Paving roads could be one path to reduce urban poverty in the developing world: new research from U of T, Oxford University
Paving roads could be one path to reduce urban poverty in the developing world, according to new research from the University of Toronto.

The road out of poverty can be a long and winding one for the urban poor in developing countries. But new University of Toronto research says governments can help by making sure the roads are at least paved.

Assistant Professor **Marco Gonzalez-Navarro** of U of T Scarborough and Associate Professor Climent Quintana-Domeque from the University of Oxford, found that basic infrastructure improvements – in this case upgrading local roads – in impoverished urban neighbourhoods dramatically increased household wealth.

“There's always a question in development economics about the best way to help the poor and improve their standard of living,” says Gonzalez-Navarro, whose research focuses on development economics.

“What we found is that one way governments can help the poor living in cities is to improve basic infrastructure because it builds on their assets, which can help get them out of poverty.”

Between 2006 and 2009 the researchers looked at the effects of 28 randomly selected and publicly financed road projects in Acayucan, Mexico compared to 28 that didn’t receive upgrades. The road projects included asphalt surfacing, designated lanes and parking spaces,
Paving roads could be one path to reduce urban poverty in the developing world, a team of researchers found.

The group found that paving roads could increase property values and consumer spending in cities.

The researchers looked at a case study in Mexico where 162 households were randomly assigned to have their roads paved. The households that received road upgrades saw a 72% increase in property values compared to those who didn’t receive upgrades.

The boost in property values also boosted credit use; residents with good roads were able to make twice as many home improvements as they could before, while vehicle and home appliance ownership also steadily increased.

Gonzalez-Navarro says it’s also important to note that the increase in consumer purchases was a result of an increase in household wealth and not from relaxing credit constraints.

“The loans people are taking for these purchases don’t require large amounts of collateral and the households who are doing it reported some baseline of credit to begin with,” he says.

“These households are simply looking at their assets, realizing they’re wealthier than before and deciding to buy these goods.”

The study, which will be published in The Review of Economics and Statistics, also did a cost-analysis comparison in paving streets to the increase in property values.

They found the increase in household wealth was slightly greater than the costs associated with construction, suggesting that road improvements are also socially beneficial in the sense that they’re not financially wasteful.

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“This study has clear lessons for other poor urban districts, showing how lives of people can be transformed relatively quickly through basic infrastructure improvements. Not only do they provide good road links, but give poor households greater financial security,” says Quintana-Domeque.

“This can open up access to credit, meaning they can buy more basic items for the house or vehicles that make them more mobile, thereby bringing more job opportunities and giving them a better quality of life.”

As a follow-up to the study the researchers are also looking at how the delivery of public infrastructure may lead people to be more compliant with their property taxes.

“It could be tit for tat,” says Gonzalez-Navarro. “If people see government doing something for them, they may be more likely to be on time with their property taxes.”

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Paving roads could be one path to reduce urban poverty in the developing world, according to a study by researchers at the University of Toronto. The study, published in the journal *Nature* on June 6, found that improved road conditions can lead to increased economic activity and reduced poverty in urban areas. The researchers analyzed data from 17 countries and estimated that if all urban areas in the world had the same road conditions as the best performers, it could reduce poverty by about 2%.