PUBLIC POLICY IN URBAN DEVELOPMENT:
THE PRIVATIZATION OF PUBLIC GOODS IN CIUDAD JUÁREZ

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April 2019
“Public Policy in Urban Development: The Privatization of Public Goods in Ciudad Juárez”

https://doi.org/10.25613/ayg5-qp17
Introduction

Recently, there has been a lot of discussion about an important issue—the privatization of public goods by indirect means. This is also referred to as the transfer of collective assets, the usufruct of those goods, or the profits from them to private actors through the creation and implementation of public policies that favor individuals. In Mexico, this privatization has been associated with far-reaching, fundamental changes in the country’s approach to public policy. One of these key changes is the fact that the economic elite have been increasingly open in their participation in public policy and administration since the 1980s. They have gotten involved in public decision-making processes, thereby expanding their influence on the government’s actions, often in favor of their own private interests. In turn, this has decreased the representation of minorities and lower socioeconomic strata in public endeavors. The influence of private interests on public decisions is not only external to wealth polarization trends, which are reflected in the significant increase in urban poverty in Mexican cities, but it also contributes to said polarization through the massive redistribution of public goods and associated profits to private hands. One of the most important ways to transfer the usufruct of public goods to private hands or appropriate the gains resulting from public projects is through urban development policies. It is clear that the insertion of the economic elite in this field has led to a transfer of public resources to private hands, not only through the implementation of urban development, but also occasionally by transferring the ownership and use of public goods, which is partly justified by the idea that private actors are more efficient in managing urban resources.

This paper focuses on privatization in Ciudad Juárez, Chihuahua, Mexico, and offers a critical analysis of the fundamental changes in the creation and implementation of public policies that have made it possible for private interests to directly intervene in government activities, resulting in the transfer or use of public goods to private actors. This paper also uses an investigation of the elite’s participation strategies in urban planning to analyze how Mexico’s economic elite influence public affairs in order to privatize goods. Specifically, this study focuses on analyzing the indirect transfer or sale of public goods to individuals and private entities through 1) deregulation mechanisms, 2) the strategic allocation of projects that generate wealth focusing on certain areas or groups, and 3) the use of market processes to favor private interests through the exercise of public funds and investment that are mainly unregulated and even irregular in urban infrastructure.

The Problem

The literature on the transfer of public goods to private actors is based partly on the phenomenon of privatization since the 1980s—the sale of national and nationalized resources, such as public companies, concessions for the exploitation of natural resources, contracts for infrastructure, land use and exploitation, etc.—which was driven by the

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1 Usufruct refers to the right to enjoy the use and advantages of the property of others, except for its destruction or waste.
Washington Consensus in Latin America. This phenomenon is regional and even worldwide, and Mexico is no exception. There is a clear trend of transferring public goods to private hands based on mechanisms that remove the state from direct participation in the economic domain as an actor and driving force of investment and production.

The enrichment of private agents and individuals through indirect means is the main subject under discussion in this paper, particularly between public servants and business owners, as these groups often play a dual role between the public and private sectors and have become essentially interchangeable in recent years. Business owners often get involved in the public administration’s decision-making processes, consequently initiating and implementing the simultaneous transfer of public goods as they become recipients of them through investment contracts, the generation of privatized gains, etc. In many instances, these public servants manipulate the regulatory system and decision-making processes for public investments in favor of their private interests.

For over three decades, many leaders, public servants, and bureaucrats in Mexico have become affluent individuals, with an exponential growth of wealth and real estate because they benefit from access to privileged information that they use to acquire the very public goods that they are privatizing. These individuals can dismantle regulations in favor of privatization, actively participating in the transfer of goods to themselves and their families, friends, and associates; they can grant public contracts to themselves; and they can influence governmental decision-making processes that can contribute to gains from public investments. In fact, the ties between the political and economic elite have increased substantially throughout the country in recent years, through a sort of revolving door between the two circles that often results in the exchange of information between the two groups that allows them to transfer public goods to private hands. Some have even identified this way of privatizing public goods as corruption.

Nevertheless, this has not only occurred on a national level but also on the state and local levels. On par with major modifications in privatization, deregulation, and public investment schemes, Mexican cities have experienced significant changes in the results of urban development policy, which is one of the methods for transferring public goods under analysis in this study. It is noteworthy, for example, that public investment is calculated based on important suppositions about the benefits and value of public

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3 María Amparo Casar, President of Mexicans Against Corruption and Impunity (MCCI), pointed out 11 former governors who were accused of crimes against public health, the illegal sale of state-owned land, electoral crimes, concealment, abuse of authority, influence peddling, money laundering, organized crime, transactions with resources obtained from illegal sources, tax fraud, illicit enrichment, embezzlement, and diversion of resources; Elisabeth Malkin, “En México se acumulan los gobernadores corruptos, e impues,” The New York Times April 19, 2017, https://www.nytimes.com/es/2017/04/19/mexico-gobernadores-corrupcion-impunidad-duarte/.
investment and its impact on gains and how to appropriate them. Major infrastructure projects and urban equipment, for example, are intended to increase the value of land, property, or investments of landowners in urban areas.

Although this problem has been studied from various perspectives—including aspects related to politics, regulation, mechanisms and financing for urban development, housing policies, and habitability, among others—it has generally been considered on the national and state levels. However, there is a general lack of analysis on the municipal level, whether deliberate or not, and it has not received the due consideration necessary in the study of the public administration and corruption. This lack of analysis is inexplicable, as a serious problem has arisen at the municipal level due to the exponential growth of the urban population; it is at this level where the transfer of public goods can occur through thousands of minor actions that go unnoticed. Cities are an excellent case study for this type of transferring public goods to private entities.

Main Questions

The main questions of this paper are as follows: How does the union of the political and economic elite influence urban development policy? Does this union lead to urban development being biased toward specific interests that involve the privatization of certain public goods generated from public investment? Do private interests put pressure on public investment? What are the mechanisms by which decisions are made regarding which public projects will be financed? Do these urban development processes lead to a propensity to appropriate the wealth or gains resulting from an urban project? Have changes in public policies created incentives to increase private participation in politics and the appropriation of public goods? Have decision-makers in positions of power within the government amassed immense fortunes despite limited income through the acquisition of public goods or the wealth generated from said goods? To answer these questions, this paper addresses the topic of urban development policy in Ciudad Juárez, Chihuahua, as a mechanism for transferring public goods to private entities. Ciudad Juárez is a national point of reference for urban land and housing policies. Clear changes in these policies have been observed in Ciudad Juárez, in addition to the potential responsibilities of the political-economic elite who have driven urban development.

The primary theoretical references—such as Giddens' (1984) structuralist theory and the growth machinery theory of John Logan and Harvey Molotch (1987)—focus on analyzing power structures, the structure of the elite, and the systems and engine of growth in urban development from the perspective of emerging forms of urban governments as financial command and control centers around the world generated by the collusion of political and economic elites. These centers are characterized by an increase in private agents intervening in decision-making processes about the urban development of cities; the

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4 This is because the city is a magnet for the migration of the populations from southern Mexico and other Latin American countries, which applies pressure on the demand for housing, infrastructure, and urban, and therefore on urban development public policies.
creation and incitement of market strategies to promote countries, regions, cities, and sites of capital accumulation; and the weakening of central planning agencies.

Authors such as Dahl (1961), Peterson (1981), John Logan and Harvey Molotch (1987), and Zunino (2002) have studied how power structures are formed in societies and how decisions affect the structure of cities. Zunino (2002) examines the reformulation of the concept of institutions as presented by Giddens (1984) and Foucault (1982), particularly those created for urban intervention. This concept is understood as a set of social rules operating at different functional levels—an approach that considers power relationships and the channels open for exercising power over the population and urban space.

The new role of private agents and local governments has opened up a discussion about the disappearance of the nation-state as a political-economic entity. This power is emphasized and exercised on global-local scales as a process on par with the social construction of these geographic scales (Brenner 1997, 1999; Marston 2000; Swyngedouw 1997). Zunino (2002) mentions the importance of local politics in urban transformation processes that have been observed by theoreticians since the 1980s (Elkin 1987; Stone 1989), who describe how the government and business elite in the United States form urban regimes that operate independently from the nation-state and influence the implementation of various projects in North American cities (Clark 1998; Keating 1996; Ward 1997). This has also occurred with local regimes in Mexico, as in the case of Ciudad Juárez, where the elite urban residents have also had a considerable influence on local urban transformation with the political changes that began during the 1980s, although the political-economic elite appeared much earlier when business owners initiated their active participation in local politics as municipal presidents in the 1950s. However, in the strictest sense, an urban regime is constituted by a government coalition built “from the bottom up” by local agents that establish relationships based on trust, representing a selective combination between political and civil society in which the division of labor is overtaken by the government and private investors (Cox 1996; Stone 1989). This example differs from the case of Ciudad Juárez, since the structure of these coalitions has arisen horizontally from business and political heads of power.

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5 Zunino (2002) proposes a new approach to the concept of institutions that incorporates elements of Giddens’ (1984) and Foucault’s (1982) theoretical developments in this realm. Zunino’s (2002) approach considers the links between institutions, power, structures, and agencies during the process of institutional formation, and it further incorporates the restrictions and possibilities that are imposed by specific socioeconomic and political system.

6 After more than fifty years of political dominance by the Institutional Revolutionary Party (PRI), the 1980s began a period of shifting political power with the arrival of Francisco Barrio, member of the National Action Party (PAN), to the municipal presidency of Ciudad Juárez.
Arguments About the National Context of Urban Development Policy

Based on an analysis of public policy in the 1990s, certain arguments have arisen regarding the main problems with urban development based on a number of factors. First, there are incomplete or partial decentralization processes in cities that restrict municipal capacities when organizing their own urban development, which consequently results in city planning serving as more of a theoretical, mechanical exercise that ineffectively manages development that would actually be sustainable and improve the quality of life for city residents. In addition, there is a growing, diverse demand for development based on social rights such as a gender focus, environmental sustainability, respect for minorities, integration, and social participation—elements that municipalities must assimilate among its objectives and strategies. Furthermore, globalization and the construction of a local identity, as land planning assumes an endogenous identity, leave aside interculturality and international economic relations.

There is also a lack of standardized knowledge in planning or considering the role of each social actor (Martin and Merinero 2010), as the knowledge required for land planning is built on interaction, negotiation, and discussion of local problems. Finally, the specialization or sectorization of public management is an issue, because while they are considered to be efficient short-term means of resolving immediate territorial problems, they cannot respond to the structural conditions of society. As a result, they therefore prohibit comprehensive responses to latent problems (Sandoval 1994). These elements demonstrate the chaotic system of forming public policies and creating and implementing urban development projects, which are full of opportunities for agents to take advantage of the state’s withdrawal and governmental confusion regarding urban development for the privatization of public goods, as well as associated usufruct or gains that may occur.

Various scholars regularly refer to Mexico City as an example of irrational, ill-fated urban development (Garza and Schteingart 2010; Schteingart 1988; Schmidt, Gil, and Castro 1995). The same literature offers a consensus that this also began in cities along Mexico’s northern border, such as Ciudad Juárez and Tijuana, although it was previously considered to be an exclusive problem of the megacities. These cities had equally high, concentrated levels of poverty and suffered from the same problems of deficient housing, infrastructure, and services, with urban development that was more favorable to certain political and economic elite—as occurred in Mexico City for decades. These urban characteristics, which are both causal and consequential, are standard in a void of technical and democratic urban development codes, and they are essentially improvised policies that are susceptible to being overtaken by private interests. This has been exacerbated in border municipalities due to a lack of economic resources compounded with a dependency on central budgets that present multiple opportunities to divert resources and include high levels of discretion in the planning and implementation of urban projects. Consequently, this style of managing urban development actually worsens the conditions of urban infrastructure, intensifying both social and public services crises (Schmidt, Gil, and Castro 1995). These
development and land planning policies have therefore been identified as unsuccessful in various studies (Maycotte and Sánchez 2014), given that land planning is a result of environmental policies, sectoral development policies (economic, social, and cultural), and above all, the political management of what should be purely administrative management of the land. This consequently makes it possible for certain individuals to harness decision-making processes in urban development for private interests.

There are other elements that are conducive to chaos in urban development and help create more opportunities for public goods to be acquired. Since municipal decentralization took place in Mexico, the municipal level of government now has constitutional jurisdiction for land planning and management as well as the provision of basic housing services. Nevertheless, the institutional system of providing housing has led to a markedly centralized policy on the national level that is disconnected from urban development policy on the local level; in other words, many projects do not depend on local rationale, but rather the more extensive plans of higher levels of government. Furthermore, there are no spaces for institutionalized decisions to be made where local authorities can participate with the federal and state governments to jointly establish policy for organized urban development. This has led to an incompatible designation of municipal responsibilities with very unsuccessful results in urban development and housing policy (Ziccardi and González 2015). Border municipalities such as Ciudad Juárez as a clear example of this problem.

Furthermore, the results of national urban development policy are directly related to the corresponding sources of financing, especially private sources, which follow their own logic and focus on private profitability as the main driving force in the decision-making process. The effects of this private financing policy are not always consistent with cities’ development plans and programs, which are presumably for the public benefit. Thus, the private financing approach is in stark contrast to the prior model when public good was supreme, at least rhetorically, in the urban development processes of the 1970s and 1980s (Garza and Puentes 1989). Nevertheless, at the end of the 20th century and the beginning of the 21st, the ideological and economic orientations of policy in general took a substantial turn, with urban development policy in tow. The budgetary allocations for urban development, especially for housing construction and social housing, were displaced from the framework of governmental control and turned into construction contracts that were supposedly tendered by the government and awarded to private entities. In the specific

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7 As a planning strategy, land planning policy is intended to link the policies to the territory through productive activities associated with development plans, road infrastructure, transportation, public and social services, etc. It is also intended to have an impact on territorial organization. If this impact is managed, the development plans consequently become territorial organization plans, as they organize the location of activities and the balanced regional distribution of the benefits and opportunities of said activities (Massiris 2000).

8 This has been demonstrated through the public and private sectors’ participation in social housing production since 2002, with the corresponding projection of land use, location, and home equity, which help explain the impact of national housing policy on cities.

9 Since the reform in the 1980s and as was established in Article 115 of the constitution.
case of housing development, privileges were mostly granted to private individuals,\textsuperscript{10} although similar opportunities were also generally sought in urban development. All urban development policies were therefore reoriented toward a neoliberal model, largely abandoning the state’s direct intervention and increasingly yielding to the participation of private entities in the land market, including its organization, development,\textsuperscript{11} and determinations of what can or can’t be built in a given public space.

The market is the best determinant of the efficiencies and effectiveness of urban development; consequently, the effect of these neoliberal policies was a disarticulation between urban development and the state. With these changes to the focus of urban development public policy, local governments are currently facing major challenges when creating urban infrastructure (Ziccardi and González 2015), as they lack comprehensive control and logical urban development. They therefore have to navigate between the public and private spheres with operations exacerbated by incoherent policies that do not clearly distinguish between public and private goods. This horizontal and vertical disarticulation in urban development decision-making—in this case for housing—opens the door to opportunities for collusion in the development of projects whose profits end up in the hands of private individuals, thereby sealing the privatization of what should fundamentally be a public good.

**Urban Policy in Chihuahua: Results and Elite Positioning**

Some authors have argued that the 1980s was a watershed for the transition of urban development public policy since urban development planning held greater weight in Mexico after the creation of the National System of Democratic Planning. In this regard, the National Urban Development and Housing Program was presented by the secretary of urban development and ecology as one of the sector programs during Miguel de la Madrid’s time in office (1982-1988). Due to problems such as population trends and economic concentration, these programs guided the new urban policies of the time in terms of normative planning, the generation of the General Law of Human Settlements (LGAH), and the emergence of new concentrations driven by urban policies for medium-sized cities and economic and urban development regulations. However, there was a high degree of irrationality in these plans, as

\textsuperscript{10} Two aspects frame the political relationship between housing and the municipality: a) “housing is an indispensable good for the existence of family, community and society. After building a solid institutional system and executing many actions in this area, the Mexican state recognizes the right to dignified and decent housing in Article 4 of the Political Constitution of the United Mexican States” (Ziccardi and González 2015, p47); and b) starting in 2000, housing policy was consolidated to promote the production of new housing to meet the demand of salaried workers in the formal sector with mid- to high incomes. Despite the fact that programs have been diversified in recent years—granting a relatively small number of loans to low-income workers—the results are very unsatisfactory, therefore making it necessary to conduct an in-depth, systematic analysis of this social action of the state (Ziccardi and González 2015).

\textsuperscript{11} The creation of new institutions was intended to double the amount of financing through actions such as anchoring financial resources in the national and international markets, and ensuring high rates of return for large groups of real estate developers operating in the social housing market, without the existence of the necessary controls to guarantee the quality of their housing production (Eibenschutz and Goya 2009).
they lacked adequate social analysis because they were formulated solely with the idea of regulating and controlling the country’s human settlements (Garza and Puentes 1989; Connolly 1989; Palacios 1989; Ramírez 1989; Loera 2004).

Four aspects of this process are noteworthy: the planned decentralization from 1983-1988 and the state intervention crisis; the territorial decentralization and the strategy of medium-sized cities; the administrative decentralization based on objectives and operational guidelines for medium-sized cities; and the creation of the Urban Development and Housing Plan in accordance with the urban development trends of the 1990s (Connolly 1989). This new paradigm paved the way for local actors' participation as a fundamental aspect of decentralizing urban development processes. In fact, these decentralization processes have generally been accepted as a distinctive characteristic of the so-called third wave of the democratic transition in Mexico and are considered to be both an index and agent of the country’s democratization. The great paradox behind these arguments is that not all of the control of urban development has been relinquished at the local level. This has generated significant structural remnants of the country’s centralization, which consequently have opened up a lot of opportunities at the state and federal levels for continued intervention in urban development policy decision-making. This has been further reinforced by the huge contracts that state and federal governments can issue to private entities.

In the case of Chihuahua, for example, although the decentralized policies did in fact increase local participation in decision-making processes and designing public policies, it was impossible to establish equal access to power for different social groups. Many of these groups did not even have the opportunity to participate in the deliberation processes for urban development policy management. Rather, it was the actors from the business world who jumped on these new opportunities to influence urban development policy, positioning themselves to take advantage of the new market logic. This was made possible by local capitalist agents and many state and national entities that, strictly speaking, already found themselves in positions of privileged access to political power.

Decentralization therefore easily became a vehicle for those who already had access to political power to obtain economic instruments that were previously in the hands of the state. In other words, decentralization was not a panacea for providing equal, democratic access to power in local politics (Topal 2012), as implied by proponents of decentralization. On the contrary, it opened up new opportunities for appropriating processes at multiple levels in order to privatize public assets through various mechanisms. In Chihuahua, the local business actors that have managed to internationalize their activities (many in the maquiladora industry) have also marginalized other social groups and taken charge of state and local institutions and the corresponding decentralized urban development agencies. They have achieved this through the creation of nongovernmental organizations (NGOs) and civil society organizations (CSOs), such as the Juárez Strategic Plan and A.C. Economic Development, or through participation in industry organizations such as the Mexican Chamber of the Construction Industry and the National Chamber of the Processing Industry. Under these conditions, decentralization has led to local business actors
appropriating urban development processes, thereby steering the creation of land-use regulations or deregulation and the distribution of public investments for urban development in order to inevitably redirect profits toward their own real estate.

We can therefore conclude that these urban development public policies did not fulfill the promise of equality and empowerment for local actors to help create local urban development policies; rather, they created opportunities for private entities to acquire public goods. The results also demonstrate that the these urban development policies were not due to the quality of state institutions or the political elite making decisions in the interest of the public good, which would be consistent with neoliberal policies of deregulation and the engine of growth. Rather, this new framework allowed social relations within the new local economy to direct these policies toward private interests. Therefore, the transfer of public resources to private hands is based on how business groups and the economic elite positioned themselves, as well as the construction of a revolving door between the economic and political elite within the context of the new democratization. It was the heads of political and economic power that therefore recognized that the municipalities would provide them with a huge political and economic payoff (Topal 2012; Santiago 2013), thereby blurring the distinction between the two worlds and presenting a series of opportunities that would enable a few individuals to take over a significant share of public goods.

The Impact of National and State Policies in Ciudad Juárez

Considering the complicated scenario of urban development in the country and the state of Chihuahua, the municipality of Juárez inherited complex urban development problems derived from national policy changes. In local urban development projects in Ciudad Juárez, the elite, unified through politics and economics, frequently manage to dominate the city’s public policy for their own benefit. This is evident in political actions that go against urban planning proposals, particularly due to the presence of antagonistic private and business interests that are influenced by alliances and veiled agreements with politicians, public servants, and the political party leaders who run the municipal and state governments. For example, the duties and the role of the Municipal Research and Planning Institute (IMIP) were dismantled in urban development planning and design during the political changes of the 1990s. Although the two parties—Partido de Acción Nacional (PAN) and Partido Revolucionario Institucional (PRI)—neutralized these mechanisms, it was essentially the PRI that drove their cancellation, which was crucial to obtain the necessary discretionary power to manage the city’s urban development.

There is a variety of evidence for this phenomenon, including the expropriation and urban development of the Lote Bravo land plots, located in the southern part of Ciudad Juárez, that were promoted by Francisco Villarreal (municipal president of the PAN from 1992-1995). Another incident occurred towards the end of the 1990s with the sale of the San Jerónimo property (34,000 hectares), located in the northwest of the municipality, to businessman Eloy Vallina during Governor Patricio Martínez’s six-year term (PRI 1998-2004). This was later included as a project for the Urban Development Plan during the six-
Taking advantage of the housing policies implemented by Vi
of the urban expansion in Ciudad Juárez, even for the use of land from the city’s ecological reserve,
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representatives in Ciudad Juárez, Chihuahua, Mexico.
employed laborers and 56% worked multiple jobs.
that were oriented to favor the agents of the construction industry and the increase of
land use rents (Padilla et al. 2014). Accordingly, the evidence suggests that the city’s
economy, political structure and bureaucratic actions promote and facilitate greater
participation from various interest groups,15 which allows the elite to use privileged
information in favor of their specific group(s).

What is truly unique in Ciudad Juárez is that the model of combining political power and
economic power dates at least to the presidential period of René Mascareñas (1956-1959),
who was a businessman who dabbled in politics. The implementation of federal actions
such as the Industrial Border Program and the National Border Program in the 1960s was a
watershed in the city’s urban development, which would later consolidate its industrial
profile in the urban development policies of the country’s other medium-sized cities. In
other words, the process began in Ciudad Juárez when support was offered to reinforce
industrial parks and boost urban infrastructure that was geared towards the interests of
economic actors in the name of the country’s industrial development. Nevertheless, this
model was implemented in a shortsighted way in terms of local development, as it merely
demonstrated interest in earning land-use revenue; the attraction of maquiladora
industries demanding low-skilled labor and minimal salary spillovers; and a lack of interest
in urban development, the effects of which became evident during the structural crisis at
the beginning of the 21st century. The social consequences of Ciudad Juárez’s major
expansion starting in the 1970s were aggravated by huge waves of interregional migrants,
followed by the implementation of the massive housing production model in its
periphery—which were always intended to feed the maquiladora production lines—and
the consequent unmet demand for basic urban services, urban infrastructure, and mass
transportation. This problem was transferred to the municipality in the form of minimal
local autonomy, as the local authorities did not participate in decision-making processes
regarding relevant production since housing development decisions were generally made
at the state and federal levels.14

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12 According to Maycotte and Sánchez (2009), the National Commission for the Promotion of
Housing (CONAFOVI) reported that the backlog of new housing in the State of Chihuahua for the
year 2000 was 44,831 homes; however, these projections were lower than the 112,678 units that
occurred in 2001-2006. Among the main factors affecting housing production in Ciudad Juárez were:
a) the housing deficit accumulated both by natural population growth as well as that from migration;
b) the sociodemographic profile of Ciudad Juárez’s working population (82% of workers were
employed laborers and 56% worked multiple jobs).
13 This study is based on a series of interviews with municipal councilors, public servants, and interest
group representatives in Ciudad Juárez, Chihuahua, Mexico.
14 Governors Patricio Martínez, José Reyes Baeza Terrazas, and César Duarte Jáquez were promoters
of the urban expansion in Ciudad Juárez, even for the use of land from the city’s ecological reserve,
taking advantage of the housing policies implemented by Vicente Fox’s federal government in 2000.
Source: Interview with municipal presidents of Ciudad Juárez in April 2017.
In 2000, this problem worsened during the second stage of decentralization. The changes in Mexico’s regulation of the real estate market in that period of time allowed private agents to enter the market as urban developers. This caused a dramatic increase in the number of real estate and construction companies. Urban development agents, particularly those in the housing sector, were both political and economic elites.

This was expressed by some of the city’s public servants in an interview in April 2017 that was conducted with municipal presidents, including Gustavo Elizondo, Héctor Murguía, Ramón Galindo, Enrique Serrano, and other top tier public servants in the city. As noted by Oscar Ibáñez, former director of planning for the municipality of Juárez:

It wasn’t an expansion strategy. There was a lot of pressure during that process to avoid this logic of a consolidation process because there were landowners that had a lot of land in the outer part of the city, very far from any centers or services. It specifically involved the land from families and former Mayors Bermúdez, Quevedo, and the Verdes, who owned the main territorial reserves. There was also a landowners’ association for the southern region that brought them together, where the main housing development companies were; they created and even already had a partial plan of the area that was used to update the overall plan. They used that to apply pressure in order for the plan to be included as part of the city planning.15

The same fundo legal16 was expanded in light of this pressure, although the inhabited area was much smaller than the land area that was formally incorporated in the fundo legal. Santiago (2013, 360) notes that:

In the short and medium term, the territorial reserves indicated in the development plans were graphic sketches that only served to show the future area of occupancy of the urban sprawl, of course, with the consequent reassessment of adjacent land plots. In practice, the land plots that were reserved as cheap land spaces to ensure the endowment of plots or housing for sectors of the population that had minimal resources were occupied or sold off to the highest bidder. We can affirm that the speculation backed by the development plans led to the expansion of Ciudad Juárez’s urban sprawl beyond the real needs of its population growth.

This implies that the justification for increasing the reserves is untenable from the perspective of the public good, since the city’s territorial expansion only made it possible for the private sector to benefit from speculative practices. Furthermore, these lands were incorporated in the fundo legal with the idea of legitimately requiring urban infrastructure to be extended to them through public investments. However, this led to gains that the elite ended up appropriating. Such was also the case with the Camino Real, Ciudad Universitaria, and the Santa Teresa projects, which were built on private lands in areas of the city that were practically uninhabited. It was rather absurd to extend the fundo legal this way, especially since Ciudad Juárez experienced a significant drop in the population

15 Interview with engineer Oscar Ibáñez, former director of planning for the municipality of Juárez.
16 The extension of the urbanization area will be determined in accordance with the real requirements at the moment when its future growth is established.
growth rate from 2000-2007, contrary to the massive housing construction efforts\(^\text{17}\) that proceeded without restraint.

Thus, the demand for housing came to a standstill while the supply responses did not. According to Maycotte and Sánchez (2009), the private sector participated in 61.56% of the occupied land and 72.48% of the housing built. The construction of mid-level and social housing continued to increase to the point that by 2017, the amount of unoccupied housing reached over 100,000 residences, 50% of which were vandalized.\(^\text{18}\) Considering all of the above, we can affirm that public policy has created incentives for private entities to act as urban developers, but with the incentive of profit-driven government contracts for building housing without any real reference to the actual housing demand. In the end, business agents did not lose any resources because the government guaranteed payment, whether the housing was mortgaged, occupied, or neither.

This is evident in federal and state urban development policy, where future loan estimates are supposedly determined by a housing demand analysis. Yet despite the increase in housing projects, loans have clearly decreased over time, reaching a 40% reduction in 2017. According to an INFONAVIT\(^\text{19}\) report issued at the beginning of 2016, “the greatest mortgage underwriters in the country were planning on producing 515,000 loans, 330,000 of which would be for purchases and the rest for improvements, which was only 2% more than the target established in 2015 of 505,000 loans, 350,000 of which were mortgages.”\(^\text{20}\)

Additionally, the flow of public investment to private entities also occurred through private land speculation and plusvalorización\(^\text{21}\) via the creation of urban infrastructure (roadways, highways, and services) in areas that were selected precisely because their owners are politicians, relatives, and business partners. As previously noted, entrepreneurs created privileges for the local political and economic elite, including overvaluing certain urban areas such as Jerónimo Santa Teres, El Barreal, Camino Real.\(^\text{22}\)

Public investment thereby generated huge profits for private landowners favored by these major urban projects. Even worse, many of the public resources were used to equip these new development areas without considering that there were already a lot of habitable

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\(^{17}\) For the purpose of this analysis, we will emphasize the case of social housing, since these policies had a significant effect in terms of the transfer of public goods to private hands, as well as the appropriation of workers’ purchasing power to buy housing.\(^\text{18}\) Rubén Villalpando, “Abandonadas en Ciudad Juárez, 100,000 viviendas; vandalizan 50%” La Jornada, April 20, 2017, http://www.jornada.unam.mx/2017/04/30/estados/023n2est.\(^\text{19}\) The Institute of the National Fund for Housing for Workers (INFONAVIT) was founded in the 1972 reform of the Constitution of the United Mexican States. INFONAVIT defined housing policies and required business owners to make contributions related to worker salaries to complement the financial fund of social housing (Maycotte and Sánchez 2009).\(^\text{20}\) Jorge Gallardo, Deputy Director of Loans at INFONAVIT, “Statement,” Reforma, January 15, 2016, https://www.reforma.com/aplicacioneslibre/preacceso/articulo/default.aspx?id=741518&urlredirect=https://www.reforma.com/aplicaciones/articulo/default.aspx?id=741518.\(^\text{21}\) This refers to an increase in the value of urban land through the express action of private agents using public resources to generate value for private property.\(^\text{22}\) Interview with engineer Oscar Ibáñez, former director of planning for the municipality of Juárez.
spaces that would not require such extensive public investment and that many areas of the city were already lacking services.

Hence, the financial expenses for the provision of services and infrastructure maintenance falls on the municipality while the landowning business owners profit and the taxpayers pay for it. The problem is complex because the gains from increased land values are acquired by buying cheap land far away from the city, pressuring for its urban development, and then selling the developed land mainly as residential areas—in most cases in the form of social and mid-level housing—in order to later demand services from the municipality. Clear examples of this include the Jerónimo-Santa Teresa Development Project in the northwest area of the city, the University City Campus development of the Universidad Autónoma de Ciudad Juárez, approximately 40 kilometers to the south of the old city center, and the El Barreal-Laguna de Patos Development.

Another avenue for the transfer of public goods to private hands has been to recover expired mortgage loans for social housing, exacerbating the problem of urban development and equity in the city because while some people are able to accumulate resources, others are continuously and permanently losing them. For example, the most expensive good a worker can acquire is a home, by means of a loan (mortgage). If they are unable to pay the loan, financial instruments work in such a way that everything the worker has invested will ultimately be lost. That loss involves transferring the resources from savings accumulated over the course of many years of working to credit or debt collection agencies, and the worker will not be able to recover said resources since, according to the laws and conditions of loans granted by organizations such as INFONAVIT and FOVISSSTE, loans for the acquisition of real estate can only be negotiated one time in their working life.

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23 The 2016 Sustainable Urban Development Plan proposed the development of an industrial and residential complex as a regional strategy. It involves an urban intervention project promoted in the Partial Plan of San Jerónimo, adjacent to Santa Teresa, New Mexico, with a major private investment to boost the region’s industrial development and the creation of an industrial condominium in the northern part of the reserve, an intermodal station, railroad yards, and the possibility of bringing an automobile assembly plant. This project is called “Industrial Park San Jerónimo Condominium A and Condominium B,” which is promoted by the San Jerónimo Real Estate Corporation “S. de R.L. de C.V.” The land plot has a total area of 1,045,976 m², divided into 15 industrial units, while Condominium B involves the construction of a bonded warehouse with an area of 399,018 m², which includes 19 industrial units. In addition, this project includes the assessment of a residential development project with 2,000 housing units.

24 This was a highly criticized project due to its distance from the population center and major investments in physical and academic infrastructure, since although it clearly provides support for the city’s higher education, it has also created numerous, diverse urban and social problems. This has been noted by various local and national news sources: “the location and planning of this educational complex led to the Mexican Institute for Competitiveness (IMCO) to qualify it as an ‘urban aberration’ in 2014” (Álvarez 2017).

25 FOVISSSTE is the Housing Fund of the Institute of Security and Social Services of State Workers, historically the second financial institution of social housing, only after the INFONAVIT.
This has become evident in the serious problems facing thousands of families in this city. In 2017, the abandonment and vandalism of thousands of homes led to agreements between the municipal president, the business sector, and INFONAVIT. If we analyze the case of El Barreal\textsuperscript{26} to the southeast of Ciudad Juárez, where over 4,000 houses were sold with loans from INFONAVIT and built by real estate companies in a flood zone with muddy terrain.\textsuperscript{27} Currently, nearly 2,000 units in this residential development have been abandoned and looted of their electrical wiring; safety bars, doors, windows, and/or bathrooms, exacerbating the problem of urban decay. In addition, their owners still owe money and cannot acquire other loans in any part of the country since they are registered with the credit bureau, even as INFONAVIT continues charging them monthly payments. The construction of this residential development began during the state government administration of PRI governor Patricio Martínez, and the property’s urban development began during the municipal government administration of Jesús Delgado, despite the fact that the National Water Commission (Conagua), the Universidad Autónoma de Ciudad Juárez, and other organizations ruled that it was a flood zone.

After the serious economic and health consequences associated with the settlements in the flood-prone area—and after bouts of inclement weather—the municipal authorities and developers signed administrative agreements in 2008 to establish that the responsible parties should pay a proportional amount for the construction of water works and initial preventative measures to mitigate the flooding and to later provide a comprehensive, definitive solution to the problem. Since Article 171 of the Law of Urban Development of the State of Chihuahua stipulates that landowners with property that has natural runoff—in this case, the builders—must conduct channeling and pipe works, including pipe lining rehabilitation and use through the construction of berms, dikes, and dams in accordance with a hydraulic study conducted by the municipal authority.

Due to these agreements, the developers both complied with certain payments and did not comply with others.\textsuperscript{28} In 2008, former Director of Public Works Roberto Chaires Almanza stated in a press interview that:

\begin{quote}
During Municipal President Héctor Murguía’s administration, builders were obligated to contribute 50 million pesos to conduct hydraulic works and provide security to residents of the residential developments located in the mud zone although they only received 12 million; consequently, during [José] Reyes Ferriz’s administration, there was money designated for dike maintenance that wasn’t used, which was considered negligence for not complying with that responsibility. At the
\end{quote}

\textsuperscript{26} Thousands of owners in this area gave up and left their homes since they were built in a 2,200 hectare plot with a lake that would flood every time it rained; Villalpando, “Abandonadas en Ciudad Juárez,” 23.

\textsuperscript{27} Sergio Meza, coordinator of the \textit{Juárez Strategic Plan}, stated to the press that the authorities were warned that they could not build in that area because it was unstable, which was documented in a hydrological study of the area conducted by the Municipal Research and Planning Institute that demonstrated that this area is a closed basin that does not drain water, leading to significant flooding; Villalpando, “Abandonadas en Ciudad Juárez,” 23.

time, former Governor José Reyes Baeza took a position on the issue, revealing that the National Water Commission (Conagua) was also directly responsible for the problem of the dikes that affected El Barreal, but the federal dependency had already been divested prior to that time.\textsuperscript{29}

This shows that developers can recover their investments even when their urban development activities require expensive repairs that are a problem for the municipal budget.

In 2010, the affected families sued the owners of large land areas in El Barreal through civil proceedings.\textsuperscript{30} These owners were summoned from San Diego (California), Mexico City, and Culiacán (Sinaloa) since they were no longer living in Ciudad Juárez. This clearly shows that not only the local elite, but also individuals and businesses outside the city participated in the appropriation of public projects. Table 1 shows the real estate companies that built some of the damaged residential developments.

**Table 1. Residential developments built in El Barreal**

<table>
<thead>
<tr>
<th>Construction Authorization Date</th>
<th>Residential Development</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2007</td>
<td>Palmas del Sol</td>
<td>Homex</td>
</tr>
<tr>
<td>July 2007</td>
<td>Las Almeras</td>
<td>Homex</td>
</tr>
<tr>
<td>June 2007</td>
<td>Villas del Sur</td>
<td>Condak</td>
</tr>
<tr>
<td>May 2007</td>
<td>Praderas del Sol</td>
<td>Yvasa</td>
</tr>
<tr>
<td>May 2007</td>
<td>Villa del Marquez</td>
<td>Ica</td>
</tr>
<tr>
<td>March 2007</td>
<td>Los Arcos</td>
<td>Fincamex</td>
</tr>
</tbody>
</table>

Nevertheless, the current municipal president, Armando Cabada, pointed out that although the residences have been abandoned, that does not mean that they do not have any owners. The majority of these buildings were recovered by INFONAVIT when the original owners were evacuated, and some of them are already being auctioned in order to be repaired. Thousands of other abandoned houses were recovered by INFONAVIT and state and federal housing organizations that have not given the original owners the opportunity to keep them, as a moratorium was put on them during the economic crisis,\textsuperscript{31} which led to violence in the city from 2008 to 2013.\textsuperscript{32}

\textsuperscript{29} Cabrera (2008) revealed Conagua’s position in his new report: “they have been informed that since the residential developments are in a closed basin of El Barreal lake, which does not fulfill the requirements to be declared national property, Conagua does not have the faculties over its control, use, development or operation.” This was justified in a written decision submitted to the municipal government in 2006, when more flooding occurred that affected hundreds of families.

\textsuperscript{30} The former PRI councilor Manuel Quevedo Reyes was among the defendants who, along with Bernabé Franco, Raúl García Máynez, Carlos Tarango Corona, and the municipal water and sanitation department union, are the owners of El Barreal. In a signed agreement, they committed to performing civil engineering works to control the floods and thereby eventually sell and allocate the land in El Barreal; Villalpando, “Abandonadas en Ciudad Juárez,” 23.

\textsuperscript{31} Since the economic crisis of 2000, thousands of jobs were lost due to the closure or temporary stoppages of many export maquiladora companies located in Ciudad Juárez, resulting in many
The municipality’s responsibility of dealing with urban development problems without the consequent normative, financial, and political support from the state and federal levels of government has resulted in the municipal administration being rather ineffective and insignificant in terms of the social and economic requirements for infrastructure and its development. According to urban development specialists, the state’s urban intervention projects in the last decade (particularly in regard to housing) are absurd, unacceptable, and far removed from the criteria established in Article 25 of the United Nations’ *Universal Declaration of Human Rights*, which states that access to adequate housing is one of the universal rights of people. Currently, Ciudad Juárez has an increasing working population that cannot enter the conventional housing market, which is compounded by the lack of an alternative market that operates according to the prevailing rules of profitability. Somehow the established rules have essentially favored the developers and groups in power, which has significantly affected the city’s extended growth, caused the construction of residential developments in flood-prone areas, and generated high profit margins for a few individuals with severe adverse effects for many families (García Amaral et al. 2007; Maycotte and Sánchez 2009).

**Conclusions Regarding Urban Development in Ciudad Juárez**

Based on the initial questions posed in this paper, the above considerations make it possible to draw certain conclusions. The union of the political and economic elite clearly influenced urban policy, which led to uncontrolled urban development, as the corresponding urban planning processes were not prepared for such an imbalance that caused the city’s urban agglomeration and exacerbated expansion. The urban development plans suffered from a lack prediction and evaluation. The emergence of the elite’s joint interests both restricted and modified the urban intervention projects, consequently allowing them to control the financial budget, which resulted in a lack of government oversight on land speculation and excessive permissiveness in land use.

Speculation in the real estate market has also allowed private entities to profit, thereby increasingly polarizing the population’s wealth in Ciudad Juárez. The technical criteria and urban development planning regulations affected Ciudad Juárez because they favored a privileged sector that was strategically positioned to take advantage of the new urban development schemes. The urban development projects were in fact characterized by the lack of a solid, independent institutional structure; the participation and interests of business owners and urban planners that served in the public administration; and the strong federal and state influences on local efforts to instill order in the city’s growth.

These urban development processes helped polarize the city’s wealth. Even when the economic infrastructure created employment in the maquiladora industry, it still did not correspond to the city’s needs for urban development. This was especially due to the fact

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33 Interview conducted with Miguel Ángel Argomedo Casas, November 14, 2017.
that the planning was late, precarious, and it involved significant intervention by business owners who influenced the city. The economic, social, political, and security structural crisis in addition to weak social infrastructure and violence over the last ten years has led Ciudad Juárez to experience the highest poverty rates in its entire history.

Urban development policies have also had negative effects on the city. On the one hand, they have driven the development of their economy based on industrial activities and services, creating infrastructure mainly for a mediocre development with a structure of low-skilled jobs. On the other hand, supporting the power dome with a myopic vision of development that seeks only its own benefit; that has led to the polarization of the poverty of the population as the other side of the coin thousands of workers with incomes of minimum wages unable to improve their standards of living.

The mechanisms for private entities to appropriate public goods are fundamentally based on the political-economic networks created during electoral periods, which are intended to maintain the benefits of implicit agreements offering economic and political support to incumbent candidates. This creates the necessary conditions to pressure those in power for paybacks once the new government term has begun by manipulating the municipal president, councilors, and public servants—many of whom are also in collusion with private entities—in addition to negotiating political lines and restrictions on state and federal support. Moreover, privileged information is used as one of the primary mechanisms for distributing profits among the private entities that are tied to the heads of power, as the land plots purchased at the lowest possible price consequently become high-value land once urban development has been completed, thereby achieving exponential profitability through the sale of this land.

Lastly, considering the fact that the interests in question are the particular needs or conveniences of specific people or groups—which can be understood as the advantages, earnings, or benefits derived from the profits obtained from assets—the social structures at play therefore offer ample opportunities for conflict. This is a constant between the public and private spheres, since the public interest must be aimed at protecting and defending the needs or benefits of society, while private spheres are more concerned with their own self-interests. This conflict between the two opposing perspectives is reflected in the actions of the local political-economic elite, whose activities are frequently characterized by immoral conduct permeated by acts of corruption, collusion, and backstabbing. There is collusion present in the elite’s use of power based on their relationships and interactions, which allow them to disrupt the urban development process. Consequently, there is a constant dispute for power and territory that further emphasizes the differences and conflicts between the citizens’ interests versus those of the economic-political order. Poor decisions devastate the entirety of civil society. Furthermore, the rule of law is not expected from the behavior of the political-economic elite. As a result, there is a high degree of impunity and corruption. Some of the most recurrent corrupt strategies include political patronage, urban development that consequently raised land values, and artifices such as influence peddling and pressuring institutions to legitimize preferred urban development plans.
Recommendations

It is imperative to fight dishonest practices and corruption through public policy actions to eradicate these perverse effects in Ciudad Juárez. I recommend expanding the analysis of urban development policy in terms of the anticipated social and economic effects, in addition to the physical aspects of urban development promoted by these policies. It is necessary to break the vicious cycles that have been formed by the political-economic elite in order to allow for compliance with development objectives by updating the regulatory frameworks that oversee the appropriation of public goods.

References


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