The Transition to Entrepreneurial Governance in a Middle-Sized Ecuadorian City

by
José Prada-Trigo

A key issue in territorial studies in recent years has been the transition in urban governance from managerialism to entrepreneurialism. North American and European cities were pioneers in this transition, and Latin American metropolises adapted their postulates to a different reality. Middle-sized cities in the region seem to have copied the intervention models of the nearest metropolis, uncritically applying them to a context characterized by important urban and social deficiencies and low standards of urban governance. The result has been a transition from no management to urban entrepreneurialism. In the case of one middle-sized city, this model has generated "islands of investment" attractive to foreign capital without resolving such long-standing problems as poverty, inequality, underemployment, and scarcity.

Un factor clave en los estudios territoriales de los últimos años ha sido la transición, en el rubro de la gestión urbana, de la gestión misma al emprendimiento. Las ciudades europeas y norteamericanas sentaron las bases de esta transición, mientras que las metrópolis de América Latina adaptaron sus postulados a una realidad distinta. Las ciudades medianas de la región parecen haber copiado los modelos de intervención de las metrópolis más cercanas sin ningún sentido crítico, implementándolas en un contexto de deficiencias sociales y urbanas significativas, así como bajos estándares de gestión urbana. El resultado ha sido una transición de la ausencia de gestión a un modelo de emprendimiento urbano. En el caso de una ciudad mediana, este modelo ha generado "islas de inversión" que atraen capital extranjero sin resolver antiguos problemas como la pobreza, la desigualdad, el subempleo y la escasez.

Keywords: *Managerialism, Urban entrepreneurialism, Governance, Middle-sized cities, Latin America*

One of the best-known and most often cited texts in geography is that of the British geographer David Harvey (1989), *From Managerialism to Entrepreneurialism: The Transformation in Urban Governance in Late Capitalism*. It describes the evolution in city government from a management—planner and integrator—model to one based on the business criteria of the new urban governance. Although 25 years have passed since its publication, the worldwide expansion of the business management model has maintained its relevance. Changes in urban management have spread progressively from the metropolis to small and middle-sized cities, giving rise to a large body of literature that interprets this process, mainly in urban systems in North America and Europe.

José Prada-Trigo is a human geographer and a professor in the Department of Geography at the University of Concepción in Chile.

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In those that have experienced more than 30 years of urban regeneration (Korthals, 2002), problems such as poor housing, lack of attention to social problems, intense suburbanization, new social patterns related to the use of the automobile, and the proliferation of malls remain (Healey et al., 2001; Harvey, 1989).

Although there are studies of urban regeneration in Latin American metropolises such as Mexico City, Santiago de Chile, Bogotá, and Buenos Aires (Kanai and Ortega-Alcázar, 2009; López-Morales, 2010), there is still a paucity of research pertaining to this phenomenon in middle-sized Latin American cities. Along with other problems common to their metropolises (disadvantaged neighborhoods, lack of basic services, poor infrastructure), these cities have little social participation and land management, being less complex and conducive to the emergence of social structures based on the political power of influence networks (Vilagrasa, 1999). Therefore, the transformation of urban governance in middle-sized Latin American cities is of interest in that the preexisting conditions (absence of management, inefficient governments) have been replaced by an urban entrepreneurialism modeled on the interventions in major cities in their areas. The result has been a transition from an absence of management to urban entrepreneurialism that has hindered the resolution of the most pressing urban problems (lack of services, housing, green areas, etc.). The aim of this paper is to study this phenomenon and its implications, interpreting the relationship between the local strategies of urban regeneration and entrepreneurship through the case study of the city of Machala.

The development of this investigation combined two approaches. First, I reviewed the literature on the subject, with emphasis on Latin America, in an effort to construct a theoretical framework that related to Harvey's findings. Second, I analyzed trends in the urban development of Machala on the basis of local research and interviews. Finally, I used statistical data from the Instituto Nacional de Estadistica y Censo (National Institute of Statistics and Census of Ecuador—INEC) and UN Habitat to compare different aspects (social, economic, and demographic) of the evolution of Machala and other Ecuadorian cities during the entrepreneurship period with the aim of making the research more rigorous (Yeung, 2003). On the one hand, works were sought that referred to urbanization in Machala and Guayaquil. Since most studies focused on the recovery of the latter city and Machala studies were difficult to locate, a few scattered works were used that allowed an examination of the similarities between the two cases. On the other hand, to fill the gaps and provide additional evidence for the investigation, I conducted in-depth interviews with local actors—a methodology that can greatly contribute to geographical research when used in combination with other sources (DeLyser and Sui, 2014: 295). I assembled a sample of local and supralocal actors in economics, society, and politics in the city and province of El Oro.[1] This was the main source of information and is what made it possible to interpret clues about the processes in question. With the intention of promoting a less-conditioned expression of their points of view, the anonymity of these persons was preserved in transcribing the interviews. Finally, survey work was performed in the regenerated areas, and photographs were taken that allowed the highlighting of some important elements in the text.

I first present a literature review that describes the debates on urban management and entrepreneurship in Latin America, with special emphasis on the Ecuadorian context. In the next section I describe these processes in the case of Machala, narrating the transition from a model characterized by the absence of urban management to an entrepreneurial model highly dependent on the policies implemented in Guayaquil. After this, I address various questions linked to the process of urban regeneration in Machala with the support of the literature, interviews, and statistics in order to link the dynamics of the two cities. Finally, I assess the potential of this model to overcome the problems of poverty, unemployment, and inequality in Machala, tying the case study in with the theoretical argument presented above.

URBAN MANAGEMENT AND SOCIAL PARTICIPATION IN LATIN AMERICA

Harvey has shown that the city has evolved from a management model based on operation and organization for problem solving and attention to social differences to a model based on business criteria (EURE, 2009). Thus, the crisis of the Fordist model in the 1970s, with deindustrialization, increase in structural unemployment, fiscal austerity, neo-conservatism, privatization, etc., represents a shift in the governance of cities in which local governments played a greater role in tackling these problems and getting closer to international capital flows (Harvey, 1989: 7). Since then, an entrepreneurial approach whose priority at the local level is no longer equitable redistribution of resources and harmonious development has become the primary model for growth and competitive restructuring. This approach is based on specific interventions in particular areas of the city, seeking to maximize profits and foreign investment there (De Mattos, 2010: 156).

One of Harvey's main concerns is the importance of urbanization for social change. From this perspective, he emphasizes that even those who control capital are constrained by structural conditions (Harvey, 1989: 3–4). In this context, areas in which there has been a transition from management to urban entrepreneurialism have seen the emergence of public-private partnerships in which governmental administrations act as facilitators for business in the private sector. Further, the private sector takes fewer risks, while the more troublesome and less profitable investments (such as infrastructure) fall on the public sector. Finally, the performance of the public sector is focused more on specific actions than on problems of a territorial nature and on creating optimal "environments" for investment—something that Swyngedouw, Moulaert, and Rodríguez (2002) have pointed to in the case of European cities.

In this context, there was a shift in urban policies aimed at repositioning the city in order to attract investment. Urban development or regeneration projects are among the most visible tools for catalyzing not only urban but also political change linked with the neoliberal postulates previously mentioned (Swyngedouw, Moulaert, and Rodríguez, 2002). These changes affect not only the appearance of the city but also its mode of governance (Hall and Hubbard, 1996: 153–155). Thus, some pro-growth policies, such as gated communities

and shopping centers, are clear exponents of a neoliberal model that generally is associated with urban entrepreneurship (Sager, 2011: 154).

Territorial management in Latin America has traditionally been influenced by elements from elsewhere. Sometimes this has led to the implementation of measures decontextualized from local reality (Fernández-Satto and Vigil-Greco, 2007), as was the case with the management and planning policies disseminated during the 1960s by the Economic Commission for Latin America. These measures, inspired by European and North American policy, led to comprehensive and centralized planning with intense state intervention aimed at promoting development and overcoming poverty (De Mattos, 2010). However, the reforms proposed by the Washington Consensus led to a reduction in the participation of the state and its new complementary role in the economy, clearing the way for the entry of actors from the private sector. Thus, new strategies for economic growth came to depend more heavily on local influences and on the capacity of cities to carry out and attract investment, mobilizing their human and economic capital and implementing development projects that would favor some actors over others (Saad-Filho, 2005).

It is in this context that the gradual emergence and consolidation of democratic governance in Latin America, engendered by a feedback process between social participation (through nongovernmental organizations, associations, etc.) and political participation (through elections and consultations, demonstrations, etc.), led to the further consolidation of regional governance (Gaventa and Valderrama, 1999). However, a weak tradition of social participation has resulted in limited development of social organizations, which often are not institutionalized (Scarlato, 2013). Furthermore, the Latin American trajectory—marked by high rates of social inequality, insecurity, violence, and poverty—has led some writers to consider the idea of governance from a perspective linked to the democratic functioning of the state and the implementation of policies effective against these challenges from top to bottom (Mainwaring and Scully, 2008). These writers therefore link democratic governance with public security, citizens' rights, quality education, infrastructure development, regulation of the economy, and the alleviation of poverty (Mainwaring and Scully, 2008: 116). The recovery of the regulatory role of the state seems to be important after several decades during which political decentralization, shrinking of the public sector, and widespread corruption have prevented it from functioning. As Boisier (2006) points out, political decentralization in Latin America requires a strong state capable of imposing homogeneous territorial guidelines and collaboration with local institutions. The more developed the decentralization, the more necessary is a coordinating regulatory and supervisory state. In the case of Ecuador, civil society is marginal even for the Latin American context (Ramírez, 2009). Civil society began to emerge in the mid-1980s in the context of anti-neoliberal movements pursuing public actions not focused on the market and against the emergence of the first populist governments (Keese and Freire, 2006). At that time, when other Latin American countries were beginning a redemocratization that translated into a new relationship between politics and the city, in Ecuador a paucity of representation persisted (Carrión, 1996). The 1980s and 1990s saw the appearance of nonrepresentative local governments that had no explicit urban policy and no mechanisms for public participation. Meanwhile, in most

of Latin America, municipalities were consolidating a business model similar to that identified by Harvey, making the mayor a manager seeking efficiency from management services and viewing the development of the market as a way out of urban chaos (Carrión, 1998: 79). Thus, it was not until the early twenty-first century that models of corporate governance appeared. Among these models was a local path that led to a transition from no management to entrepreneurship.

THE URBAN DEVELOPMENT OF MACHALA AND THE GUAYAQUIL MODEL

Machala is located in coastal southwestern Ecuador near the border with Peru. With a 2010 population of 249,000, making it the sixth-most-populous city in the country, it is the capital of the province of El Oro. This province was sparsely settled until the mid-twentieth century, when a consolidated export-oriented economy attracted an abundant labor force. The urban development of Machala during the Spanish colonization period was very limited; it had a few houses and farms and depended economically, culturally, politically, and ideologically on Guayaquil (Murillo, 2009: 11). In the early twentieth century, because of the cocoa boom in the region and the acquisition of provincial capital, the population grew to 5,000 (Narváez and Vinuesa, 2003) and then slowly until midcentury, when it stood at 7,549. The rise of the banana industry in the 1950s produced a significant demand for labor and migration from the interior to the coast, leading to the rapid growth of a number of middle-sized cities: Machala, Portoviejo, Santo Domingo, and Babahoyo. The result was accelerated social change in which landowners became entrepreneurs and traditional farmers became agricultural workers (Barrantía, 1991). The city strengthened its role as a commercial and service center, becoming part of the capitalist system as an export center of primary goods without value added.

The growth of the city was rapid and disorderly: illegal land invasions resulted in neighborhoods built on floodplains and with low-quality materials and little or no sanitation. An informal commercial sector developed to provide consumer goods at low prices for agricultural workers; this changed the prevailing economic model. This explosive urban growth, along with the deteriorating political situation in the country (military dictatorships followed by populist governments and social unrest), affected the way the city was managed. From the 1970s on there was a gradual abandonment of any concern for order or urban planning, corruption began to spread, and the needs of the population in terms of equipment, green areas, paved streets, and flood prevention were disregarded. In a few years Machala became the fourth-most-populous and fastest-growing city in Ecuador. As a result, problems such as urban insecurity and accelerated destruction of the mangrove landscape arose (Murillo, 2009: 61–65).

The governments of mayors Jarry Álvarez and Mario Minuche of the populist Partido Roldosista Ecuatoriano (Ecuadorian Roldosista Party—ERP) were considered the peak of populist policies and lacked planning altogether. These governments worked to meet the immediate needs of the poorest people,

encouraging settlement and informal trade around the markets, and this allowed the government of Mario Minuche to remain in office for 12 years with a strong populist bias. In 2005 Carlos Falquez Batallas of the conservative Partido Social Cristiano (Social Christian Party—CSP) arrived in City Hall to open a new political chapter characterized by the application on a smaller scale of measures similar to those adopted in Guayaquil a decade earlier by Falquez's fellow party members León Febres Cordero and Jaime Nebot.

In the 1990s Guayaquil was in a similar situation as Machala, with huge neighborhoods arising from illegal invasions, a lack of services and green areas, urban disorder, absence of management, insecurity, etc. In 1992 Febres Cordero began implementing reform measures of an entrepreneurial cast: reducing the number of municipal workers, privatizing public services, and creating private foundations to manage the city (Chiriboga, 2007). In 1996 began the Guayaquil Malecón recovery, the catalyst for improved citizen self-esteem and increased private investment in the city as a tool for its regeneration (Wong, 2005: 183), according to a model of corporate city governance very similar to the one Harvey described. The project known as Malecón 2000 saw the disappearance of public space and the historical identity of the city in favor of generic architecture situated around a series of shopping centers. In Machala there was a similar response to that of Guayaquil in facing very similar challenges. What follows is an examination of the extent to which Machala's management and urbanism model, following Guayaquil's, is an example of entrepreneurialism in urban governance.

URBAN REGENERATION IN MACHALA

Machala's urban management model exhibits the trends that have been pointed out in the literature: the replacement of a corrupt populist model, protected by political patronage, with urban entrepreneurialism following a particular path in the transition from managerialism to entrepreneurship that Harvey described. In this new model, urban regeneration has been the main tool for the consolidation of rightist political projects and their related oligarchic power groups. This model has not, however, solved Machala's substantive problems, being more concerned with creating a more attractive environment for business and real estate investment. As in the case of Guayaquil, the real estate sector has been Machala's new growth engine through land revaluation gains. This accentuates a duality within the city between highly dynamic areas that are the recipients of such intervention and capable of engaging with economic globalization and other areas that remain marginal.

FROM THE ABSENCE OF MANAGEMENT TO URBAN REGENERATION

As in Guayaquil, during the 1980s and 1990s populist governments with a high level of internal corruption proliferated in Machala. The city lacked urban planning and sufficient allocation of services at a time when the migration wave of the 1960s and 1970s was becoming consolidated and high rates of growth persisted. These problems, instead of being managed by local government, were

used for political purposes. Businesses that organized illegal land acquisition with the permission of the local government appeared (*El Universo*, September 15, 2003), and the government gained revenue from captive votes and popularity from the new occupants. As one interviewee pointed out,

> There was a phenomenon of very strong incursions. . . . In a week you had a new neighborhood. . . . For many years the areas suffered lack of electricity, water, sewer. . . . Companies organizing invasions were working in cahoots with the mayors, . . . which was a way to get votes. In Machala, the acquisitions increased a lot during the 1980s. . . . Mario Minuche was part of this. . . . He worked with this kind of thing, had his people doing this, . . . and there were groups of "invaders" in favor of and against the mayor.

The illegal land acquisitions continued until the early 2000s, along with a decreasing intensity of migration, ending only in 2007 when the new national government discouraged businesses from selling land. The consequences of these decades of proliferation of informal settlements in Machala are similar on a smaller scale to those in other Latin American cities. Among them was the emergence of slums: settlements built with substandard materials, one floor, low employment density, and very poor living conditions. This also brought wider social problems, including crime, illiteracy, and high infant mortality (Milbert, 2006). Along with the proliferation of these suburbs there was a parallel abandonment of the inner city: a disregard for equipping the cities with sidewalks, preventing flooding during the rainy season, and installing electrical wiring. This situation began to change in some ways with the victory of the CSP in 2005.

The arrival of Carlos Falquez Batallas as mayor of the city fueled many expectations. Chief among these was the implementation of an urban regeneration project (Figure 1) in line with those of other Latin American cities aimed at improving the city's environment, image, and security and promoting the creation of new housing, renewed economic areas, and leisure activities (Nobre, 2002: 109). In Latin America, this phenomenon is a consequence of the deterioration suffered by city centers and the need for a "symbolic reconquest" of downtown areas by the middle class (Janoschka, Sequera, and Salinas, 2014). This is something that has become most apparent in the case of Machala through a dialectic that emphasizes the idea of the "recovery" of public space (Municipality of Machala, n.d.). This narrative is linked to the similar idea of a "reconquest center" in Guayaquil (Chiriboga, 2007: 200) through a fragmented conception of the recovery and reorganization of the city without any comprehensive planning (Janoschka, Sequera, and Salinas, 2014: 1245). As one interviewee emphasized, "[In Machala] an urban regeneration model that is a bad copy of what is done in Europe has been applied. . . . Here there is no development plan, no integrated planning at all."

The basic ideas of the urban regeneration process in Machala have to do with the legalization of land occupied years ago, the provision of basic services to the citizens of those areas, the creation of public spaces that encourage the establishment of new businesses, and the promotion of public leisure and recreational areas. As one interviewee put it,

Figure 1. Two Machala streets before (*left*) and after (*right*) urban regeneration (from an exhibit in the central square of Machala).

> Urban regeneration would come with the legalization and restructuring of plots used for planning, from the moment the spaces generated by the invasions are provided with basic services and road infrastructure. . . . [These policies] have attempted to regulate road systems and land tenure and create guidelines for recreational areas and recovered a series of public areas for leisure activities of the population.

These formal issues, which are not exempt from background ideological influence (see Williams, 2014), are susceptible to different readings in terms of a series of thematic elements such as the implementation of strong security measures in the reclaimed areas, the pursuit of foreign investment in these places, the interests in them of powerful groups and coalitions, and tourism promotion (see Harvey, 1989; 1992; Sager, 2011; Swyngedouw, Moulaert, and Rodríguez, 2002).

THE PUBLIC SPACES OF REGENERATION: PARKS AND SQUARES IN MACHALA

The local government has carried out a series of interventions to create new areas for citizens' leisure activities, abandoning the widespread neglect of these places. These improvements have also been used to promote tourism in the city to Machaleños themselves and to encourage travel from other cities. In fact, all of the public spaces promoted in the tourism section of the City of Machala's web site except the cathedral and the harbor were revitalized by the Falquez administration. This is similar to what happened in Guayaquil, where Malecón 2000 and the hills of Santa Ana and Las Peñas (regenerated areas) became the

Figure 2. Urban regeneration (*left*) and squatter areas in the center and the periphery (*right*).

main points of interest in the city (Chiriboga, 2007). As Neil McInroy (2000: 23–26) points out, interventions in public spaces are increasingly being used to develop positive images of an area that will enhance its attractiveness to potential investors and make it a place where residents and visitors can identify with the city.

In fact, my fieldwork in Machala identified three elements linked to the revitalization of public spaces. First, there was recognition of the need for intervention because of the physical degradation allowed by previous populist governments, which had led to the proliferation of itinerant businesses, vagrants, and substance-addicted persons. Second, despite this, the results of the regeneration of these areas were criticized for their departure from the history and tradition of the city and for their cost, which many interviewees considered high (Quirola, 2014). Finally, many of the interventions have failed to solve one of the most pressing problems of the city: the small number of green areas. As Doucet (2007) notes, there has been a shift in the concerns of urban policy from meeting needs related to citizens' quality of life to promoting new opportunities for investment. Thus, funds that could have been spent on housing and education have been cut back, contributing to socioeconomic polarization and the creation of new spatial divisions within the city.

This is especially important for Machala because of its recent history. The large unhealthy slums produced by decades of massive immigration have seen little or no action. The lack of water treatment and sewerage systems meant that most of the houses poured their household waste directly into the little streams of the marshes on which the city sits. The shantytowns had no basic services, in contrast with the regenerated areas (Figure 2), and there was a downtown informal market covering several blocks with hundreds of illegal stalls. These issues were identified by all respondents, and there was criticism of the Guayaquil-modeled policies that emphasized the visible (see Molina, 2014). As several respondents pointed out,

> Today [in Machala] there are the same policy guidelines as [in Guayaquil], . . . the same ideas adapted to our context. Guayaquil has the same substantive problems, such as rains and floods [see *El Telégrafo*, May 31, 2014; *El Universo*, April 13, 2015], lack of services. . . . It is much easier to implement an urban regeneration program than to attack the [real] problems. . . . Politicians need to develop projects that are visible.

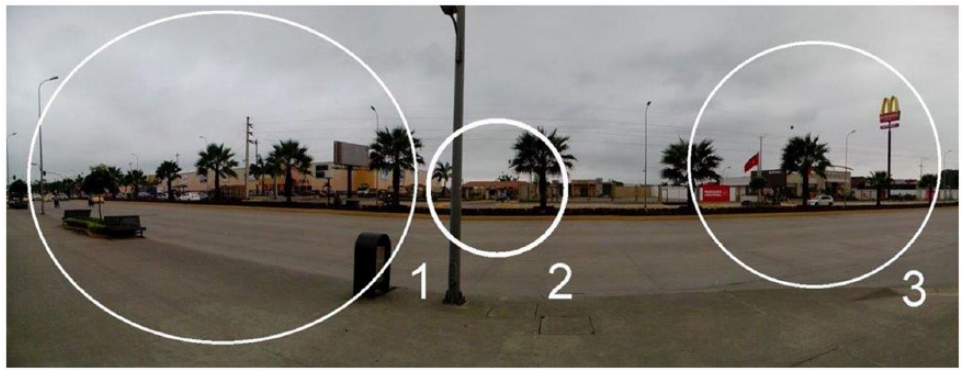

Figure 3. Avenue 25 de junio in Machala, showing shopping center (*1*), gated community (*2*), and McDonald's (*3*).

> The urban image has changed in downtown, but they are not facing the underlying problems of the city— . . . inefficiency of basic services, . . . lack of coverage. . . . More than 250,000 people directly discharge waters to the wetlands. We have a need for 20,000–25,000 houses for families without homeownership [in Machala]. . . Land cannot be a commodity, cannot be constantly revalued.

INVESTMENT IN THE CITY: THE EMERGENCE OF ENTREPRENEURIAL GOVERNANCE

Underlying almost every urban regeneration strategy is the pursuit of foreign investment to generate growth in the city. For several decades it has been business-as-usual in the competition among cities, with the agencies responsible for urban regeneration being more interested in identifying and meeting the needs of potential investors than those of the local community (Harvey, 2000; Sager, 2011). For Machala, one can distinguish two clearly differentiated areas, both of which are reflections of this phenomenon. On one hand, the regenerated city streets have been populated with small clothing and technology shops that leverage their proximity to Peru and have lower prices than elsewhere in Ecuador. These shops were started by wealthy families (banana growers, shrimpers, public employees) with surplus capital to invest and are usually run by their daughters or wives. On the other, transnational and national capital has focused on the area from Machala's main street eastward to Avenida 25 de junio, the point of entry into the city, where a decade ago there was only a provincial university and banana plantations. After the construction of an eight-lane avenue there came three shopping areas (two of them belonging to Ecuadorian franchises), supermarkets, shops, banks, a food court, and multiplex cinemas. International franchises such as McDonald's were established, and new luxury developments were built—gated communities surrounded by walls and with private 24-hour security (Figure 3). This is a situation that also occurred in Guayaquil, where gated communities and luxury shopping centers appeared in prestigious areas such as San Borondón. As Harvey (1989: 5–6) pointed out in the case of Baltimore, it is here that the public sector takes the initiative and makes the largest investments in infrastructure and renovation for the benefit of private investors. Thus,

it has created commercial and residential spaces that are not accessible to all inhabitants of the city and therefore generate spatial divisions, as some respondents pointed out:

> Carlos Falquez is a rightist applying neoliberalism. . . . He was in favor of shopping malls, which for him were synonymous with progress. . . . It looks too luxurious to bring McDonald's here [to Machala], placing it on the main street.

> One of the promises of Falquez was to make a network of [local] markets, but it was not favorable to the policy they are carrying out. It has been favorable to large corporations . . . and the big housing developments.

> [What's needed is a shift] toward a more stable urban development that does not pile us up as we were piled up by the invasions . . . more organized, less elitist. Now [in] the developments I have seen . . . the cheapest house is US$100,000. A person who earns the minimum [wage] won't be able to buy a house.

Thus urban regeneration has led to the creation of new businesses and prestigious areas with a sharp increase in the value of real estate. While the average increase in the consumer price index in Machala for 2013 was 3.68 percent, the values of homes and apartments increased an average of 5.82 percent, more than two points above the city average and more than three points above the average in the country as a whole (2.64 percent) (INEC, 2013). This is generating a rapid appreciation of real estate in the context of consolidation of a consumption model very similar to that of the United States. The difference here is that that other strata of the population remain outside this dynamic, maintaining the living standards characteristic of developing societies.

This process of urban regeneration is related to citizen participation and coalitions of power, or what Molotch (1976) calls "growth machines." Cities are dominated by political and economic elites that seek to promote their expansion, which benefits landowners and other stakeholders (Molotch, 1976: 310–311). In Machala, the agrarian bourgeoisie and the financial sectors, the main supporters of Falquez, concentrate land and capital and control local policy and the media (Astudillo, 2012: 59), and there is no actual citizen participation. Ad hoc legislation favors the interests of these groups:

> The dominant groups that come to power begin making administration in their way . . . having [previous] ordinances . . . they do not serve. They make a clean sweep and start running the city to their convenience, their group interests.

> Who do you think is winning with [urban regeneration]? [These groups] are owners of companies that are the main beneficiaries. . . . Urban regeneration has been concentrated from the center to the east. . . .Three or four families who have land are in the east. They have had an extraordinary revaluation of their land. . . . The paving and street furniture . . . everything a copy of Guayaquil.

The four regional newspapers have applauded all the urban regeneration initiatives.[2] This serves, as respondents indicate, both to create a favorable impression of the city and to divert attention from other problems (lack of services, insecurity, substandard housing, etc.), discouraging citizen participation.

TABLE 1
Change in Living Conditions in Four Ecuadorian Cities, 2001–2010

	% Population with Separate Latrines		*% Population without Piped Water*		*% Population without Showers*		*% Population without Electricity*	
	2001	2010	2001	2010	2001	2010	2001	2010
Machala	73.2	82.22	12.95	9.57	19.8	24.32	2.69	1.7
Guayaquil	82.12	89.78	19.83	13.65	19.05	20.22	3.23	3.13
Cuenca	67.34	82.63	7.34	3.64	20.67	12.99	3.95	1.49
Quito	78.39	88.53	3.89	1.1	11.78	9.61	2.43	0.45

THE ENTREPRENEURIAL MODEL AND LIVING CONDITIONS

As we have seen, Machala faces problems of city management similar to those of Guayaquil. Local government, in coalition with local elites, developed a series of initiatives very close to those of Guayaquil, and after more than a decade of neoliberal urban policies the two cities have experienced similar consequences. For example, the poverty rate in Machala was 12.26 percent in 2013, very similar to that of Guayaquil, which had the highest poverty rate among major Ecuadorian cities, 16.66 percent (compared with 6.08 percent in Quito and 4.99 percent in Cuenca) (INEC, 2014a). The Gini index, which measures income inequality, remained stable in Machala between 2005 and 2010, a period in which urban areas (−0.03) and the country as a whole (−0.04) saw a marked decline. UN Habitat (2014: 213) reports that the Gini index has remained stable at 0.477 since 2002, indicating a worsening of the situation since 1999, when it was 0.413. The unemployment rate is high (3.83 percent), just below that of Guayaquil (5.74 percent), which was the highest among the Ecuadorian cities for which such data exist (3.68 percent in Cuenca, 4.04 percent in Quito). The underemployment rate in December 2012 was the highest in the nation (38.45 percent), far higher than in Quito (26.29 percent) and Cuenca (31.68 percent). Although in the following year this indicator increased to 40.25 percent, the largest increase occurred in Guayaquil (43.18 percent) (INEC, 2014b).

Finally, living conditions are worse in Machala and Guayaquil than in Quito and Cuenca (Table 1). This is the case both for the indicator in which they started from an inferior position (lacking piped water) and for those in which they were in the same or a better position than the other cities (lacking electricity or showers, having separate latrines). It is apparent that adopting an entrepreneurial model in Machala has not been accompanied by the improvement of living conditions for its population.

CONCLUSIONS

The exhaustion of the agro-export model in the second half of the twentieth century and its replacement by an economy based on real estate and consumption of services was accompanied by a shift from no management to management sustained by urban entrepreneurship. This new model has the

characteristics presented by Harvey: public-private partnerships, low risk for private investment, and selective renewal operations in some areas of the city. As has been shown, the urban regeneration of Machala has emulated the aesthetic, political, ideological, and cultural model of Guayaquil. Business logistics have been limited to city-center squares and parks and the main thoroughfare, on which gated communities, malls, and franchises are concentrated. This model has generated "islands of investment" attractive to local and foreign capital without resolving the urban problems carried over from decades ago. The result is a dual city in which areas of high urban quality coexist with areas in which there are no basic services and precariousness is pervasive, with large pockets of poverty. The consequence is high rates of poverty, inequality, underemployment, and scarcity, in contrast with the progress in other Ecuadorian cities. This provides a new perspective from which it is possible to assess the efficacy of management beyond the social revitalization operations, the privatization of public space, and the strengthening of security in intervening areas that have been highlighted by the international literature. As we have seen, the implementation of these measures has not resolved some of the most pressing issues. However, from a political standpoint, this management model has enabled the local government to build new coalitions to support regenerative initiatives and to sell an image of change that allows it to stay in power. As in Guayaquil, the former mayor, Carlos Falquez Batallas, and the present mayor, his son Carlos Falquez Aguilar, are symbolically linked with urban regeneration. This can be seen in repeated appearances of the mayor in advertising for the street furniture involved. All this has occurred in a context in which public participation has been absent.

With its study of the process of urban regeneration in Machala, this article has demonstrated that, despite the time that has passed, many of the tenets of critical geography are still valid today and visible in the process of urban regeneration in many Latin American cities. Today these postulates should, however, be combined with consideration of global capital flow, local elements, and specific trajectories in order to be accurately read. For Machala this means accepting the existence of a cultural, economic, and political dependence on Guayaquil that has persisted for decades and has influenced the decisions of local elite groups. This occurs in a context of a booming urban regeneration in Latin America that raises the question whether change in Machala will be a response to a general dynamic in the region or whether there are alternative models (such as those found in Curitiba, Brazil) that offer more inclusive and participatory ways of managing the city.

NOTES

1. The interviewees were the director of urban planning for the City of Machala, a local architect associated with several institutions, the president of the El Oro Architects' Association, three professors at the Machala Technical University, a local historian, the president of a development company, a magazine publisher, and the editor in chief of a regional newspaper.

2. A query to the libraries of the main regional newspapers, *La Hora, El Correo, El Nacional*, and *La Opinión*, confirmed that all the images released on urban regeneration are positive.

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