Watching the city grow: remittances and sprawl in intermediate Central American cities

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ABSTRACT The largest share of Latin American population lives in cities with less than half a million inhabitants. Since the publication of the Brundtland Report in the 1980s, small and intermediate cities have been regarded as places that hold out a promise for sustainable urban development. This paper explores current urbanization trends in intermediate cities in Central America. It describes the construction boom of gated communities for the middle class, in majority people with access to migrant remittances. It is argued that sustainable urbanization is challenged by the privatization of urban planning. The lack of strong governmental coordination of the housing market along with urban growth puts pressure on natural resources and on the livability of cities that used to be characterized by their human scale and rich natural environment. It is suggested that the market of existing housing should be made more attractive in order to control urban growth and prevent an oversupply of new expensive middle-class homes in the periphery, paralleled by a large number of abandoned existing houses in the urban core.

KEYWORDS housing market / intermediate cities / migration / remittances / sustainable urbanization / urban planning

I. INTRODUCTION

In the summer of 2008, the head of the urban planning department in Quetzaltenango, Guatemala, showed me how the urban territory was expanding. He brought me a chair, put it in front of a computer screen, clicked on Google Earth and demonstrated where recent projects had been built. Despite the relatively outdated satellite images, Google Earth was one of the few instruments available that allowed him to keep up with the growth of the city. A similar situation occurred two weeks later in San Miguel, El Salvador, where the responsible architect equally referred me to Google Earth for information he could not otherwise supply. In both cities, urban planners were proverbial bystanders in a play dominated by real estate developers. What they observed on their computer screens worried them. Urban areas were expanding in an uncontrolled fashion, with high burdens on ecological resources and existing housing markets. They lacked the means and political support to control the situation; they could only watch their cities grow.

In 1987, the Brundtland Commission asked in the report Our Common Future for explicit strategies to steer urbanization away from the largest
cities towards smaller urban centres.\(^1\) Although Latin America is known for its mega-cities, almost 40 per cent of the continent’s population lives in cities with less than half a million inhabitants.\(^2\) The influence of urban scale on local governance and urban development has been questioned in the literature. Yet public administration and social and environmental sustainability are believed to be more difficult to achieve in very large cities.\(^3\) International organizations therefore suggest that smaller urban areas hold out a promise for sustainable urban growth: “...due to their scale, [intermediate cities] constitute more balanced and sustainable systems, which have more balanced relationships with their surrounding territories.”\(^4\)

Yet regardless of their size, many small and intermediate cities face problems with affordable housing supply, provision of basic services and poverty – problems that influence livability and sustainable urbanization, and CEPAL asserts that “…their intermediate size does not, in and of itself, guarantee them a bright future.”\(^5\)

This paper addresses urban sprawl in two intermediate cities in Central America, namely Quetzaltenango in Guatemala and San Miguel in El Salvador. It explores current urbanization trends in relation to transnational migration, remittances and related manifestations of globalization. These two cities were selected as case studies based on their relatively high numbers of remittance-receiving households and their secondary positions in the national urban hierarchies. Quetzaltenango is Guatemala’s second largest city, and almost 40 per cent of the population in the department where Quetzaltenango is situated receives remittances. San Miguel is El Salvador’s third city, and the department of which San Miguel is part is the second largest receiver of remittances nationally, with 34 per cent of households receiving money from abroad.\(^6\) As will be described in more detail below, sustainable urbanization in intermediate Central American cities is challenged by a combination of weak municipal planning institutions and a construction boom triggered by globalization. In recent years, many self-sufficient gated communities for a middle-class clientele have been built on the urban fringes, resulting in a rapid expansion – almost a doubling – of the urban territory. New projects continue to be built, even though the worldwide financial crisis results in stagnating sales.\(^7\) Meanwhile, part of the existing housing stock remains unused and is falling into decline. Urban planners are only passively involved in the creation of new residential areas. Both cities lack detailed plans for urban expansion, if only because urban boundaries have never been established. The municipalities do exert control over construction permits, but detailed zoning regulations are either non-existent or are ignored. As perceived by local planners, their departments are relatively powerless compared to the private sector and central government.

This paper is organized in two parts. First, we address the nature of the urbanization processes to determine the size and pace of newly developed housing projects, and urban sprawl is described within a context of neo-liberal policies and the impact of globalization (transnational migration, remittances economy). Then, the impact of sprawl on the idea of intermediate cities as livable and sustainable systems is analyzed. Sustainable urbanization is understood as a process that comprises a social and an environmental component. The environmental component will be illustrated by describing deforestation and the use of groundwater sources for the private supply of drinking water. Social sustainability will be described by focusing on spatial segregation and skewed local housing


II. (UN)LIVABLE CITIES

Undisputed indicators of what makes a city a pleasant place to live do not exist. According to several North American authors in urban studies, intermediate Latin American cities still contrast in a positive way with American “non-place urban realms” thanks to their vibrant public life. Heterogeneous communities and accessible multi-functional public spaces are mentioned as positive qualities. Herzog mentions humanly-scaled historic centres with pedestrian areas in cities such as Querétaro, Mexico, as outstanding examples of livable places. Vassoler explains the success of Curitiba by pointing out the multiple functions of the city’s parks and green areas. Conversely, Scarpaci argues that homogenization of the built environment in historical inner cities in Latin America reduces their vibrancy. Several less optimistic studies describe Latin American cities as transforming into fragmented places, where urban and suburban ways of life are juxtaposed. Planned social housing, unplanned squatter settlements and orderly gated condominiums are increasingly situated side by side; different social groups live in each other’s vicinity, yet are socially separated. The nature and impact of globalization, the homogenization of the built environment, and spatial segregation have been the subject of extensive debate.

Three sets of motives are mentioned in the literature to explain the fragmentation of urban space. The first set refers to an historical transformation of the socioeconomic landscape of Latin American cities since the “lost decade” of the 1980s. The introduction of neo-liberal economic models and the dominant role of the private sector in urban spatial developments resulted in a privatization of space, privileging car-based mobility and causing a homogenization of social environments. Borsdorf et al. describe the general features of urban fragmentation in Chile, where middle and upper classes occupy the privatized areas in gentrifying inner-city areas and suburban locations. In their respective studies, Caldeira and Rodgers describe how selectively improved highways have contributed to the development of enclaves and segregated spatial networks in Brazil and Nicaragua.

The second set of motives refers to an increase in crime levels and weak law enforcement. In many Latin American countries, crime levels...
have risen since the end of the civil wars of the 1970s and 1980s, especially in Guatemala and El Salvador.\(^{15}\) Crime levels within cities rose and many people left the country. As a flipside of the globalization coin, informal networks for illicit trafficking across national borders generated new modes of existence for otherwise marginalized groups, and this has increased the general feeling of insecurity. Guatemala and El Salvador became transit nations for trafficking people, goods and money.

The third set of motives relates to social status symbols. Fashioned after North American examples, the construction of gated communities became an increasingly popular housing solution from the 1990s onwards. Such communities are designed as lifestyle concepts and places of leisure.\(^{16}\) Living in such communities enhances a resident’s social status. Marketing strategies are based on the status-generating capacity of residential qualities such as “privacy”, “nature” and “pleasure”. In Central America, all three have contributed to a boom in fenced-off neighbourhoods in suburban areas, not only in the capital cities but also, increasingly, in intermediary cities, where the quality of urban life is believed to be higher than in the crime-ridden capital cities. The demand for safe and comfortable housing by a middle class with access to foreign currency has spurred the construction of new real estate projects.

## III. GLOBALIZATION IN INTERMEDIATE CENTRAL AMERICAN CITIES

With 106,000 and 158,000 residents respectively, Quetzaltenango and San Miguel are “typical” intermediate cities,\(^{17}\) occupying secondary positions in the national urban hierarchies. Both are nodes in larger urban and transnational networks and both are the economic heart of a surrounding rural region, providing specialized commercial, educational and health services to the larger region. Both have a bustling atmosphere during the day but are deserted and insecure at night. In both cities, people tend to identify with their city and many are proud to live there.

Each city is shaped by a particular urban history. Quetzaltenango is situated in the western highlands of Guatemala, 200 kilometres from the capital city of Guatemala, and is part of the larger municipality, also named Quetzaltenango, that has a large indigenous population. Formal city limits have never been established. Nobody knows what territory belongs to the city and how many people live within the urban boundary. Local statistics mention 106,528 inhabitants, whereas national statistics count 120,496 urban residents.\(^{18}\) The city has 25,625 housing units, of which more than 4,000 are unoccupied, in part due to out-migration.\(^{19}\) Based on national census data, the annual growth rate of the urban population between 1994 and 2002 was 3.3 per cent.\(^{20}\) The growth of the urban area urged Quetzaltenango and several adjacent municipalities to prepare the creation of a new administrative metropolitan area, Metrópoli de los Altos, which will become Guatemala’s second metropolis after Ciudad de Guatemala.\(^{21}\) In the former administrative period, Quetzaltenango had an indigenous mayor. Although ethnic–political priorities have varied in different administrative periods, they all had one thing in common: an overall lack of attention to urban planning.

San Miguel is situated in the eastern lowlands of El Salvador, 132 kilometres from San Salvador. Due to the civil war and the predominance

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\(^{17}\) For a description of the characteristics of intermediate cities, see reference 4, Ayuntamiento de Lleida et al. (1999), pages 43–54; and Klaufus, C (2009), Construir la Ciudad Andina: Planificación y Autoconstrucción en Riobamba y Cuenca, Abuya Yala/FLACSO, Quito, page 17.


\(^{19}\) See reference 18, UIEP–PROINFO (2002).

\(^{20}\) www.citypopulation.de.

\(^{21}\) Mancomunidad de Municipios Metrópoli de los Altos (2007), Plan
of guerrilla forces in the region east of the River Lempa that bisects the country, San Miguel has been cut off from the capital city for a long time. San Miguel is part of a large municipality with the same name. The whole municipality has 218,410 inhabitants and 71,054 housing units, of which more than one-fifth are left empty. Unoccupied houses are a consequence of transnational migration and absentee owners. In Quetzaltenango, no official urban boundaries have been established, which makes urban population figures ambiguous. According to the 2007 census, the city had 158,136 residents. Estimates for the annual urban growth rate vary from 1.5 per cent to 2.9 per cent.

Both cities have seen part of their population leave as a consequence of the civil wars in Guatemala and El Salvador. Large proportions of the population migrated to the US and, to a lesser extent, to Europe, especially since the 1990s. Transnational migration from the Quetzaltenango region started during the civil war of the 1980s. After the peace accords were signed in 1996, the economy stagnated and new forms of violence abated. Due to economic and social insecurity, the outflow of people increased substantially at the end of the twentieth century and remittances rose to unprecedented levels. The amount of remittances to Guatemala tripled between 2001 and 2004, reaching almost US$ 2.7 billion in official flows. Remittances make up 10 per cent of GDP, and the incoming amount is 21 times greater than foreign direct investments, indicating the profound influence of remittances on the national economy.

The department where Quetzaltenango is located has the fourth largest share of migrant families and incoming remittances in Guatemala. More than 100,000 of the department’s urban population and more than 120,000 of the department’s rural population receive remittances, part of which has been destined for the development of small artisanal (often textile) businesses in nearby villages. Also, new houses have been constructed, and of late luxury gated communities have been built. Private construction companies target the remittance-receiving population in Quetzaltenango, in the capital city and abroad. With the remittances, people can buy a house for cash or they can make a down-payment on a mortgage that is usually offered as part of a package deal by the private developer. The nature of real estate developments – low-density, middle-class housing with communal facilities – has accelerated urban sprawl. According to the media, the new and opulent houses contribute to a visual degradation of the landscape.

As San Miguel is the centre of an agricultural region, many peasants fled to the city during the civil war of the 1980s. During that decade the city expanded rapidly. Others opted to leave the country and emigration continued after the peace accords were signed in 1992. As soon as the political situation had stabilized at the end of the twentieth century, the inflow remittances to San Miguel rose substantially. Nationally, El Salvador received US$ 2.5 billion in 2004, which represented 16 per cent of GDP and was six times more than foreign direct investments. Transnational migrants started to invest in real estate, which in turn attracted developers, banks and retail commerce. San Miguel revived after years of stagnation, and all sorts of small-scale commercial activities developed. However, as the city does not have a productive sector, the urban economy is sometimes called a “fictitious economy”. Nowadays, an estimated 35 per cent of the population within the larger department of San Miguel receives remittances. About 45 per cent of them, approximately 70,000 people, live in the municipality of San
Miguel.\textsuperscript{30} As in Quetzaltenango, people associate urban transformations primarily with the remittance economy.\textsuperscript{31}

Over the last decade, remittances have been one of the engines of local consumption. In order to make remittances more productive, international organizations such as the IDB and the World Bank have promoted the use of remittances as investments in transnational mortgages. National housing institutes and commercial chambers in Central America have adopted the IDB programme, trying to persuade migrants to use remittances for savings and credits to finance the production of new homes. The programme is designed to stimulate financial markets and the construction sector. It also aims to empower the target group through financial literacy. Another positive aspect mentioned is that people get “more house” for their money.\textsuperscript{32} These programmes prioritize the construction of new houses over the re-use of existing housing.

Besides transnational money flows, international development plans such as the Plan Puebla Panamá (PPP) are an impetus for urban change. Under the banner of the PPP, the harbour at Puerto de Cutuco, close to San Miguel, and an international road system are being developed. San Miguel is the principal city in the harbour’s surrounding area and is well connected to the Pan-American Highway, so real estate developers anticipate a growing number of residents and visitors. A few hundred kilometres to the west, Quetzaltenango is equally close to the Pan-American Highway. Because of its tranquil atmosphere and relatively low levels of crime, combined with high standards of education and health services, real estate developers expect to attract buyers from the polluted and insecure capital city. Apart from being a gateway to provincial cities, the Pan-American Highway has also become a lifeline for illegal flows of people and products. Money generated by transborder smuggling, drug trafficking and money-laundering activities is said to contribute to the real estate business in both cities.\textsuperscript{33} To summarize, the inflow of remittances combined with improvements in the international road system and a new harbour have stimulated urban transformation in Quetzaltenango and San Miguel over the last years.

IV. ENCLAVES FOR A TRANSNATIONAL MIDDLE CLASS

After the end of the civil wars in El Salvador and Guatemala, housing shortages could not be addressed by the weakened state institutions. Instead, the private sector took responsibility for a large part of social housing production, either in the form of lotizaciones (lots in serviced areas) or as urbanizaciones (turnkey houses).\textsuperscript{34} Gradually, as private sector influence increased, profit making overruled local housing needs on their agendas. At the end of the twentieth century, intermediate urban centres were identified as apt locations for the development of new real estate projects. As a result, Quetzaltenango and San Miguel were confronted with an oversupply of relatively expensive lots and middle-class houses in gated communities. As an indication of this trend, the Construction Chamber in El Salvador noticed a decline of 35 per cent in social housing in 2005, attributed to larger investments in proyectos de lujo (luxury housing projects).\textsuperscript{35}

One of the projects currently under construction on a hill in Quetzaltenango is La Nueva Ciudad de Los Altos. The name refers to the...
city’s nickname, Ciudad de los Altos. The name New Quetzaltenango reflects the ambition of the project, namely to build a completely new city adjacent to the existing one. The plan consists of two phases. Phase one includes 436 lots with basic services in two fenced-off communities; commercial, educational, sports and medical facilities; and a new campus for a private university. During phase two, a residential area of similar size will be created, situated around a “city centre”. Drinking water will be provided by a private well and an internal water supply system not connected to the public drinking water network. Outside the main entrance, two smaller housing projects with turnkey houses have already been built by another developer. Slowly, the hill that used to be a forest is turning into an urban extension of approximately 4.5 hectares, where more than 10,000 people are expected to live by 2025. By that time, the zone will occupy an area as large as the current historical centre of Quetzaltenango.\(^{(36)}\)

La Nueva Ciudad de Los Altos is not the only large project in Quetzaltenango. Several others have been designed or are under construction, one of them a neo-colonial gated community close to the village of Cantel, called Xela Gardens (Xela is the indigenous name for Quetzaltenango). The project comprises approximately 1,200 lots. It is designed as a “fairytale community”, with cobblestone streets, colonial-style buildings and nicely designed picnic areas. According to one of the lot buyers, a local architect, the clientele consists of remittance-receiving families from Quetzaltenango, migrants in the US and people making money from drug trafficking.\(^{(37)}\) Whereas the cheapest social housing units in Guatemala cost approximately US$ 2,700,\(^{(38)}\) the cheapest lots offered in the new urbanizations in Quetzaltenango cost more than US$ 8,000. In 2008, real estate prices in Quetzaltenango had risen to levels even higher than those in the capital city of Guatemala.\(^{(39)}\) Still, these projects are expected to generate in-migration from the capital city and hence, population growth.

In San Miguel, similar forms of urban sprawl are taking place. New gated communities in neo-colonial style, often with more than 1,000 lots or houses, have been built on the road to San Salvador. Even in a provincial town like San Miguel, real estate developers offer condominiums with a “cosmopolitan” atmosphere and English or colonial Spanish names such as RiverSide Gardens and Hacienda San Andrés. The communities offer high levels of comfort and maximum privacy and security in fenced-off areas. RiverSide (1,500 lots and houses) on the northern side of town has a fitness school, a swimming pool with a jacuzzi, several sports fields and a picnic place. The model homes in Hacienda San Andrés (2,500 houses) on the western side of town offer an American atmosphere with cinnamon-perfumed bedrooms and bathrooms decorated with flower-patterned cloth curtains. Facilities for installing a dishwasher and an ice cube maker are incorporated in the design. Inside the gates everything is designed to enable an American lifestyle. Outside the gates another world starts. On the narrow, dark and bumpy road that connects RiverSide to the city centre, extortion and robbery by criminal gangs occurs on a regular basis. The image of RiverSide as an area of wealth and luxury has created a risk factor that limits the inhabitants’ freedom to travel at night. This situation differs from that in Managua where, for example, roads have been improved and are well lit in order to create what Rodgers calls “fortified networks”.\(^{(40)}\) Such networks have not yet been constructed in San Miguel.

36. Interview and personal communication with architect, code HG 18/07/08.
37. Interview and personal communication with architect, code EC 16/07/08.
39. See reference 36.
The prices for lots and houses in San Miguel are higher than for similar units in Quetzaltenango. Prices for lots vary between US$ 20,000 and US$ 50,000, and for houses between US$ 60,000 and US$ 250,000. One explanation for these high prices is that unlike the Guatemalan companies, the Salvadoran developers try to sell directly to transnational migrants in the US, where the migrant population has become accustomed to these types of settlements and price levels. Their main clients are migrants in the US. Since 2006, the Chamber of Commerce for the Construction Sector in El Salvador, Casalco, has organized four trade fairs in different places in the US; the fourth took place in October 2008 in Los Angeles. The results of the first three fairs were promising, with sales increasing from US$ 2.6 million at the first fair to US$ 5.4 million at the third one. The fourth fair was seen as a trial because of the sub-prime crisis. US-based Salvadoran migrants have been affected by the economic recession and consequently, developers in El Salvador are having difficulties selling their properties. Some offer a refund on down-payments during the first year; others simply reduce their prices. The fifth fair, that was to have taken place in October 2009 in Washington, was cancelled.

Meanwhile, new houses continue to be built in San Miguel. The discrepancy between supply and demand on a local level is not just an economic problem. It is also a social one. Illustrative of the mismatch between housing supply and demand is the gap between the upper limit of US$ 15,000 for social housing in El Salvador and the price of new homes in San Miguel, the majority of which cost more than US$ 40,000. This reflects a national trend: 70 per cent of the Salvadoran population can only afford houses under US$ 10,000.

V. SPATIAL DISORDER

For decades, unsustainable urban growth has been associated with the urban poor – with informal housing on inadequate land, lacking running water and sewerage. The primary challenge for Latin American planning authorities was to formalize and upgrade informal settlements. In Central American cities, where the private sector obtained a leading role in housing and urban development, commercially developed communities became a principle force of urban growth. Paradoxically, nowadays the new housing projects challenge exactly those qualities that are used to sell the properties: access to spacious green areas and proximity to a lively inner city. While they privatize urban space and denude green areas for the creation of self-sufficient communities, the advantages of the urban size and the human scale are reduced by low-density sprawl that generates car-based mobility.

Whereas real estate developers are keen to present gated communities as high quality self-sustaining areas, local professionals and authorities who made inventories of the projects associated these with spatial disorder. Municipal and independent professionals expressed their concerns about the scale of the housing projects. In December 2007, the head of the municipal land register in Quetzaltenango commented in a newspaper that the city was growing “in a disorderly way” and that the population had increased to almost one million inhabitants. He pleaded for more government control. The picture accompanying the article suggested that the problem lay in an increase in informal housing on...
the fringes, but quotes made it clear that the real threat to sustainable urban growth was from formal housing projects.\(^{(43)}\) According to various professionals in both cities, local governments are incapable of directing large real estate developments because the private sector has become too powerful economically. In presenting new plans to the local authorities, real estate developers anticipate the inflow of rich consumers and the creation of local employment in the construction sector, emphasizing that the construction of new housing would benefit the city. In most cases, however, real estate developers employ specialized construction workers trained in specific design details, such as the neo-colonial woodcarvings in Xela Gardens. The companies bring in their own teams of specialists instead of training local workers on the spot, thus limiting local employment opportunities generated by the new housing projects.

Two damaging effects of a lack of urban planning were specifically mentioned in interviews: skewed housing markets and house price inflation, and the exhaustion of the hydro-geological system. In both cities, the need for cheap urban housing solutions persists. The new residential areas are not being built for local households in need of housing but for households from other cities or from abroad. Besides the increase in new housing, a part of the existing housing stock – 16 per cent in Quetzaltenango and more than 20 per cent in San Miguel – remains unused. Thus, the territory of provincial cities with vibrant and humanly-scaled city centres expands more rapidly than demographic growth requires. This contributes to spatial and aesthetic fragmentation and social segregation.

The second consequence is the exhaustion of groundwater and the destruction of natural areas. In order to solve the lack of capacity of local urban drinking water systems, project developers construct private water wells. They sell their projects as being autosostenible (i.e. self-sustaining). Yet in the long run and on a larger scale, the extraction of water is not environmentally sustainable. In both cities, private water supply systems have already reduced groundwater levels. Besides water extraction, deforestation also causes problems. In Quetzaltenango, deforestation of several hectares on the hill on which La Nueva Ciudad de los Altos is being constructed has caused flooding problems in the lower urban areas.\(^{(44)}\) In San Miguel, most new communities have been constructed on the western side of town, in a volcanic area where groundwater levels are extremely vulnerable. In 1998, an international team of experts financed by the IDB wrote a masterplan called the Plamadur, with scenarios for urban growth until 2015. As part of the Plamadur, a strategic plan stressed the urgent need to consolidate the existing urban area and protect the freshwater resources.\(^{(45)}\) In 2008, it became clear that these water resources had not been protected but, rather, had been extensively used.\(^{(46)}\)

Ironically, this situation was triggered by the urban planning regulations themselves. Municipal control in Quetzaltenango was based on an outdated and never fully implemented urban development plan issued in 1983, and a housing law issued in 2001. There was no control regarding compliance with this law. Professionals within and outside the municipal administration stressed that there was a lack of political interest and that corruption prevented the implementation of the plans.\(^{(47)}\) Generally, approval of a housing plan depends on the availability of sufficient basic services. Although the applicant has to deliver an environmental impact study approved by the Ministry of Environment,
in everyday policy practice in-depth studies about the long-term effects of deforestation and water extraction are not required. According to the urban planners, prestigious development plans were often approved at the highest political level, overruling the advice of lower-ranking professionals, even if the environmental impact studies showed negative effects.

In San Miguel, the Plamadur, which was published more than 10 years ago, concluded that: “In practice, the municipality... did not and does not exercise planning or control of urban development.... Political willingness and resources to strengthen the municipal administration are lacking.” In 2008, urban planners in San Miguel stated that the situation had become worse: the Plamadur was outdated and they did not have any other framework to work with. Local professionals in Quetzaltenango and San Miguel have similarly stated that it is formal housing projects rather than informal housing that has put pressure on the idea of sustainable urbanization. The need for urban control has increased over the years, but the institutional instruments have weakened. Urban planners tend to be overruled by local politicians and national policy makers, who stress economic advantages. The absence of effective monitoring tools forces them to map out new urbanization in hindsight, relying on Google Earth.

Generally, it can be concluded that intermediate cities that are seen as profitable locations for new housing projects for a middle-class clientele lack the local governance structures to plan and control the construction of new residential areas. The urban planners in charge lack the political support to implement zoning plans and enforce environmental regulations on powerful – often multinational – real estate developers. The case studies show that powerless planning departments, working with outdated plans, are unable to steer urban growth and create a balanced housing market. This increases social inequality in intermediate cities. Updated regulations should be implemented and enforced to deal with new housing demands and simultaneously keep these smaller cities socially and environmentally sustainable.

To reduce the charges on natural resources and redress the balance between local housing supply and demand, better use of the existing housing stock is also needed. One reason why this has not taken place is that it is generally difficult to get a loan to buy an existing house. Besides, in the current market, houses with thematic designs and that reflect suburban lifestyles are regarded as status symbols. The lack of a tradition that makes it acceptable, even desirable, to buy an existing home has shaped consumer preferences. To complicate matters, a large number of houses with absentee owners are not even available on the housing market, as transnational migrants keep houses in El Salvador as investments or as future retirement homes. There are, however, some incipient initiatives. In El Salvador, two government institutions provide credit to low-income families for the acquisition of existing housing. One of them, the Fondo Social para la Vivienda (FSV) offers credit to people who want to buy a house that has been recovered from a defaulter. In San Miguel, these houses cost between US$ 8,000 and US$ 14,000. Yet 58 per cent of the nationwide FSV credits are destined for the acquisition or construction of a new house.

Apart from these programmes for the urban poor, additional programmes should be developed that encourage the middle class (in the

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48. See reference 45.
49. See reference 46.
city or abroad) to buy existing homes. The real estate and construction sector should also be stimulated to take an interest in revitalizing the existing housing stock. Urban development is still predominantly understood in terms of the economic growth of the real estate and construction sector, even if this sector is now confronted by stagnating sales. To activate the market in existing housing, a change of attitude needs to be stimulated by national and international programmes to encourage loans for purchasing existing homes, and marketing strategies need to be developed that envision neighbourhood life in the urban parts of intermediate cities as pleasant, safe, comfortable and affordable. In combination with accurate planning instruments, intermediate cities can steer towards more sustainable urbanization.

VI. CONCLUSIONS

Intermediate Central American cities face rapid urbanization on the fringes. Whereas uncontrolled urban growth used to be associated with informal self-provision of houses, suburban disorder is now attributed to fully serviced residential projects for a new middle class, built on ecologically vulnerable land. Target groups are remittance-receiving families or other people with access to foreign currency, for example from illicit trafficking that is enhanced by improved international transport systems. Consumers with access to dollars and euros prefer comfortable middle-class houses in fenced-off neighbourhoods in quiet suburban areas with a secure water supply. These gated communities are spatially segregated from the rest of the city, sometimes even designed as parallel cities. The construction of private water supply systems causes a reduction in groundwater levels, while deforestation in higher areas where urbanization projects are developed causes flooding in lower urban areas.

Local governance structures in Central America lack political continuity, legal frameworks and the financial and administrative possibilities to steer or control these processes. This is illustrated in the independent remarks by urban planners in the two cities that the only way they can keep up with the speed of urbanization is by using Google Earth. Meanwhile, the private construction sector and international organizations adhere to policies that privilege the construction of new housing over the use of the existing housing stock. The one-sided focus on the construction of new real estate projects causes urban sprawl, threatens the natural environment, causes a deterioration in the quality of existing neighbourhoods, with high numbers of abandoned houses, and sustains the deficit of affordable dwellings. Besides, the monotonous enclaves jeopardize the idea of intermediate cities as socially mixed and livable urban areas.

Although smaller cities might not be as socially segregated as San Salvador or Ciudad de Guatemala, the pace and scale of new projects challenge the idea of sustainable urbanization. I have argued that urban planners in smaller cities need political support and updated instruments to control urban sprawl and the use of natural resources, and that national and international programmes should encourage revitalization of the existing housing stock to achieve a more balanced housing market.
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