5 percentage ~ from 96.5 percent pre-Habitat to 99 percent • The number of houses with a flush toilet increased from 61 to 63 percent • The amount of rent paid by households have been increased by US$17 per month, a nearly 20 percent increase from a pre-Habitat value of US$88 • It was estimated that property values in Habitat neighbourhoods increased by an additional US$5.76 per square meter ~ from US$86.11 per square meter in pre-Habitat to US$ 91.87 per square meter. Cumulatively this amounted to a total property value increase of US $150 million, more than two times the $68 million invested in the Habitat program
Moving Rates	• In Habitat neighbourhoods, the rate of residential migration dropped by 7 percentage • Even though Habitat increased rents, the program reduced the moving rates of homeowners and renters alike. Non-Habitat neighbourhoods have seen moving rates of 58 percent for renters and 37 percent for non-renters

Key challenges and Lessons learnt:

Provision of basic infrastructure created multi-fold value to the residents in the short and medium-term. AMRUT Mission is covering similar project components and similar studies can help quantify benefits to the citizens.

Replicability and sustainability:

AMRUT Mission is taking a similar approach to projects development. Beneficiaries inputs along with other local stakeholders are captured at the project planning stage. Similar approach has been taken for the SCM as well. This ensures that the projects are prioritised and selected such that the citizens are engaged in decision-making and accrue benefits from the projects.

Fact Sheet:

Thematic area	Economic growth linked with investments in urban infrastructure
First-year of the program	2009
Responsible institution	Inter-American Development Bank (IDB), Government of Mexico Social Development Secretariat (SEDESOL).
Target audience	All citizens in cities with greater than 15,000 population
Coverage	Mexico

Source: *(American Economic Journal: Applied Economics, 2018), (J-PAL, 2018), (Research Gate, n.d.)*
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