CONSTRUCTION OF MORE EQUITABLE CITIES

PUBLIC POLICIES FOR INCLUSION IN LATIN AMERICA

UN-HABITAT FOR A BETTER URBAN FUTURE

CAF BANCO DE DESARROLLO DE AMÉRICA LATINA

AVINA

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The ideas and proposals contained in the current edition of this work are the exclusive responsibility of its authors and do not compromise CAF's official position.

The report is produced with official data provided by governments and additional information gathered by the Global Urban Observatory. It is important to acknowledge that data varies according to definition ad sources. While UN-Habitat checks data provided to the fullest extent possible, the responsibility for the accuracy of the information lies with the original providers of the data. Cities and countries are invited to update data relevant to them.

It is noteworthy that the study covers a 20-year period running from 1990 to 2010 Several countries and cities have made significant progress at the beginning of this decade, which are not recorded in the analysis and accompanying graphics. An updated study will reveal the magnitude and evolution of those trends that, in principle, appear positive. This is the case particularly in the urban centers of Colombia, Costa Rica, Ecuador and the Dominican Republic, among others.

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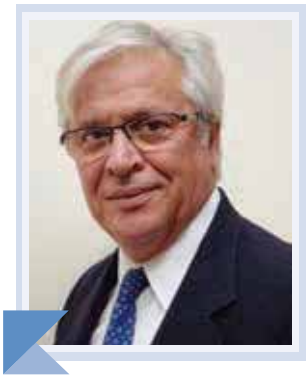

The countries and cities of Latin America have embarked upon the process of reducing inequalities. A renewed sense of justice and equity is thriving within Latin American society and opening up new horizons. Institutions, legislation and government programmes are increasingly in line with the principles of equity. A new public rationale, based on a different moral code and a more modern vision of human rights, has formed the foundations of this change. Not only has the fight against inequality, oppression and poverty begun, but the continent has also created an overarching framework which serves as a guide in this process of transformative change.

In 2000, the landscape of inequality on the continent began to change and the broad trend was one of improvement. There is no doubt that the majority of countries and a large number of cities in the region are slowly narrowing the income gap. This book looks in detail at the various causes of such change, but also pinpoints a number of factors that are at the root of further inequalities. It also highlights the multifaceted consequences of inequalities and the ways in which these are clearly interconnected in the social, political, cultural and environmental spheres. Acting together, these inequalities further entrench the deprivation suffered by certain groups and individuals and manifest themselves clearly in the way space is used.

Inequalities are linked with poverty and sustainable development, and have patently hindered development and stalled progress. This has seen them placed, quite organically, on the Post-2015 Development Agenda and among the Sustainable Development Goals. Equally worthy of note is their inclusion in the United Nations Conference on Housing and Sustainable Urban Development (Habitat III). This conference, to be held in 2016, will establish the urban agenda for the next 20 years. The publication of this book surely provides a platform for discussion and the exchange of knowledge on the phenomenon of inequality. It also serves as a springboard for the development of equity policies and strategies based on human rights principles and standards.

At a national level, the state is obliged to provide common goods such as defence, law, order and justice. It is also incumbent upon the state to distribute and redistribute wealth in such a way as to ensure equity within society. Many of the state's key decisions, such as those regarding the design and implementation of fiscal and financial regimes, economic and macroeconomic issues and social policies, affect cities and largely determine their future. For this reason, it is the role of a country's central government to develop regional and urban planning strategies which foster more harmonious and sustainable development. The creation of a national urban policy which links the social and economic development of the whole country and which is underpinned by the fundamental principle of equity and justice is the responsibility of the state.

At a local level, cities can contribute to the reduction of inequality. Today, the majority of countries in the region have established political systems in which local authorities have greater responsibility, greater opportunity and greater capacity for decision-making and action. This allows cities to develop agendas which incorporate a wide variety of issues, including infrastructure and the design and implementation of economic, social and environmental policies. With these new spheres of action and mandates, cities play a crucial role in the agenda for equity and sustainable urban development. This role is all the more crucial in the light of the major differences observed in the inequality of cities within individual countries, one of the most important conclusions of this study.

The book Construction of More Equitable Cities: Public Policies for Inclusion in Latin America has pioneered a new form of research and analysis which is clearly applicable to local public policy. The validity and scope of the study, with its vast sample of cities, research method and empirical rigour, as well as the study's findings and the recommendations which stem from it, provide an alternative perspective on inequalities and the ways in which they ought to be tackled.

This book teaches us that the fight against inequality requires the establishment of a new governance paradigm which coordinates efforts, strengthens formal coordination mechanisms, establishes joint responsibilities and provides the resources and incentives necessary at every level of government. Responsibilities should be shared in such a way as to facilitate a more decisive and better-coordinated way of confronting inequality in cities.

Local authorities have it within their power to change the landscape of inequality in their cities. This constitutes an enormous responsibility and a major challenge. With greater autonomy and greater levels of democracy, local authorities are now able to design their own laws in such a way as to control the parameters of urbanization and development and ensure shared prosperity. In order to build their capacity, governments at supramunicipal and metropolitan level can connect local policies for equity with their own jurisdictions through programmes which allow them to transfer resources between cities and within them. In this way, policies are adapted to reality and not the other way round.

This publication presents some of the fundamental principles which cities can adopt in order to foster greater equity within their confines: a sustainable urban planning strategy, laws and institutions which promote equity and a local strategy which allows the creation of economic opportunities for all. The study also presents the broad outline of the framework within which local government action is carried out, of which certain aspects are highlighted. These include the need for improved connectivity of urban spaces, the strengthening of social cohesion, the reinforcement of capacity and better institutional coordination.

This study has been produced in close collaboration with CAF, the development bank of Latin America, which has shown both sensitivity to and an interest in inclusion issues. We are deeply grateful for the financial support of both CAF and Fundación Avina. With these resources, ECLAC produced a database on inequality in cities – the first of its kind in the region and possibly the world. Both the quality and quantity of this material provided the empirical pillars of this study. It was then supplemented with policy analysis and perception surveys conducted in cities. CAF financed this highly valuable research in its entirety.

It is our wish that this book serve to enrich debate in the region and, subsequently, across the world. We hope that the governments of countries and cities will read this publication in order to integrate equity into the development agenda in a more systematic and operational manner, adopting a national policy for the construction of more equitable cities. Millions of Latin Americans are calling for this change.

Joan Clos
Under-Secretary General,
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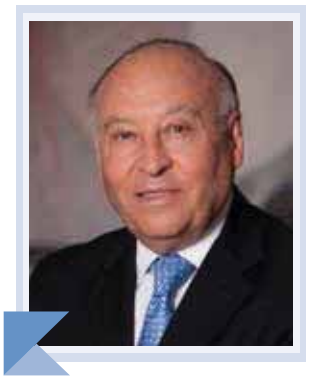
INTRODUCTION



This publication is the fruit of collaboration between CAF – the development bank of Latin America – and UN-Habitat. It provides a significant contribution to the debate and discussion of an issue which is highly relevant not only to Latin America but to the entire world.

Latin America and the Caribbean display the highest levels of inequality in the world. However, this continent is also the only one to have narrowed its inequity gap continuously for more than a decade. The value of the research and analysis behind the data collected in this book lies, in part, in the fact that both provide an understanding of this trend and the factors behind it. It is well known that inequity can have a severe impact on a population's productivity, as inequity is closely linked to the well-being and prosperity of the people who work and contribute to economic development. Establishing and maintaining a transparent and safe environment in which each actor has a place within a fair and productive system is key to the sustainable and continued development of Latin American countries.

We know that cities are major drivers of economic development and social mobility. More than 80 per cent of Latin America's population lives in its cities, making the continent the most urbanized developing region in the world. Real access to opportunities for personal development, including education, public space, security, decent housing, healthcare, drinking water and sewage systems, can no longer be considered as optional elements which cities may choose to provide; rather, they should be seen as universal requirements which all cities guarantee to their citizens in order to sustain an inclusive society and a prosperous economy.

That is why this publication focuses on cities. Such an approach sets it apart from parallel studies which have examined the issue of inequality by looking at national trends and conditions. This research has focused on inequality trends within individual cities rather than using agglomerated data on urban areas at a national level. It is important to understand both the territorial conditions and the political and economic structures which shape each city, since trends can vary to such an extent that the difference between cities in a single country may even be greater than that between comparable cities in different countries.

We found inequity trends to increase in some cities and decrease in others. In order to better understand these trends, cities were selected according to the level of increase or decrease of their income gap. Such an approach made it possible to examine more closely the successful investments or limitations behind these changing levels of inequality which have yet to be tackled.

In addition to the social and income redistribution policies in place at national level, internal territorial features structure cities and make them into platforms which can either consolidate or increase existing inequalities or dilute and reduce them in a clear, continuous manner. Beyond the inequalities in income and economic undertakings which divide citizens, the planned, formal separation of people which results from both land use and residential occupation, which is in many cases segregated, serves in particular to maintain social divisions. Such divisions are built on historically recognized foundations which tacitly support the social and economic exclusion of large populations within an individual city. Efforts to improve internal mobility through high-quality public transport networks can equalize access to a city's resources and, in turn, to the value of the space. In the same way, the maintenance and creation of new public spaces, which are platforms for excellence for social cohesion in cities, can make a decisive contribution to the emergence of a more equal and inclusive city.

It is for this reason that CAF has contributed actively to funding the social sector. It has supported the creation of opportunities and resources which facilitate greater social cohesion and more direct and transparent access to capacity-building and training mechanisms; these, in turn, increase social mobility and encourage access to the assets which a city has to offer.

Through this publication, CAF is contributing to the ongoing debate surrounding the challenges which municipal, local and regional authorities must face when developing social, economic and environmental policy. The publication paves the way to an understanding of the challenges faced by cities in Latin America and the Caribbean and of the circumstances which threaten the health and prosperity of individuals, families and the societies of which they form a part. Public policies which promote greater social equity should unquestionably lead the major investment decisions being made in the region today.

Enrique García Rodríguez
Executive President,
CAF – development bank of Latin America

01

REDUCING THE URBAN INCOME GAP

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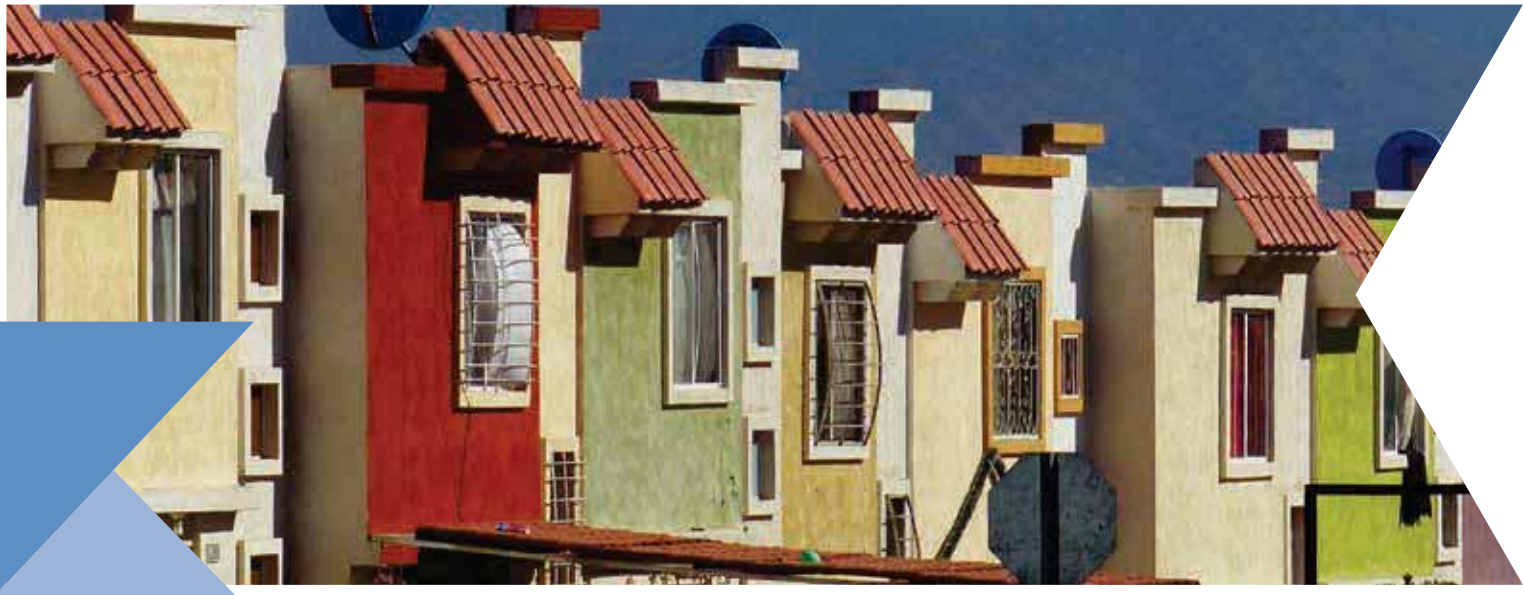
CHAPTER 01

REDUCING THE URBAN **INCOME GAP**

Quality education, opportunities for all, wage increases, workers' protection, and national public transfers have contributed to a significant reduction of INEQUALITY in cities.



Guadalajara, Mexico. New urbanization in an area where empty houses are predominant.

Inequality has become a universal concern. Increasingly differentiated access to opportunities, income and consumption, public spaces and services, education, technology and employment, among other resources, has come to be the rule rather than the exception. For the vast majority of the planet's inhabitants, income inequalities are currently more pronounced than they were a generation ago. It is estimated that more than two thirds of the world's population live in cities in which income inequalities have increased since 1980, and in some cases to worrying levels,[1] above the United Nations alert line.

The gap between rich and poor has widened not only within developing countries and emerging economies, but also within developed countries – and even within traditionally more egalitarian nations.[2] Despite the fact that inequality has been increasing over a number of decades, this trend began to sharpen at the end of the twentieth century.

In all of this, Latin America is the only region in the world in which inequality has decreased.[3] Having reached very high levels of wealth concentration, Latin American societies now appear to have acknowledged the need to reduce inequalities if they are to return to the path of sustained growth. The trend is a recent one, but the "statistical curves" are sloping downwards for the first time in history. However, the history of inequality which began with the Spanish conquest, or even earlier in the case of America's stratified indigenous societies, is not yet one whose course has been reversed. The gap between rich and poor is still too great. In just under half of the countries in the region, inequality levels are as high as they were two decades ago. Despite this, both in these countries and in more successful nations, inequality indices are following a downward trend. For the first time in the subcontinent's history, the percentages of society defined as middle-income and lower-income class are equal. Only 10 years ago, the poor population was on average 2.5 times larger than the middle class.[4] As we will see in Chapter 5, "The Factors of Inequality", this distributional effect has resulted partly from income transfers from middle-income groups to the poorest members of society.

The desire for equality is being felt across the length and breadth of the region. A yearning for greater social justice and calls for a "more level playing field" in the processes and opportunities of everyday life have given rise to a debate on equity in its various forms. At the same time, there is no doubt that certain interests, social and political forces and specific development dynamics tend to polarize income and concentrate the advantages generated by progress and wealth into the hands of a few. The positive trends are encouraging, but the differences which exist remain disturbing and dangerous. Latin America is moving in the right direction. The gaps which separate rich from poor continue to be of epic proportions, however. Consequently, the risks and threats to the region's viability remain latent and, from time to time, manifest themselves as episodes of social unrest which serve as reminders of the deeply rooted differences which still exist.

Following significant increases in the 1980s and 1990s, inequality in the region decreased in the first decade of the new millennium. This development was due partly to a more favourable international context and partly to more effective social policy. The inclusion of programmes to combat inequality both in development plans and in a number of strategies designed to combat poverty has borne fruit. An improved welfare system, the injection of resources into public services and more targeted public spending, as well as the reduction of returns to education, have had a significant impact on equity in the region. However, in the longer term, the general trend of income polarization has been reversed thanks to redistribution and social welfare policies (public transfers in particular) and more widespread access to opportunities for development, education and capacity utilization. The joint efforts of central and local governments in Latin American countries have been a decisive factor in narrowing the urban income gap.

Significant changes in attitudes and beliefs, cultural transformations and the emergence of a new ethos with more open, participatory and better informed, or, in other words, more democratic societies, have also contributed, to some extent and in a different way, to inequality reduction. It is difficult, however, to know whether these changes are structural and permanent or whether they form part of a passing trend. Practices which seek to exclude, invisible forces at work and governments with little capacity and rent seeking systems are realities which exist and continue to arise in all countries in the region. In conjunction with these factors, the fragility of certain institutions, the inefficiency and lack of transparency of certain government programmes, personal privileges and the interests of large monopolies threaten to reverse the positive trends, making them nothing more than one stage in a cycle or, worse still, a fleeting moment in the subcontinent's history. In cities, initial steps are being taken to ensure that the income derived from urban dynamics is distributed among the whole of society.

[1] The Economist, 2012.
[2] OECD, 2011.
[3] According to Table 1, Chapter 2, inequality in Sub-Saharan Africa is decreasing to an even greater extent than in Latin America. However, as we can see from the data pertaining to Africa, the picture of inequality is a mixed one. In Chapter 2, the trends in inequality shown are relatively controversial. .
[4] Banco Mundial, 2013.

It should also be emphasized that global factors, such as globalization – international trade, economic restructuring, the emergence of new markets and the increasing movement of capital, people and goods – and technological developments have played a pivotal role in the generation of inequalities.

National factors such as increasingly widespread access to education and improvements in professional skills, the labour market, labour laws and tax policy have also contributed to closing the income gap.

In various ways and with varying intensity, the driving forces behind equality/inequality (global and national) are the same in all countries in the region. One of Latin America's great virtues is that it offers a wide range of political and economic alternatives. Overall, the impacts of these forces and policies vary greatly depending on how well they can be adapted to the regional context, their ability to respond to the needs of the population and the measures which are taken in response to them.

Latin America is moving in the right direction

Guadalajara, Mexico. Citizen consciousness and an ethos of justice go across the region.

THE MANY HISTORIES OF INEQUALITY IN THE COUNTRIES OF LATIN AMERICA

Inequality in Latin American countries is not one single history. There are as many histories as there are villages, towns and cities. The aggregate value of the inequality indices in each nation is extremely useful as a tool with which to measure levels of income concentration and the changes which occur over time. It has also proved highly valuable as a tool with which to compare countries, infer development levels and identify avenues for future prosperity. However, in spite of the fact that the existing data and evidence reveal major differences within individual countries, inequality continues to be calculated chiefly as a national urban and rural aggregate value.

In many cities, segregation processes (social and spatial) remain present in many sectors and spaces where national inequality patterns are reflected and sometimes accentuated and perpetuated. Differentiated access to natural resources, physical and productive assets and local opportunities (such as human capital formation) contribute to the generation of new forms of inequality which are ultimately reproduced countrywide. However, it should be noted that in other cities, measures such as those to reduce forms of rent capture, the opening up of opportunities, economic growth and wage increases, worker protection and the efficient management of social assistance and public national transfers have contributed to a significant reduction in inequality.

Here, for the first time, UN-Habitat and CAF, the development bank of Latin America, are presenting a comprehensive study of inequality in the region's urban centres, with a database containing 284 cities in 18 countries. This mass of information allows us to offer a cross-cutting and longitudinal analysis of up to nine points in time over a period of 20 years (Box 1, Chapter 3).

For this publication, UN-Habitat and CAF compiled a critical mass of data (surveys, studies and economic indicators based on primary sources), policy information and perception surveys. Such data allow cities to be compared with other cities both within and beyond the borders of the country in question in order to analyse the evolution of indicators and ultimately identify trends. Furthermore, this database makes it possible to link the Gini coefficient with other social and economic indicators in order to trace the specific history of urban centres according to the evolution of inequality and development processes over time. This vast wealth of information constitutes a crucial tool to support the development of public policy based on empirical evidence. A number of previous studies focused on only a very limited number of cities and monitored developments over only a very short period of time. Consequently, they are monographs which bring together the characteristics of certain cities, almost always of the national capital, and which lack a broad regional and comparative perspective.

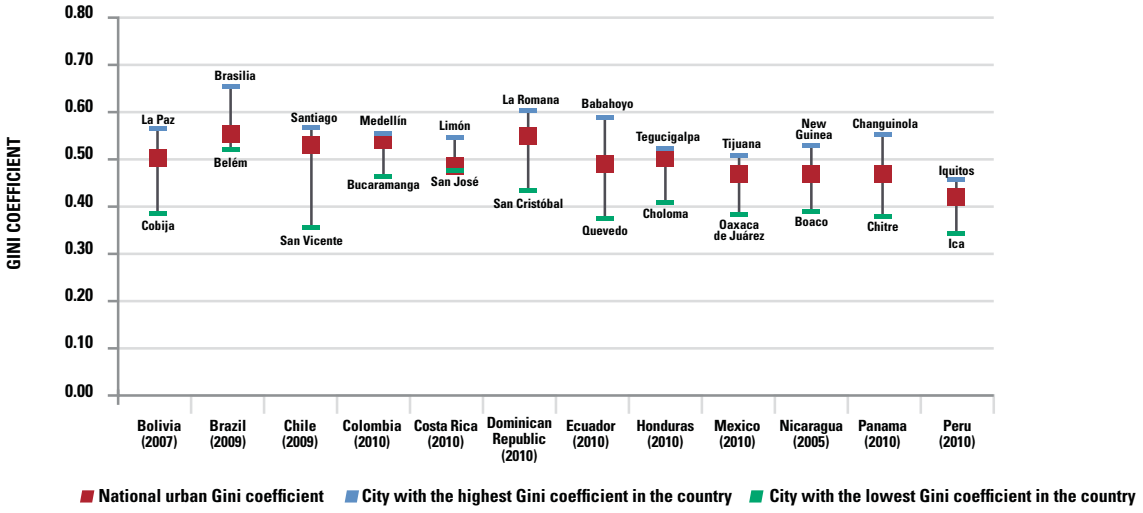
It is well known that countries' income inequality is largely the result of global factors such as trade and the use of technology and of national issues of an economic and social nature (both labour and non-labour issues). This is proven by the robust empirical evidence available. Where there is perhaps a lesser degree of consensus is on the factors behind these inequalities. For the OECD, they can be explained largely by wage and salary differences.[5] The Inter-American Development Bank attributes these inequalities to differences in labour income and education,[6] whilst the Asian Development Bank points to uneven national growth.[7] Inequality specialists believe that changes seen in labour and industrial structure,[8] households' initial economic conditions, unemployment and rent systems[9] and polarization in both social and employment-related terms[10] are the main inequality factors, as well as spatial imbalances resulting from economic restructuring and the internationalization of the economy.[11]

All of these causes produce differences which are expressed at urban and regional levels. Cities, as drivers of the economy in the countries of the region, generate up to two thirds of the gross domestic product,[12] and in order to do so they integrate differently into the global and regional spheres, with differing results. Cities also integrate policies and national development plans differently through the use of the resources arising from those policies. These are the factors, among others, which serve to accentuate the differences in inequality levels between cities and within them. Whilst some cities increase their inequality indices, others reduce them under similar national conditions and with similar or identical public policies enacted and implemented by the same central government. Cities, in particular the most dynamic among them, have significant room for manoeuvre, which brings achievements different from those garnered at the national level. Differences between cities within the same country are significant. This is why local and metropolitan policies are important. Achievements in the social sphere differ from city to city within the context of each nation because local governments have the capacity to act with relative autonomy. Nationwide inequality aggregates are clearly unable to capture these local dynamics. This makes it difficult to understand the causes of the changes observed, measure their effects and evaluate the effectiveness of subnational policies which aim to reduce inequality in urban areas.

[5] OECD, 2011.
[6] IDB, 1999.
[7] ADB, 2007.
[8] Gubits D., 2006.
[9] Stiglitz J., 2012.
[10] Sassen, 1991.
[11] Burgers J., Mustered S., 2002.
[12] ONU-Habitat, 2011.

As this study demonstrates, the variations between the Gini coefficients of the urban centres in an individual country are huge. In 8 out of 12 of the countries in the region, the difference between inequality levels in the most equal and the most unequal city diverts 45 per cent from the national average (Graph 1). For example, the capital of Chile, Santiago, displays a Gini coefficient of 0.55, whilst other urban centres such as San Vicente or Legu have coefficients of 0.33 and 0.34 respectively. Within one individual country there are cities whose Gini coefficient denotes "Very High Inequality" and other localities whose Gini coefficient denotes "Moderate Inequality". In 4 of the 12 countries studied in the region, the differences are in the range of 25 per cent. Brasilia, the Brazilian capital, has the highest inequality coefficient in the country. It is estimated at 0.67, in the "Extreme Inequality" category, whilst Belém, with the lowest value (0.46), is classed as a "Relatively Unequal" city.[13] The income difference between rich (tenth decile) and poor (first decile) in Brasilia was around twice the national average in 2009.[14] In short, the inequality between cities within a single country may be even greater than the inequality between different countries.

Graph 1: Differences in levels of income inequality in cities of the same country, various years



Source: UN-Habitat, Global Urban Observatory, 2013.

[13] UN-Habitat proposes a general classification system which enables cities and countries to be grouped together according to the distribution of the Gini coefficient in six major categories. See Table 1, Chapter 3.

[14] The income of the richest decile was 88.6 times higher than that of the poorest decile in 2009. The national average at the time declared the income of the richest decile 48.8 times higher than that of the poorest decile. (See Chapter 3, The most unequal cities).

THE MANY HISTORIES OF INEQUALITY WITHIN LATIN AMERICAN COUNTRIES

With similar conditions and policies from the same national government, some cities increase inequality levels, whilst others reduce them.

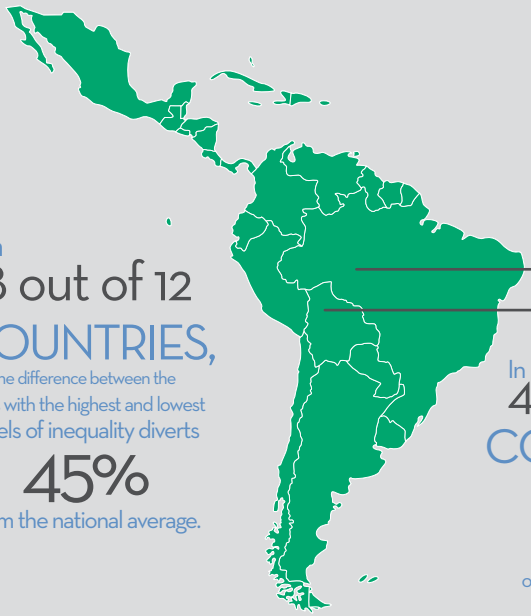
Differentiated access to:

- Social and spatial segregation
- Natural resources
- Physical and productive assets
- Local opportunities

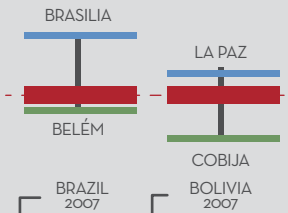
Contribute to the generation of new forms of inequality

Contribute to the reduction of inequality

- Protection of workers
- Salary increases
- National public transfers
- Quality education
- Equal access to new opportunities



In 8 out of 12 COUNTRIES, the difference between the cities with the highest and lowest levels of inequality diverts 45% from the national average.



Gini coefficient

Graph 1: Differences in levels of income inequality in cities within individual countries, various years

Richest · National average · Poorest

In 4 out of 12 COUNTRIES, it is only 25% of the national average.

In 2009, the difference between the income of the RICHEST AND THE POOREST in Brasilia was 86.6 times

The national average was 48.8 times

Box 1: Inequality, community and society

Inequality undermines the basic principles of social integration once it exceeds a certain tolerable level. This is supported by both the two main schools of thought (individualism and communitarianism) which explain why human beings prefer to live together, either in societies or in communities. This is why inequality should be considered a fundamental social problem.

On the one hand, inequality is the expression of a certain failure to fulfil the promise of justice or equity. When a significant proportion of a city's people have never had access to basic goods, capacities or opportunities and others have access to all three without any apparent effort, the social promise of justice is broken. On the other hand, when a large wealth, power or status gap prevents one individual from identifying with another, the resulting distance erodes the basic trust required for free and voluntary collaboration. If, out of necessity, one individual works with or for this other, or vice versa, barriers are erected which stop either party taking advantage of the other, or taking what belongs to the other. When building these barriers, both parties develop explanations for their behaviour which make the other contemptible, vile or incomprehensible. Either may turn to the law to defend himself or simply keep interaction with the other to the necessary minimum. There will be neither solidarity nor closeness between the two.

The various political, social and economic theories consider the value of diverse types and levels of equality and inequality. Amartya Sen expresses this value in the following terms: "…all the approaches to the ethics of social arrangements that have stood the test of time […] want equality of something – something that has an important place in the particular theory. Not only do income-egalitarians (if I may call them that) demand equal incomes, and welfare-egalitarians ask for equal welfare levels, but also classical utilitarians insist on equal weights on the utilities of all, and pure libertarians demand equality with respect to an entire class of rights and liberties. They are all 'egalitarians' in some essential way…".[15] This "diversity in equality" is an effective way of contending that within all political philosophies, there is a base of equality which cannot be eroded.

The problem is that equality of freedoms, for example – such as individual property rights – may radically oppose equality of income or well-being. Likewise, neighbourhood, group or ethnic rights can infringe upon the constitutional and human rights of the members of these groups and of the people who interact with them. In the opinion surveys conducted,[16] there is an even split among Latin Americans in urban areas who identify these perceptions of equality and inequality and those who think differently.

Despite our diversity, the majority of Latin Americans share a common perception, namely that inequality levels in our cities are excessive. The region's social structure tends to be viewed as a system headed by an extremely small group far removed from the rest of society and containing very few intermediary groups. It is viewed as a system with a large social "base" of people denied access to the basic goods they ought to have and which ought to be of quality.

Based on Escobar Latapí, prologue adapted by the author for this text.

The effects of inequality at a social, economic and political level remain largely unknown.

[15] Sen A., 1992.
[16] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.

Box 2: Inequality in cities

The studies and research conducted on inequality in cities have received very little attention. There has been no appropriate information or data available to understand the origins of inequality and its impact on inhabitants. Disaggregated information and indicators on inequality in and across urban areas have been almost non-existent. Whilst they may be limited, the information and data available on inequality constitute an excellent tool with which to analyse the success of major urban policies and interventions and their redistributive effect among inhabitants of urban areas.

The effects of inequality in the social, economic and political spheres are still largely unknown. Violence, crime, stress, social problems, psychological and social alienation and the fracturing and loss of social cohesion all emerge as the consequences of an unequal distribution of income and opportunities. However, the origin of these phenomena or their relationship to inequality is unknown.

The study of inequalities at a local level is crucial to understanding the economic well-being of a country and its various regions. In general, local indicators are difficult to obtain, but recent theoretical and methodological advances have enabled the data from surveys and censuses to be combined in order to obtain accurate estimates of inequality which are disaggregated across urban areas.[17]

Salvador de Bahía. Salvador de Bahía. Public goods and spaces contribute greatly to equality.
© Marianna Ceratti/ World Bank.

[17] Agostini C. and Brown P., 2007.

WHY ARE SOME CITIES MORE UNEQUAL THAN OTHERS IN THE SAME COUNTRY?

It is clear that not all factors which generate inequality originate at the central level, and it is equally clear that not all solutions designed to reduce it come from the central government. The local context and its various dimensions have an important role to play. Geography and history, the so-called "life opportunities in cities", contribute to the early emergence of an environment which can be either egalitarian or highly unequal.

Comparative advantages, linked to factors such as location and the labour-related, social and economic structures which stem from local means of production, create very specific (if not entirely unique) trajectories for each city. This historical phenomenon, known as "path dependency", causes cities and countries to evolve in radically diverging ways. For example, an urban centre dedicated to the exploitation of the natural resources of the immediately surrounding region is, in historical terms, likely to be more unequal than one primarily engaged in administration. The spatial structures of a city and its development models can further accentuate equalities and inequalities and generate socio-spatial patterns of inclusion or exclusion which impact upon the contemporary city. These patterns and structures are not captured by the approaches and indicators traditionally used to measure inequality, such as the Gini coefficient.

Meanwhile, national and local institutional provisions are also highly significant, as is the extent to which state institutions and policies are decentralized. Welfare states materialize at the urban level in the form of efficient social systems, solid institutions and effective administrations. They are more conducive to civic involvement and the respect of rights, and tend to create less unequal cities. Unfortunately, such provisions do not operate uniformly across the nation. The level of coordination and cooperation between central authorities, cities and regions is very unequal too. National priorities ultimately favour certain regions to the detriment of others, whilst the most dynamic and innovative local initiatives are more likely to establish stronger synergies with national development plans and strategies than those of less enterprising cities. These contextual differences affect local economic development and the distribution of wealth and ultimately impact upon the income equality/inequality levels in certain urban areas.

In the same way, the local authorities which design strategies to link in more successfully with the regional and global economy, encouraging the growth of certain potential economic sectors, do so with clear mechanisms which maximize the benefits and reduce the risks associated with globalization. These cities are also better able to reduce or limit inequalities.

Cities' social capital and cultural norms create significant differences.

At a more local level, cities which focus on the provision of infrastructure and public goods, which respect and extend common goods and which create appropriate and accessible systems for access to education and healthcare, have greater potential to facilitate social mobility processes. These cities tend to be more equal, particularly when they possess modern forms of governance with efficient structures and clear rules which bring with them obligations, responsibilities and institutional order.

They also tend to be more equal when they function on the basis of know-how, capacities and clear commitments. In contrast, when cities operate with inefficiency, corruption, mechanisms of co-option and patronage and do not separate the private and public spheres, a cycle of bad governance is perpetuated which destroys or limits opportunities, and this ultimately has a negative impact upon income distribution.[18] Local governments also differ in the way they contribute to the surpluses produced by agglomeration economies.

Cities' social capital and cultural norms also create significant differences. Tolerance for and perceptions of inequality and the capacity for social mobilization and the defence of rights influence both social and governmental responses to inequality.

[18] López M. E, 2009.

Box 3: Equality vs. Equity

Equality and equity are two very similar but different concepts. They are often used without recognition of the significant differences between them. Equality is a human rights principle, technically defined as "the same", whilst equity is a concept of justice, which means "fairness", or "equitable". It is when the term is used in this sense that the ambiguity becomes apparent. Originally a concept of law, equity has been taken up in development debates. Development looks at whether something is equitable, but according to whom?

There is no reference to equity in the United Nations Charter or in the Universal Declaration of Human Rights. There is no single definition of equity, and any interpretation of the concept reflects a value judgement. The difference between equality and equity can be better illustrated with the following example: two individuals who do the same job and produce the same results should receive an equal salary, whilst individuals who do different jobs which require different skills should receive different salaries for reasons of justice. In other words, they should receive equitable pay. Whilst in the first scenario a scientific comparison can be made, this is not possible in the second. There is no way of scientifically measuring equity, since it is based on a value judgement.

A common error in debates on inequality is the argument that since full equality cannot be achieved, this concept is not useful for planning or practising development. However, as an aspiration or desire, it serves in one way or another as a guiding principle for countries and cities in their development efforts. Few would support the need to abandon democracy simply on the basis that no country has ever achieved, or will ever achieve, full democracy.

A new way of thinking about equity and equality would be to interpret the two concepts within the context of "results" and the dimensions of a "process". Equality and equity would be defined according to four different categories: 1) equity in process; 2) equity in results; 3) equality in process; 4) equality in results. Affirmative action is a concept which was first used in the struggle to achieve gender equality. For example, in higher education, when women are given priority over men in the candidate selection process for certain faculties (medicine, law, etc.), this "affirmative action" or "positive discrimination" would mean the use of an equitable, morally defensible but unequal process which allows equal results to be achieved.

With these new definitions, both equality and equity become important for development, but each must be used in a more appropriate way, according to the various meanings they acquire in diverse contexts. For example, while equality plays a crucial role in a human rights-based approach, equity is also required in the development process (positive discrimination) in order to gradually achieve equality of results. To conclude, it is not a case of either justice or human rights – both are relevant. Neither is it a case of equity or equality – again, both have a role to play.

Urban Jonsson, UN-Habitat, Promotion and Protection of Human Rights, Programmatic Guidance Note for UN-Habitat, 2014.

THE RISKS OF INEQUITY

The consequences of inequality in cities are increasingly worrying. The high levels of income and capital inequality do not only hinder poverty reduction and economic growth; they also affect various dimensions of human development.[19] Inequality can offset the gains brought about by growth in terms of poverty reduction. There is a wealth of empirical evidence which highlights poor and contrasting results in human development indicators where high inequality levels exist.

In the *2010 Human Development Report, The Real Wealth of Nations: Pathways to Human Development,* the negative relationship between inequality and human development was clearly highlighted. The report notes that for all of the countries studied, across a 40-year period, high levels of human development were linked to lower levels of inequality.[20] Adopting a different angle, the Asian Development Bank has stated that if income distribution in the region's emerging countries had not worsened over the last 20 years, the rapid economic growth would have lifted a further 240 million people out of extreme poverty.[21] A recent study of the perception of inequality in 10 cities in Latin America and the Caribbean reveals that 92 per cent of inhabitants believe that inequality reduces quality of life and security.[22] When endemic poverty and high inequality exist alongside abundance and wealth there is a high risk of local tension, social and political fracture, the violent redistribution of property and widespread social unrest with unpredictable consequences.[23] The uncertainty created by this instability can reduce investment incentives, jeopardize growth and affect development.[24] It was this observation which prompted the World Economic Forum to declare the increase in inequality as one of the major "global risks".[25]

A phenomenon which is found across Latin America and which has worsened over the last 20 years is that of the gated city. A number of cities in the region have served as case studies of this phenomenon.[26] In conjunction with other factors, inequality has exacerbated crime and insecurity. This has prompted the residents of certain relatively privileged urban areas to close areas off, leaving limited access points controlled by private security personnel. Private residential areas also known as compounds, gated communities or enclosed neighbourhoods are increasing in number. These closed spaces provide sports, social, commercial and religious facilities to residents, which in turn erodes their notion and value of the "city". Entry to these closed, controlled spaces is subject to security checks which are offensive to both visitors and domestic staff. While these closed spaces have been status symbols, their developers view them as a means to preserve land value. Such communities have recently begun to spread to middle-class and lower-middle-class areas in many cities.

In Guatemala, for example, a significant number of middle- and lower-middle-class districts and neighbourhoods which were originally working-class neighbourhoods have also begun limiting access following an increase in robberies, drug dealing, crime, kidnappings and murders. In addition to the segregated shopping centres in various residential areas, gated communities severely limit sociability and the social cohesion of the population as a whole. As a result, the growing perception among citizens is that the common goods of a city are separate from, or even run counter to, the protection of one's family and immediate surroundings. This in turn further weakens the notion of democracy and the incentive to pay taxes to the state.

The safety of the family and the neighbourhood is defended and preserved by the residents, who pay associations which can either be democratic or constitute forms of extortion. Consequently, many fragmented "forms of taxes" are levied, and the checks and balances conducted by those represented vary in quality. The gated city erodes support for the development and equality agenda, which ultimately sees inequality perpetuated.

In conjunction with other factors, inequality has exacerbated problems of crime and security.

[19] See the UNDP report which includes inequality in the Human Development Index, Chapter 4.
[20] PNUD, 2010.
[21] J. Stiglitz, 2012.
[22] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[23] UN-Habitat, 2008.
[24] Andrew G. B. and Jonathan D. O., 2011.
[25] World Economic Forum, 2012.
[26] Caldeira, 2000. An analysis on the city of walls in Sao Paulo.

EQUITY IN THE DEVELOPMENT AGENDA

Equity has remained on the fringes of the political development agenda in many parts of the world for a very long time. To date, there has been no clear national and urban policy designed to tackle the issue. This is not simply due to a lack of attention or oversight on the part of policymakers. It is also a result of the fact that the quest for equity has never been underpinned by a clear, operational definition which can be translated into specific, concrete public policy. Land and urban development taxes remain relatively low in Latin America. Opposing ideological positions have also hindered the design and implementation of responses to the problem. This means that equity emerges as a "by-product" of development or as a course of action to be followed once economic growth has already occurred.

The recent social movements of 2011-2013 – in Tahir Square in Cairo, the Puerta del Sol in Madrid, St. Paul's Cathedral in London, Zucotti Park in New York, the suburbs of Stockholm, Gezi Park in Istanbul and the public spaces of Rio de Janeiro and Säo Paolo – remind us that the fight for equity is an increasingly central agenda. All of these social movements are clear demands for greater equality and inclusion which have reverberated in various waves and to varying degrees across different parts of the world. These events have highlighted the inherent risks of imbalanced growth whose associated development policies have not succeeded in safeguarding prosperity for all.

The chief economist of the IMF believes that the increase in inequality worldwide is the cause of the current economic and financial crisis.[27] The Nobel laureate Joseph Stiglitz attributes the financial crisis to the increase in income inequalities in various parts of the world.[28] Paul Krugman, another economist and Nobel laureate, has observed that growing inequality, with its destructive spiral, polarizes society and creates deep social division.[29] There is growing consensus in the international sphere around the inclusion of equity in development policy. Contrary to the view commonly held until a few years ago, equity and development increasingly appear to be partners and not opponents,[30] an idea which is garnering increasing support in international circuits. The OECD has rejected the theory that the benefits of economic growth trickle down to the poorest sectors of society.[31] The Economist recently concluded that inequality has reached a level which makes it ineffective and harmful to development.[32] Similarly, the IMF has acknowledged that inequality reduces economic growth, weakens demand and contributes to financial crises.[33] Adopting a relatively ground-breaking position, this multilateral body has warned that inequality poses a significant threat to the sustainability of growth.[34]

Inequality is being discussed in increasingly explicit terms in the political arena. International debates, partisan discussions and government plans and strategies refer increasingly to the concept. Organized, and more educated, civil society understands the relevance of equity and is advocating the development of a fairer society. It is quite clear that the concept is becoming increasingly prominent in development discourse and policies. However, the debate on the way in which equity is defined, measured, promoted and applied is still in its embryonic stages.

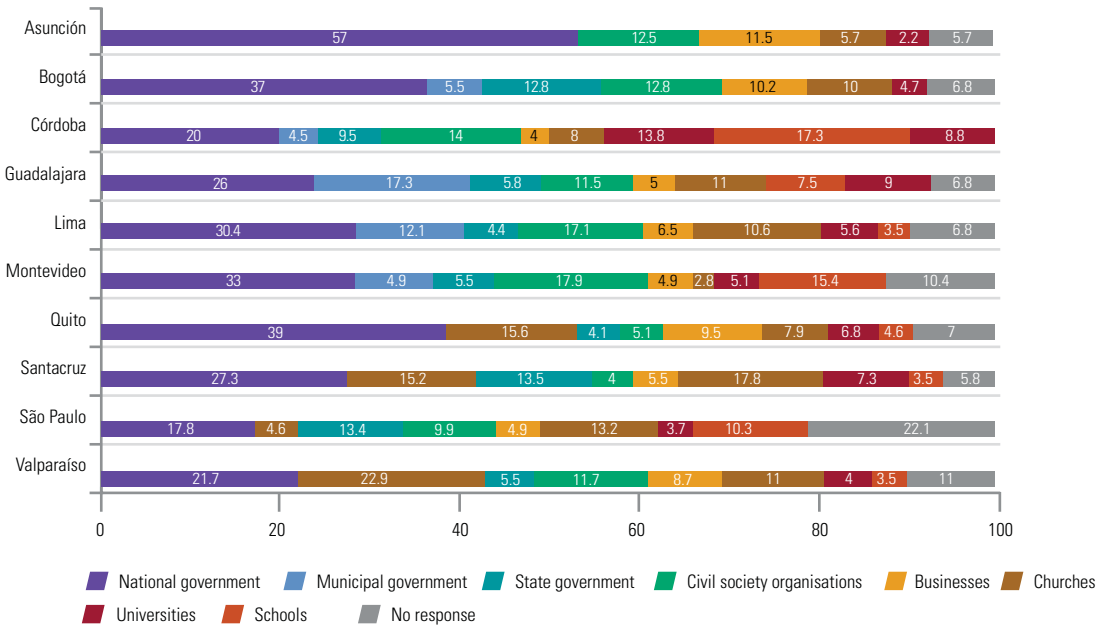
Inequality is being discussed in increasingly explicit terms in the international arena.

[27] IMF, 2012.
[28] J. Stiglitz, 2008.
[29] Byrne J., 2012.
[30] BID, 1999.
[31] OECD, 2011.
[32] The Economist, 2013.
[33] IMF, 2012.
[34] Andrew G. B. and Jonathan D. O., 2011.

Box 4: "The changes behind the change [35] "

Latin Americans' perceptions are gradually changing. Overall, a greater sense of justice is palpable and the current generation harbours certain expectations of greater equality in the near future.[36] Meeting these optimistic expectations of present and future wellbeing will be one of the major challenges of the decades to come.[37] However, according to a recent study of the perception of inequality in 10 Latin American cities, only one in two of the region's inhabitants entrusts this responsibility to the state (51 per cent),[38] 31 per cent to the national government, and the rest to other regional, departmental and municipal authorities (10 per cent each).[39] The fact that a relatively small number of citizens believe that local government can contribute to reducing inequality reveals that the authority closest to the people is not perceived as being able to tackle this issue.[40] This becomes all the more evident if these authorities are compared with the organizations in society which those surveyed considered more efficient, despite the fact that they often have a much smaller budget and much fewer resources than local government bodies.[41] The perception of the national government's contribution to the reduction of urban inequality was relatively high in three cities: Asunción (57.8 per cent), Quito (39.4 per cent) and Bogotá (37.2 per cent) and particularly low in Cordoba (20.3 per cent) and São Paolo (17.8%) (see Graph 2). Despite the national government's inherent obligation to provide the majority of public goods and services such as law, order, justice and wellbeing, and despite the fact it has more resources at its disposal than local governments and other actors, broad social programmes, economic power and specialized institutions, only one in three respondents believed that this body has the capacity to narrow the income gap. The limited capacity which citizens associate with the government's mandate is striking. As they strengthen their redistributive capacity, national Latin American governments could take concrete steps to reaffirm their position as guarantors of the collective interest. They could also further legitimize their power to act and ratify their capacity to ensure political equality and a certain form of economic equality. National governments could also adopt more progressive positions which place them at the forefront of the defence of social rights and the materialization of justice.[42] Finally, a more active social policy, based on the principles and standards of human rights, could grant a specific status to citizens' demand for greater equality.[43]

Graph 2: Institutions which make the most significant contribution to reducing inequality



Source: Perception survey. Inequality in ten Latin American cities, 2013.

A NATIONAL EQUITY POLICY

In order to trigger a process of real change with lasting effects, national governments must set clear social objectives and be supported in their capacity to manage shared development. A modern, effective and efficient government which promotes citizen participation on all levels and which, furthermore, can foster a legal and administrative environment which eradicates impunity is capable of combating corruption and regulating systems based on rent capture.[44] If such a government is not in place, self-interest continues to prevail over the common good. This, in turn, contributes to the generation of new types of inequality processes and maintains or deepens those already in place.[45]

A strengthened state committed to social change is capable of devising and implementing a national equity policy which can stand the test of time. Such a policy helps build consensus around the decisive role which should be played by government at all levels in the quest for social justice and collective well-being, a role which must be both efficient and active, supported by strong institutions and clear strategies. The development of a national equity policy requires transparent procedures which help forge alliances and consensus around the social and ethical values which ought to guide change, as well as a new code of conduct to govern social relations.[46] In this respect, the ethos which underpins Latin American society should comprise notions of equality, equity and justice (see Box 3).

A national equity policy must be the result of a common position: a proposal which lays bare the mechanisms of its creation, revision and adoption; in other words, the way in which people participate, consensus is reached, conflicts are settled and details are refined.[47] It should be a broad public policy which helps build a renewed vision of the future, based on a transparent process which includes a variety of actors and levels of government. To the extent that this policy is an inclusive one, it will help address more efficiently local challenges which generate inequality and exclusion. Developing this approach will enable culturally and politically appropriate solutions to be found and tailored to the specific needs of each country, region or city. The prospect of collective ownership is consequently strengthened, and this in turn enables the adoption of urban policies and plans which are recognized and accepted by the majority. A process such as this can provide viable and transformative alternatives to the unequal reality experienced by many.

The development of a national equity policy may focus on three core measures, which are essential for driving change:[48]

1) *Assessing the unequal past and measuring progress*. Cities do not become unequal suddenly; exclusion develops gradually and is perpetuated over time. In order to realistically establish the direction of change and to establish the financial, political,

Governments could grant a specific status to citizens' demand for greater equality, through a more active social policy.

[35] Title of the UNDP report *Informe sobre desarrollo humano en Bolivia 2010.*
[36] Although the percentages are still low: the regional average of satisfaction with democracy is 44% and the perception of the effectiveness of the system of government coincides with the belief that the government "governs for the good of the people as a whole", held by 33%.
[37] PNUD, 2010.
[38] These results differ from some surveys conducted at national level, which give the state a greater role to play in poverty and inequality reduction. See for example the social mobility survey by the Institute of Peruvian Studies (Morel, 2012), according to which 71% of those surveyed agreed that the state was the main authority responsible for reducing inequality. However, a similar proportion of respondents believed the state was in the hands of interest groups.
[39] The remaining 50% includes the rest of the social actors, with an equal share of the vote: 11.7% for civil society organizations, 7.1% for businesses, 9.7% for churches , 6.4% for schools and 6.9% for universities. ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[40] The municipal government received the highest percentage in Guadalajara (17.3%), Quito (15.6%), Santa Cruz (15.2%) and Valparaíso (22.9%). Civil society organizations obtained a large share of the vote in Córdoba (14%), Lima (17%) and Montevideo (17.1%).
[41] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[42] Renault A., 1991.
[43] UN, Open Working Group on SDGs, 2013.
[44] UA more transparent environment is essential in supporting approaches and policies centred on equality, which are based on the obligations and principles of universality, non discrimination, accountability and substantial participation of human rights treaties. UN, Open Working Group on SDGs, 2013.
[45] PNUD, 2008.
[46] Stiglitz, 2003.
[47] Ibid.
[48] UN-Habitat, 2010.

social and institutional needs of the policy to be implemented in advance, it is necessary to understand the recent evolution of inequalities and the mechanisms which generate them. Equally important is the process used to carry out this kind of assessment. The exercise should be as inclusive as the results one hopes to obtain. The participation of authorities from different levels of government, private entities, academia and civil society organizations must be ensured. Each of these stakeholders brings different perspectives and interests to the process, and the extent to which they contribute to the assessment of inequality and inequality trends determines their level of commitment to driving change. Such assessment helps ascertain which steps to take and the implications of each of them. Furthermore, it is useful in establishing a benchmark so that the national policy and its programmes can be monitored and measured. This helps maintain a focus on combatting inequality at all levels.

2) *Creating stronger and more effective institutions*. The perception survey conducted by this study shows that 77.4 per cent of those surveyed in 10 cities believe that "their city is ruled by powerful groups",[49] and that the existing rules and institutions are a creation of these groups. This highly negative perception contrasts with the policy analysis which was also performed for this study, according to which public institutions can place themselves at the heart of efforts to promote shared development. Indeed, strong institutions, with a clear mandate, can play a transformative social role and have a moral impact which paves the way for change. The examples of those cities which have successfully reduced the income gap demonstrate that the way in which institutions perform their duties is as important as the results they obtain. A periodic review of their mandates, critical monitoring of their effectiveness and performance, an examination of their systems and structures and constant improvement of their methods and procedures are the necessary ingredients to ensure that institutions are able to make a decisive contribution to a national equity policy.

3) *Building new relations and alliances between different levels of government*. A certain number of Latin American countries which have successfully reduced inequalities have benefited from a state policy which was reflected, in one way or another, in their long-term agendas and plans. In some cases, this policy has been explicit, clearly adopting a rights-based approach. Progress in reducing inequality over the last decade has been due, above all, to the intervention of a central government which has rolled out both pro-development and redistributive policies.

An analysis of the countries and cities which were most successful in reducing the income gap reveals the central role played by a national political system which is geared towards growth and increasing well-being. In practice, the lower echelons of government have played a more limited role. Nevertheless, some were more effective than others and succeeded in reducing income inequality to levels below the national urban average. It is possible that stronger local institutions and more effective administrations have contributed to this success. It is also likely that local politics and culture – factors conducive to the respect of rights, the provision of public goods, the mobilization of local resources and the creation of efficient social programmes – have played a decisive role. It is possible that the most active and innovative cities could have had a greater impact had they built strategic alliances with other levels of government.

A national equity policy requires a shift in the governance paradigm, whereby central government and municipal and metropolitan authorities cooperate more closely to develop and implement local initiatives. This requires a more coordinated focus on decision-making mechanisms, the use of resources, the sharing of responsibilities and the measuring of results. This leads to an increase in both the policy's sustainability and its impact on the redistributive effects of local action.
This paradigm shift is gradually unfolding. For two decades the devolution of duties and the decentralization of resources and powers prevailed, and priority was given to development of the "local" sphere (in reality, governments in small territorial constituencies, not cities or metropolitan areas).

This development saw instruments and resources granted at a local level, prompting a plethora of often positive actions and policies. Today, however, congresses and citizens demand coordination between various levels of government above all, but also coordination with social organizations, in order to further effectiveness and development. It would be difficult to return to the centralized authoritarianism of previous decades; this would be a regrettable backward step. However, local initiatives and policies, together with cooperation mechanisms and shared governance, are coming to the fore as an alternative to fragmented and poorly orchestrated action.[50]

A national equity policy requires a shift in the governance paradigm.

[49] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.

[50] See the classic and visionary text by Peters (1996). In a recent conversation, the author stated that, although the rise of local governments has is no longer a trend which can be reversed in a historically predictable fashion, the common demand – although formulated differently in every country – is for effective coordination between the various levels and agents of government.

PRINCIPLES OF EQUITY IN LATIN AMERICAN CITIES

With more than 80 per cent of the region's total population living in cities, and with an average population growth which remains at 8 million each year, Latin American urban centres are rapidly changing. These transformations manifest themselves not only in visible forms but also in invisible ones such as character, vitality, peaceful coexistence, mode of governance and the ways inhabitants are and think.

Urbanization is reflected through the density and proximity of the region's cities, but also through the opposite - low densities and huge distances. The urbanization dynamic helps to generate economies of agglomeration, diversity and specialization but also negative externalities which help further exacerbate inequalities.

The so-called "second urban transition"[51] has the potential to make Latin American cities more prosperous and its countries more developed. However, a large number of cities are ill-prepared to face social and spatial challenges, especially those related to the environment and equity.[52] A number of cities are hostage to their social and spatial segregation structures and to the speculative practices which have led them to sprawl across infinite peri-urban areas. The predominant urban model has contributed to the generation of greater exclusion and disparities, in spite of the fact that many of them have recently managed to reduce their income gap.

In recent years, some Latin American cities have successfully proposed innovative solutions which have been incorporated into national agendas and which could influence regional and national development. Many cities have forged new ties and alliances with other levels of government, building relationships with varied actors and devising strategies to establish synergies between different sectors and forms of growth. Others have suggested alternatives to mitigate the effects of regional and global crises in a more pragmatic, balanced and efficient way.[53] A number of cities have been able to prioritize social and economic spending with a view to ensuring long-term local and regional growth and boosting consumption and employment in the short term. These cities have had more opportunities to reduce inequalities. Local authorities have become the institutional drivers of change. They have helped overcome local political barriers, playing a key role on the regional stage – and at times at a global level. Amidst a shifting balance of power, local authorities have successfully reasserted their ability to extend their agenda of work to new sectors. These kinds of cities have also managed to close the income gap.

The new international order has allowed cities and regional economies more space to pursue their own economic interests through direct participation in the global economy.[54] The former scale of cities and the links between them are gradually giving way to what some experts have described as "complex, tangled hierarchies" which favour local development.[55] These changes have helped cities obtain more resources to tackle differences. Cities have ceased to be a "platform" – or a neutral space – where, until a short time ago, "spaceless" policies and actions were implemented. Today, cities have become veritable "vectors" of change, guiding the transformation processes themselves, to the extent that they have acquired a transformative power which can help remould change and reorganize development.[56] In this capacity, the dynamics of cities themselves are decisive in either compounding or reducing divides.

Local authorities have become the institutional drivers of change.

[51] ONU-Habitat, 2012.
[52] Ibid.
[53] UN-Habitat, 2012.
[54] López M.E. and Halfani M., 2013.
[55] Breathnach, 2010. P. Anssi, 2001.
[56] López M.E. and Halfani M., 2013.

The variation between the inequality indices of cities within a single country calls for differentiation at the local/regional level. National equity policy should take account of this need to adapt to local realities, needs and capacities.[57] It is hardly surprising that municipal authorities are today turning their attentions to general issues such as the economy, competitiveness, foreign investment, equity and sustainable development.[58] In OECD countries, more than 70 per cent of public investment has been made by subnational governments.[59] This means to a certain extent that service provision, responsibility and governments' accountability to their citizens are largely the fruits of local authority efforts.[60] Unfortunately, many of these positive results have been overshadowed, since the inequality debate focuses on the predominant role played by national governments.[61] This indicates that inequality in the regions should be tackled through local governments.[62]

In countries where the central government recognizes local authorities as allies in the fight against inequalities, the potential of these regional bodies can be better exploited. UN-Habitat has identified three fundamental principles which foster the promotion of equity in cities. These principles underpin the local governments' framework for action, as well as complementing and reinforcing national policies.

A sustainable urban planning strategy.

Cities which adopt more efficient urban planning approaches are better equipped to reduce spatial inequalities and thus promote shared prosperity for all. This revitalized concept of urban planning goes hand in hand with a new system of values, as well as more effective institutions, appropriate laws and regulations, sustainable urban solutions, and the active participation of society in public matters which affect individual and collective well-being. To these ends, a democratic system which guarantees political legitimacy and compliance with the rule of law is required. It is also necessary to restore citizens' trust, reposition urban planning in real decision-making processes, link the role of such planning to the various dimensions of shared development, and allocate the necessary resources to it.[63]

Urban planning methods and systems may face some of the challenges of urbanization today, such as urban growth and fragmentation, pollution, congestion, inequality and poverty. With more efficient urban planning, a more inclusive city and space which fosters integration can be built. In order to achieve this goal, specific strategies and plans are required which promote mixed land use, good connectivity, the provision of public goods and a more compact urban form. This would enable more efficient land use, limiting the extent to which space is segregated and specialized on functional grounds. Urban planning can promote a socially heterogeneous society which in turn strengthens social cohesion and interaction.[64] A more effectively planned urban space reduces service costs and encourages the provision of public goods, which are ultimately distributed throughout society in a more harmonious fashion.

Laws and institutions for equality.

Under the urban development legal framework, cities which adopt a series of rules and regulations and create or strengthen institutions governing urbanization management are better equipped to promote urban growth which provides opportunities for all. This legal framework contributes to ring-fencing the functions and mandates of local territorial bodies, defining relations with other powers and levels of government, whilst considering the rights and responsibilities of various stakeholders and bodies. It is clear that by using the codes and regulations which govern the production, distribution and consumption of space, processes which have engendered widespread inequalities in Latin American cities, it is possible to have a significant impact on the lives of millions of people. However, these decisions are often extremely difficult and conflicting. The urban development legal framework defines the "rules of engagement" for all stakeholders, promotes an accountability system[65] and facilitates urban inclusion and the

[57] The World Bank document entitled Getting to the bottom 40 per cent - do national objectives trickle down to subnational level? notes that regional disparities can lead to contradictory results when interpreting national figures. According to this document, when national aggregate results differ from the results of individual components, in this case cities, we see cases of the so-called "Simpson paradox", a kind of ecological fallacy. Thus for example, on poverty maps, the paradox is present where geographical borders which are arbitrarily defined yield conflicting results when aggregated at city level. World Bank, 2013.

[58] Meza C. O., 2013.

[59] In Latin America and the Caribbean, subnational resources are rising significantly, although in a different way, with decentralized spending on the sub-continent which went from 12 per cent in 1980 to around 19 per cent by around 2010. Rosales, 2012.

[60] CGLU, 2012.

[61] Ibid.

[62] Some of the policies and initiatives implemented by cities may cover areas which go beyond merely sectoral issues. For example, the promotion quality, accessible housing, providing basic services, or creating open-air recreational areas and infrastructure, is an initiative which can be implemented with a view to improving public health. Actions such as these do not only promote health, but also help combat inequalities. The city of Rosario in Argentina has committed to reducing inequalities through the decentralization of public service provision and the expansion of parks and other public spaces. Manizales, in Colombia, has decided to combat inequality by implementing innovative environmental policies, preventing risks and improving housing conditions. Bogotá is promoting access to public goods, greater civic participation and improved public safety. A number of other cities tackle inequality by strengthening human rights or through citizen participation. Puerto Alegre, in Brazil, is reducing inequality through innovative types of participative democracy. CGLU, 2002.

[63] UN-Habitat, 2012.

[64] UN-Habitat, 2013(b).

[65] UN-Habitat, 2013.

right to the city (see Box 4). Clearly, a mechanism is required which can enforce this legal framework. Such a mechanism enables the urban development legal framework to promote universal values of justice and equality and guide individual and collective action based on shared rights and opportunities.

A local strategy which allows the creation of economic opportunities for all.

Cities which adopt strategies to increase productivity through local economic development are more likely to improve employment and income by linking productivity to social development.[66] Whilst many cities have potential arising from their comparative and locational advantages, this is not always naturally or spontaneously exploited. The dynamic potential of cities has to be planned, directed and used correctly. Cooperation between local governments and private and non-state actors can allow cities to identify and capitalize on their distinctive features to generate new opportunities.[67]

Achieving this goal involves identifying the strengths and weaknesses of cities' local economies, the opportunities they offer and the threats they face. Local economic development in step with the wider region is an effective strategy for inclusive growth, which helps improve the governance of the city. Innovative funding methods, such as land value capture and sharing, are effective ways to boost income and fund infrastructure and the development of the local economy. Where these investments are centred on specific, severely disadvantaged urban areas, the scope for inequality reduction grows.

By linking these three fundamental principles, the city can benefit from the comparative advantages offered by its own history, environment and existing, potential and future economies of agglomeration. The challenge is to determine how to turn these specific strategies and plans into policies which govern urban planning, boost investment and credit, regulate both formal and informal local economies and prioritize the financing of urbanization.

Bogotá, Colombia. Urban planning should provide for the designing of areas for recreation, relaxation and access to culture across the city. Major disparities can be identified in the extent to which these public goods may be accessed and enjoyed.
© Regina Orvañanos.

[66] Osmont A., 2003.
[67] UN-Habitat, 2013.

Box 5: The Right to the city

Inclusive cities promote equitable growth. In an inclusive city, all inhabitants, regardless of their economic means, gender, race, ethnicity or religion, are empowered and able to fully enjoy the social, economic and political opportunities offered by the urban advantage.

Inclusive cities guarantee, in one way or another, the right to the city. This right is inalienable from all recognized and integrally conceived rights, and therefore includes all civil, political, economic, social, cultural and environmental rights already enshrined in international human rights treaties. The right to the city is not just one more right, but rather the materialization of existing rights in the urban space. In the words of David Harvey, one of the most respected theorists in this field, it is a kind of "Universal Declaration of the Human Rights of the City".(I)

As such, it must be taken to mean "the right to command the whole urban process". In this respect, when building an inclusive city, the right to the city is both a desirable outcome and an urbanization process which, if executed correctly, can yield this result.(I)

As a concept, this right has been implemented in various Latin American cities and countries. In some places it has been used as a conceptual framework which encompasses aspects such as empowerment, participation, self-fulfilment, self-determination and the protection of existing human rights at city level. In other places, the concept is absent from political debate, or is simply not used in an explicit or operational fashion. Where this is the case, exclusion and marginalization levels among those traditionally excluded from society are higher than normal. However, it is clear that the adoption of the right to the city has the potential to become a significant social and political benchmark and a stronghold in the fight against inequality.(II) Nevertheless, this concept should not be viewed as a legal instrument, but rather as an expression of the deep-seated desires of urban dwellers with a view to achieving more effective enjoyment of their multiple human rights.

To date, few countries or cities have formally and explicitly recognized the right to the city in their policies. The City Statute of Brazil (2001) is an innovative legal instrument which redefined the concept of land ownership and reaffirmed its social value. In Ecuador, the new Constitution (2008) granted a progressive status to housing, which at the same time supported the right to the city. In turn, social movements which had met in Porto Alegre, Brazil, signed the World Charter for the Right to the City at the World Social Forum, 2001. Mexico City adopted the Charter on the Right to the City in 2010. A year later, the association United Cities and Local Governments (UCLG) endorsed the Global Charter-Agenda for Human Rights in the City. Furthermore, without explicitly recognizing this right, Rosario, Argentina, declared itself the "City of Human Rights", making a formal commitment to openness, transparency and accountability, and opened itself up to the scrutiny of a citizens' committee, which ensures the continuous monitoring of government performance in line with international law.

The right to the city in these cities and countries presupposes the interdependency of population, resources, environment, economic relations and quality of life, and seeks to ensure that individuals enjoy full citizenship and a more democratic and equal access to the city. (III)

(I) Harvey D., 2008. (II) UN-Habitat, 2010. (III) CGLU, 2011.

This study, presented by UN-Habitat and CAF, shows how Latin American society is changing. In addition to the changes observed in various areas of development, some progress is evident in the reduction of the income gap. Chapter 2 of this publication offers a general overview of inequality in the different regions of the world, drawing comparisons with what is happening in Latin America and the Caribbean. The intensity of inequality in the region is highlighted by this general overview, which reveals a positive trend not seen elsewhere. Whilst society is changing, many grey areas persist. The pending development agenda is by no means negligible in size: one third of the population is living in poverty and a similar percentage lives in slums; almost two in every five young people are excluded from the job market and education system; and a significant proportion are marginalized and subjected to various forms of violence.

Between cities, and within them, there are gaping social and economic divides. Not only is income severely concentrated, so too are the benefits which cities offer. All cities contain neighbourhoods or vast areas with concentrated disadvantages – poor-quality schools, inadequate services and infrastructure, housing shortages, insufficient public transport, limited jobs and insecurity – which contrast with areas of affluence or even luxury.[68]

As we shall see in this study, economic inequalities end up becoming intertwined with social, legal, cultural, spatial and environmental ones, especially in cities.[69] Because of this, urban policy can respond to this interaction between them. However, when a country's public policies are merely replicated on the basis of a nationwide approach to policymaking, it becomes difficult to tackle local inequalities systematically and simultaneously. Chapter 3 reveals the heterogeneous nature of the state of inequality in the region's countries and cities. The same chapter analyses the evolution of urban inequality in recent history, which is divided into two periods: the first characterized by a pattern of increasing inequality (1990-2002) and the second by a reduction in inequality levels (2002-2010). Although general trends reveal the narrowing of the income gap, this gap continues to widen in a large number of cities.

Chapter 4 analyses the convergences and divergences between certain aspects of human development and equality. The chapter demonstrates that the relationship between inequality and poverty, social mobility, economic growth and the existence of slums is not always clear or direct. It is for this reason that the struggle against inequality must be waged on a different front. This section analyses the way in which income inequality influences the urban space when areas of concentrated disadvantage arise, which in turn tends to generate new inequalities. Although it offers limited data, the chapter reveals the existing relationship between insecurity and income inequality.

Chapters 5 and 6 analyse the factors which cause inequalities. Beyond the direct and empirical observations regarding strictly economic factors, it considers explanations which take account of social, political, spatial and institutional contexts in which these inequalities are created and consolidated. Chapter 5 focuses on the labour and non-labour factors which contribute to the reduction or increase of inequality, such as the behaviour and evolution of income streams (salaries, profits, capital, transfers, etc.) and access to education and skill development. Chapter 6 analyses the relationship between the urban space, the provision of public goods and services and the impact of this provision on inequality reduction. Based on consumption indicators in a select number of cities, the chapter looks in detail at the main areas of per capita household expenditure and the impact this has on family well-being. A more detailed analysis examines the equalizing role of housing, transport and urban space. These are areas of action where local authorities can intervene with redistributive and welfare-generating policies.

Finally, Chapter 7 outlines equity policies in cities. It starts by analysing the national policies which have yielded results to date, highlighting the strategic and operational links with local government. This focus on policies which are shared by different levels of government is followed by a specific proposal for an urban framework for action to combat inequality, based on four key pillars: spatial connection, social cohesion, capacity-building and institutional coordination.

Between cities, and within them, there are gaping social and economic divides.

[68] Cities display other forms of inequality related to the enjoyment of the rule of law, citizen participation and the opportunity to be heard by the government..
[69] UN, Open Working Group on SDGs, 2013.

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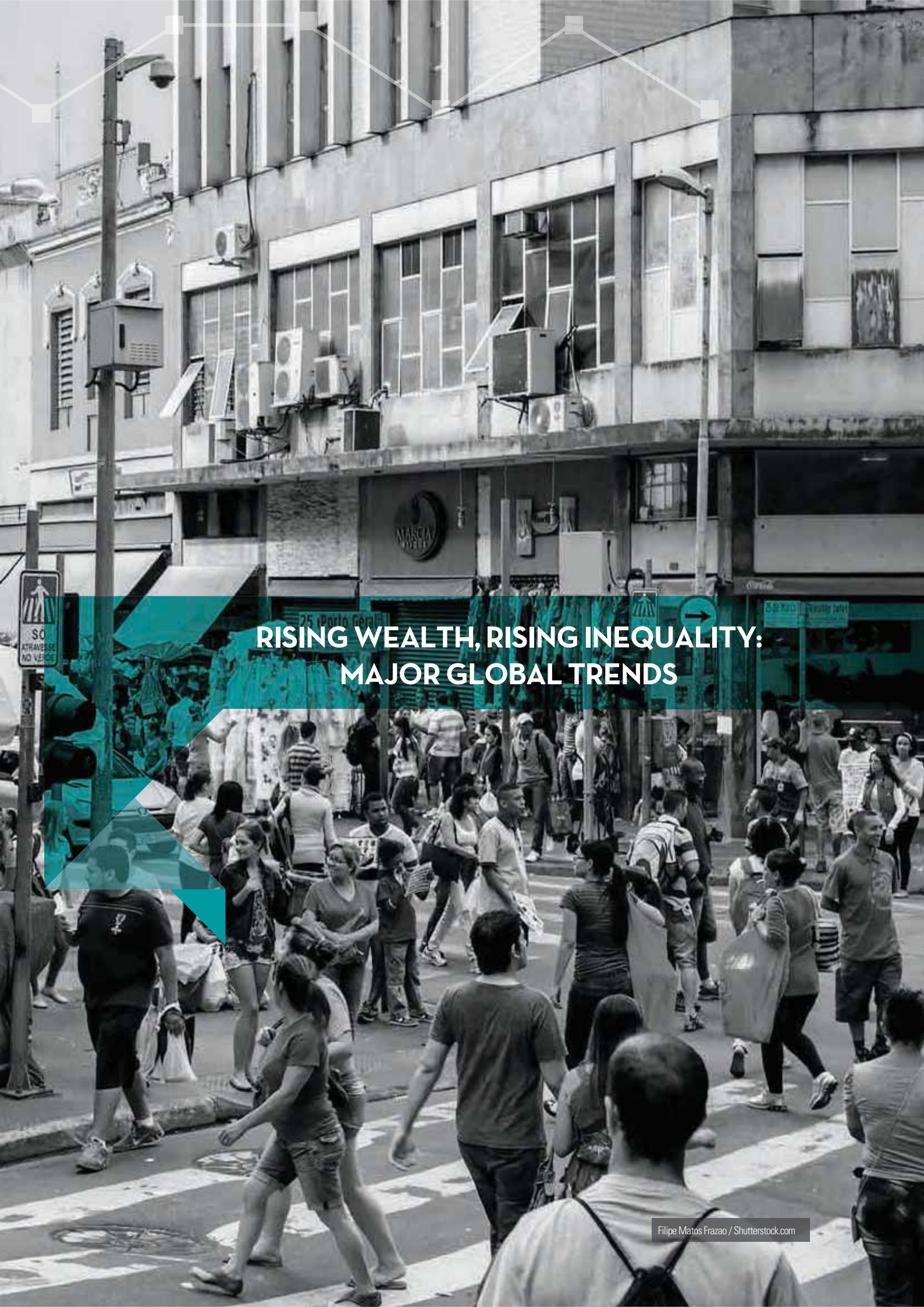
02

RISING WEALTH, RISING INEQUALITY: MAJOR GLOBAL TRENDS



Filipe Matos Frazao / Shutterstock.com

CHAPTER 02

RISING **WEALTH**, RISING **INEQUALITY**: MAJOR GLOBAL TRENDS

The trend towards poverty reduction will be sustainable if progress is made in the fight against INEQUALITY.

Punta Pacífica, Panama City, Panama. Some forms of prosperity are not yet shared by all.

Never in the history of humankind has as much wealth been accumulated as in recent decades. Income per capita, financial assets, capital and property values have increased considerably in various parts of the world. An analysis of global trends reveals that whilst levels of wealth have increased, so too have inequality indices. According to the most recent *Global Wealth Report* (2012), the richest 0.5 per cent of the world's population possesses more than 35 per cent of global wealth.[1] Another study indicates that in 2000, the poorest half of the population owned around 1 per cent of global wealth.[2] These figures suggest a worrying trend towards the rise of plutonomy: global wealth is concentrated in the hands of an ever-shrinking elite.

In this context, it is striking to note the dramatic reduction in poverty which has occurred over the last 20 years. Accelerated economic growth, an increase in household consumption and more effective social policy caused the number of people living in poverty to fall from 43 per cent in 1990 to 21 per cent in 2010. In that period more than 750 million people were lifted above the poverty line, with estimated subsistence levels of 1.25 US dollars.[3] The global middle class also grew in the same period, largely due to economic growth in emerging countries. However, it must be underscored that this trend towards poverty reduction will be sustainable if and only if progress is made in the fight against inequality.

Furthermore, it should be noted that this abundant wealth contrasts starkly with the polarization of inequality. In 2011, approximately 85 per cent of net financial assets were concentrated in the richest countries, which were home to less than 20 per cent of the world's population. The per capita value of those assets was 70,590 euros in the wealthiest countries and only 2,040 euros in the poorest nations.[4] Whilst global wealth distribution is much more unequal than global income distribution,[5] the latter appears to be following an upward trend. According to the World Bank, inequality between the world's inhabitants was estimated at 0.70 Gini points in 2002, five points more than in 1980, when the coefficient stood at 0.65. In 2002, the richest decile received 57 per cent of global income and not 50 per cent as previously estimated by the World Bank. These calculations were updated thanks to new purchasing power parity rates and the more extended use of household surveys in the majority of countries (see Table 1).[6]

The abundance of wealth contrasts with the polarization of inequality.

Prior to the global economic crisis of 2008-2009, the United Nations estimated that "at market exchange rates, the richest quintile of the global population received 83 per cent of total global income, and only one per cent reached those in the poorest quintile".[7] Whilst the United Nations did acknowledge that some progress had been made in global income distribution, it noted with concern that the poorest 40 per cent increased their share of total income by less than one per cent between 1990 and 2007.[8] It is highly likely that income distribution will have become even more polarized as a result of the global financial crisis. Although data are incomplete and information piecemeal in nature, it is estimated that income inequality has risen.

[1] Credit Suisse, 2012.
[2] World Institute for Development Economics Research, 2005.
[3] The Economist, 2013.
[4] Allianz, 2012.
[5] World Institute for Development Economics Research, 2005.
[6] Milanovic B., 2009.
[7] UNICEF, 2011.
[8] Ibid.

Box 1: Measuring inequality: the Gini index

Inequality manifests itself in a variety of ways: human capacity levels, disparities in quality of life, unequal consumption and income, urban segregation, differentiated access to opportunities and resources, segregated civic and political participation and the segmented appropriation and use of space.

In this publication, the notion of inequality is used mainly to describe income disparities (and occasionally disparities in consumption). The measure most widely used in the literature to measure this form of inequality is the Gini coefficient. This is an index which summarizes information on income/consumption distribution among the population studied as a single value produced by a points system. There are other synthetic indicators, such as the Theil and Atkinson indices. The difference between these lies, among other areas, in the relative weight given to each income/consumption stream. Another way of measuring inequality is to examine the income ratio between the richest group (for example, the top 10 per cent on a 10-group or 10-decile scale) and the poorest group (the bottom 10 per cent). Despite the differences between these metrics, empirical evidence shows that all of these indicators produce highly correlated results. This means that any of these indicators can be used for comparative analyses of cities and countries.[I]

Like all synthetic indicators, the Gini coefficient is not perfect. It is highly sensitive to extremes, and minimizes the effect of distributions on the scale's middle groups. Neither does it reflect the non-economic dimensions of inequality, which are becoming increasingly relevant in the analysis of wellbeing and human development. In other words, it tells only part of the story.[9] Nevertheless, the Gini is the most widely accepted and least ambiguous measure available. Contrary to popular belief, this index frequently changes over short periods of time. Its value is expressed as a ratio which ranges between 0 and 1, where 0 denotes perfect equality (all inhabitants receive the same income) and 1 denotes perfect inequality (income is concentrated in the hands of one individual and the rest of the population has none).[II] The Gini index moves closer to 1 as income becomes more concentrated. Therefore, a high Gini corresponds to inequitable distribution.

When cities like Bujumbura in Burundi, Mendoza in Argentina or the state of Florida in the United States of America have a Gini coefficient similar to 0.47, this means, broadly speaking, that the poorest 20 per cent of the population (first quintile) earns on average 3 per cent of total income, whilst the richest 20 per cent (fifth quintile) earns around 50 per cent of this total.[II]

Some countries, such as India, Mozambique and Togo, base their inequality estimates on household spending, claiming that questions in surveys on consumption habits produce the most accurate results as respondents are less suspicious. Other countries, such as South Africa, China and the Latin American countries, base their estimates on income. A very small number of countries, including Sri Lanka, produce their estimates using income and consumption coefficients. Gini coefficients based on income are always higher than those based on consumption.

[I] BID, 1999. [II] UN-Habitat, 2008.

[9] Furthermore, it should be borne in mind that people with higher incomes are often excluded from household surveys conducted in Latin America. As a result, the Gini tends to be lower than it would be if the truly wealthy were effectively included. It is clear that this is not a problem with the Gini index, but rather with the surveys.

MAJOR TRENDS IN WORLD INEQUALITY

OECD COUNTRIES

Inequality **increased**, including in the most egalitarian countries.

Gini 1980
0.290

Gini 2000
0.316

In **17** out of **22** countries, **inequality has increased.**

INCREASING INEQUALITY IN COUNTRIES IN TRANSITION

This is the subregion in which inequality has increased most sharply.

Nine percentage points **since 1990.**

Inequality

ASIA: GROWING UNEQUALLY

Inequality

The largest reduction in poverty ever recorded in history: **716 million lifted out of poverty** (from 54% living in poverty in 1990 to 21.5% in 2010).

The **most egalitarian region** in the developing world (Gini: 0.404 in 2008).

The **highest growth rates** in the world (GDP growth rate: 7%), double the growth rate of Latin America.

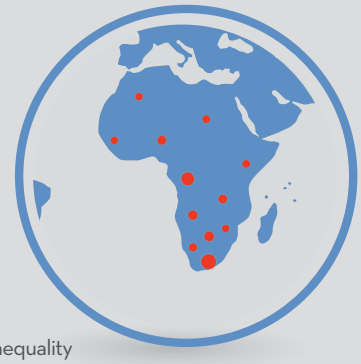
However, growth **has not kept pace** with inequality reductions.

The increase in Asia's Gini coefficient was **2.5 times higher** than that in Latin America.

AFRICA: A MIXED INEQUALITY LANDSCAPE

Africa has embarked upon the path of economic **growth.**

However, the wealth generated is not **equitably distributed.**



Inequality

Sub-Saharan Africa is the subregion with the **second-highest** level of inequality in the world.

Southern Africa is the continent's most unequal region (**6 out of the 10 countries** with the **highest inequality levels** in the world are located on this continent).

INCOME INEQUALITY IN REGIONS AND COUNTRIES

The landscape of global income inequality is one of stark contrasts. According to the standardized database on global income inequality, which aggregates values on a national level,[10] Latin America and the Caribbean emerges as the region with the highest level of inequality (0.483),[11] closely followed by sub-Saharan Africa (0.442).

The high-income countries, which contain various subregions, emerge as the most egalitarian nations (0.309), followed by Eastern Europe and Central Asia (0.354). Asia falls between these two extremes (0.404), straddling what UN-Habitat terms "the international alert line".[12]

Table 1: Income inequality by region, Gini coefficient, 1990-2008

Unweighted average values

Region	1990	2000	2008	1990-2008 Change	2000-2008 Change
Asia	0.364	0.400	0.404	4.0	0.6
Eastern Europe and Central Asia (CIS)	0.267	0.332	0.354	8.7	2.2
Latin America and the Caribbean	0.469	0.492	0.483	1.5	-1.3
Middle East and North Africa	0.392	0.392	0.392	0.0	0.0
Sub-Saharan Africa	0.491	0.461	0.442	-4.8	-1.8
High-income countries	0.274	0.308	0.309	3.5	0
Number of observations	137	140	141	132	132

Source: UNICEF, 2011. Calculations performed using the Solt database, 2009.
*Gini index values based on net value.

Salvador de Bahia, Brazil. The renewal of historical heritage can be very progressive if it avoids displacing local residents.
© Mariana Ceratti / World Bank.

[10] In other words, it presents information on income equality at national level, including urban and rural areas. See Salt F., 2009. UNICEF, 2011.
[11] These values differ from other estimates which place inequality at above 0.5. See ONU-Habitat 2008 and 2010.
[12] This is an indicative line valuable as a tool for inequality prevention. Values above 0.4 denote the growing concentration of inequality.

Box 2: Inequality between countries: 30 years of change

The World Bank has amassed collections of time series data on country income. These series include various groups of countries in different years. Analysis of the relation between the average income of the highest-income decile and that of the lowest-income decile at a global level yields interesting results. The disparity between countries' income increased substantially between 1980 and 2000. It subsequently fell thanks to higher incomes in Asia, Africa and most of Latin America. Although in the last two decades of the twentieth century the figures reported in developed countries were much higher than those of other nations, from 2000 onwards, average income in rich countries (with the exception of oil-producing countries) stagnated. Furthermore, the commodity boom and economic growth in Asia "reshuffled" the series. As a result, inequality between the extremes in the series fell slightly, whilst the rate of inequality among middle-income countries grew. However, the most recent drop in inequality has not seen the phenomenon return to 1980 levels.

Table 2: Average income inequality between countries 1980-2010 (D^{10}/D^{1})

Income ratio of the average highest-income decile to the average lowest-income decile

Series	1980	2000	2010	Change 2000 - 1980	Change 2010 - 2000
187 countries	n.d.	.178	.141	n.d.	-20.8%
142 countries	95.9	205.1	n.d.	+113.9%	n.d.
136 countries	98.3	196.1	156.9	+99.5%	-24.9%

Source: GDP per country database. Banco Mundial, http://datos.bancomundial.org/

Income gaps doubled between 1980 and 2000. Between 2000 and 2010, inequality between countries decreased, but only by between 20 and 25 per cent. However, it should be noted that, overall, personal income distribution has become more polarized. This is due to the fact that inequality has tended to increase everywhere with the exception of Latin America, as we shall see later in this chapter.

Pátzcuaro, Mexico. Inequality in cities continues to exhibit a significant ethnic dimension.
© Eduardo López Moreno.

GLOBAL WEALTH HAS INCREASED, BUT SO HAS INEQUALITY

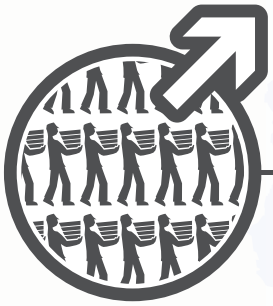
Never in the history of mankind
has as **much wealth**
accumulated as in recent decades.

Income per capita, financial assets,
capital and property
values have **increased** considerably
in various parts of the world.

Over the last **20 years,** poverty has decreased
as never before in the history of humankind.

It went from **43%** in 1990 to **21%** in 2010
(more than 750 million people).

The world's **middle class**
also **GREW.**



The inequality between the world's citizens
was estimated at 0.70
Gini points in 2002.

It is estimated that more than two thirds of the world's
population live in cities where income inequalities
have increased **since 1980.**

INEQUALITY: A CONCERN IN OECD COUNTRIES

In its 2008 study, *Growing Unequal?* (2008), the Organization for Economic Cooperation and Development (OECD) issued its first warning about the widening rich-poor gap in 30 member states in the middle of the first decade of the twenty-first century.[13] Three years later, the OECD confirmed in its report *Divided We Stand* that income polarization was worsening and argued that inequality was a universal concern for both politicians and society as a whole.[14] It pointed out that whilst real household income had increased annually by 1.7 per cent on average, the income of the richest households grew 10 per cent faster than that of the poorest ones. By the end of the first decade of the twenty-first century, the Gini coefficient in OECD countries had reached 0.316, compared to 0.29 at the end of the 1980s. On average, inequality significantly increased in 17 out of 22 OECD countries in which long-term data were available. The study also revealed rising inequality not only in countries with high levels of inequality such as Israel and the United States, but also, and for the first time, in more egalitarian nations like Finland, Germany, Luxembourg, New Zealand and Sweden.[15] In conclusion, inequality increased in all countries, but did so in an uneven way.

Another notable case is that of Japan, a rich and traditionally egalitarian nation, where inequalities in both income and the distribution of wealth have also increased over the past two decades. Using new statistical data on wealth, agricultural production, inheritance, business, salaries and other relevant factors, T. Toshiaki, an academic from the Massachusetts Institute of Technology (MIT), showed that pre-tax income inequality in the country rose from 0.354 in 1972 to 0.498 in 2002.[16] According to the researcher, this shift towards greater inequality was due to an increase in the value of real assets, as well as significant changes in land ownership and taxation policy. The expert also highlighted rising inequality in the service and high-technology sectors, which generated very large profits for the most highly qualified workers.[17]

A similar diagnosis is obtained from analysing indices in the United States, a country which has always relied on the consumption capacity of its middle classes. There, just as in Japan and other more developed nations, the rich-poor gap is widening. In his study *The Price of Inequality*, Joseph Stiglitz examines what he calls "the problem of America's one per cent". According to his analysis, the average income ratio of this wealthy group compared to that of the remaining 99 per cent tripled from 14.1 to 42.1 between the years 1979 and 2000. In another comparison, the Nobel economics laureate maintains that whilst the post-tax income of the one per cent increased by 275 per cent between 1979 and 2007, that of the lowest quintile rose by 18 per cent over the same period.[18] The profits of the post-recession recovery were also largely concentrated in the hands of the most privileged: the one per cent received 93 per cent of the additional income generated in the country in 2010, while the lowest quintile received less than one per cent. However, the crisis has affected not only the poorest people but also racial minorities: after adjusting for inflation, the average African-American household lost 53 per cent of its wealth between 2008 and 2010, the average Hispanic household 66 per cent, and the typical white household 16 per cent.[19]

Inequality increased not only in countries where inequality levels were high, but also, and for the first time, in more egalitarian nations.

[13] OECD, 2008.
[14] OECD, 2011.
[15] Ibid.
[16] According to the OECD (2011), Japan's Gini coefficient at the end of 2000 was 0.329 and not 0.498. There is a large discrepancy between these two values, linked to the way in which wealth inequality is calculated in the two studies. T. Toshiaki's analysis includes various factors, whilst the OECD calculates it using income alone.
[17] Tachibanaki Toshiaki, 2009.
[18] Stiglitz J., 2012.
[19] Kochhar R., Fry R., Taylor P., 2011.

GROWING INEQUALITY IN COUNTRIES IN TRANSITION

In the Eastern European countries and former Soviet Republics with economies in transition which today make up the Commonwealth of Independent States (CIS), inequality has exponentially increased. Whilst the inequality index value remains low (0.354 in 2008), Table 1 shows that the Gini coefficient has increased by nearly nine percentage points since 1990. Surpluses from commodity exports which have not been equitably distributed, the unprecedented decline in GDP per capita, the introduction of market reforms, the social impact of privatization and changes to fiscal and transfer systems all explain the increasing polarization of income in the region.[20]

Some cases are clear illustrations of these increases in income inequality: in Armenia, the Gini index rose from 0.28 to 0.434 between 1988 and 2005, Azerbaijan saw its inequality index rise from 0.31 to 0.373 between 1988 and 2001, and even the Russian Federation itself witnessed an increase in inequality, with a Gini coefficient which rose from 0.264 to 0.451 between 1988 and 2006.[21] This increase in inequalities can be partly explained by the stabilization measures adopted in these countries, including monetary and fiscal policies, as well as cuts to employment subsidies and social transfers. This context contributed in part to a fall in salaries and increased levels of income concentration. In Uzbekistan, for example, the income of 90 per cent of the population decreased, whilst the richest 10 per cent benefited from the economic transition process.[22] In other Eastern European countries, such as Hungary, Poland and Bulgaria, empirical evidence demonstrates that inequality has increased due, among other things, to the erosion of social security systems.

Furthermore, it is important to note that the positive and negative effects of economic transition on these countries have not been uniform. Studies have shown that in some cases, inequality indices are not only higher but also rising faster than reported. The method for calculating inequality tends to over-represent the richest groups and under-represent the poorest ones.[23]

Kiev, Ukraine. The erosion of social security systems has exacerbated disparities.

[20] UN-Habitat, 2008. UNICEF, 2011.
[21] World Income Inequality Database (WIID2), 2008.
[22] UNDP, Center for Economic Research, 2005.
[23] UN-Habitat, 2008. However, household survey sampling and field strategies vary between countries. In Mexico, for example, whilst this is a country belonging to a different region, the under-representation of the two distribution "tails" can nevertheless be observed. On the one hand there is low coverage of the monolingual indigenous population living in isolated communities, and on the other low coverage of the wealthy who live surrounded by servants or in private gated communities and never respond to the survey. This phenomenon is in addition to the under-representation of the extremely wealthy due to the small likelihood that these individuals will fall into the sample. The richest household surveyed in the Mexican income and expenditure survey in 2000 reached those high income levels, as it was a residence shared by 16 school teachers. There are indications that this situation is relatively common in Latin America, where gated communities are becoming increasingly widespread and there are large indigenous populations. Fernando Cortés (2000).

ASIA: GROWING UNEQUALLY

In the last two decades, Asia has been the region with the highest growth rates in the world. According to the *Outlook 2012* produced by the Asian Development Bank (ADB), the region's average annual GDP growth rate reached 7 per cent based on 2005 purchasing power parity (PPP). This growth rate is more than double that of Latin America and the Caribbean.[24]

Asia is also reducing poverty like no other region in the world has done before at any point in history. Between 1990 and 2010, average GDP per capita increased from 1,633 to 5,133 US dollars in 2005 PPP. Poverty fell by more than half (from the 54 per cent reported in 1990 to 21.5 per cent in 2010). In absolute terms, this means that more than 716 million people have been lifted out of poverty.[25]

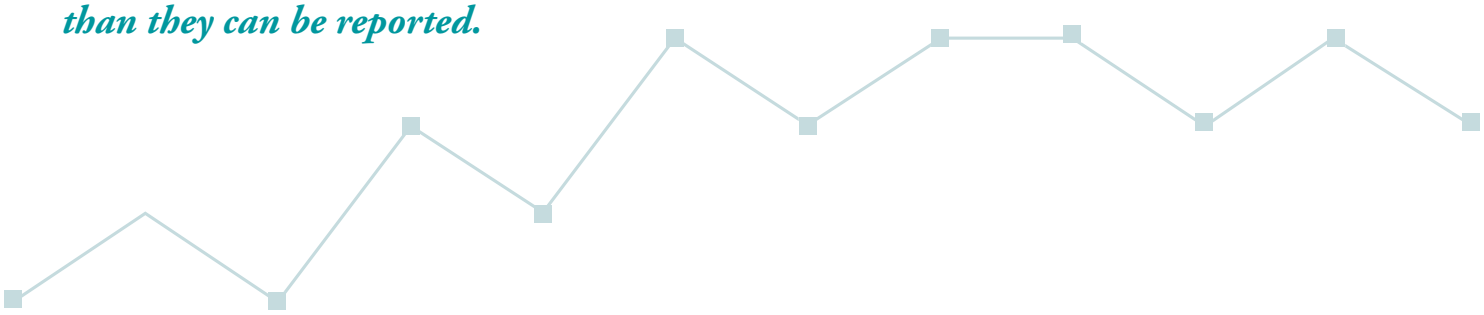
Furthermore, the Asian region is today the most egalitarian in the developing world, with a Gini coefficient which sits just on the inequality threshold (0.404 in 2008).[26] However, it is also the region in which the rich-poor divide is widening most quickly. It is therefore clear that inequality and growth have not gone hand in hand. However, UN-Habitat has demonstrated that economic growth and the generation of inequalities are not necessarily linked.[27] The Economist points out that lower levels of inequality depend to a large extent on government mitigation efforts. The history of Japan, South Korea and Taiwan, for example, reveals that economic growth in the 1960s and 1970s did not bring increased inequality. On the contrary, inequality indices tended to fall during this period of sustained growth. In Japan, the Gini coefficient fell from 0.45 in the 1960s to 0.34 in 1982; in Taiwan it fell from 0.5 in 1961 to below 0.3 in the mid-1970s. These experiences demonstrate that it is possible to promote equitable economic growth – in other words, to achieve shared prosperity.[28]

However, despite these success stories, inequality in Asia rose by four percentage points between 1990 and 2008, which was 2.5 times the increase seen in Latin America, as shown in Table 1. According to the ADB, 11 of the 28 countries with comparable data reveal a deterioration in their Gini coefficient over the past two decades. These nations represent 82 per cent of the region's total population. Consequently, it is clear that Asia has managed to reduce poverty but not inequality, which is increasing even more quickly there than in other regions of the world. To state the facts again: the inextricable link between growth and inequality is palpable in this dynamic region of the globe.

The causes of this phenomenon are multiple. The drivers of economic growth (technological change, globalization and market reforms) have also generated inequities. Furthermore, the lack of a clear policy to combat inequality has led to some countries being less effective than others in distributing the benefits of economic growth and development.

The Asian countries in which the rise of inequality has been most pronounced are, in declining order, China, Indonesia and the Democratic Republic of Laos. The Gini coefficients in these nations worsened, going from 0.324 in 1990 to 0.434 in 2008 (China), from 0.292 in 1990 to 0.389 in 2011 (Indonesia) and from 0.304 in 1992 to 0.367 in 2008 (Laos). The countries which performed best were Bhutan, Timor-Leste and Thailand. Gini coefficients in these nations improved, falling from 0.468 in 2003 to 0.381 in 2007 (Bhutan), from 0.395 in 2001 to 0.319 in 2009 (Timor-Leste) and from 0.453 in 1990 to 0.400 in 2009 (Thailand).[30]

Inequality indices grow more quickly than they can be reported.



[24] Asian Development Bank, 2012.
[25] Poverty estimated at 1.25 US dollars a day per capita. These calculations were also produced based on 2005 PPP, Asian Development Bank, 2012.
[26] Estimates based on Solt 2009, UNICEF, 2011. It should be noted that the ADB calculates an average coefficient for the region of 0.37 (2012). UN-Habitat set the inequality threshold at a Gini coefficient of 0.4.
[27] See the State of the World's Cities Report, 2008.
[28] The Economist, 2012.
[29] An increase which may be higher, since the majority of estimates are based on consumption inequalities which tend to be lower than income inequality estimates. Asian Development Bank, 2007.
[30] Asian Development Bank, 2007.

Box 3: Inequality in Asian cities

The analysis of inequality in Asian cities reveals opposing trends when comparing the aggregated national urban[31] inequality index and the indices of individual cities.[32] Income inequality indices which aggregate data on a national urban level tend to be higher than national Gini coefficients (rural and urban) in Asian countries. On average, the national urban Gini of seven countries in the region was 0.430 around 2005[(I)], which placed them in the group of countries with "High Inequality", whilst the national Gini was slightly over the international alert line (0.404 in 2008), placing Asian countries among those countries with "Relative Inequality" (Chapter 3, Table 1).

In contrast, the average Gini of the 30 Asian cities (0.384) for which UN-Habitat has produced information reveals values below the national Gini coefficient. Figures show significant variations between different urban centres in the same country. The most striking cases are those of Beijing, which has an income gap index far below that of Hong Kong, and the Thai cities of Samut Prakan and Chiang Mai, where inequality in the latter is around double that of the former. These significant variations within countries confirm the argument that national trends are not always indicative of what occurs in cities or regions of the same country. It is clear that inequality factors are determined by historic events and by culture, and that they are also affected to a certain extent by policies and local public actions. These results highlight the importance of local governments' ability to intervene in addressing inequality factors.

Whilst the sample of Asian cities in the UN-Habitat study is limited, the cities of Hong Kong in China, Ho Chi Minh City in Vietnam and Chiang Mai and Udon Thani in Thailand emerge as those with the highest levels of inequality. They have Gini indices of above 0.5, placing them in the "Very High Inequality" category. These cities are followed by Zhuhai and Shenzhen in China, Colombo in Sri Lanka and Bangkok in Thailand, with indices above 0.45 in the "High Inequality" category. At the other extreme are the most equal cities in the sample: Chittangong and Dhaka (Bangladesh), Shanghai, Fuzhou, Xi'an, Benxi (China), Irbid, Zarqa and Jerash (Jordan) and Samut Prakan (Thailand). All of these cities have values below 0.35, which places them in the "Relative Inequality" category. Furthermore, where the statistics disaggregate one urban area in functional terms (for example, an area which contains only one labour market) into various administrative units identified as separate cities, it is likely that the inequality levels of the area as a whole will be underestimated. This is because part of the population is concentrated in areas with uniformly low levels of income (with low Gini indices), but these individuals work for people living in central urban areas with much higher income levels.

In fact, many of the most egalitarian cities display similar levels of poverty, be it in terms of income or consumption. Several of these cities have large deficits in access to water, sanitation and housing, larger numbers of deprived neighbourhoods and poor performance in social indicators. Dhaka, for example, had a Gini consumption coefficient of 0.31 in the year 2000 a level of inequality classed as moderate. Although income distribution was relatively good, the city suffered from one of the highest levels of infant mortality: 97 per 1,000 children and as high as 130 in slums. [(III)]33

The shortage of information on income is one of the reasons why UN-Habitat has a multidimensional urban prosperity index based on the analysis of equity, quality of life, sustainability, infrastructure and productivity components (City Prosperity Index).[34]

[(I)]UN-Habitat, database, 2010. [(II)]UN-Habitat 2008 and 2010.

[31] The aggregated urban inequality indices include all the country's cities where information is available, including those whose sample's representativeness is low for generating isolated values, however those centers are aggregated with the other in an unique value.
[32] The indices of "individual cities" are those including only cities having a valid statistic representation of the sample and generating unique values for each city.
[33] Also known in the region as *favelas, campamentos, asentamientos informales pobres, bidonvilles, pueblos jóvenes, etc.*
[34] UN-Habitat, 2013.

Box 4: Evolution of inequality in the People's Republic of China

The urbanization process in China has been extraordinary. Twenty-five years ago, only 25 per cent of the population lived in urban centres. Last year, the government announced that the country had completed the urban transition. In other words, more than half of the population now lives in urban centres. In the last two and a half decades, this nation has gradually moved from a planned economy into a market economy. Urban reform has been driven by a series of variables, which include rapid industrialization, the reorganization of state-owned enterprises, more open trade, subsidies and fiscal exemptions in the export sector and the gradual liberalization of financial markets.[I]

The country's sustained economic growth has also been striking. Over the last 15 years, average growth per capita has been more than 9 per cent. During the global crisis of 2007-2008, China grew at a rate of 9.6 per cent,[II] a figure that represents three or four times the rate of growth in Latin America.

Similarly, it is appropriate to highlight the reduction of poverty in China. Between 1981 and 2010, more than 680 million people were lifted out of poverty – more than the total current population of Latin America. This change has caused the poverty rate to fall from 84 per cent in 1980 to around 10 per cent in 2010. Such an achievement means that China alone is responsible for three quarters of the global poverty reduction to have occurred over the last 30 years.[III]

Besides this, the rise in inequality has been staggering, although less widely publicized. During the "modern" phase (1988-1995) income was polarized, but benefits and social services helped to offset inequalities. During those years, the income of the richest 3 per cent in urban areas increased by 53 per cent, whilst the income of the poorest 20 per cent increased by 20 per cent.[IV] In the most radical phase of the reforms (1995-1999), the national Gini coefficient began to increase more markedly, rising from 0.30 in 1978 to 0.38 in 1988 and 0.45 in 2002.[I] In 2008, the ADB estimated the coefficient at 0.434.[II] There is no doubt that the increased provision of housing and public services for urban residents has had a positive impact both on income and on the reduction of social inequality. Nevertheless, the exclusion of rural migrants in the analysis calls for a more in-depth review of these indicators.

The National Statistics Office recently reported that the index had fallen from 0.491 in 2008, when it reached its highest level, to 0.474 in 2012, which does not echo ADB statistics. With a level far above the international alert line of 0.4 established by UN-Habitat, the Chinese government has indicated the urgent need to begin reforms aimed at promoting income distribution.[V]

[I]UN-Habitat, 2008. [II]Asian Development Bank, 2012. [III]The Economist, 2013. [IV]Xin M., 2004. [V]Xinhuanet, 2012.

AFRICA: A MIXED INEQUALITY LANDSCAPE

Sub-Saharan Africa has the second-highest level of inequality in the world. Despite having the lowest per capita income and despite the presence of similar subsistence systems in some of its countries, the rich-poor divide is huge.[35] In addition to economic inequalities, the region is characterized by major social divides in areas such as health, nutrition, education and access to basic services. These differences between regions, between men and women and between children and the elderly are patent. In spite of government efforts and the progress seen in certain areas, inequalities have remained over time.[36]

In 2010, 6 of the 10 countries with the highest level of inequality in the world were located in this region[37] and in particular in Southern Africa, the most unequal part of the continent. Three countries had Gini coefficients above 0.6: Botswana (0.61), Namibia (0.639) and South Africa (0.631). This placed them in the "Extremely Unequal" category.[38] Another three countries were classed as having "Very High Inequality", with indices over 0.5: Lesotho (0.525), Swaziland (0.515) and Zimbabwe (0.501).

However, despite global financial turmoil, the economic slowdown, the climate of uncertainty and the social and political tensions rife in various corners of the globe, Africa had the second-highest level of growth of all world regions. Global figures demonstrate this: 6 out of the 10 countries with the highest levels of economic growth in the last decade were African.[39] Economic growth in the region has remained stable at around 5 per cent in 2011 and in 2012, a figure considerably higher than the global average. If we exclude South Africa, whose GDP accounts for a third of the African region's total, growth was even greater, reaching 5.9 per cent in 2011.

These figures demonstrate that Africa is on the path of economic growth. Nevertheless, the wealth which this growth generates is not equally distributed. The proportion of poor Africans among the global poor population has increased from 20 per cent to 25 per cent in the last decade.[40] Africa is therefore the region with the highest number of people living in extreme poverty in the world today. In fact, in 2012, 61 per cent of the African population was living on less than two US dollars a day.

Those most affected by this situation are young people: according to the World Bank, in 2008-2009 more than 70 per cent of Africa's youth population was living on less than two US dollars[41] a day. In countries such as Nigeria, Ethiopia, Uganda, Zambia and Burundi, the level of youth poverty was above 80 per cent.[42]

Looking at this landscape, it is possible to conclude that the greater the level of inequality in a country, the harder it is for economic growth to contribute towards poverty reduction. Why is this the case? Pro-poor growth requires that a clear distributive policy be developed.[43] In the case of Africa, inequality could become even more acute if we consider that the productive sectors which generate growth are relatively limited in number. Given this situation, it is entirely possible that resources will be increasingly controlled by a select few. However, little is known about these trends due to the lack of up-to-date information and time series data. Indicators dating back several years and compiled using various sources reveal contrasting trends. For example, a study by the British Overseas Development Institute (2006) presents a rather negative outlook, pointing to a trend of increasing inequality.[44] However, the study notes that in some countries such as the Gambia, Kenya, Mauritania and Tanzania, inequalities significantly decreased. Another study produced by the Economic Commission for Africa (2004) paints a mixed picture. The study emphasizes that in countries such as Ethiopia, Mozambique, Rwanda and Uganda, the income gap has grown. This has in turn slowed the pace of poverty reduction to a certain extent.[45] A third study conducted by the United Nations University (2003) on a sample of 17 countries in the region concluded that inequalities were rising in most of those countries.[46] It is clear that more comprehensive and up-to-date research into the economic changes underway in the region, and particularly into rising inequality in cities, is required.

In the last decade, 6 out of the 10 countries with the highest levels of economic growth were in the African region.

[35] Okojie Christiana, Shimeles Abebe, 2006.
[36] Ibid.
[37] African Development Bank, 2012.
[38] Some of these countries have data which are significantly out of date, produced in 1994 (Botswana) and 2004 (Namibia).
[39] Economic Commission for Africa, 2012.
[40] Ibid.
[41] Ibid.
[42] African Development Bank, 2012.
[43] African Development Indicators, 2008/2009.
[44] See the work by Ravaillon M., World Bank economist, 2008. See also the work of Nanak K., Shahid K. and Son Hyun, 2004.
[45] Okojie Christiana, Shimeles Abebe, 2006.
[46] Economic Commission for Africa, 2004.

Box 5: Inequality in African cities

With a limited number of case studies (37 cities), African cities appear more unequal (Gini 0.581) than the aggregated total of the national urban income, for which the Gini coefficient is 0.539. This places African urban centres in the "Very High Inequality" category.

As a number of studies show, equity levels are far from uniform across the continent. Northern African cities are relatively egalitarian, with an average index value of 0.37, below the international alert line, and in the "Moderate Inequality" category. The differences between rural and urban areas are also less pronounced than in the rest of the region. Although few data are available, it is known that sub-Saharan cities average a Gini in the "High Inequality" category (0.46) which could be higher if other social and economic factors and other forms of inequality were taken into account. For example, the number of slums or informal settlements in these cities is twice the global average (62 per cent compared to 31 per cent) and differences in the level of education there are the most pronounced in the world (the education Gini is 0.59, compared to 0.34 in Latin America and 0.19 in Europe). Furthermore, cities in Southern Africa emerge as the least egalitarian in the region, and probably in the world, particularly those in countries such as South Africa, Namibia and Zimbabwe. With inequality coefficients which hover around the 0.6 mark and exceed 0.7 in some cases, these cities fall firmly into the "Extreme Inequality" category.

UN-Habitat, 2008

Kibera in Nairobi, Kenya. Prosperity and poverty: two objectives yet to be reconciled in African cities.

INEQUALITY IN LATIN AMERICA AND THE CARRIBEAN IN A GLOBAL CONTEXT

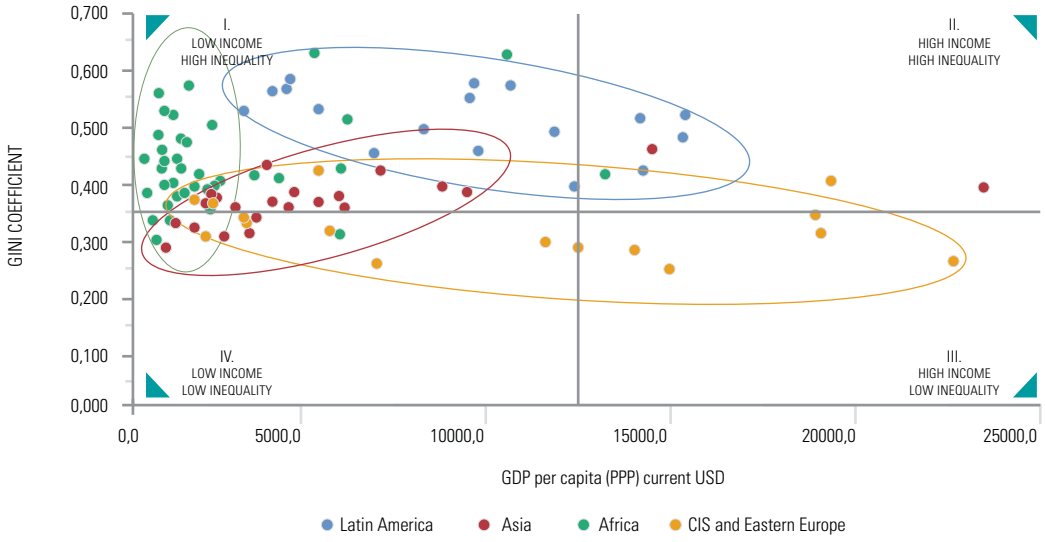
Despite the fact that inequality has decreased over the past two decades, and particularly since 2000, Latin America and the Caribbean remains the region with the highest levels of inequality in the world. Poverty there is also relatively high – it is estimated that one in every three Latin Americans is poor and that one in every eight lives in extreme poverty.[47] However, the region's poverty rate is lower than that of any other developing region in the world. Income per capita is on average nearly six times higher than that of sub-Saharan Africa, 3.5 times the average income of Southeast Asia and 1.5 times the aggregate income of developing countries in East Asia and the Pacific.[48]

Research shows that Latin America and the Caribbean is the only region in the world whose Gini coefficient is, on average, around 0.5. This places it in the "Very High Inequality" category.[49] In 2008, 5 of the 10 most unequal countries on the planet – Brazil, Colombia, the Dominican Republic, Guatemala and Chile – were in this region.[50] Furthermore, during the last decade, the Latin American countries classed as more egalitarian – Costa Rica, Peru and Uruguay – had higher levels of inequality than the most unequal nations in Europe.[51] It is therefore clear that inequality is the Latin American region's most distinctive feature.

Graph 1 shows how Latin American countries can be grouped into a cluster with Gini values which fluctuate between 0.4 and 0.6 and a GDP per capita (PPP) which ranges from 3,000 to 15,000 dollars. Countries in the region span Quadrant I – low income and high inequality – and Quadrant II – high income and high inequality – without any clearly defined pattern to discern. Any comparison of inequality in this region with that in others should be undertaken with a great deal of caution. As has already been discussed, the Gini coefficient is estimated based on income in all Latin American countries, whilst in the majority of Asian countries, in some African countries and in those within the CIS, the estimate is based on consumption expenditure per capita. As shown in Chapter 6, income-based inequality will always be greater than that based on consumption.

As far as African countries are concerned, the majority can be grouped in a cluster with more dispersed Gini values (0.30 to 0.65) and a very low per capita income of under 5,000 dollars. Just under half of the countries are situated in Quadrant I, while almost all of the other half are in Quadrant IV – low income and low inequality. Unlike Latin America, there is a significant number of African nations with relatively low Gini coefficients, with values of 0.4, which places them in the "Moderate Inequality" category. A number of these countries are uniformly poor. Notable examples include Tunisia, Gabon and South Africa, all of which are countries with medium income per capita and very varied levels of inequality. The Seychelles, with high average income and extreme inequality, is undoubtedly an exception.

Graph 1: Gini coefficient by region at national level and GDP per capita around 2010



Source: LAC: UN-Habitat database. Other countries and regions, World Bank, WDI, 2013.

[47] Bigsten A. y Shimeles A., 2003.
[48] Inter-American Dialogue, 2009.
[49] World Bank, 2013.
[50] Table 1 gives a value below 0.5. However, other studies which have adopted different approaches and methodologies place inequality at around or above 0.5; see ONU-Habitat 2008 and 2010.
[51] Argentina is no longer part of this group.

As regards Asian countries, these form a relatively compact cluster, with Gini values below 0.4 and income per capita ranging from 800 to 9,000 dollars (PPP). Most countries are situated in Quadrant IV – low income and low inequality. However, there is a slight upward trend in inequality indices in line with the countries' rise in average income. With income per capita of more than 70,000 dollars, Qatar is a notable example of the region's relative inequality. This concentration of wealth there would be even greater if migrants were included in the Arab country's estimates.

On the other hand, former communist countries – from the CIS and from Eastern Europe – do not form a cluster per se. Despite the fact that inequality levels are very compact, average income levels are highly dispersed, which means that no clear pattern can be identified. With the exception of Russia (0.40) and Georgia (0.42), the most unequal nations in the region and nations with Gini coefficients similar to the most egalitarian countries of Latin America, the rest of the countries have Gini values which are very low (below 0.299) or moderate (below 0.399). However, variations in GDP per capita are considerable, fluctuating between 1,673 PPP dollars (Uzbekistan) and 19,227 PPP dollars (Russia). Such indices place these countries in Quadrants III – high income and low inequality – and IV – low income and low inequality.

If we return to our analysis of Latin America and the Caribbean, there are various theories regarding the factors which have made this the most unequal region in the world. Differentiated access to land ownership, natural resources, education and healthcare has made inequalities more pronounced. These inequalities have been compounded in turn by the cumulative effects of unequal distribution in recent times: the post-war era, structural adjustment, liberalization and neoliberal reforms.

Studies show that inequality in the region is essentially due to the excessive concentration of income within the sectors of the population with the highest income. According to the *Inter-American Dialogue,* the richest fifth of Latin America's population received around three fifths of total income, whilst the poorest fifth received just 3 per cent in the year 2009.[52] In other developing countries these differences were not so pronounced. According to the Inter-American Development Bank (IDB), the richest 5 per cent received a quarter of Latin America's national income at the end of the 1990s. In contrast, in Southeast Asian countries, the ratio was 16 per cent, and in developed nations it was only 13 per cent.[53]

The IDB notes that in relatively egalitarian societies, such as Sweden or Canada, an individual in the population's richest decile earns, on average, between 20 and 30 per cent more than someone in the next decile. The successive differences between the other deciles are also reduced to the extent that there are no pronounced gaps between the various social strata. In contrast, in Latin America and the Caribbean the difference between the richest decile and the next is much greater. In the Dominican Republic or in Chile, income in the last decile (the tenth) is three times higher than in the ninth decile and over 30 times higher than in the first decile, the poorest of them all.[54] Indeed, inequality in Latin America is due largely to the staggering difference between the upper decile and the rest of the population. A Gini index calculation which did not include the

Mexico City, Mexico. Opportunities in the region are growing, but there is still a long way to go.
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[52] UN-Habitat database. See also Inter-American Dialogue, 2009.
[53] Inter-American Dialogue, 2009.
[54] Inter-American Development Bank, 1999.

richest decile found that the level of income in Latin American countries did not differ greatly from the level of inequality in the United States when the two were estimated in the same way. According to the aforementioned IDB study, the Gini of 90 per cent of the Latin American population would be on average only 0.36, as opposed to the 0.52 calculated for the population as a whole. In fact, in six countries in the region, income concentration would be lower than that of the United States. The distortion generated by the high concentration of income among the richest 10 per cent becomes even more apparent through another comparison: whilst in the United States the population's upper decile generates an average income per capita which is 60 per cent higher than that of the ninth decile, in Latin America this difference is around 160 per cent.[57]

Similar studies reveal the high concentration of income in the region's richest strata. For example, a comparative analysis of Brazil and Hungary – two countries with a similar GDP per capita but with very different poverty levels – conducted by the World Bank suggests that the differences between these countries are the result of income inequalities between the various population percentiles. In Hungary, the richest 20 per cent earn approximately four times more than the poorest quintile, whilst in Brazil the percentage earned by the richest quintile is more than 30 times greater than that of the poorest 20 per cent.[58]

A reliable estimate of the extent of distributive inequality between countries and regions can be obtained by comparing the extremes of the income gap, either quintiles or deciles. This measure is easy to understand as it is very similar to the Gini coefficient, but it must be interpreted with care, since in some countries the distribution of income in mid-level groups may be more balanced, with greater distortions at either end of the income gap.[59]

Furthermore, the ratio between the last and first decile (Decile 10/Decile 1) should be greater in most of the region's countries, since capital income is higher among the richest decile of the population. This income source is undoubtedly reported below its actual values in the income surveys which provide these calculations. However, in broad terms, this measurement provides a reliable approximate estimate of the gap between rich and poor.

According to the most recent information, at a national level, the ratio of the last and first deciles is lowest in the CIS and in European nations, with average values of eight and nine times, respectively. This ratio increases to almost 12 in Asian countries and 17 in African nations. In Latin America and the Caribbean it reaches its highest value, at a startling 40 times.[60]

It is clear that proportions vary greatly between countries of the same region. Graph 2 depicts these differences. In Asia, countries such as Qatar and Malaysia have the highest inequality between rich and poor, with multiples close to 28 and 20, respectively. China follows closely behind, with a difference of 19 times between the richest strata and the poorest.

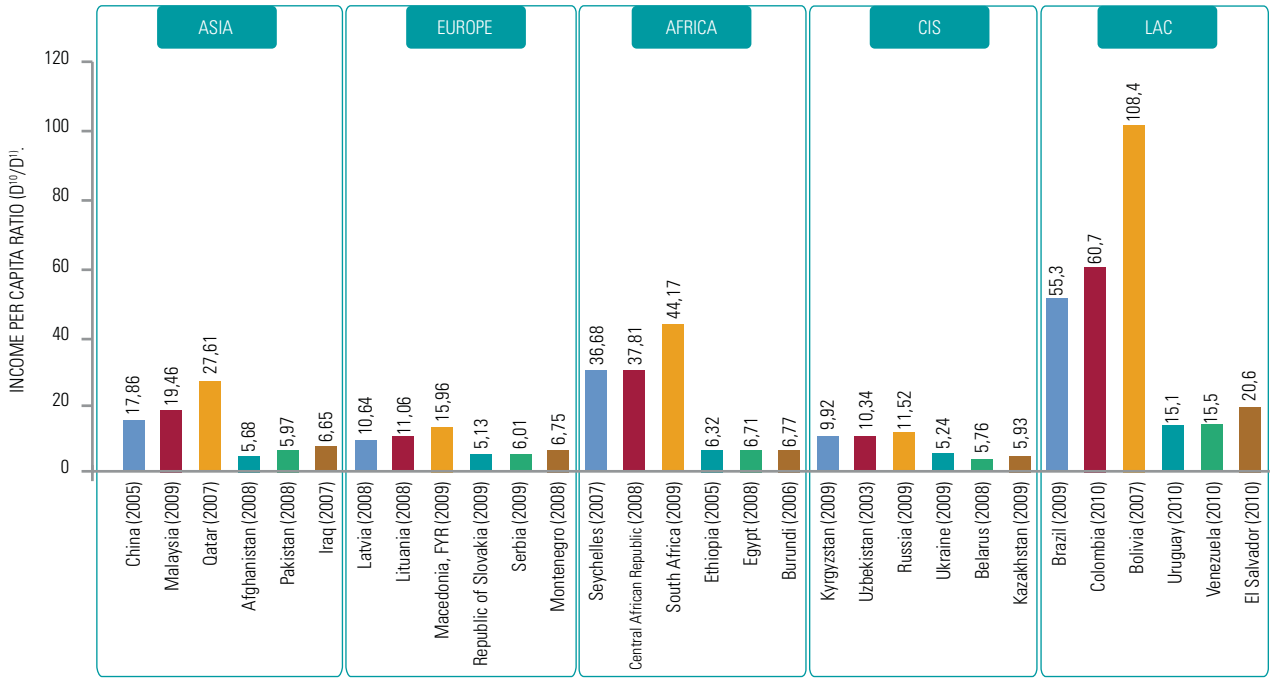
The Republic of Macedonia in Europe and the Russian Federation in the CIS have the widest rich-poor divides, with ratios of 20 and 12, respectively. In Africa, the Republic of South Africa emerges as the most unequal nation, with a difference between the richest 10 per cent and the poorest 10 per cent of 44 times, followed by the Central African Republic and the Seychelles, which each report a difference of around 37 times.

Furthermore, some Latin American countries are disproportionally unequal. In Bolivia, the ratio of the richest decile to the poorest decile is 108. In Colombia, this ratio is around 61 and in Brazil 55. Even the countries with the lowest rates of inequality in the region, Uruguay and Venezuela, have a ratio of over 15, which is higher than the most unequal countries in Europe and the CIS.

There are various explanations for the factors which have made Latin America and the Caribbean the most unequal region in the world.

[55] Ibid.
[56] Inter-American Development Bank, 1999.
[57] Banco Mundial, *Más allá del crecimiento económico,* 2004.
[58] For this reason, as part of its social cohesion and inequality indicators, the National Council for the Assessment of the Social Development of Mexico (CONEVAL) has developed a classification of income distributions which includes "biased towards low income", "biased toward high income", "bimodal", "with mode of the median" etc. http://www.coneval.gob.mx/Medicion/Paginas/Cohesion_Social.aspx.
[59] Data were calculated using the World Bank's World Development Indicators (WDI), with the exception of Latin America and the Caribbean, where UN-Habitat data were used. All cases involved national aggregated averages which did not discriminate between urban and rural areas.
[60] These calculations are produced after taxes and subsidies.

Graph 2: National per capita income ratio (richest and poorest decile, D10/D1). Various regions (three countries with the highest and lowest ratios per region)



Source: UN-Habitat data base. Other regions and countries. Word Bank WDI, 2013.

As previously stated, it is likely that these differences are actually even greater, since capital income is higher among the richest decile of the population. This income will undoubtedly have been reported at below its actual value in the income surveys which sourced these calculations.

However, recent trends have been moving in the right direction. The World Bank has indicated that "after decades of stagnation, the middle class of Latin American and the Caribbean has increased by 50 per cent – from 103 million people in 2003 to 152 million in 2009".[61] It would therefore appear that the reduction of the urban income gap has produced a middle class which, for the first time in history, groups together a significant share of the population. Although this change is smaller than in East Asia, growth in the region has nonetheless been substantial compared to the past, and there is an encouraging trend in terms of inequality reduction. If middle-income groups grow, inequality will fall.

In conclusion, inequality between the average income in rich and poor nations of the world doubled between 1980 and 2000, and then it decreased slightly. However, income inequality between the world's citizens has become more acute, as it has increased within countries themselves. Inequality is rising among most of Asia's population, in countries whose economies are in transition and in Africa and Europe. However, we must bear in mind that China alone has been responsible for three quarters of global poverty reduction since 1980.

Latin America experienced moderate growth (less than Asia, but greater than the United States and Europe) and inequality fell slightly in the region, a trend which began in some countries in 1990 and in others at the turn of the twenty-first century. Nevertheless, comparisons between national average incomes and national Gini indices do not show us how people actually live. What has this slight drop in inequality in the various cities of Latin America actually meant in practical terms? Experiences of inequality, privilege and exclusion are made of what people see and hear in their urban environments. This is the focus of the chapters which follow.

[61] World Bank, 2013.

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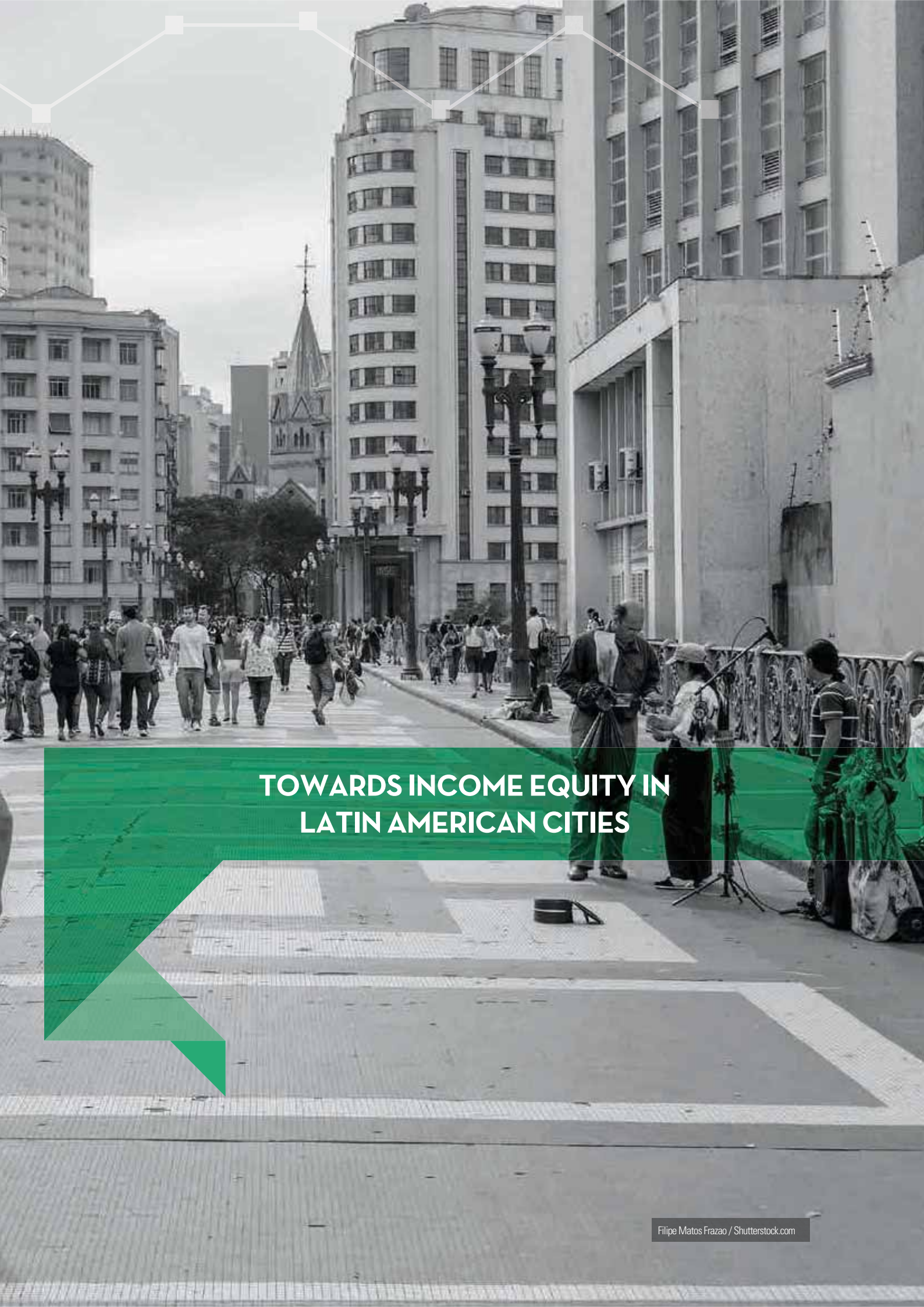
03

TOWARDS INCOME EQUITY IN LATIN AMERICAN CITIES



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CHAPTER 03

TOWARDS **INCOME EQUITY** IN **LATIN AMERICAN CITIES**

The public policies of local governments have a significant impact on the REDISTRIBUTION of income and wealth in general.

La Paz, Bolivia. Gradually, Latin American cities are narrowing the income gap.

Latin America and the Caribbean has traditionally been a region of major inequalities. Its cities have always been divided and fragmented. For decades, levels of inequality in the region increased or remained stable. In fact, until the 1980s, there was not a single country in the region in which income inequality significantly decreased. Worse still, in several countries, the rise became increasingly pronounced throughout the 1990s.[1] In 2000, a general trend of improvement in inequality levels began to emerge, albeit more markedly in some countries than in others. In recent years, several countries and a large quantity of cities have begun to gradually narrow income gaps, despite the fact that levels of success have varied between cities, and even between cities within the same country.

There is no doubt that inequality levels in this region remain higher than in any other in the world. However, it is also the only region in the world in which inequality levels are displaying general signs of improvement.[2] Studies indicate that a number of nations and cities have succeeded in reducing inequality, but levels remain similar to those recorded two decades ago. Despite this, impetus for change exists and needs to be sustained.

Below we offer an overview that reflects the magnitude of the inequalities which exist, followed by an analysis of how trends have changed in the last 20 years.

THE STATE OF INEQUALITY IN THE COUNTRIES AND CITIES OF THE REGION

It is common practice for inequality to be measured at country level, either as a series of national aggregate values or by adding data from all urban and rural areas. Consequently, the majority of the statistics produced present the situation in terms of a national aggregate. One reason for using this measure was that previously it was wrongly assumed that redistributive policies were the exclusive responsibility of national governments. However, views on redistributive policies have since changed, and it is becoming increasingly clear that the public policies of local governments, particularly in cities, have a significant impact on the redistribution of income and on wealth in general. In order to ensure that the significant role which cities play in this regard is once again fully acknowledged, this study draws upon a large sample covering 284 cities in 18 countries (Box 1). This approach has made it possible for the first time to draw accurate comparisons between different scales for measuring inequality.

Similarly, the income differences between countries and cities have become extremely noticeable. This clearly demonstrates the need to produce disaggregated information on urban centres in order to avoid generalizations. The differences between countries and cities are considerable.

Broadly speaking, income inequality appears higher when countries are grouped together at national urban level than it does when it is measured at city level. Of 17 countries for which UN-Habitat has recent information[3] (for the period 2007 to 2010), eight form part of Group 5, "Very High Inequality" (Gini between 0.500 and 0.599), seven belong in Group 4, "High Inequality" (Gini between 0.450 and 0.499), and only two fall into Group 3, "Relatively High Inequality" (Gini between 0.400 and 0.449). In contrast, city-level values display greater dispersion and, above all, reveal a greater number of cities with levels of inequality lower than those calculated at country level. A quarter of these cities form part of Group 2, "Moderate Inequality" (Gini between 0.300 and 0.399), and another quarter belong to Group 3, "Relatively High Inequality". In other words, half of the cities in the sample (139 cities) display relatively low levels of inequality, whilst only 11 per cent of countries fall into this category. In contrast, six cities display relatively high levels of inequality, with a Gini coefficient above 0.6. This places them in Group 6, "Extreme Inequality", whilst no Latin American country features in this category (see Table 1). In sum, levels of inequality vary more greatly between cities than they do between countries.

From the year 2000 onwards, a general trend of improvement began to emerge, albeit more markedly in some countries than in others.

[1] Altimir Oscar, Beccaria Luis et al, 2002.
[2] See Table 1 in Chapter 2, which displays a similarly positive trend in Africa. However, this trend is disputed by a number of authors and institutions.
[3] The sample used in this study comprises 18 countries. However, Venezuela does not possess data aggregated at national urban level. It is for this reason that at some points in the study, we refer to 17 countries.

THE STATE OF INEQUALITY IN THE REGION

INEQUALITY IN COUNTRIES

Between 2007 and 2010, out of **17 countries:**

Only two were in **group 3**

"Relatively High Inequality"

(Gini 0.300 and 0.399)

and another seven were in **group 4**

"High Inequality"

(Gini 0.450 and 0.499)

seven were in **group 5**

"Very High Inequality"

(Gini 0.500 and 0.599)

INEQUALITY IN CITIES

Chile:
the national urban coefficient falls into **group 5**

"Very High Inequality"

85 %
of its cities have levels of inequality below that level.

Of these,
30 %
are relatively egalitarian cities,
where there is
"Moderate Inequality"

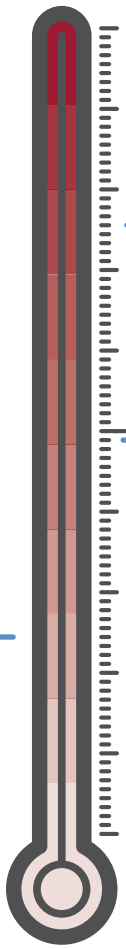
Inequality indices show greater dispersion in cities than in countries.

Half of the cities in the sample **(139 cities)** displayed relatively low levels of inequality (this was only the case for **11%** of countries):

25%

group 3
"Relatively High Inequality"
(Gini between 0.400 and 0.449)

25%
of cities formed part of
group 2
"Moderate Inequality"
(Gini between 0.300 and 0.399)



Six cities (2%) displayed **extremely high levels** of inequality, with a Gini coefficient above 0.6

22%
were classed as having
"Very High Inequality"
(Gini between 0.500 and 0.599)

26%
fell into the
"High Inequality"
category
(Gini between 0.450 and 0.499)

Table 1: General classification of cities and countries according to inequality levels (2007-2010).

Inequality Group		1 Low Inequality (0.299 and below)	2 Moderate Inequality (0.3 – 0.399)	3 Relatively High Inequality (0.4 – 0.449)	4 High Inequality (0.45 – 0.499)	5 Very High Inequality (0.5 – 0.599)	6 Extreme Inequality (0.6 and above)
Country	**Number**	0	0	2	7	8	0
	% of country	0.0%	0.0%	11.8%	41.2%	47.1%	0.0%
City	**Number**	0	71	68	74	59	6
	% of cities	0.0%	25.5%	24.5%	26.6%	21.2%	2.2%

Source: ONU-Habitat, Observatorio Mundial Urbano, 2013.

Based on this information, it can be concluded that in countries, such as Chile, whose national urban coefficient places them in Group 5, "Very High Inequality", more than 85 per cent of cities in the country have inequality coefficients below this value. In fact, in 30 per cent of these cities (21 cities in total) there is relative equality, with coefficients below the international alert line (0.4). These cities belong to Group 2, "Moderate Inequality". Another third of Chilean cities form part of Group 3, "Relatively High Inequality". A similar pattern can be observed in Central America: significant differences between the national urban Gini and the city-level coefficients can also be observed in Nicaragua, where more than 71 per cent of cities (11) display values below the national average. In contrast, 4 of the 10 Brazilian cities studied have levels of inequality above the national urban average in the "Extreme Inequality" group (Group 6). Such cases demonstrate that the practice of analysing national aggregate values has frequently hidden more than it has revealed, as it makes it impossible to appreciate the extent to which situations differ at local level. This situation hinders the development of public policies designed to combat inequality which take account of these differences.

Box 1: Measuring inequality: Approach, method and data

This study innovatively brings together statistics and indicators, inhabitants' perceptions and the analysis of policies and institutions, examining a vast sample of cities and countries in Latin America and the Caribbean.

The sample: Income and consumption inequality

For the first time in the history of research in the field, UN-Habitat and CAF have compiled a critical mass of data and information on income inequality, drawing on a sample of 284 cities in 18 countries which represent more than 85 per cent of the population of the Latin American sub-continent (see the statistical annex).

The database comprises very small cities of less than 100,000 inhabitants (38 per cent), small cities of between 100,000 and half a million inhabitants (35 per cent), intermediate cities of between half a million and a million inhabitants (12 per cent), big cities of between one million and 5 million inhabitants (12 per cent) and large cities of more than 5 million inhabitants (3 per cent). Such a large sample makes it possible to compare levels of inequality in cities of different sizes. This is a first step towards formulating a hypothesis on the relationship between the size of a city and its ability to reduce inequality.

Furthermore, the database includes values aggregated at national level (total, urban and rural) for the 18 countries in the sample. The main indicator used for analysis is the Gini coefficient, which is supplemented with inter-decile income ratios (D^{10}/D^{1} and D^{10}/D^{1-4}) with a disaggregation of monetary income sources into wages, profits, capital, transfers and others. The main source of information used was the set of household surveys produced by the countries in the sample. These surveys were standardized in order to ensure that the analysis was internally coherent and to thus enable the creation of a platform on which countries and cities could be compared. The estimates for the main sample were produced by the Economic Commission for Latin America and the Caribbean's (ECLAC) Social Development Division and verified by UN-Habitat's Global Urban Observatory. As a result, the estimated values are not necessarily in line with the official values produced by public entities.[4]

[4] We would emphasize once again that the tenth decile (D^{10}) in Latin American household surveys do not necessarily correspond to the richest households in the region, which are not captured by these surveys. Rather, they correspond to medium-high income groups.

The sample covers 20 years, with five to nine time series for each city. This makes it possible to observe the trend in inequality during various periods of time. Furthermore, indicators of the distribution of household consumption per capita were calculated for 10 countries and a number of urban regions, using various sources: Bolivia (Continued Household Survey-MECOVI (CHS)); Chile (Household Budget Survey); Colombia, Nicaragua and Mexico (National Survey of Household Income and Expenditure); Ecuador, Guatemala and Panama (Living Standards Measurement Survey); El Salvador (Multi-purpose Household Survey) and Peru (National Household Survey).

Additional indicators were produced using the database of UN-Habitat's Global Urban Observatory. These indicators included information regarding slums, as well as social and economic data from countries and cities. Other indicators such as national and per capita GDP and urban poverty came from various sources including the World Bank, IMF and OECD and information from the countries themselves. This body of data made it possible to establish statistical relationships between inequality and other dimensions of development, such as economic growth, poverty, crime and violence in cities.

During the statistical and technical processing of the surveys, certain variables were excluded and a number of cities were eliminated in the light of the fact that the sample size was not deemed sufficiently significant or representative.

Perceptions of inequality

This study was supplemented with a regional survey of perceptions of urban inequality conducted in 10 Latin American cities in 2012 (Asunción, Bogotá, Cordoba, Guadalajara, Quito, Lima, Montevideo, Santa Cruz, São Paulo and Valparaíso). The survey was coordinated by UN-Habitat, financed by CAF and the Fundación Avina, conducted by the *Red Latinoamericana de Ciudades Justas, Democráticas y Sustentables* and statistically analysed by Jalisco Cómo Vamos, of Guadalajara, Mexico.

The surveys collected the impressions of the adult population regarding the urban inequality prevailing in their city. The questions covered four areas: I) trends (past, present and future), II) factors (causes and consequences of inequality), III) policies (strategies, institutions, culture) and IV) impacts on society.

The study incorporated some questions from international surveys in order to make it possible to draw comparisons. Multi-stage probability sampling was used, with 400-800 respondents per city, and with margins of error of between 3.5 and 5 percentage points.

Studies of urban equity policies

This study was supplemented with analyses of urban equity policies conducted by UN-Habitat. These were monographic studies commissioned from local experts in 12 Latin American cities (Belo Horizonte, Bogotá, Buenos Aires, Guadalajara, La Paz, Lima, Montevideo, Panama City, Quito, San José, Santiago and Santo Domingo). The same number of background documents was produced using a similar structure in order to standardize the analyses. The analysis was divided into four chapters: I) trends in inequality, II) traditional and modern factors which generate inequality, III) policies, institutions and actors which promote equity and IV) impacts on quality of life and urban space. In addition to these reports, a literature review was conducted of a number of economic, sociological and political studies of inequality in Latin America and the Caribbean and other parts of the world.

Source: ECLAC, 2013.

INEQUALITIES IN URBAN AREAS TEND TO GROW MORE THAN IN RURAL AREAS

Levels of income concentration in urban and rural areas have always been similar in almost all countries of Latin America and the Caribbean. In a 1999 inequality report, the IDB indicated that, with certain exceptions, the urban and rural Gini coefficients were almost exactly equal for all of the countries in the region. In Paraguay, income concentration was significantly higher in rural than in urban areas, whilst in Brazil, Chile, Mexico and El Salvador the level of inequality in cities exceeded that in rural areas by between three and five points.[5]

More up-to-date information (from around 2010) indicates that rural-urban income distribution has not changed a great deal. However, a slight tendency towards a higher concentration of income in urban areas can be observed. In six countries (Brazil, Chile, Colombia, the Dominican Republic, Ecuador and El Salvador) the differences in income concentration have increased by five or more points. The most extreme cases are Chile and Colombia, where inequality in rural areas was much higher than in cities in the early 1990s, whilst at the end of 2010 inequalities were concentrated to a much greater extent in urban areas.[6]

Though there is no clear pattern for the region, the slight increase in rural-urban inequality is linked to the processes of both liberalization and economic adjustment. Academics from the United Nations University (World Institute for Development Economics Research, WIDER) provide a theoretical explanation for these changes and emphasize that urban inhabitants, with their higher level of education, are better placed to make use of the new economic opportunities provided by price liberalization. They also note that formal urban activities, which are better regulated in cities, produce greater profit with deregulation, which tends to increase income concentration.[7] Furthermore, UN-Habitat has emphasized that economies of agglomeration generate surpluses which various social groups appropriate to greatly unequal degrees. Latin American cities have proved largely incapable of developing instruments which facilitate value capture. As a result, the surpluses derived from economies of agglomeration tend to be concentrated in the hands of a small minority.

Inequality in urban areas has increased more than in rural areas.

Graph 1 displays opposing cases, where income distribution is more concentrated in rural areas than in urban ones. For example, in Costa Rica, minimal and statistically insignificant differences can be observed, whilst in Panama income concentration is four points higher in rural areas. Cases of particular note are those of Honduras, Bolivia and Paraguay, where income inequality in rural areas is higher than in cities (7, 10 and 12 points respectively).

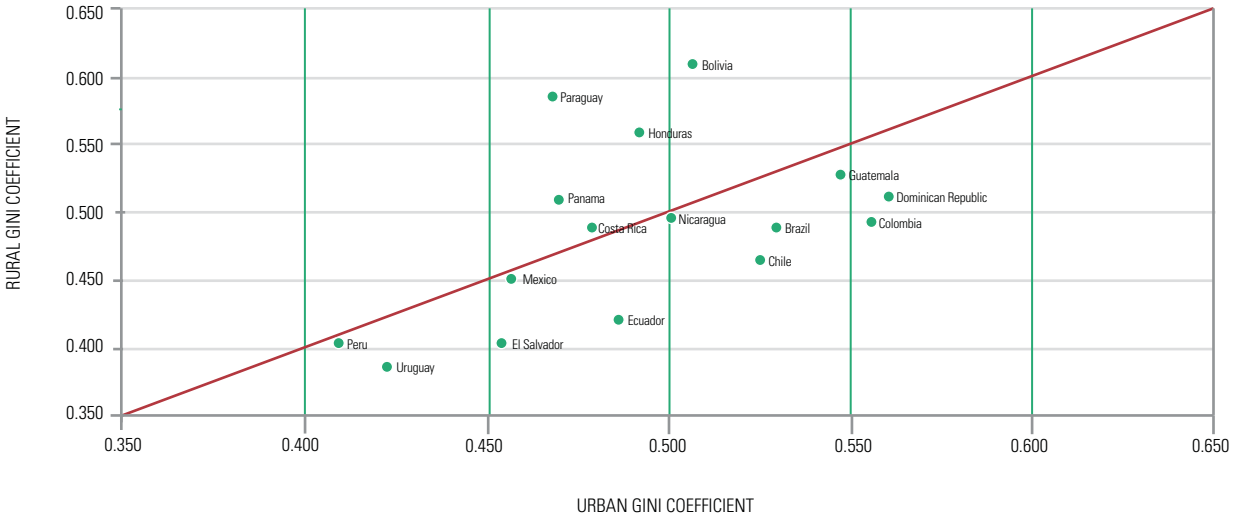
In the specific case of Paraguay, the concentration of agricultural land into the hands of a small minority largely explains rural inequality. While two thirds of farmers own less than 5 per cent of such land, 1 per cent own two thirds of the available total.[8] In Bolivia, the causes of income inequality in rural areas are connected to the unequal allocation of assets, in particular the quantity and quality of land and the differing levels of productivity. The concentration of natural and productive resources into the small group of sectors which enjoy market access contrasts starkly with the situation of smallholders, excluded from markets and lacking infrastructure and means of investment.[9] Similarly, despite the fact that the family income of rural households comprises earnings from agricultural activities, around 45 per cent of this income is produced by non-agricultural activities; the result of the increasing diversification of sources of income and the extensive interaction of the rural and urban spheres. According to the study *Income and Inequality in Rural Bolivia,* non-agricultural earnings account for 42 per cent of this Gini coefficient.[10]

A similar situation can be observed in Mexico. An analysis of income composition for 28 per cent of that country's lower-income rural inhabitants reveals that, between 1992 and 2006, the most dynamic component of this income was transfers (government and family), followed by the increase in wages. At the same time, the value of own-farm production was that which decreased most sharply. Overall, total income increased by 24 per cent. These "farmer" households depend on salaried labour for more than 50 per cent of their total income.[11]

In summary, the region does not exhibit a uniform pattern of greater inequality in urban areas than in rural ones, but inequality in urban areas has certainly increased more than in rural settings. Consequently, the trend in Latin America as a whole is that urban inequality is rising faster than rural inequality.

[5] BID, 1999. The points refer to the second digit of the Gini coefficient.
[6] The rural Gini in both countries was 0.59, compared to the much lower inequality coefficients of 0.54 (Chile) and 0.48 (Colombia) in the late 1990s. One decade later, the urban Gini had increased to 0.52 and 0.55 versus 0.47 and 0.49 in rural areas, for each country respectively.
[7] Eastwood R. and Liptom M., 2000.
[8] Fazio M. V. and Tornarolli L. 2006.
[9] Jiménez W. and Lizárraga S., 2003.
[10] Ibid.
[11] CONEVAL, 2013.

Graph 1: Comparison of the rural and urban Gini between the countries of the region (around 2010)



Source: UN-Habitat, Global Urban Observatory, various years.

THE INEQUALITY LANDSCAPE IN THE URBAN AREAS OF LATIN AMERICAN COUNTRIES

One characteristic of Latin America is that the total concentration of national income is almost always higher than the average levels of concentration of urban and rural income considered separately. At the end of the 1990s three countries were exceptions to this general rule: Chile, Mexico and Guatemala. All three displayed similar total and urban Gini coefficients. Almost two decades later, studies reveal that total national inequality remains greater than urban inequality. However, a very slight trend towards a certain convergence of the two can be observed. Over the course of these two decades, the difference between the two reduced in 8 of 15 countries and by 2010 there were four countries with similar coefficients: Chile, the Dominican Republic, El Salvador and Uruguay. With less than one percentage point difference between the two values, Brazil has displayed a clear trend towards equalizing its total (national) Gini and urban Gini values.

It should be underscored that the region of Latin America and the Caribbean continues to display the highest level of inequity among all regions of the world, including at a national urban level. The unweighted average for 17 countries from the UN-Habitat sample was 0.494 in around 2010, a value which placed these countries in Groups 4 "High Inequity" and 5 "Very High Inequity". Whilst this may be only a statistical approximation, the level of income concentration is nevertheless extremely high and is far above the United Nations international alert line (0.4). The urban areas of Brazil (0.569), the Dominican Republic (0.559) and Colombia (0.55) displayed the highest levels of inequality in the region between 2007 and 2010. Meanwhile, the region's most equitable urban areas were those of El Salvador (0.454), Uruguay (0.422) and Peru (0.409), the three countries with relatively high coefficients.

The notable disparity in income distribution which characterizes the region's urban centres also becomes apparent through an analysis of other indicators, including the income ratio between the top and bottom deciles (D10/D1). Graph 2 shows that the average income per capita of households in the tenth decile was 28 times higher than that of the poorest 10 per cent of households between 2007 and 2010. This ratio also varied greatly between different urban centres and between urban centres and countries. It ranged from 15:1 in Uruguay to 49:1 in Brazil.

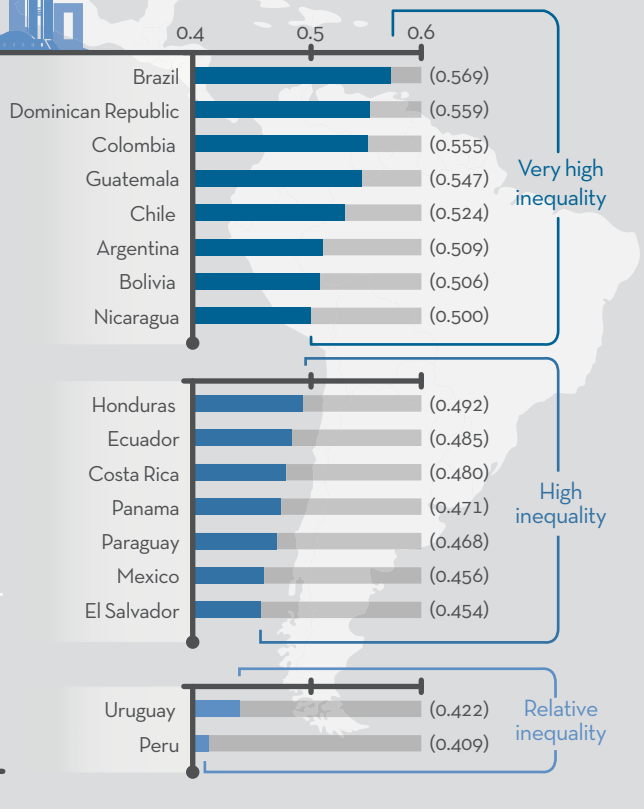
However, little variation is observed in the landscape of inequality among the most unequal countries when this indicator is used (D10/D1). After urban Brazil comes Colombia, now in second place, with a rich-poor difference of 47:1, followed by the Dominican Republic with a ratio of more than 44:1. At the other end of the spectrum are the urban areas of Peru, Uruguay and Mexico. These emerge as the least unequal regions with rich-poor differences of 14.5:1, 15:1 and 17.5:1 (D10/D1) respectively. Despite these low levels of inequality, these countries continue to rank far above the least equitable developed nations.

THE LANDSCAPE OF INEQUALITY IN THE URBAN AREAS OF LATIN AMERICAN COUNTRIES

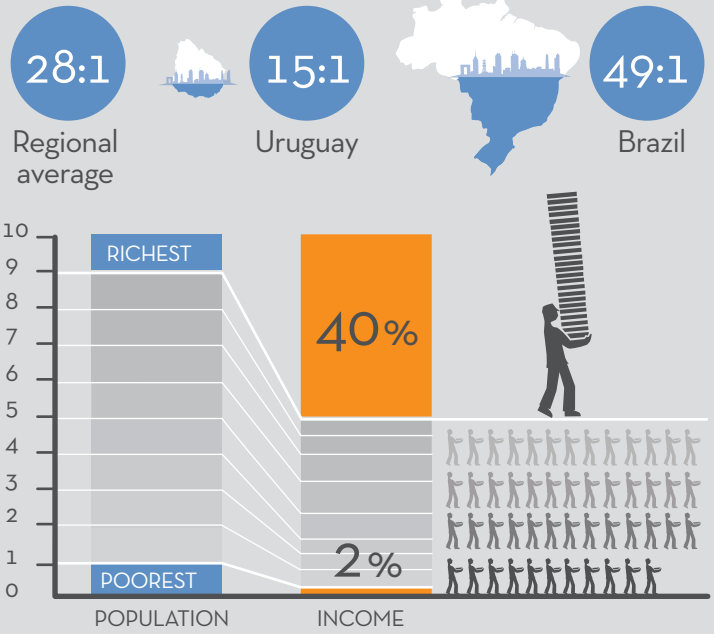
Latin America and the Caribbean continue to have the highest level of inequality among all the regions of the world, including at national urban level.

Gini **0.494** in 2010.

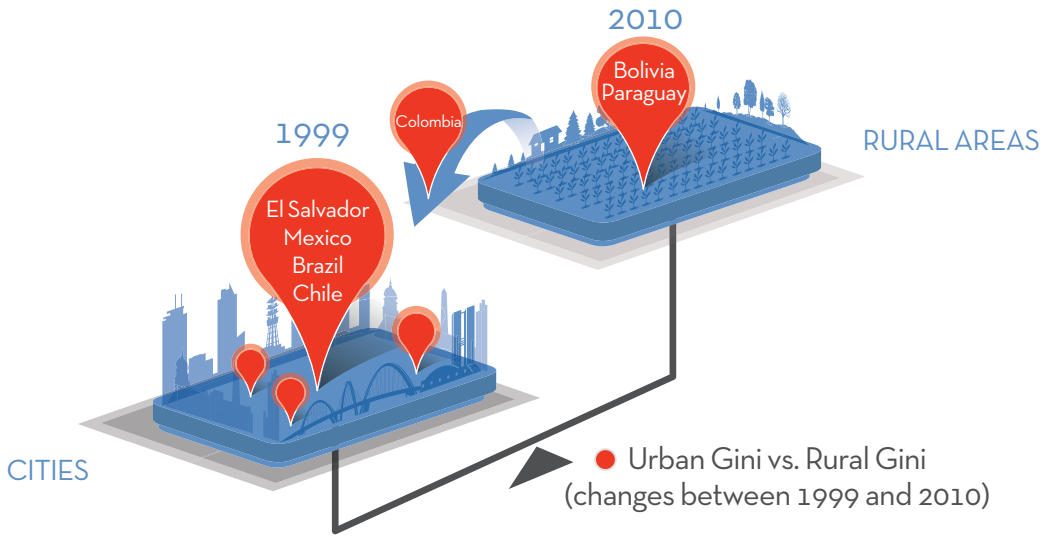
INEQUALITY in urban centres between 2007 and 2010:



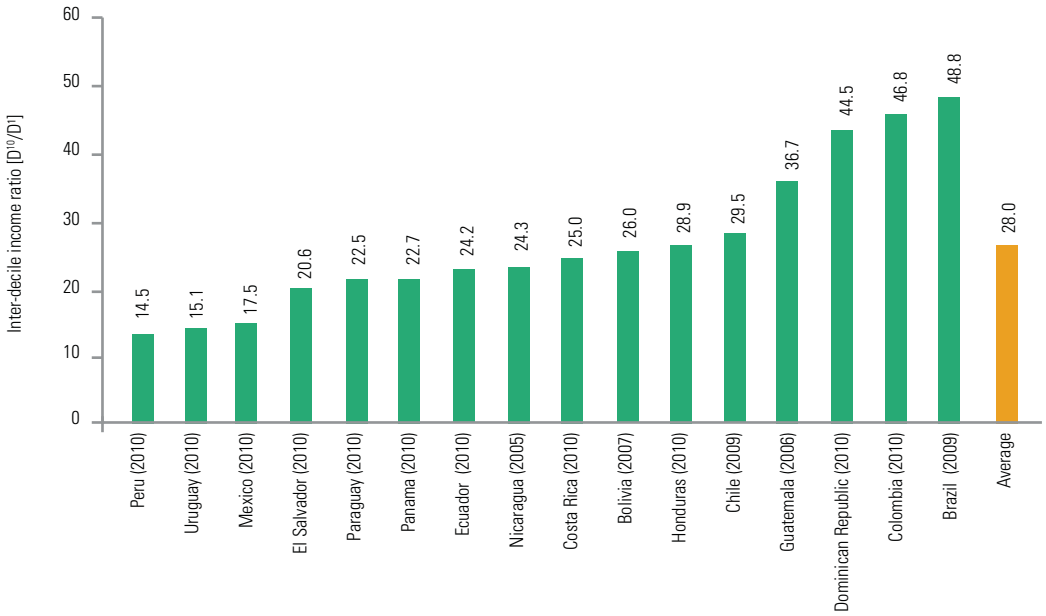
Rich-poor income ratio (D^{10}/D^{1})



INEQUALITY in urban areas tends to be greater than in rural areas.



Graph 2: Inter-decile income ratio between the richest and the poorest households (D10/D1), urban areas in selected countries, various years, 2005-2010.



Source: UN-Habitat, Global Urban Observatory, various years.

Other figures of interest reveal the levels of disparity present in the region. If we compare the richest 10 per cent of the sample with the poorest 40 per cent, levels of inequality continue to appear pronounced in the urban centres of Latin America and the Caribbean. According to our research, between 2007 and 2010, the income of the wealthiest 10 per cent was 13 times higher than the aggregate income of the poorest 40 per cent. An analysis of data collected around 2010 once again reveals significant variations between the countries in the sample, which range from 8:1 in Peru to 19:1 in Brazil.[12] Furthermore, the ranking of the most unequal countries and those more equal in relative terms remains unchanged if this indicator is used.[13] Such concentration of income translates into differentiated access to opportunities, a situation which itself tends to perpetuate inequalities.

For example, in certain countries, 6- to 14-year-olds from the richest households are more likely to be enrolled in school than their counterparts from the poorest 40 per cent. According to the United Nations Population Fund, in 2002 the percentage of children in Nicaragua's richest quintile enrolled in school was almost 96 per cent, whilst among the poorest 40 percent of the country's population, enrolment was just below 50 per cent.[14] These inequalities are also reflected in cities. To cite just one example, in Montevideo in 2011, the employment rate among the poorest quintile was 53 per cent. Among the richest 20 per cent, that figure was 70 per cent.[15] In Panama, more than 95 per cent of the highest income quintile was enrolled in school in 2009. In contrast, the net enrolment rate among the poorest quintile scarcely reached 42 per cent.[16] In Quito, around 85 per cent of those in adequate employment belonged to income distribution quintiles 3 to 5.

In contrast, 50 and 57 per cent of the underemployed belonged to Quintiles 1 and 2 respectively in 2010.[17] Broadly speaking, in addition to the differences in coverage, variations in teaching quality are also significant (see Chapter 5). Based on the data presented above, it is possible to conclude that there is significant variation in levels of inequality among the countries of the Latin American subcontinent, regardless of the indicator used.

[12] See the UN-Habitat database presented in the annex.
[13] This indicator is attributed to Gabriel Palma (Cambridge University). Palma's indicator makes it possible to capture a ratio which is of particular interest in the Latin American context. According to this expert, the richest 10 per cent in the household survey belongs to the upper-middle class. In real terms, D10/D40 compares the upper-middle class with a group which includes poor individuals and those beginning to enter the middle class. Levels of inequality are reduced, to such an extent that it appears likely that in certain Latin American countries income is being transferred from the medium-high income group to the rest of the population..
[14] FNUPA, 2002.
[15] Serna M. and González F., 2011.
[16] Rodríguez A., 2013.
[17] King K., 2012.

AN OVERVIEW OF THE INEQUALITY IN THE CITIES OF THE REGION

An increasing number of statistical experts, in addition to demographers, economists and decision-makers, are acknowledging that measures of inequality aggregated at national level conceal the extent of inequality present in regions and cities. This highlights the relevance of the UN-Habitat database, as it enables us to identify significant variation between inequality coefficients, which is necessary if regional and local development dynamics are to be understood.

It could be argued that comparing levels of income concentration in cities of different sizes at varying stages of development is misleading. Some urban centres can be small, relatively egalitarian and enjoy very few opportunities for development. Consequently, they display low levels of inequality. In contrast, other centres may find themselves in a period of economic growth, with greater opportunities but also with a tendency to generate more inequalities. These broad categorizations are the product of an erroneous interpretation of Kuznets' inverted U (1955). In his classic article *Economic Growth and Income Inequality*,[18] Kuznets observed that in the countries situated at either end of the spectrum (low and high level of income per capita), levels of inequality are low. In contrast, in middle-income countries, inequality levels are high. Kuznets makes a synchronic observation, without establishing a causal link between inequality and growth.

However, on the basis of Kuznets' observation, the work has been analysed diachronically – something which Kuznets himself did not do. According to this new version of Kuznets' theory, the transition to high levels of income per capita involves an increase in inequality. Such an interpretation creates the impression that to a certain extent, inequalities are desirable or, in some cases, unavoidable in the process of economic growth, particularly in its intermediate stages. In fact, a third of those surveyed in ten Latin American cities did not only accept this premise, but rather favoured inequality over equality.[19] More up-to-date studies offer contrasting findings. In fact, the broadest UN-Habitat database demonstrates that these theories are often borne out by reality to a partial or even very limited extent. Mention should be made of the cities in the higher-income countries (GDP per capita above 11,000 American dollars). These cities can either display the highest levels of inequality in the region (Brazil and Chile) or the lowest (Uruguay). However, one would hope that as aggregate income increased and as a country developed, inequalities would tend to decrease.

However, according to recent studies, this is not the prevailing trend. In 1999, the IDB noted that the majority of countries in the region did not respond to the ratio of the level of development to income distribution because average inequality was higher, estimated at around 12 percentage points of the Gini value.[20] Similarly, according to the conventional theory outlined above, the cities whose economy is in a period of growth tend, in principle, to generate greater inequalities. Running directly counter to this theory, an analysis of the data revealed that in several cities, income concentration remained stable, or even decreased (see Chapter 4). Finally, according to the same theory, the smallest cities with fewer than 100,000 inhabitants, and still in a process of economic growth and diversification, should be more egalitarian. However, more than a third of these cities fall into the "High" or "Very High Inequality" category (see Table 1). In sum, the landscape of inequality among countries in the region is as varied as the levels of inequality present within cities of the same country.

The majority of national capitals in the region are situated in Group 5, "Very High Inequality".

[18] Kuznets S, 1955.
[19] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[20] BID, 1999.

INEQUALITY IN THE NATIONAL CAPITALS

The vast majority of the national capitals in the sample are big (11) or large cities (7) with Gini coefficients (0.5) similar to the national urban aggregate values (0.494). At one end of the spectrum, Brasilia is a case of particular note as the most unequal capital city in the region. Such a high income concentration coefficient (0.672) places it in Group 6, "Extreme Inequality". At the other end of the spectrum stands Caracas, the most egalitarian national capital (0.377) and the only national capital in the region whose Gini coefficient is below the national alert line and similar to that of a number of European capitals.

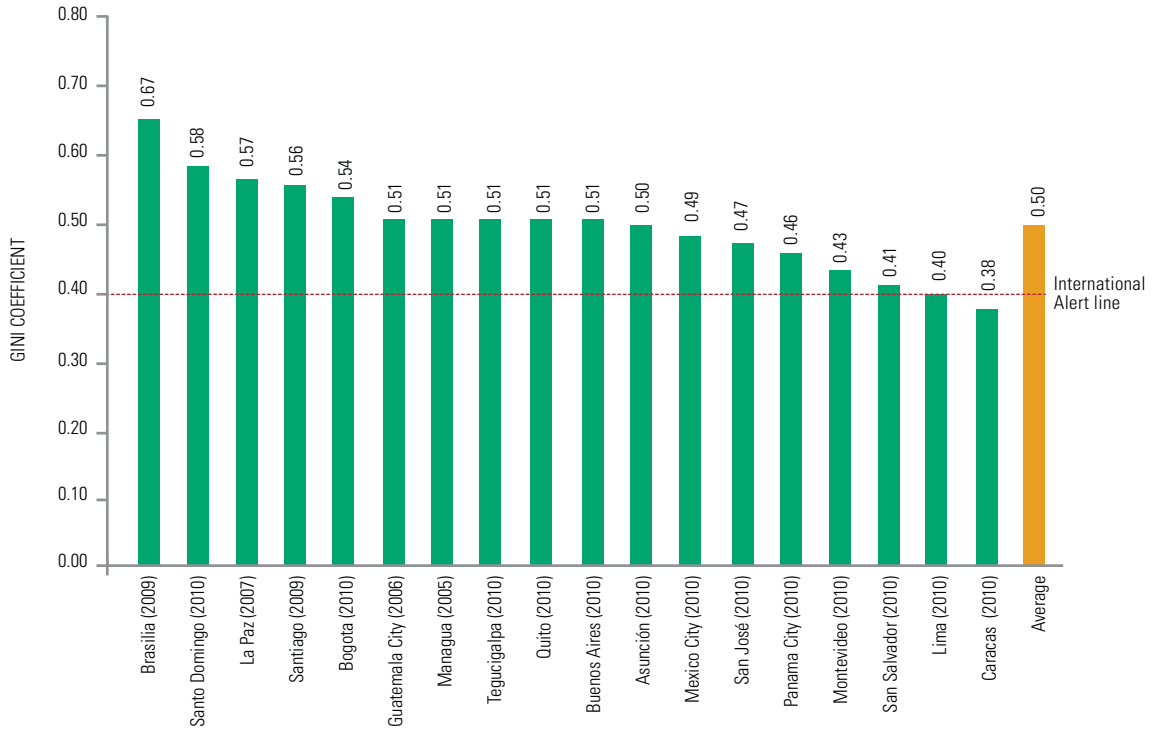
These two cities constitute a paradox for studies of inequality and urban violence. On the one hand there is Brasilia. This city's level of income concentration defies the analyses according to which once income concentration exceeds 0.6, there exists a high risk of social unrest and civil conflict, particularly given that the city has been spatially segregated from its very inception. An exclusionary city model has developed, with the poor living in working-class neighbourhoods in satellite cities and the richest classes in the so-called *"plano piloto"* in the central part of the Federal District, and in the gated communities. This type of city physically separates those living in the urban space and ultimately creates and exacerbates perceptions of inequality, which are as important as the inequality itself. This urbanization model limits potential interaction between diverse social groups due to a fragmented urban pattern, low residential density and car-centred urban mobility, cars being a highly segregating mode of transport. The exclusionary urban model of Brasilia poses a serious social risk. At the other end of the spectrum is Caracas, a city whose social indicators are the best-performing in the region and whose level of inequality is very low indeed. The case of Caracas defies studies according to which progress in social and economic inclusion translates into a reduction of violence.[21] With a homicide rate of 127 per 100,000 in 2008 (Guatemala City and Belize recorded 116 in 2010, San Salvador 95 and Tegucigalpa 73 in 2009), Caracas is among the most violent cities in the region.[22] As a result, urban space in the Venezuelan capital "fragments and becomes a map of safety and danger zones".[23]

According to Graph 3, the majority of the region's national capitals are situated in Group 5 ("Very High Inequality") with a Gini coefficient above 0.5. With the exception of Lima and Caracas (Group 2, "Moderate Inequality"), the rest of the cities in the sample are situated in the group with "Relatively High Inequality" – Group 3 (San Salvador and Montevideo) or "High Inequality" – Group 4 (Panama City, San José and Mexico City).

Panama City, among the cities with high inequality, made significant progress towards social inclusion.
© Gerardo Pesantez / World Bank.

[21] Zubillaga V., 2013.
[22] UNODC, 2011.
[23] Zubillaga V., 2013.

Graph 3: Inequality in the capitals of Latin America and the Caribbean. Gini coefficient (2005-2010).



Source: UN-Habitat, Global Urban Observatory, 2013.

It is possible that inequalities will tend to increase in the future, just as they have done in large cities in recent decades.

THE MOST EGALITARIAN CITIES

The general pattern of income distribution differs significantly between the individual cities of Latin America and the Caribbean. Whilst the average level of inequality is high and no city in the region is situated in the "Low Inequality" group (Gini coefficient below 0.299), it is nevertheless interesting to note that a quarter of the cities in the sample (71) have inequality values below the international alert line. These cities display "Moderate" levels of income concentration, with a Gini between 0.3 and 0.399, placing them in Group 2. In theory, these values reflect healthy economic growth, accompanied by political stability and various forms of inclusion. In principle, cities with coefficients in this range offer more egalitarian environments and affordable basic services.[24]

However, it is likely that many of the middle-income cities in Latin America which form part of this group do not in fact conform to this equality model. Almost two thirds of these cities (63 per cent) are very small, with fewer than 100,000 inhabitants. They are still developing their infrastructure, equipping themselves with urban amenities and necessary public services and diversifying their economies. It is also possible that many of these cities are uniformly poor and income and expenditure distribution is similar across the various population groups. However, if we consider that the population of small cities will grow, on average, 1.5 per cent each year for the next two decades, it is possible that inequalities will tend to increase, as has occurred in the large cities in recent decades. Indeed, many of the cities with a population of this size will see changes to their labour structure, with greater dispersion in levels of skill development and competition. Such changes will ultimately produce higher levels of income concentration. It is therefore necessary to promote economic diversification and collaborative competition, whilst at the same time adopting a number of preventative measures to avoid future increases in inequality.

As regards the cities displaying lower levels of inequality, a number of intermediate and large Mexican cities classed among the most egalitarian in the region are particularly worthy of note. These cities are Aguascalientes, Culiacán, Torreón and Monterrey. This select group also includes the Peruvian city of Arequipa and the Venezuelan capital, Caracas. Growing at differing paces, these cities can be considered dynamic. As their economic growth continues, it is expected that the benefits of this development will be distributed more equitably. It is also expected that these cities will succeed in integrating the poorest sectors of society as well as other vulnerable groups who have until now been excluded, through increased social and economic opportunities generated by economic growth.

Venezuela: The city of Caracas belongs to the group of cities with moderate inequality.

[24] ONU-Habitat, 2008.

THE MOST UNEQUAL CITIES

Four Brazilian cities – Brasilia, Curitiba, Fortaleza and Salvador – top the list of the most unequal cities in the region and, most likely, the world, ranking just below a number of South African cities. With Gini coefficients above 0.6, these cities are situated in Group 6, the "Extreme Inequality" group. Another two small cities, with around 250,000 inhabitants – Nequén in Argentina and La Romana in the Dominican Republic – also belong to this group of highly unequal cities.

The rich-poor income gap in Brasilia and Curitiba is very large indeed. It is almost twice as wide as the Brazilian national average, a figure which stands out as being the highest in the region. In 2009, the richest decile in these two cities earned 88.6 times more than the poorest. In Salvador, the capital of the state of Bahia, the richest decile earned 64 times more than the poorest, and in Fortaleza, this ratio stood at 54:1. Even this is far above Brazil's national average, which is around 49:1.

Whilst these indicators do not take account of all of the goods and services which a city offers, nor the level of development of the city, they do provide a reliable overview of how economic well-being is distributed across the population. It is clear from these data that the concentration of income ultimately affects other dimensions of development.[25] The effects produced in the cities of Brazil are no exception. According to the President of the Institute of Applied Economic Research (IPEA), despite the fact that Brasilia is the richest city in the country, with a GDP per capita of R$50,438 (21,374 American dollars) and the best-educated population (an average of 9.6 years of study, compared 7.6 at national level), the poor and remote environment of the satellite towns have the highest homicide rate in the country and one of the highest in the region (121 per 100,000 inhabitants).[26]

In the cities in which inequality is higher, there tends to be marked spatial discontinuity: "unsafe" or "unfamiliar" neighbourhoods and areas which the middle and upper classes believe they are unable to come in, but then where social and health problems are also more acute. Decision-makers often dismiss the connection between these two phenomena and treat the lack of safety, fragile health and poor education as variables which are independent of inequality. In Brazil, for example, studies of the effects of inequality on health identify a close link between Gini coefficient and life expectancy. According to the American Journal of Public Health, with every 0.01 increase in the Gini coefficient, life expectancy decreases by 0.6 years.[27] Furthermore, in a recent study of the perception of inequality it was found that 9 out of every 10 inhabitants surveyed either agree or strongly agree that inequality affects safety, quality of life, trust between citizens and the harmonious co-existence of neighbours.[28]

The concentration of income ultimately affects other dimensions of development.

[25] In the words of an inhabitant of a Latin American city, "when you are poor in economic terms, you are also social, culturally and politically poor and excluded". UN-Habitat, 2010.
[26] UOL Noticias, 2012.
[27] Messias E., 2003.
[28] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.

PROGRESS TOWARDS EQUALITY

According to the results of the UN-Habitat study, income distribution in the cities of Latin America and the Caribbean has improved over the last two decades. In around the 1990s, the region's Gini coefficient (calculated as an unweighted average for 17 countries which represented more than 85% of the continent's population) was 0.517, and by the end of 2010 it had dropped to 0.494.[29] This is a minimal reduction of only 4 per cent but one which signals a positive trend after years of the coefficient moving in the opposite direction, that is to say towards greater income concentration. Furthermore, it should be noted that the rich-poor differential has also narrowed. The income ratio between the 10 per cent with greatest purchasing power and the 10 per cent with the lowest purchasing power reduced from 36 to 28 in the same period. In other words, the ratio reduced by 7.6 per cent.

In order to explain this phenomenon, it is pertinent to recall that over the course of the 1990s, the countries in the region saw key sectors of their economy undergo major transformations. In the economic sphere, the high inflation which had plagued several countries was eradicated and structural reforms were adopted which restored productivity and economic growth.[30] As far as social reforms were concerned, mechanisms for the redistribution of both transfers and labour income[31] were established, the level of education increased and social protection networks for the most vulnerable groups were improved. In the political domain, forms of exclusion were reduced and mechanisms for political representation and participation were extended. Finally, reforms in the urban sphere included the expansion of social services and the increased provision of public goods. Public spending was decentralized and the institutional capacities of local governments were increased.

All of these changes have not only generated economic growth, increased employment and income in several cities in the region; they have also strengthened local institutions and mechanisms for the redistribution of wealth. Similarly, they have created a more territorialized vision of social justice. This vision, whilst often marred by setbacks, nevertheless opens a new window of opportunity. This allows inhabitants to glimpse a future in which more human capital can be accumulated, access to goods and services can be rendered universal and the benefits of development can become more accessible.

THE EVOLUTION OF URBAN INEQUALITY IN RECENT TIMES

An analysis of recent decades makes it possible to group the trends in income distribution in urban areas into two historical periods.

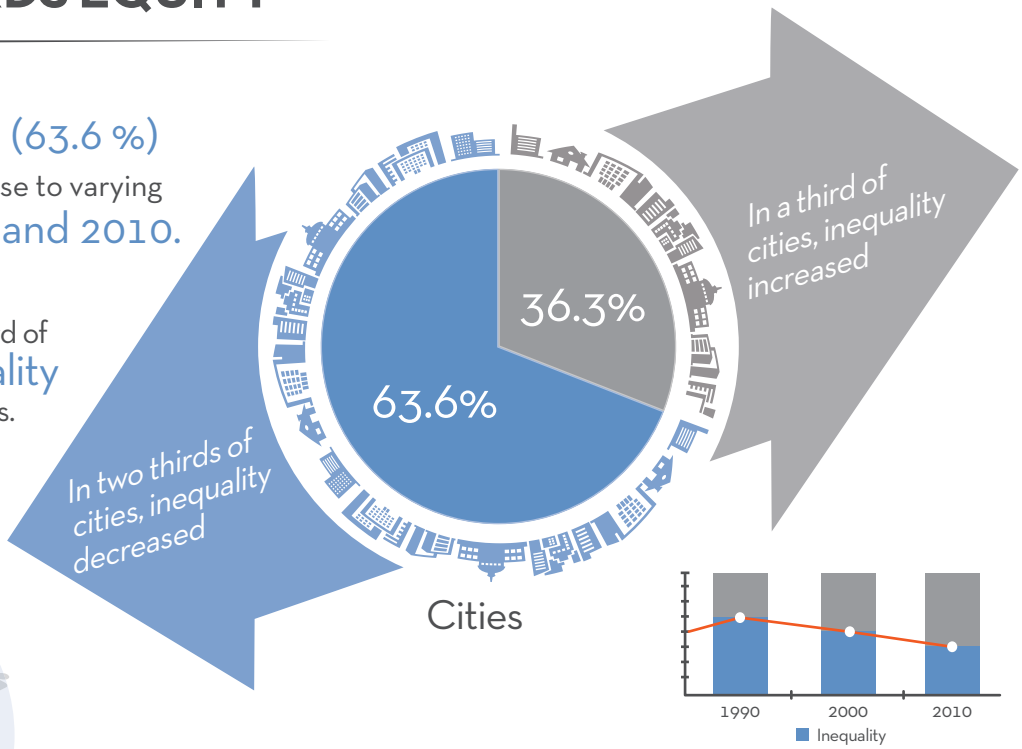
The first runs from the end of the 1980s to around 2002 and is characterized by an overall pattern of increasing inequality in the distribution of income. After the relatively positive trend observed in the 1970s,[32] the majority of countries emerged from the 1980s with higher levels of inequality,[33] a stage known as the "lost decade".[34] Subsequently, in the 1990s, nine countries recorded an increase in inequality. The countries in which this increase was particularly marked were Colombia, the Dominican Republic and Ecuador. The income distribution gap increased even in relatively egalitarian nations such as Costa Rica. Another seven countries reduced inequality in their urban areas. According to an ECLAC study, "the adoption of reforms designed to promote the deregulation of the markets, greater private investment and increased integration into the global economy had a negative impact upon income distribution".[35] In nine countries examined as part of the ECLAC study, both an increase in unemployment and a sudden drop in income were recorded. In Peru, for example, the Programme for Stabilization and Structural Adjustments, built on a vast process of privatization, brought with it an increase in inequality between 1992 and 1994.[36] In Argentina, reforms introduced in order to promote economic liberalization and stabilization had negative redistributive consequences, causing high rates of unemployment. To cite an example from Argentina, in Buenos Aires, poverty levels increased by 6 per cent over the course of the 1980s, reaching 25 per cent in 1990 and 21 per cent in 2001.[37] The Gini coefficient went from 0.502 to 0.590 in 2002.[38]

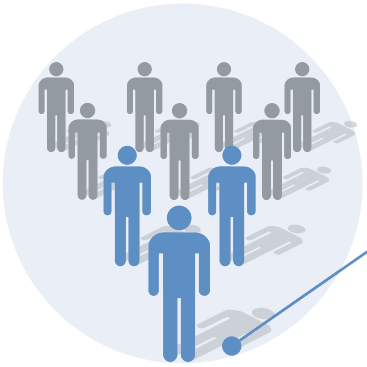
[29] It should be noted that these data do not coincide with that which appears in Table 1 in Chapter 2, in particular those pertaining to the 1990s. The reason for this difference is that the UN-Habitat database reflects national urban values and those in Table 1 are national..
[30] BID, 1999.
[31] Ortiz E., UNDP, 2011.
[32] According to the BID, "between 1970 and 1982, the region's Gini coefficient (calculated as a very approximate value, using observations available for 13 countries which represent four fifths of the Latin American population), there was a five-point reduction in income distribution inequality (10%), and the ratio of income between the richest 20 per cent of the population and the poorest 20 per cent reduced from 23 to 18 in this same period". Whilst these are national data, they nevertheless depict general trends. BID, 1999.
[33] The same IDB study indicates that "over the course of the 1980s, the highest-income decile increased its share of total income by more than 10 per cent, to the detriment of all other income deciles". At the same time, the poorest 10 per cent suffered a 15 per cent drop in their share of total income. BID, 1999.
[34] Altimir O., Beccaria L. et al, CEPAL, 2002.
[35] Ibid.
[36] These privatizations triggered a speedy process of mass dismissal from the public administration. Combined with the deregulation of the labour market, this process spawned a raft of part-time, precarious and badly paid jobs, known in Spanish as "cachuelos"). See Mauro R., 2013.
[37] Altimir O., Beccaria L. et al, 2002.
[38] UN-Habitat data, 2013.

STEPS TOWARDS EQUITY

• Almost two thirds of cities (63.6 %) saw inequality decrease to varying degrees between 1990 and 2010.

• However, in just over a third of cities (36.3 %) inequality increased to varying extents.





In other words, three or four in every ten of the region's inhabitants live in urban centres where inequality is greater than it was two decades ago.

•1990-2002: Inequality increased in 55 % of cities

•2000-2010: Inequality increased in only 36 % of cities

CHANGES IN INEQUALITY

in Latin American cities with comparable information available.

	Argentina		Bolivia		Brazil		Colombia		Mexico		Chile		No. of Cities	
	DECREASED	INCREASED	DECREASED	INCREASED	DECREASED	INCREASED	DECREASED	INCREASED	DECREASED	INCREASED	DECREASED	INCREASED		
BEGINNING, from around 1990 to 2002		19	6	2	6	4		11	6	1	30	22	48	59
END, from 2002 to around 2010	23	3	5	4	8	2	7	6	12	8	45	18	100	41
ENTIRE PERIOD	9	9	5	4	8	2		11	12	8	42	10	76	44

Another factor which influenced this phenomenon was the Asian crisis, which erupted in 1997. This became an economic crisis of global proportions which affected all Latin American countries to varying to degrees and was due, to a large extent, to the collapse of the commodities market. As a result of this crisis, half of the countries in the UN-Habitat study sample saw the average income of the richest 10 per cent increase, on average, by 45 per cent more than the income of the poorest 10 per cent.[39] The most significant increases were seen in Colombia, the Dominican Republic and Costa Rica, nations in which the ratio between the richest and poorest deciles doubled.

The impact of the crisis was also felt in the region's cities. For example, in 1999, Bogotá suffered the largest drop in GDP in its recent history (-10 per cent). This was the consequence of a severe economic recession, excessive bank loans and the deregulation of the financial system.[40] In the period mentioned above, the Gini coefficient soared, going from 0.492 in 1991 to 0.611 in 1999; the ratio between the richest decile and the poorest decile increased from 28 to 83 and extreme poverty reached its highest level ever in the city's recent history (11.4 per cent). Elsewhere, Quito suffered one of the most severe economic crises in recent decades, due largely to a drop in both oil prices and tax income, both of which caused a significant decrease in real salaries (1999-2001).[41] The inequality coefficient increased by 8 per cent and the rich-poor differential increased by 44 per cent.[42] Another, similar case was that of San José, which, like other Latin American cities in recession prior to the Asian crisis, was also affected by the reduction in agricultural exports and the decline in the competitiveness of its market (1999).[43] The impact of the increase in the income gap on the Costa Rican capital was huge, estimated at more than 100 per cent in terms of the income share captured by the richest and poorest deciles between 1990 and 1999.[44]

The Asian crisis which erupted in 1997 became a global economic crisis which affected all Latin American countries to varying degrees.

In the 1990s, it was not only the financial and economic crises which contributed to the exacerbation of inequality in the region. Paradoxically, in countries such as Brazil and Colombia, the processes of economic growth seen at the beginning of this decade were not beneficial for the poorest members of society. In another eight Brazilian cities – Rio de Janeiro and Salvador were exceptions – income became even more concentrated (levels of income concentration rose by 15 per cent).

This increase in income concentration occurred despite the fact that the country recorded positive economic growth, albeit minimal. Elsewhere, despite the fact that Colombian GDP grew at an annual rate of 4 per cent between 1990 and 1994,[45] in urban areas, income equalities increased considerably during these years. In the country's capital, these inequalities increased by 200 per cent. It should be noted that in spite of this backdrop, economic growth in Brazil and Colombia was far from pro-poor during this period. A contrasting scenario unfolded in countries such as Mexico, Bolivia and Peru. These nations recorded dynamic but short-term growth of between 3 and 4 per cent of GDP,[46] and witnessed a modest reduction in their income distribution coefficient.

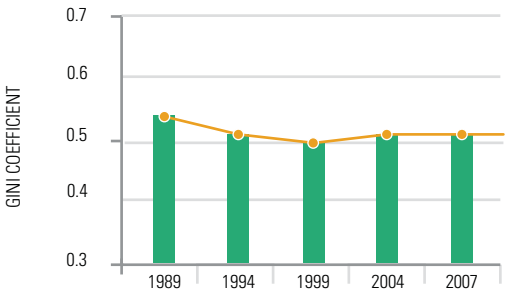
Moving towards beginning of the twenty-first century, we encounter the start of the second historical period of income distribution, which ran from 2002 to 2010. This period began with high levels of inequality and poverty in vast majority of the region's cities, followed by significant increases during the 1980s and 1990s – indeed, the pattern which emerges from 2002 onwards reveals a clear, positive trend. The graphs presented in Box 2 reveal a clear reversal of previously negative trends in 2002.

Whilst various factors are responsible for this reversal, a lengthy list of causes explain these positive changes: the recovery of the minimum wage in real terms, the development of the labour market, workers' protection and collective bargaining agreements, the substantial increase in public spending, access to public goods and healthcare and education services, the universalization of the pension system through non-contributory pensions and other mechanisms and the vast resource transfer programmes established by the government.

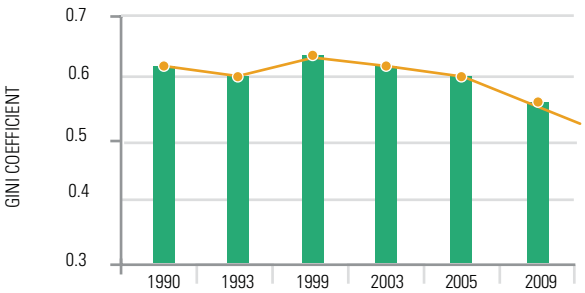
[39] The countries which witnessed such increases were Colombia, Argentina, the Dominican Republic, Costa Rica, Ecuador, Chile, Paraguay and Brazil.
[40] Sarmiento A., 2013.
[41] King K., 2012.
[42] The Gini went from 0.498 in 1990 to 0.539 in 1999. The ratio between the top and bottom deciles went from 26.1 to 37.6 in the same years of reference.
[43] Jiménez R., ed., 1999.
[44] In 1990, the rich-poor ratio was 19 to 1. By 1999, it had increased to 38.3 to 1.
[45] Banco Mundial, 2013.
[46] Ibid.

Box 2: The evolution of income inequality in the urban areas of selected countries in which inequalities decreased (1989-2010).

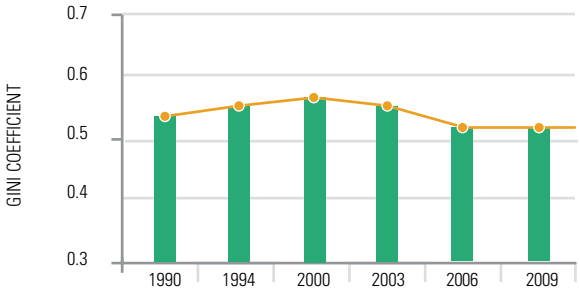
Bolivia



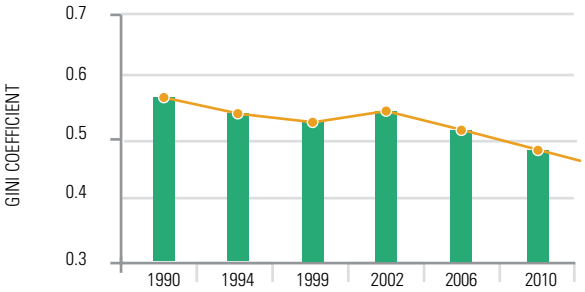
Brazil



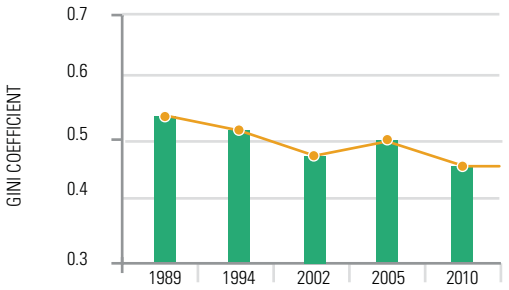
Chile



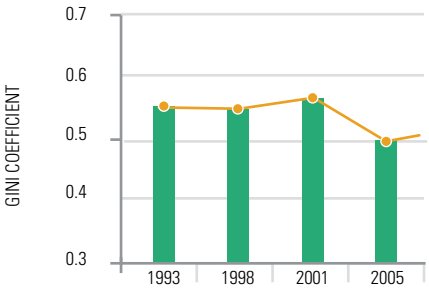
Honduras



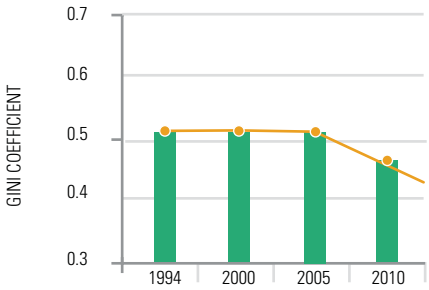
Mexico



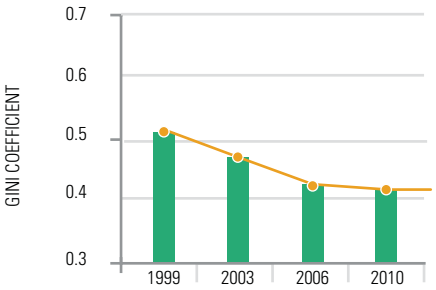
Nicaragua



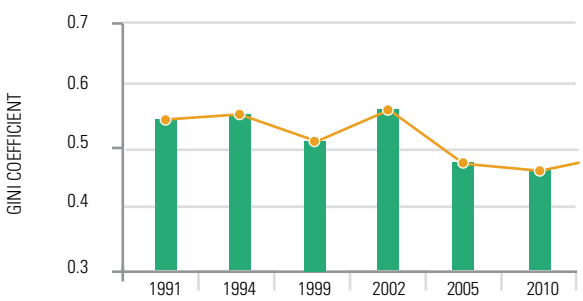
Paraguay



Peru



Panama



The decentralization and democratization processes orchestrated in the 1980s also had positive effects on inequality reduction. These processes served to extend the wide range of opportunities on offer in the region to a greater number of inhabitants and opened the door for other social and political actors, some of whom work at local level, to influence the decision-making process. This process, which was both social and political, had a positive impact on redistributive policies.[47] Decentralization made it possible to bolster local governments' capacity for action.

The region's economy began to recover in 2002. GDP per capita, the rate of unemployment and other indicators returned to pre-crisis levels. It is worth noting that an important factor in this recovery came from Asia (China and India in particular), a region whose dynamic growth impacted positively upon a number of markets. Growth in the United States also had positive repercussions, particularly on countries in the north of Latin America. However, governments also put in place policies designed to develop internal markets, including the redistribution of both labour and tax income. Over the course of this decade, levels of income inequality reduced in 14 of the 17 countries in the UN-Habitat study sample. As an unweighted average, the Gini coefficient of the region's urban areas went from the 0.517 recorded in the mid-1990s to 0.526 in 2002, before falling to 0.494 at the end of 2010. Only three countries kept regressive trends between 2002 and 2010: Guatemala, El Salvador and the Dominican Republic (inequalities increased by 4.6, 6.6 and 2 per cent respectively).

According to the measurements analysed, inequalities fell in the majority of countries which recorded growth. However, paradoxically, inequalities also increased in other countries which experienced economic growth during the same period, as was the case with the three nations mentioned above.[48] It is clear that in order to reduce inequalities, in addition to a stable economy and growth, strong institutions, effective social programmes and strong links between the various levels of government are required. It has also been established that income distribution depends on national and local policies. It is thus crucial that both move in the same direction if they are to be effective.

A striking example among the countries which recorded the greatest economic growth at the end of 2010 along with a significant reduction in inequalities is Panama. According to the World Bank, the country recorded sustained annual growth of an average of 8.1 per cent of GDP between 2004 and 2010, the highest growth rate in the region. In the same period, the government of Panama conducted a wholesale review of its social policy. It reorganized social spending and developed instruments for targeting actions, the aim being to bring these policies more in line with the ultimate goal of accumulating human capital.[49] Public spending on social services increased, reaching 10 per cent of GDP over the course of this period.[50] Programmes such as Red Oportunidades and 100 a los 70, the provision of public goods and the development of strategic projects (known as the imperdonables, or "inexcusables")[51] were initiatives which together succeeded in reducing income inequalities. It was as a result of these initiatives that the Gini coefficient reduced by 16 per cent in the country's urban areas, making Panama the most successful country in the region.

It is also worth highlighting the experience of Peru. In this second period (2002-2010), the income gap in the country's urban areas decreased, with a 15.4 per cent reduction in the Gini coefficient. The policy of creating special funds and improving the quality and productivity of public spending are largely responsible for this positive change, which also manifested itself as a general increase in wages (see Chapter 5). Another case is that of urban Argentina. Argentina was the third country in the region to record a drop in inequality, witnessing a 12 per cent decrease. Ecuador followed the same trend – a country which only a few years previously had witnessed a sharp rise in inequalities and which, from 2002 onwards, successfully reversed the negative trend.[52]

In order to reduce inequalities, in addition to a stable economy and growth, strong institutions, effective social programmes and strong links between the various levels of government are required.

[47] Altimir O., Beccaria L. et al, 2002.
[48] Whilst growth in El Salvador was somewhat moderate, estimated at 1.9 per cent of GDP, in Guatemala it reached 3.5 per cent and in the Dominican Republic it was relatively high, at 5.7 per cent of GDP. Banco Mundial, 2013.
[49] Rodríguez A., 2013.
[50] In 2004, total expenditure was 8.27 per cent of GDP. In 2008, this total was 9.76.
[51] The *imperdonables* are projects treated as government priorities and implemented from 2009. They combine public policies and social, institutional, economic and environmental development initiatives.
[52] Whilst in the period 1989-2002 inequality increased significantly in Ecuador, to the tune of around 10 percentage points in its urban areas, in the second historical period identified, inequalities decreased by almost 12 per cent.

In Ecuador, the incorporation of the concepts of solidarity and justice into national development strategies, together with the adoption of social protection mechanisms and non-contributory pension schemes, led to significant progress during this period.

The improvements to fiscal policy and extensive public transfers fostered better social cohesion, reduced poverty and widened access to both public services and opportunities. Such a wide variety of programmes in countries such as Brazil (Bolsa Familia), the Dominican Republic (Comer es Primero), Chile (Chile Solidario), Panama (Red Oportunidades), Argentina (Plan Familias), Colombia (Familias en Acción), Mexico (Progresa/ Oportunidades), Costa Rica (Superémonos), Ecuador (Bono de Desarollo Humano), among others, benefited around 113 million Latin Americans across 18 countries in the region, a figure which represented 19 per cent of the total population in 2011.[53]

At the end of this period, the global economic crisis (2007-2008) affected the countries of Latin America in a variety of ways, as a consequence of declining demand for goods and services. Nevertheless, the capacity to withstand the crisis with better macroeconomic management, as well as stronger internal demand, enabled the region to make a speedy recovery.[54] The inequality indicators were unaffected and at the end of 2010, the majority of countries continued to display highly positive trends in the reduction of income concentration against a positive backdrop for middle-income groups. The World Bank estimates that the middle-class population of Latin America and the Caribbean increased by 50 per cent between 2003 and 2009, which represented an increase from 103 million people to 152 million. This is tantamount to 30 percent of the subcontinent's total population.[55]

Panama City; with significant growth rates and social policies, it has reduced inequalities.
© Shutterstock / Noraluca013.

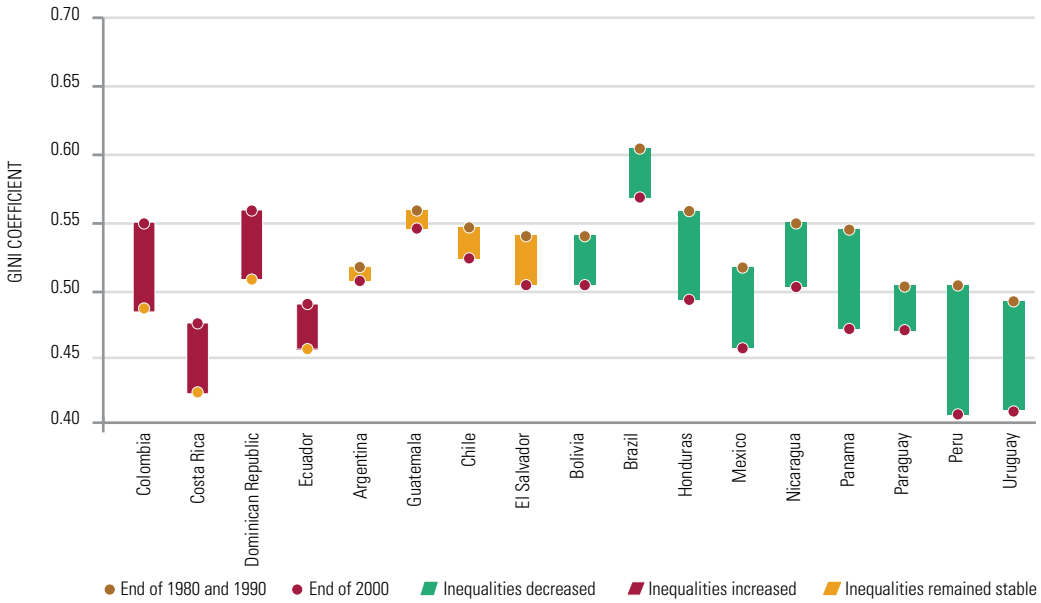
[53] Cecchine S. and Madariaga A., 2011.
[54] OECD, 2011.
[55] Banco Mundial, 2013b.

THE MOST AND LEAST SUCCESSFUL COUNTRIES

Despite some progress towards greater equity in Latin America, inequality reduction processes have yet to be established in several countries and cities in the region. The positive evolution in inequality trends observed in the region is far from uniform. As Graph 1 shows, in four countries – Colombia, Costa Rica, the Dominican Republic and Ecuador – inequalities first increased and then decreased (1990-2010) but never succeeded in falling below levels recorded in the 1990s. In another four countries – Argentina, Chile, Guatemala and Salvador – inequalities remained relatively stable during the same period. In the rest of the countries in the sample – Bolivia, Brazil, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay – income inequalities decreased significantly. In these countries, the Gini coefficient fell from 0.54 to 0.48 with a reduction of just over 11 per cent, and the ratio of the richest to the poorest decile went from 42 to 24.5, a 42 per cent reduction.

Peru was the country which recorded the greatest decrease in inequality across its total urban area, with a 20 percentage point reduction in its Gini coefficient between 1999 and 2010. This significant reduction was linked, to a large extent, to the increase in gross national income per capita, which rose from 2,110 to 4,600 US dollars in the period indicated above.[56] This decrease was also due to the parallel reduction of urban poverty (62 per cent),[57] as well as to a number of policies which ensured more equitable growth (see Graph 4). Uruguay also reported significant reductions in levels of income concentration, estimated at just over 14 per cent in the same 20-year reference period. These reductions were the result of pro-poor policies which enabled the nation to reduce urban poverty from 26 per cent in the year 2000 to 9 per cent in 2012.[58] Mexico was the third country in the region with the best results, successfully narrowing the urban income gap by 14 percentage points between 1989 and 2010.

Graph 4: Changes in urban Gini in the countries of Latin America and the Caribbean, between the end of 1980 and 1990 and the end of 2000

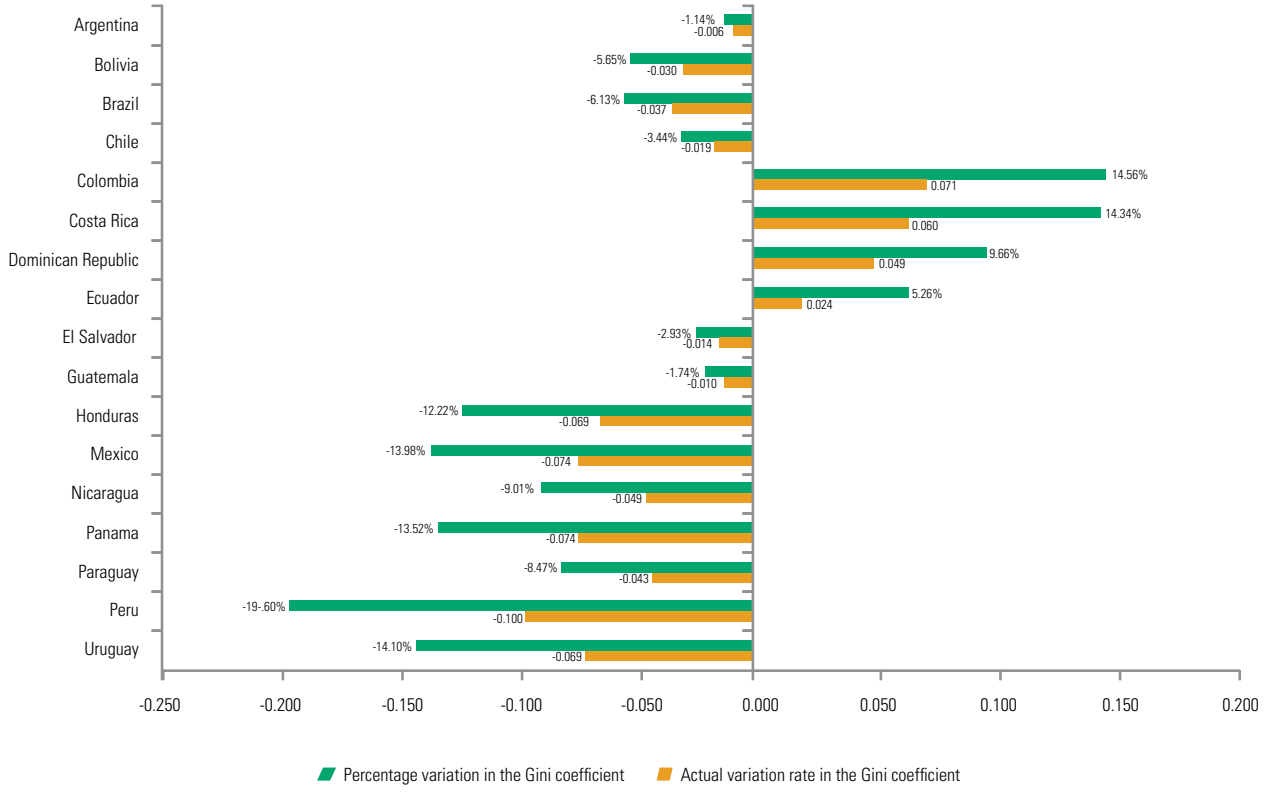


Source: Global Urban Observatory, various years.

[56] Banco Mundial, 2013.
[57] This poverty reduction occurred between 2004 and 2011, years for which data are available. Banco Mundial, 2013.
[58] Ibid.

Unlike the other countries in the sample, poverty in this country (Mexico) increased by 11 per cent during the reference period and economic growth was relatively moderate (GDP per capita grew at an average annual rate of 1.2 %). This clearly demonstrates that the fight against inequality and poverty can be waged on a various fronts and not always against a backdrop of economic growth (Chapter 4 examines this issue in greater depth). Finally, with a reduction in income concentration levels in urban areas estimated at 9 per cent, Nicaragua emerges as a relatively successful country. This becomes clearer still when the ratio between the richest and the poorest 10 per cent is measured. Nicaragua's improvement in this ratio was the most astounding in the region. The gap between the top and the bottom decile narrowed and the ratio reduced from 68 to 24 between 1993 and 2005.

Graph 5: Changes in the urban Gini coefficient in Latin American countries (1989-2010)



Source: UN-Habitat, Global Urban Observatory, various years.

Graph 5 displays income distribution patterns, which reveal an increase in income concentration in the urban areas of the four countries previously mentioned: Colombia, Costa Rica, the Dominican Republic and Ecuador. These four countries were also the only ones which recorded an increase in the rich-poor income gap.[59] The case of Colombia merits particular attention. Not only was it the nation with the largest increase in income inequality in urban areas (raising its Gini from 0.48 in 1991 to 0.555 in 2010, a 14.5 per cent increase), it also recorded the most marked polarization of income between rich and poor urban inhabitants (the ratio between the richest and the poorest decile increased from 24 times in 1991 to 47 in 2010, an increase of almost 100 per cent). This statistic becomes yet more significant if we consider that in this period, GDP per capita increased at an average annual rate of 1.4 per cent, indicating that the economic profits of growth tended to be concentrated among the richest households. However, during this same period, Colombia implemented an effective poverty reduction policy: the urban poverty rate reduced by a third[60] and the slum-dwelling population more than halved.[61] Such experiences reveal that social policies, including the provision of public goods and services, have borne fruit, despite the fact that to draw entirely accurate conclusions, these results would have to be evaluated using a multi-dimensional scale, and not simply through changes in income. From this perspective, it is encouraging that from 2002 onwards, a clear trajectory reversing the national trends in income concentration can be observed. These urban dynamics once again make it clear that successful poverty reduction policies require the parallel implementation of specific initiatives designed to target inequality.

Bogotá, Colombia. Bogotá has witnessed a slight reduction in inequality in recent years.
© Manuel Espinoza Pelayo.

[59] With the exception of Argentina, which, whilst obtaining a minimal reduction in the national urban Gini coefficient, simultaneously increased the difference between the richest and poorest deciles of the population, from 28 in 1994 to 33 in 2010.
[60] Urban poverty fell from 45.5 per cent in 2002 to 30.3 per cent in 2011. Banco Mundial, 2013.
[61] Urban slums fell from 31.2 per cent in 1990 to 14.3 per cent in 2009. ONU-Habitat, 2013.

INEQUALITY DECREASES IN A NUMBER OF CITIES, BUT INCREASES IN OTHERS

For the first time ever, an analysis of time series produced over the last 20 years has made it possible to trace the evolution of inequality in various Latin American cities.[62]

In general terms, the overall picture obtained is a positive one, but the various nuances require more detailed analysis. On the one hand, just under two thirds of the cities examined (63.6 per cent)[63] saw inequality decrease to varying degrees. On the other hand, in just over a third (36.3 per cent) of these cities, inequalities increased unevenly among various social groups. In other words, three or four of every 10 of the region's inhabitants live in urban centres in which levels of inequality are higher than they were two decades ago.

The good news is that the distributive trend has become positive in recent years. This means that disparities are reversing. Consequently, some cities which generated inequalities in the early 1990s were witnessing a reduction in inequality trends by the end of 2010. Throughout the 1990s and until 2002, inequalities continued to rise in 55 per cent of cities. During the first decade of the new millennium, the trend began to reverse and only in 36 per cent of cities did inequalities continue to increase.

As Table 2 shows, Bolivia, Brazil, Chile and Mexico, countries with comparable time series available from early 1990 to late 2010, reported a greater number of cities decreasing their inequality levels than the number increasing them. In Argentina, inequalities increased in all cities for which information pertaining to the 1990s is available, and these inequalities tended to decrease significantly from 2002 onwards. However, in the 16 years of the complete period analysed (1994-2010) the same number of cities (nine) increased their inequality levels as reduced them. To provide a further example, in Colombia, inequalities markedly increased over the course of the 1990s, with a clearly negative net increase in the 11 urban centres examined between 1991 and 2010. In Nicaragua, where a smaller number of cities were studied, the overall trend observed was a positive one, considering that between 2001 and 2005 four cities reduced their inequality levels and two increased them. As far as the rest of the countries are concerned, the information available on the evolution of inequality in cities is limited and pertains to the second historical period identified, between 2005 and 2010. The cities of Costa Rica and the Dominican Republic are significant cases, as they displayed a sustained increase in inequality levels.

Table 2: Changes in inequality levels in Latin American cities with comparable information available (1990-2010)

Country	Beginning, from around 1990 to 2002		End, from 2002 to around 2010		Complete period 1990-2010		Reference years for each country		
	Decreases	Increases	Decreases	Increases	Decreases	Increases	First Period	Second Period	**Total**
Argentina	0	19	23	3	9	9	1994-2002	2002-2010	1994-2010
Bolivia	6	2	5	4	5	4	1989-2004	2004-2007	1989-2007
Brazil	6	4	8	2	8	2	1990-2003	2003-2009	1990-2009
Chile	30	22	45	18	42	10	1990-2000	2000-2009	1990-2009
Colombia	0	11	7	6	0	11	1991-2002	2002-2010	1991-2010
Costa Rica	0	0	1	4	0	0	-	2005-2010	-
Dominican Republic	0	0	3	4	0	0	-	2005-2010	-
Ecuador	0	0	16	15	0	0	-	2005-2010	-
Mexico	6	1	12	8	4	2	1989-2002	2002-2010	1989-2010
Nicaragua	2	2	4	2	2	2	1993-2001	2001-2005	1993-2005
Peru	0	0	15	7	0	0	-	2003-2010	-
Number of cities	50	61	139	63	70	40			
Percentage (%)	**45.05**	**54.95**	**68.81**	**31.19**	**63.64**	**36.36**			

Source: UN-Habitat, Global Urban Observatory, 2013.

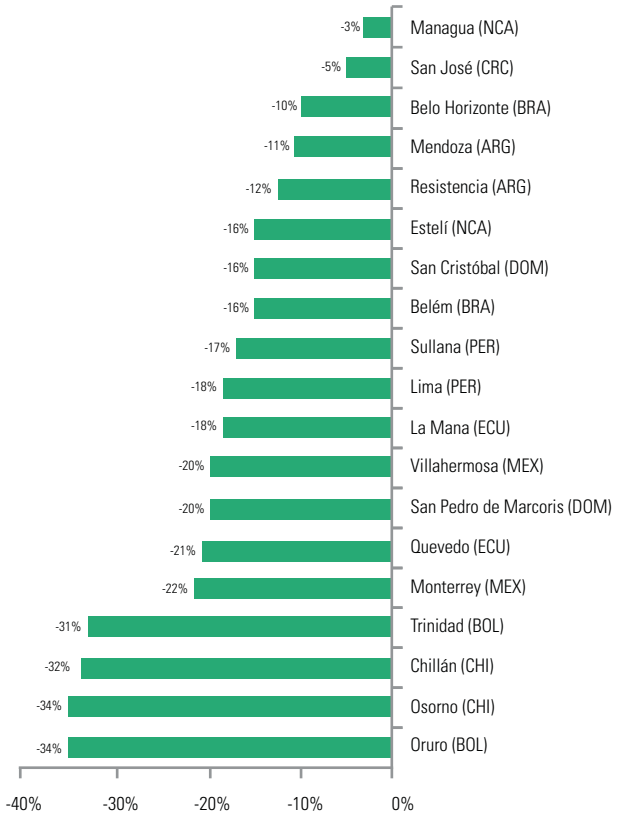
[62] These time series are based on a sample of around 200 cities for which comparable data were available, out of a total of 284 cities. ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[63] 110 cities for which information dating back to the early 1990s is available, making it possible to conduct a time series analysis.

THE VARIETY OF TRENDS WITHIN EACH INDIVIDUAL COUNTRY

In general terms, evaluating the time series produced over a period of around 20 years, it becomes clear that the evolution of inequality in the cities of Latin America and the Caribbean has followed an overall positive trend. It can be observed that a little over half of the cities studied reduced inequalities and that around a third saw inequalities increase, the rest recording no significant fluctuations in inequality levels.[64] In spite of these changes, levels of urban inequality remain high by international standards. This is why public authorities and social actors are increasingly aware of the problem.

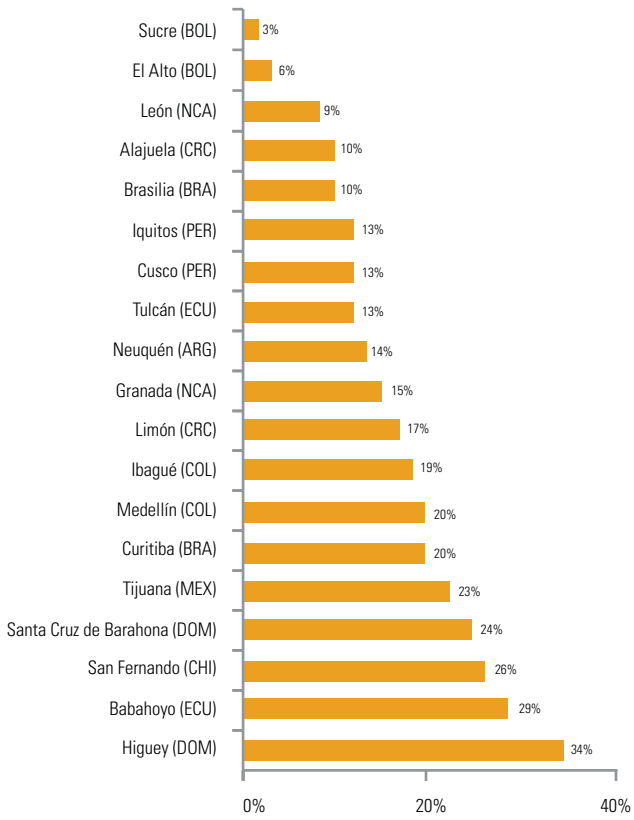
Another point to consider is that these general trends conceal the differences between individual countries. For example, whilst 64 per cent of Chilean cities and 70 per cent of Brazilian ones reduced levels of inequality, in Costa Rica and Colombia there was not a single city which successfully narrowed the income gap. It is important to note that behind these national aggregates are the trajectories of individual cities. Some are highly successful and others less so, but all trajectories differ significantly from those observed at national level. Graph 6 shows the cities which recorded the largest reductions in inequality levels in their respective countries, whilst Graph 7 shows those which suffered the worst increases in inequality. For example, whilst the Argentinian city of Resistencia improved income distribution by 12.3 per cent between the years 1994 and 2010, at the other end of the spectrum, the city of Río Gallegos, also in Argentina, saw income distribution worsen by 10 per cent during the same period. A similar situation was observed in a number of Bolivian cities. For example, Oruro successfully reduced inequality by as much as 30 per cent, at the same time as El Alto saw it increase by 6 per cent between 1989 and 2007. In other cases, income inequalities grew in all cities of the same country, but not to the same extent. By way of an illustration, Medellín increased its Gini coefficient by 20 per cent, Bogotá by 10 per cent and Barranquilla by only 1.2 per cent between 1991 and 2010. However, one indisputable observation is that there is not a single country in the region in which inequalities have reduced in all cities.[65] Significant variations were also detected between national capitals, as indicated in Box 3.

Graph 6: Cities with the largest reduction in inequality (Gini coefficient) 1989-2010



Source: Global Urban Observatory, 2013.

Graph 7: Cities with the largest increase in inequality (Gini coefficient) 1989-2010

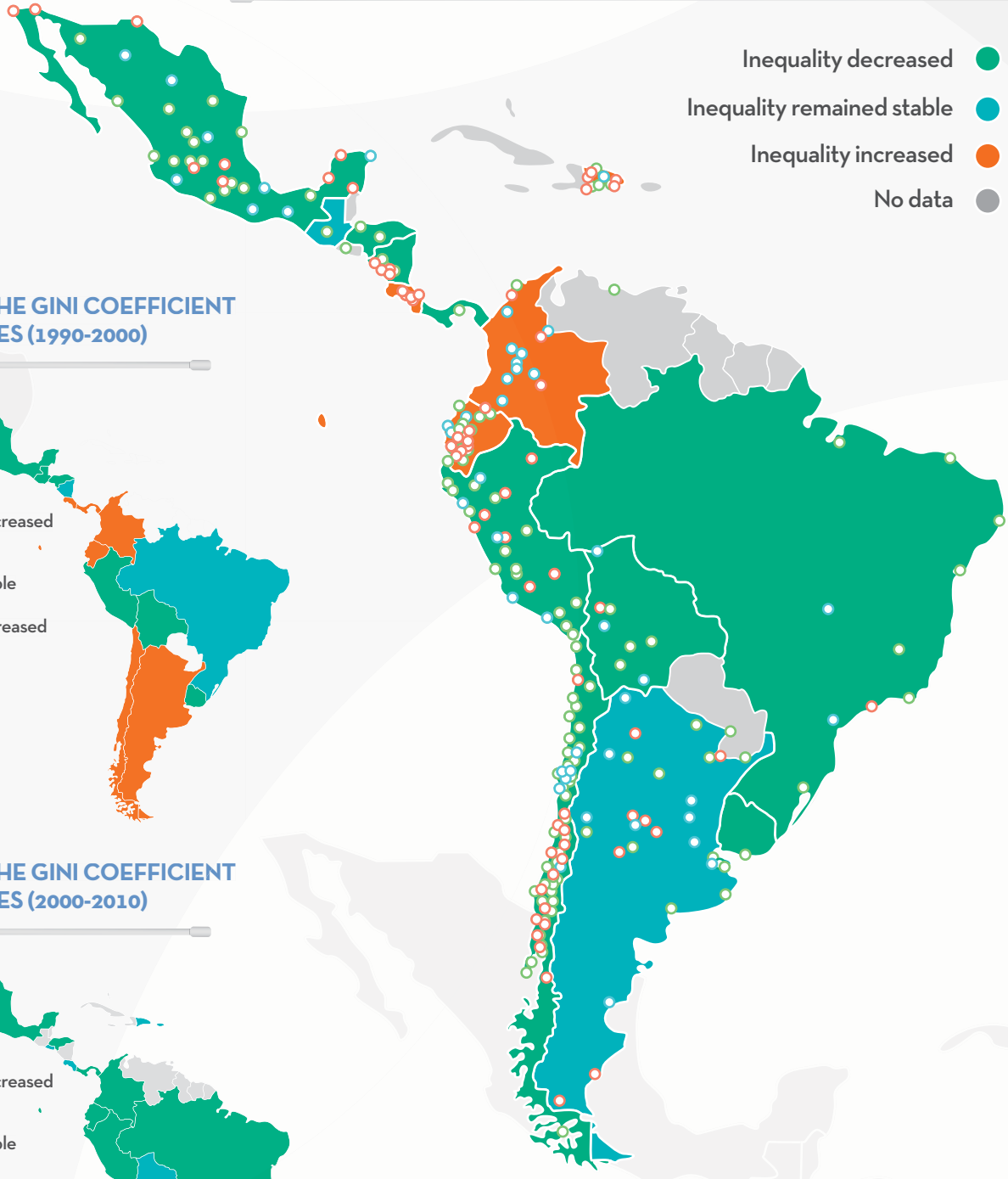


Source: UN-Habitat, Global Urban Observatory, 2013.

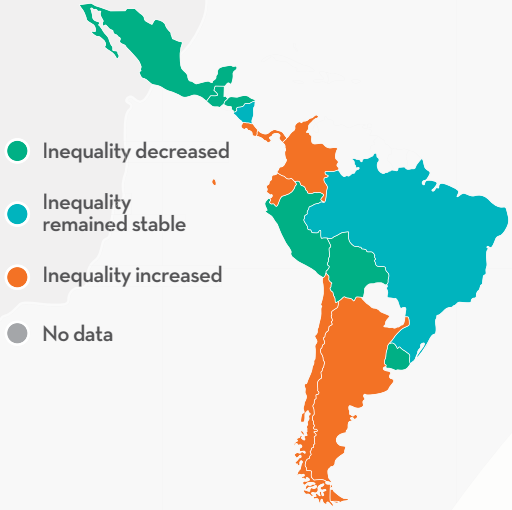
[64] The cites in which inequality levels remained stable experienced variations in their Gini coefficient of less than 0.5.
[65] With the exception of the countries which have only one city in the UN-Habitat sample (El Salvador, Guatemala, Uruguay and Venezuela).

CHANGING LEVELS OF INEQUALITY IN COUNTRIES AND CITIES

THE TREND OF THE GINI COEFFICIENT IN COUNTRIES AND CITIES (1989-2010)



TREND OF THE GINI COEFFICIENT IN COUNTRIES (1990-2000)



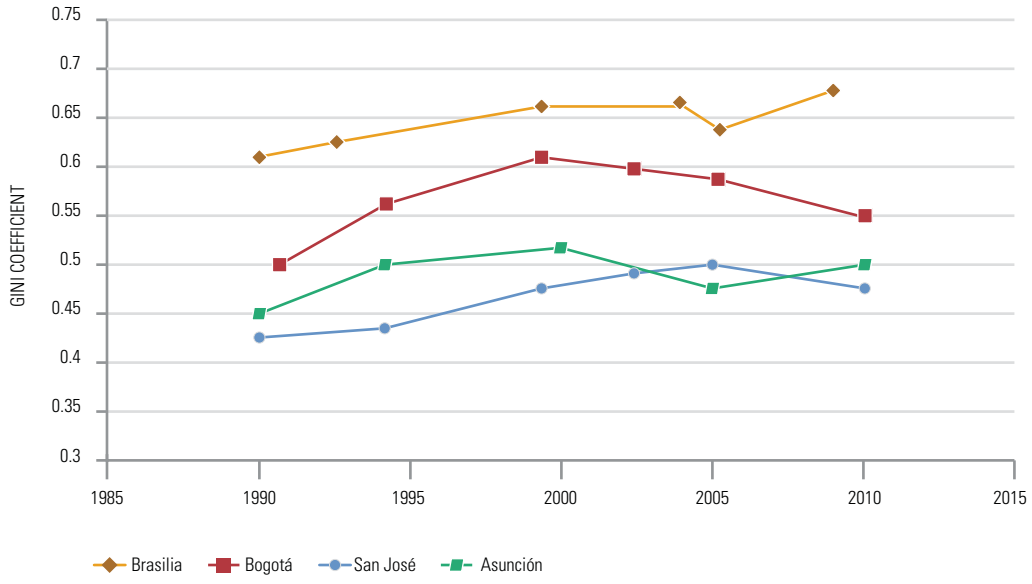
TREND OF THE GINI COEFFICIENT IN COUNTRIES (2000-2010)

On the other hand, whilst around half of the cities examined closed their income gap between the early 1990s and late 2010, many of them saw the income gap suddenly close in around 2002-2003. Indeed, according to the UN-Habitat database, only a third of cities succeeded in reducing inequalities in the 1990s; the rest did so at the turn of the millennium. Consequently, this point in time appears to mark a clear break with the past.

Box 3: The evolution of trends in national capitals

Significant differences can also be observed between national capitals. The overall pattern which emerges through an analysis of the evolution of inequality in the national capitals of the countries of Latin America and the Caribbean reflects a slight decrease in the phenomenon. The Gini coefficient changed very little, going from 0.512 in around the 1990s to 0.5 in late 2010. Examining the specific transformation of each individual city creates a slightly clearer picture of the phenomenon: in eight capitals inequalities decreased, in four they increased and in another five they remained relatively stable. Graph 8 shows the trajectory followed by those capital cities who saw their income gap increase, whilst Graph 9 shows that of the capital cities which experienced positive changes.

Graph 8: National capitals in Latin America with rising levels of income inequality (1990-2010)



Source: UN-Habitat, Global Urban Observatory, 2013.

Stagnation and regression in the evolution of inequality

Brasilia. The Brazilian capital emerges as one of the most unequal cities in the world. Starting in 1990, inequalities tended to increase until 2003, when they reached a critical level (the D10/ D1 ratio was 122 times). Unlike trends observed at national urban level, inequalities have continued to grow since 2005, prompting the conclusion that national policies designed to combat inequality are not being very successful. In 2009, the city's Gini was 0.672, the highest in the region.

Bogotá. In 1991, the Colombian capital was the most unequal city in the country, with levels of inequality which were some way above the national urban average. With the economic recovery (2000-2007), unemployment fell, human capital developed and rich-poor inequality decreased (D10/D1) from 83 in 1999 to 46 in 2005. Whilst the general trajectory over the two decades is negative, from 2002 onwards, a reduction in inequality can be observed which has been cemented with the significant provision of public goods.

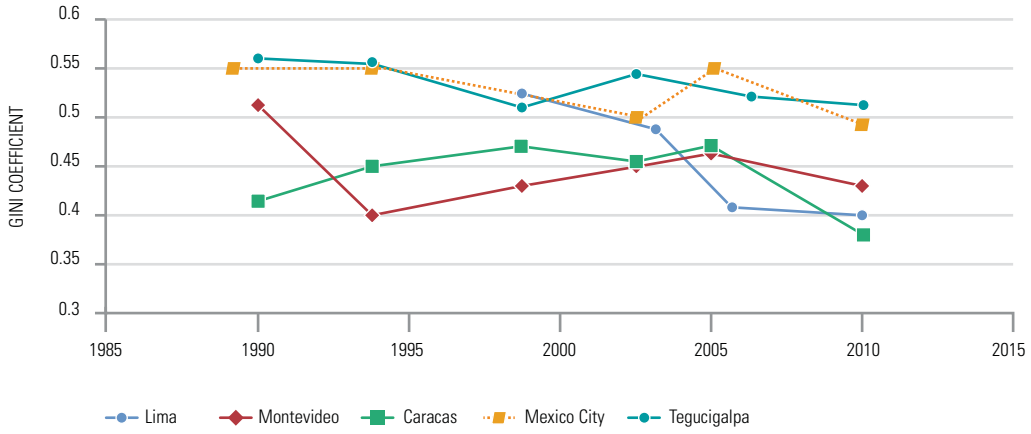
San José. In 1999, the Costa Rican capital was a relatively egalitarian city (0.421). Since then, it has displayed a tendency towards deterioration in income distribution, with income inequality reaching an all-time high in 2005 (0.497). Changes in the productive apparatus with the introduction of free zones and the integration into the "new economy" have exacerbated economic differences. The non-contributory pension regime, solidarity taxes and the protection of the minimum wage have combined to reverse these trends.[66]

Asunción. Inequality in the Paraguayan capital continues to be high and has remained at an almost constant level in recent years. In the period of economic recession (1995-2002) the polarization of income increased and, unfortunately, in the new period in which there was a certain degree of economic growth (2003-2007), levels remained almost entirely unchanged.[67] Between 1990 and 2010, the difference in income between the richest and the poorest 10 per cent doubled, going from 17 to 32 times.

Towards more egalitarian income distribution

Lima. Since 1999, the Peruvian capital has experienced a downward trend in inequality, in the context of increased average income The differences in income inequality reduced from 39 to 32 per cent (2001-2010) and the Gini coefficient dropped from 0.528 to 0.401 (1999-2010). The significant economic dynamism produced by mining exports, as well as new involvement in other, non-traditional sectors of the economy, have both contributed to these changes.[68] The Gini coefficient hovers close to the international alert line.

Graph 9: National capitals in Latin America with declining levels of income inequality (1989-2010)



Source: UN-Habitat, Global Urban Observatory, 2013.

[66] Barahona M., 2013.
[67] UNDP, 2008.
[68] Mauro R., 2013.

Montevideo. The trends observed over the last decade make the Uruguayan capital a city with a pattern of economic distribution which is relatively egalitarian in the Latin American context (0.429). Whilst inequality in income distribution can be seen to follow an overall downward trend thanks to recent welfare and redistributive policies, the period 2002-2010 was characterized to some extent by the continued presence of inequalities (the income difference between the richest and poorest deciles has remained stable, at around 18 times).

Caracas. The capital of the Bolivarian Republic of Venezuela is the most egalitarian of all national capitals in the region, with a Gini below the international alert line (0.377). Between 1990 and 2005, inequality tended to increase, becoming more acute with the political and economic crisis of 2002 (the highest value in the series was recorded in 2005: 0.467). Since that point, a general movement towards equality has been observed as a result of the social programmes established by the "missions", which also served to reduce poverty.

Mexico City. The income gap between the richest and the poorest residents of the Mexican capital has traditionally fluctuated (1989-2010). From 2005 onwards, a clearer trend towards equality becomes apparent (the Gini coefficient went from 0.559 to 0.488). A key factor in this change was the implementation of a policy for equitable economic development which identified inequality as a priority of its programmes (better-targeted programmes, with greater social spending and improved accountability mechanisms).[69]

Tegucigalpa. The Honduran capital is characterized by its intermediate levels of inequality. Economic, social and political inequities and differentiated access to justice all affect the nation, which ranks near the bottom of the region's Human Development Index (HDI). After following an unclear trajectory, inequality began to decline in 2002 (0.544 to 0.510 in 2010). However, the decile ratio D10/D1 has increased rather than decreased (from 35:1 to 52:1), which clearly highlights that the middle-class population has not significantly increased.

The analysis of changes in cities in relation to the variations recorded in inequality levels (284 cities in 18 countries) between 1989 and 2010 reveals the following changes: 44 per cent of the urban centres began in a group of origin at the start of the series and successfully transferred to a lower group by the end of the period considered – one whose outlook was brighter or, in other words, where inequality was lower; 33 per cent remained in their group of origin; 23 per cent moved to a higher group, or one with a higher inequality coefficient.

The changes observed revealed that major progress was made towards equality. It turns out that compared to national aggregates, relatively fewer cities successfully reduced inequalities and transferred to lower groups (44 per cent). Statistics for the urban national level are higher (58 per cent). These statistics demonstrate, once again, that national averages do not necessary reflect what is occurring within national borders. The most significant changes were identified in Chile and Panama, with a higher proportion of cities transferring to a more egalitarian group (62 and 100 per cent, respectively). On the contrary, a greater proportion of Colombian and Costa Rican cities moved to groups with levels of inequality above the national average (69 and 100 per cent, respectively).

The cities' initial level of inequality explains their subsequent transfers to different groups. For example, a significant number of Argentinian cities originally situated in Group 5, "Very High Inequality" moved to Group 4, "High Inequality", with positive changes in levels of income concentration. Similarly, a significant number of Peruvian cities belonging to Group 3, "Relative Inequality", moved to Group 2, "Moderate Inequality", lower down the scale.

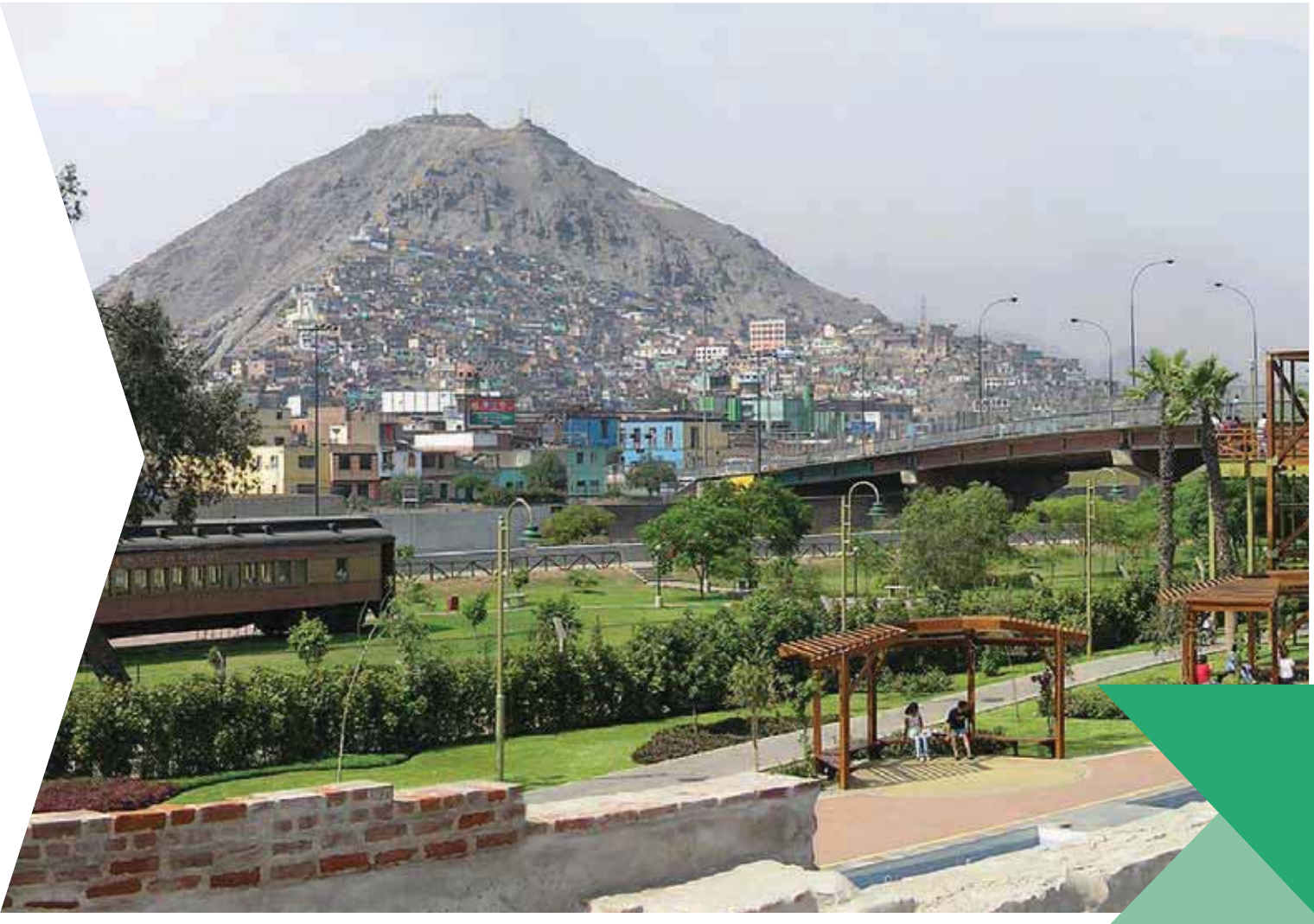
National averages do not necessarily reflect the details of what is occurring within each country.

[69] Ziccardi A., 2009.

As regards negative changes, which represented transfers to groups in which inequality was higher, such changes occurred in a limited number of cities, with the exception of the Colombian urban centres which moved from Group 4, "High Inequality", to Group 5, "Very High Inequality". Other cities maintained constant levels of income distribution, and consequently were still present in the group of origin after 20 years. Similarly, a smaller number of cities moved either two groups up or two groups down the scale from their group of origin; 4 per cent increased inequalities and 10 per cent reduced them.

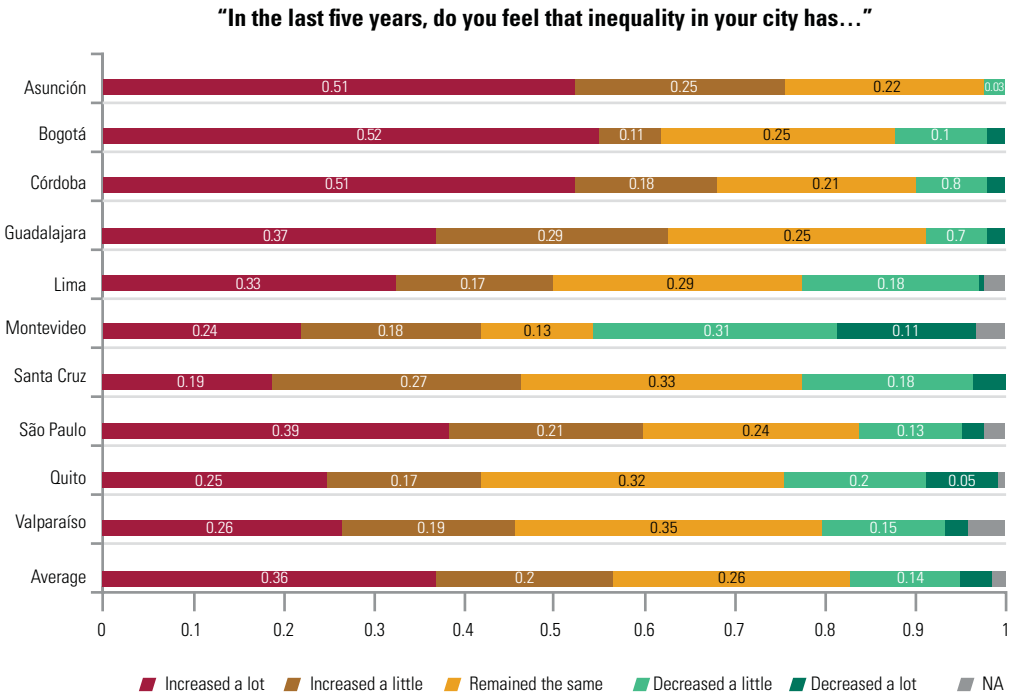
It is interesting to compare these results with the perception which a number of inhabitants have of the evolution of inequality in their cities. The study of the perception of urban inequality conducted by UN-Habitat, CAF and Avina provides citizens' impressions of the phenomenon. These impressions make it possible to better understand more subjective aspects of the issue, including the emotional and the symbolic, as well as beliefs, attitudes and moral, political and ideological standpoints (Box 4).

The changes observed revealed that major progress was made towards equality.



Lima, Peru. Over the last decade, cities have made progress towards equity.

Box 4: Perception of the evolution of inequality



Source: Perception survey: inequality in 10 Latin American cities, ONU-Habitat, CAF, Avina y Red de Ciudades, 2013

- Fifty-six percent of those surveyed believed that inequality in their city had increased either a lot or a little, whilst 17 per cent felt it had decreased.
- Asunción, Cordoba and Guadalajara topped the list of cities in which there was the strongest impression that inequality had increased, the response given by 75, 69 and 66 per cent of the cities' inhabitants respectively. In Asunción and Cordoba, one in every two inhabitants surveyed believed that inequality had increased significantly in the last five years.
- Conversely, Montevideo is the city in which it was most frequently reported that inequality had decreased over the last five years, an opinion shared by 43 per cent of the population.

Box 5: Where are we with inequality in Bogotá? From perception to reality

The benefit of collecting information regarding individuals' perceptions of the most important aspects of their lives, as well as their views of the key aspects of public policy and of their surrounding social and economic context, lies in the fact that it enables us to understand why these perceptions are formed and the factors which influence their development. These measurements are also valuable as tools with which to recognize inconsistencies between technical indicators and perceptions.

In the 2012 Perception Survey on Urban Inequality in Latin American Cities,[(1)] the citizens of 10 cities were asked which of the following diagrams best represented the social structure of their city and which would represent the ideal society.

Diagram 1 | Diagram 2 | Diagram 3 | Diagram 4 | Diagram 5

The first diagram shows a society with a small group at the top, a few people in the middle and a large number of people at the bottom. The next diagram shows a society with a majority of individuals in the middle. The third diagram places a large number of people towards the top and only a handful at the bottom. The fourth depicts a pyramid-shaped society with very few people at the top, more in the middle and yet more still at the bottom. Lastly, the fifth diagram portrays a second pyramid-shaped society, but one with very few people at the bottom.

As regards the results obtained in Bogotá, 7 out of every 10 of those surveyed believed that inequality in the city was high or very high. They stated that the city's social structure mirrored that depicted in the first diagram.

Contrary to inhabitants' perceptions, 84 per cent of the city's population belonged to the middle socioeconomic category (lower middle, middle, upper-middle). Only 9 per cent belonged to the lower socioeconomic classes and 5 per cent to the upper echelons of society.[70] It is important to clarify that in Bogotá there exist pronounced disparities in income: the average income of Stratum 6 (high) is five times higher than that of Stratum 3, 10 times higher than that of Stratum 2 and 14 times higher than that of Stratum 1 (low). In this connection, it is worth mentioning that 5 out of every 10 of the city's inhabitants believe that inequality has increased, despite the improvements in poverty indicators seen over the last 10 years – indicators which fell 10 percentage points, reaching 11.6 per cent. Furthermore, the Gini coefficient fell from 0.58 to 0.49 in 2012.[71]

It is striking that when the capital's inhabitants were asked about what they considered to be the ideal type of society, approximately 4 in every 10 people surveyed claimed to want a society with many people at the top, fewer in the middle and very few at the bottom (Diagram 3). In one way or another, the city's unequal social model is replicated in the collective imagination of its inhabitants, with a majority of high earners and a minority of low-income individuals.

Mónica Villegas, Bogotá Cómo Vamos. [(1)] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.

[70] In Colombia, society is divided into six social strata based on income and the habitability of both housing and the surrounding environment, 1 being the lowest and 6 being the highest.
[71] Galvis, 2013.

CITY SIZE AND INCOME INEQUALITIES

Few studies have conducted a detailed analysis of the link between economic inequality and city size. The way in which the growth of urban areas can impact upon economic inequality has been either ignored or examined from only a very superficial perspective, particularly where Latin American cities are concerned.[72] With a database comprising 284 cities in 18 countries and information disaggregated into five city sizes (small, intermediate, big, large and megacities),[73] as well as time series spanning a twenty-year period, UN-Habitat is well placed to provide more accurate information on this relation.

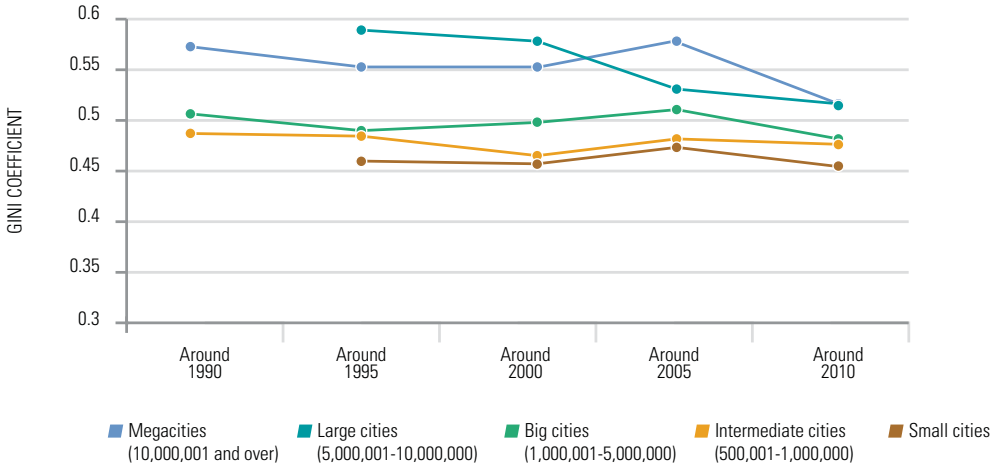
Studies of cities in developed nations have formulated a series of hypotheses on the relationship between these two phenomena, but opinions in the field remain divided. Some scholars maintain that inequality in a city declines with the growth of its population, a consequence of the fact that as city size increases so does average income.[74] Other studies contend that income distribution tends to be more unequal in big cities since economies of agglomeration generate more diversified jobs and greater income.[75] In contrast, other experts believe that city size does not affect income distribution.[76] Of these contradictory positions, the theory to which the majority of experts subscribe is that according to which there is a positive correlation between growth in the size of an urban area and inequality. However, none of the theories outlined above has previously been supported by a robust body of statistical evidence.

The empirical results of the UN-Habitat/CAF study demonstrate that there is indeed a direct link between city size and income inequality. Graph 10 indicates that the Gini coefficient for megacities (more than 10 million inhabitants) and large cities (more than 5 million) was, on average, 0.553 in the period between 1990 and 2010, a value which falls into Group 5, "Very High Inequality". The small cities (between 100,000 and 500,000 inhabitants) displayed an average inequality coefficient of 0.460 for the same period, a figure which places them in Group 4, "High Inequality". A downward curve can be observed in the big cities (1 to 5 million inhabitants), as well as in intermediate cities (500,000 to 1 million), whose average Gini coefficients for the same reference period were 0.499 and 0.481 respectively, values which place both types of city in the "High Inequality" category.

As the cities grow, income distribution is affected both by changes to labour structure and by increased income dispersion. In addition to these factors, one should also consider the fact that economies of scale increase competition and trigger salary diversification whilst economies of agglomeration increase labour productivity and generate income differentials. This context impacts upon inequality levels owing to a sharper increase in the productivity of the qualified workforce compared to that of its unqualified equivalent. As a result, economies of agglomeration generate high surpluses – resources which are concentrated into the hands of a minority.

It should also be emphasized that income inequalities in big cities are also affected by differentiated migratory flows. On the one hand, countries welcome businesses, employment and a qualified workforce and, on the other, they take in workers with little education and few skills – a category which includes a large proportion of poor people.

Graph 10: Income inequality and city size in Latin America and the Caribbean (1990 to 2010)



Source: UN-Habitat, Global Urban Observatory, 2013.

[72] The majority of existing studies have focused on the cities of developed nations.
[73] On the distribution of these cities, see Table 1 of this chapter.
[74] Duncan O., Reiss A., 1956.
[75] Richardson H., 1973.
[76] Murray B., 1969.

Consequently, as cities grow, they increasingly become home to better paid jobs and more advanced technical and professional training. However, they also become home to widespread underemployment and either structural or technology-driven underemployment. This dynamic tends to generate inequalities.

Similarly, it is more likely that big cities will offer high-level technical and professional training. This can in turn contribute to increasing specialization, income and, consequently, inequalities.[77] These inequalities can be further exacerbated if this knowledge and information and these skills are the possessions of an elite. This situation becomes a crucial determining factor in economic inequalities and, in the long term, in differentiated access to opportunities and resources.

In major cities, a number of negative externalities and market failures generate problems of traffic congestion, pollution, violence and insecurity, as well as public goods deficits for which the state or private firms are obliged to compensate by paying the most highly skilled workers. This in turn increases incomes and, ultimately, economic inequalities.

Another factor to consider is that large firms and monopolies produce greater profit in large cities. This in turn increases rents and, consequently, inequalities. The value of land and housing and the cost of property in general is more likely to increase in cities with larger populations, creating higher incomes for the owners of the assets in question.[78]

SMALL CITIES WITH LARGE INEQUALITIES

While big cities display the highest levels of inequality, small and intermediate cites are also highly unequal. In the 1990s,[79] only 15 per cent of these cities were situated below the international alert line (Gini 0.4) and just over a quarter (26.4 per cent) belonged to the "Relative Inequality" group (Gini 0.400-0.499). The rest, more than half of the sample, formed part of the "High Inequality" (34.4 per cent) and "Very High Inequality" groups (23 per cent). Such values defy the widespread belief that the equal distribution of income is an inherent characteristic of small cities. The urban centres with populations of fewer than 500,000 inhabitants such as Resistencia in Argentina, Potosí in Bolivia, Linares in Chile, Portoviejo in Ecuador, San Pedro Sula in Honduras, Estelí in Nicaragua and a number of others have inequality coefficients comparable to those of the national capitals of the countries to which they belong (above 0.5), coefficients which are more commonly recorded in big cities.

Despite the fact that city size is, in one way or another, a major determinant of inequality in large parts of the world, it is nevertheless clear that in Latin America and the Caribbean, many small human settlements are structurally unequal. Productive activities and waged occupations are more diversified than one might think and the cost of living and salaries are not as uniform as we might be led to believe. Furthermore, social services, public spending and investment in public goods are often in their embryonic stages, and other forms of income distribution as well as other opportunities are either limited or entirely lacking. Moreover, consideration must be given to the fact that the impact of the regional and global economies and the effects of the technological developments which reach small cities are not diluted and the benefits which these generate are not systematically shared. Similarly, urban form tends to reproduce and amplify inequalities, with land and space use models which are highly exclusionary. The patterns of inequality in access to productive assets and natural resources also contribute to the generation of new forms of inequality in many small and intermediate cities.

However, if we look beyond these somewhat bleak observations, we find other studies which show that over the last 20 years the cities in this category have recorded significant progress in the reduction of inequalities. At the end of 2010, a third of these intermediate cities had already moved below the international alert line (0.4) into the "Moderate Inequality" group and another four had joined the "Relatively High Inequality" group. Nevertheless, around 20 per cent continued to be classed as cities with "High" or "Very High Inequality". In spite of the positive changes witnessed, the general trends in the region continued to be described as a curve with no major variations, as can be seen in Graph 10.

In the light of these observations, it is recommended that local and national governments remain attentive to the evolution of these trends, particularly in the cities which are growing and changing with time. Reducing income inequalities and guaranteeing that the inhabitants of intermediate cities are able to benefit from the advantages they offer is a task of fundamental importance. Not only must economic gaps be narrowed, but social, racial and cultural inequalities must also be reduced. In order to ensure such change is seen, redistributive policies at all levels are required. Urban planning systems must also be developed which facilitate access to public and common goods, promote social diversity and the mixed use of space and increase prosperity for all. This is the best means to avoid the creation of divided cities, be they large or small.

[77] Haworth Ch., Long J., Rasmussen D., 1977.
[78] Ibid.
[79] The data are from the 1990s for the majority of the countries studied, with the exception of urban Peru, for which data are from 2003, and the urban areas of Costa Rica, theDominican Republic, Ecuador and Panama, where they are from 2005. UN-Habitat, database, 2013.

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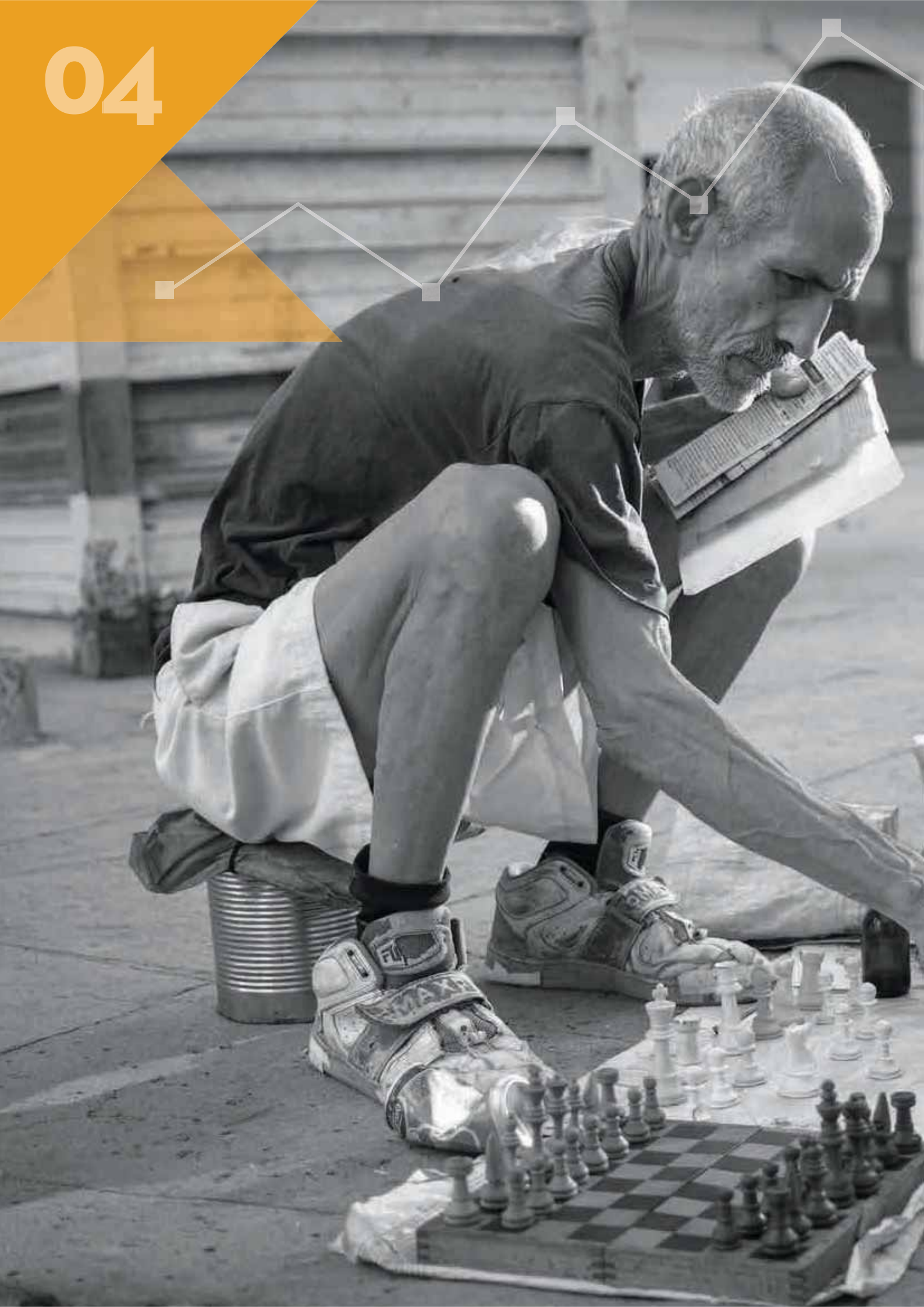

HUMAN DEVELOPMENT AND INEQUALITY: CONVERGENCES AND DIVERGENCES

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CHAPTER 04

HUMAN DEVELOPMENT AND INEQUALITY: CONVERGENCES AND DIVERGENCES

"The challenge facing liberal societies lies in accepting those differences which make it possible to improve the situation of their most disadvantaged members"

-John Rawls

La Paz, Bolivia. A person's background should not determine his destiny.

A society cannot claim to be equal if large sectors of the population find themselves deprived of their basic needs whilst others enjoy abundance and luxury. A city cannot be considered equitable when the majority of its income, resources and opportunities are concentrated into the hands of a minority whilst other groups live in poverty or are socially marginalized.[1] In such a context, when a significant number of inhabitants are systematically excluded from society on the grounds of gender, race, age, place of residence (they live in slums or marginalized neighbourhoods) or social, cultural or economic position, justice and equality cannot possibly exist.

Exclusionary practices such as those described above have been identified and studied throughout history. Almost a century ago, Max Weber classified these differences within societies in terms of "merits" and "faults". According to the German sociologist, the individual who "occupies the best (social) position feels the urgent need to consider this position as legitimate; this situation as the result of personal merit, whilst the (poverty) of others is perceived as the product of a *fault*".[2] According to this vision of the social order, individuals are credited with having possessed the personal merit necessary to exploit the opportunities available and ensure their own success, or viewed as personally at fault for having wasted these opportunities. Wealth consequently emerges as the result of hard work and individual capability, whilst poverty is viewed as the product of laziness and personal vice.

Their views underpinned by a type of economically driven morality, many of the modern proponents of this stance insist that inequality is not an undesirable phenomenon *per se.* The inevitable consequences of progress, the transformational powers of the market and the success which results from personal endeavour explain and to some extent justify inequalities. A number of theorists and experts in the field of economics defend this point of view. Milton Friedman, an exponent of the free market doctrine, justifies high levels of inequality when these are accompanied by extensive opportunities for social mobility.[4] The World Bank states that "a society requires a certain level of inequality in order to provide incentives for work and investment".[5] Elsewhere, Mauricio Bucca opines that in an unequal but meritocratic society every individual "has what he deserves".[6] Such positions legitimize prevailing social and economic differences. Consequently, as John Rawls has argued in his book *Theory of Social Justice*, the challenge facing liberal societies lies in accepting those differences which make it possible to improve the situation of their most disadvantaged members.[7]

It is appropriate to note that such positions regarding the inherent advantages of inequality continue to prevail in the minds of many, both citizens and government officials.[8] Indeed, the data collected suggest that this is the case. *The World Values Survey* revealed that a significant number of residents believed – to a greater or lesser extent – that they lived in a "land of opportunity" [9] where success depends on personal endeavour. Many others believed that there are significant opportunities for upward social mobility, despite the fact that data often prove that the opposite is in fact true.[10] Moreover, such beliefs legitimize wealth, poverty and, ultimately, inequality. It is for this reason that income and, to an even lesser extent, wealth redistribution policies are considered unnecessary and unjustified. This in turn explains why some conservative groups have opposed recently proposed redistribution policies, such as conditional transfer programmes, non-contributory pensions, universal medical insurance and agricultural subsidies. According to these conservative groups, such measures give rise to laziness and a skewed, biased view of social justice. In sum, the conservative stance dictates that poverty should not be used to justify the receipt of something for nothing.

In the specific case of Latin America and the Caribbean – historically the most unequal region in the world, and that which has traditionally displayed the lowest levels of intergenerational income mobility,[11] occupational mobility and, until recently, educational mobility – the ECososiAL survey reported that over a third of respondents (38 per cent) believed that "hard work" was the main factor in economic success. Just over a fifth (22 per cent) believed "personal ability" was responsible (2007).[12] It is worrying to note the presence of such a mentality in a region where there is a strong link between an individual's background and his fate, and where economic success is heavily determined by what has been labelled "the cradle lottery".[13]

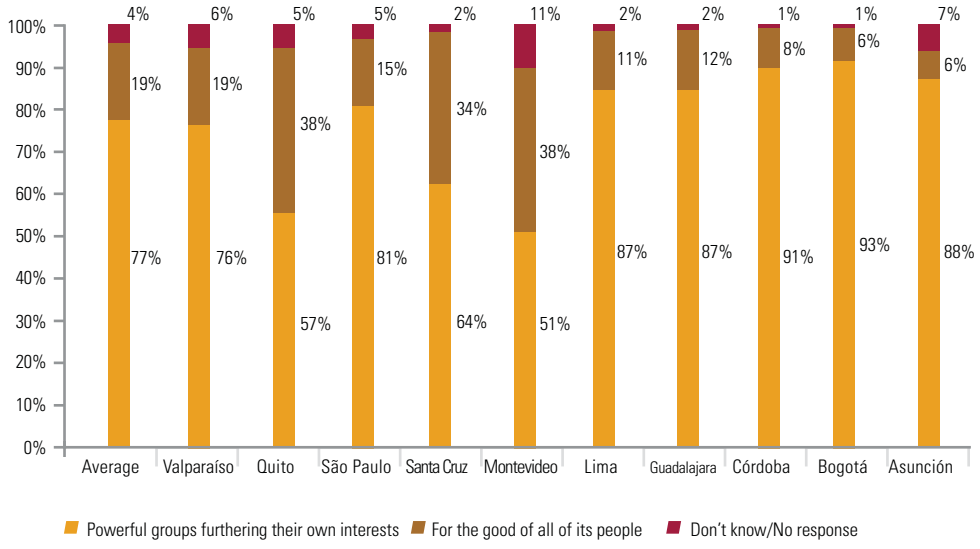
[1] UN-Habitat, 2008.
[2] Weber M., 1922, , italics ours.
[3] See the study of Bucca M., 2009.
[4] Friedman M., 1962.
[5] Banco Mundial, 2004.
[6] Bucca M., 2009.
[7] John R., 1971.
[8] The Washington Consensus (the more widely-known version of the early theories of economist John Williamson) and the theory of the spill-over effect (of the benefits of growth) did not simply strengthen these views, but attempted to convert them into an ideological standpoint on development.
[9] This is particularly the case in the United States of America. According to the World Values Survey (WVS), conducted between 1995 and 1996, almost 70 per cent of North Americans believed that the opportunities available made it possible for the majority of poor people in their country to lift themselves out of poverty. In Finland, 53 per cent of respondents agreed with this view whilst in Sweden, this figure was only 42 per cent. This is a particularly significant contrast if we consider that the United States was at the time (and continues to be) a more unequal country and one with a higher number of poor residents than the other two with which it was compared. See Bucca M., 2009.
[10] Banco Mundial, 2013b.
[11] UNDP, 2013b.
[12] The empirical evidence used in this study comes from the 2007 ECososiAL survey. This survey was conducted in seven Latin American countries: Argentina, Brazil, Chile, Colombia, Guatemala, Mexico and Peru. The survey drew upon a total sample of 10,000 cases, representative of the adult population (over 18) living in the big cities in each country. The survey's overall purpose was to provide a picture of social cohesion in the region, placing particular emphasis on issues such as social mobility, the distribution of opportunities, the legitimization of inequalities, socioeconomic, religious and political polarization, social and institutional trust, etc. Bucca M., 2009.
[13] Ibid.

According to the values survey, other factors of a structural nature which contribute to the generation of inequalities such as "family inheritance" or "influence and social connections" were viewed as responsible for economic success by only 27 and 12 per cent of respondents respectively. Thus, the data revealed that more importance was attributed to personal merit than social background. Similarly, the study highlighted that 40 per cent of Latin Americans[14] believed that "laziness and a lack of initiative" were the key explanations for why people lived in poverty. Social background, discrimination and parental poverty were held responsible for the phenomenon by a similar proportion of respondents.

More recently, in 2012 a perception survey on inequality conducted by UN-Habitat, CAF, Avina and Red de Ciudades obtained similar results. Half of those surveyed in 10 Latin American cities believed that income ought to be more equally distributed, whilst the other half believed that greater income disparities were necessary in order to generate incentives.[15] It is also worth noting that only a few years earlier (2008), the World Values Survey, conducted at the national level, yielded similar results to the same question: 6 out of every 10 of those surveyed believed that inequality encouraged development.[16]

Whilst these ideas may continue to prevail, at the same time it is clear that other opposing viewpoints are being expressed with the same conviction and challenging a number of commonly accepted opinions. These more critical stances may be signs of significant change. A number of these more critical positions emerged in the same inequality survey (2012): almost 8 out of every 10 of those surveyed (77 per cent)[17] believed that their city was governed by powerful groups whose aim was to further their own interests (see Graph 1). This is a widely held opinion which indicates that opportunities are distributed unequally and ultimately benefit the rich.Viewed from this perspective, economic success is seen as the fruit of the social, patrimonial, political and cultural capital inherited from an individual's family and immediate social environment,[18] and not directly as a result of personal merit. According to this logic, inequality is caused by structural factors present within society, factors which strongly condition the circumstances and opportunities which individuals enjoy. These factors generate social injustice and increase the likelihood of hostility between social classes and groups.[19] Such an argument is supported by the perception surveys mentioned above, both of which revealed the inclination towards social conflict which exists among various groups of the population as a result of prevailing inequality.

Graph 1: Broadly speaking, would you say that your city is governed by a small group of powerful individuals whose aim is to further their own interests, or that it is governed for the good of all of its people?



Source: Perception survey "Inequality in ten Latin American cities", 2013, ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.

* On the Latinobarometer, 68% of those surveyed believed their city was run by a powerful minority working to further their own interests. It should be noted that the percentage of those surveyed who believed their governments were oligarchical in nature is consistently higher in the major cities of Latin America (UN-Habitat/Avina) than in all of the countries considered in the national survey put together (Latinobarometer). This difference could be explained by the fact that the inhabitants of cities are more inclined to view local governments as favouring certain political elites over the well-being of inhabitants at country level.

[14] In Argentina and Brazil this percentage stood at 32 and 35 per cent respectively, whilst in Mexico and Peru it reached 49 and 48 per cent.
[15] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[16] Ibid.
[17] Ibid.
[18] Bucca M., 2009.
[19] Habermas J., 1973.

In the 10 cities selected, two out of every three individuals believed that labour and social relations, relations between different genders, age and racial groups, proponents of opposing ideologies and political parties are compromised by prevailing levels of inequality and that social conflicts may occur (2013).[20]

In this context of opposing viewpoints, it is important to emphasize that equity is occupying an increasingly important position in local and national political discourse, as well as the vision of balanced development currently being pursued. This is the case, for example, in the United Nations Post-2015 Agenda,[21] which will determine global priorities and strategies for the coming years. In this agenda, as in other public policy documents, the pursuit of equity emerges as one paramount importance in order to achieve sustainable and inclusive development. In recent United Nations Human Development reports, it is also clear that equity is viewed as crucially important. These reports conclude that equity is a fundamental pre-requisite for progress in human development and in order to guarantee the sustainability of the planet.[22]

Principles such as reciprocity, security and justice act as the immutable pillars of this pursuit and establish its attendant values, beliefs and attitudes. The demands for greater distribution of tangible and subjective well-being, as well as of the benefits of development or increasingly filtering through to the countries of the Latin American region.

Another cause being championed with notable fervour in Latin America and the Caribbean is the presence of a collective imagination focused on the need for a "cleaner game" in business and trade. This imagination is recognizing that social enterprises are of increasing value to the countries and cities of the region. With yet more fervour still, the collective imagination is challenging the unbridled financial economy, deregulated markets and the rapid accumulation of illegitimate wealth, whether derived from illegal activity or unfair profits and privileges. Societies are increasingly condemning the minorities who exploit the networks of power for personal gain, through monopolistic and discriminatory practices which generate greater inequality and plunge others into poverty. Challenges are also being mounted against decisions which erode the state's role as social protector and regulator, whilst at the same time, citizens are fighting for greater social control of public spending. The economic cost generated by inequality is increasingly being factored into the development equation, and the moral and ethical cost which the phenomenon represents is also being acknowledged.

It is widely known that inequalities do not jeopardize harmony in cities alone. They also threaten the stability of countries. Inequalities are capable of creating political and social fractures within a country's borders which can grow into social unrest and more widespread conflict. Similarly, the excessively polarized distribution of income and wealth affect urban social cohesion. It is for this reason that the demands of inclusion, equality of opportunities and upward social mobility are, in reality, demands for greater human dignity. However, the links between poverty and inequality, social mobility and equality, and economic growth and equality are not always either clear or direct. In certain contexts poverty can decrease whilst inequality increases. In others, the exact opposite occurs: poverty increases and inequality is reduced. It is also possible for the prevalence of both poverty and inequality to reduce simultaneously in certain cases.

Acapulco, Mexico. The improvement of conditions in marginalized neighbourhoods and the fight against inequality are two mutually reinforcing processes.
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[20] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[21] See, for example, The Report of the High-level Panel of Eminent Persons on the Post 2015 Development Agenda (2013), The UN System Task Team on the Post 2015 UN Development Agenda (2013) Addressing Inequalities.
[22] PNUD, 2011.

In the same way, it may so occur that some countries or cities experience economic growth accompanied by either a reduction or an increase in the income gap. Furthermore, it is feasible that other countries may successfully reduce the slum-dwelling population without this having a direct impact on income inequality. In sum, inequality and poverty are two social phenomena which are closely linked, but each can manifest itself independently of the other.

In the light of this observation, it is appropriate to emphasize the fact that the fights against inequality, precarious settlements and housing, and poverty can be waged on different fronts. However, more recent evidence shows that these three phenomena are mutually reinforcing variables.[23] Indeed, societies in which there are extremely high levels of inequality tend to delay economic growth and development in general. Similarly, a drastic decline in income disparities tends to have a positive impact on poverty reduction. Consequently, in order to ensure that growth is pro-poor and does break the "poverty trap" once and for all, it is vital that progress towards equity is made. According to the World Bank, the positive changes recorded in income concentration in Latin American countries in the year 2000 served to reduce poverty in the region by a third.[24] No less significant is the correlation between income inequality and the lack of intergenerational mobility, another phenomenon examined which is also consistently present in many countries across the globe. However, signals that Latin America is transforming into a society with greater social mobility and narrower inequality gaps are still very faint indeed.[25]

This chapter seeks to document the relationships which exist between certain dimensions of development and income equality. Without attempting to make generalizations regarding the effects of public policy and changes in inequality levels, this analysis aims to present descriptive correlations pertaining to the most critical areas of development (Box 1 lists some of the effects of inequality in cities).

Box 1: The effects of inequality in cities:

- More limited economic growth and less economic efficiency
- Poor human capital
- Decreased social mobility in various contexts
- Social instability and crime
- Poor social cohesion
- A lack of trust, social apathy and uncertainty
- Social tensions and political instability in certain circumstances
- Illness and stress
- Segregation, exclusion and a gated city*
- A city with multiple payments or "taxes" (system and security staff costs)*

Eduardo López Moreno, ONU-Habitat, 2013, * Agustín Escobar, 2013

[23] UN-Habitat, 2010.
[24] Banco Mundial, 2013.
[25] Ibid.

URBAN POVERTY AND INEQUALITY

Poverty has made constant appearances in the language of development and policy in academic and governmental spheres, in the media and in international development agencies over the past five decades. In contrast, inequality has only recently succeeded in entering development discourse and policy. The lack of a clear strategy to combat it, the lack of an operational definition and the difficulties in measuring it largely explain this delay in its inclusion on development agendas.[26] Furthermore, from a political and economic perspective, the elites accept poverty reduction programmes with relative ease, but are reluctant to consider fiscal or economic policies which involve substantial changes in the distribution of income and wealth.

In recent years, poverty and inequality have been presented as a conceptual pair, as two connected issues and as two closely related ideas. One has often been used to erroneously explain the other and reference has often been made to the way one could impact upon the other. On occasion, one has even been accepted as a manifestation of the other. It is also common for both terms to be used interchangeably, both in theory and in practice.

It is necessary to clarify that poverty has to do with a lack of resources, multiple deficiencies, basic needs which are unfulfilled and various forms of deprivation and vulnerability. However, poverty is not simply a monetary or material phenomenon. It is linked to various forms of discrimination and exclusion which stymy the development of an individual's capacity. In its multidimensional form, poverty refers, among other things, to an absence of the freedoms of decision or action which consequently reduces an individual's ability to satisfy his basic needs and achieve a minimum level of well-being.[27] As part of a rights-based approach, multidimensional poverty refers to the inability to exercise certain social and economic rights considered as fundamental in order to enjoy decent participation in society.[28]

Inequality is closely linked to the inequitable access to income, services, resources, spaces and opportunities – a situation which in turn generates dynamics of marginalization and exclusion.[29] The gaps which are created between those who harvest the benefits of development and those for whom they remain out of reach have a negative impact on the quality of life of this second, more disadvantaged group.

In addition to describing its characteristics, we can add that whilst poverty is defined in absolute or relative terms, inequality is evaluated in comparative ones. In measurements produced at global level, it has been noted that poorer countries display more unequal and more polarized income distribution, while richer countries were found to have lower levels of inequality.[30] However, it is clear that not all cases adhere to this general rule. For example, a large number of cities in the United States have high levels of inequality. These include Atlanta, New York, New Orleans, Washington and Miami, whose Gini coefficients are similar to those of Abidjan, Nairobi or Santiago.[31] In Latin America and the Caribbean, this link is even less pronounced: the cities in the countries with highest income are not necessarily more egalitarian (this is the case of the urban centres of Chile and Brazil), whilst the cities of relatively poor countries do not always display high levels of income concentration (Peru's urban centres are a case in point). It is also true that cities in countries with similar levels of poverty can have starkly contrasting inequality coefficients. This is the case, for example, for Argentina and Uruguay, who have low levels of poverty, and Mexico and Honduras, where the poverty rate is high.

Whilst poverty is defined in absolute or relative terms, inequality is evaluated in comparative ones.

Moreover, the relationship between poverty and urban inequality is not direct, although the two phenomena are undoubtedly linked. However, given that income inequality determines the way in which residents integrate into a city and reproduces disparities in capacity and potential, the fight against poverty cannot alone reduce income inequality. It is for this reason that policies designed to combat income inequality must be multidimensional and take account of the specific conditions of inequity present in each city, in order to ensure that success in eliminating one factor does not jeopardize progress made with others.

[26] López M. E., 2013.
[27] Sen A., 1984.
[28] CONEVAL, 2010.
[29] Delgadillo D., 2009.
[30] Palacio J., 2006.
[31] UN-Habitat, 2008.

URBAN POVERTY AND INCOME INEQUALITY

POVERTY AND INEQUALITY

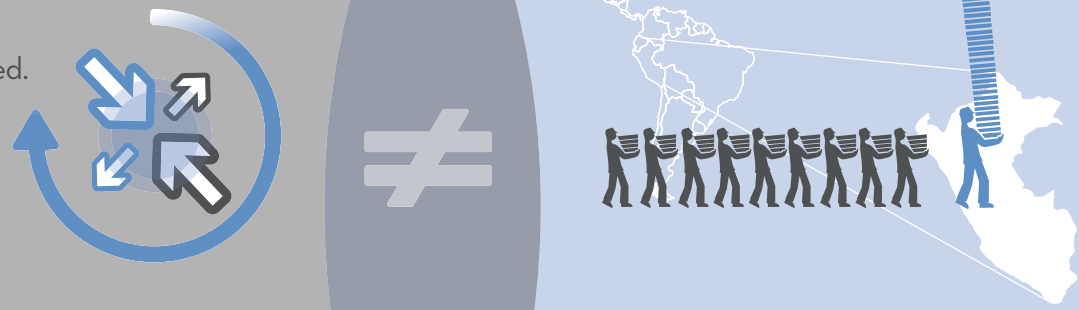
a conceptual pair, connected issues and related ideas.
The two phenomena are often confused.

Poverty is defined in absolute and/or relative terms.

Inequality is evaluated in comparative terms.

The cities in countries with the **highest income** are not necessarily **more egalitarian** (Chile and Brazil).

The cities in relatively poor countries do not always display **high levels of income concentration** (Peru).



The link between **poverty** and **inequality** is not always direct. But the two are undoubtedly linked.

The trends in **inequality** and **poverty** in Latin American cities demonstrate that a change in one **one does not necessarily produce** a similar change in the other.

The policies developed to combat income inequality must be **multidimensional,** and adapted to the specific conditions of inequity in **each city,** in order to ensure that one dimension or factor **does not jeopardize progress made with others.**

INEQUALITY AND POVERTY IN LATIN AMERICAN CITIES

Out of a total of **9 cities** in which the poor population decreased in size at the end of the 2000s, the changes seen in **inequality** levels were very varied:

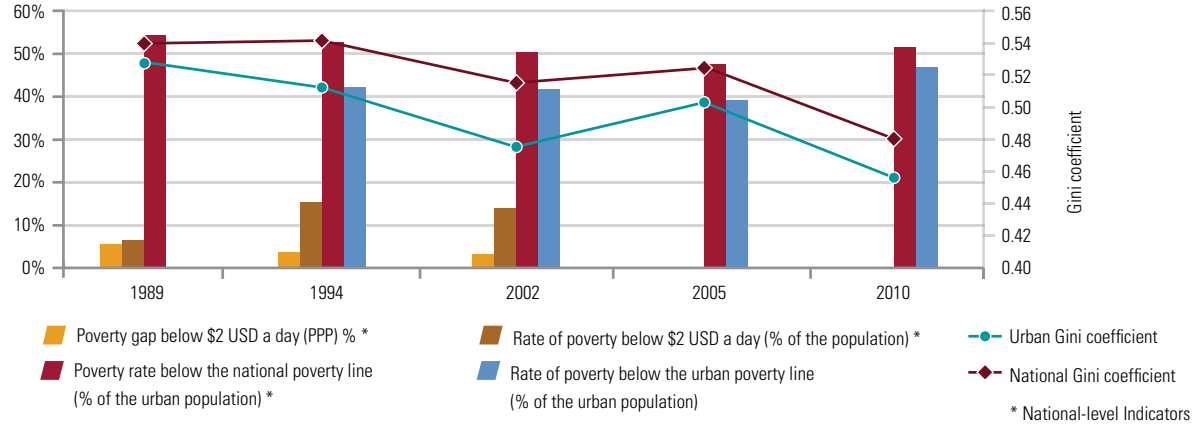
- In 3 cities the income gap **narrowed** (Montevideo, Lima, Panama City)
- In 2 cities **it widened** (El Alto and Santiago)
- In 4 cities it remained unchanged (Santo Domingo, Buenos Aires, La Paz and Quito).

An analysis of the trends in the reduction of poverty and inequality in Latin American cities revealed a number of contrasting trends. However, the largest group of cases are those in which the simultaneous reduction of both phenomena was observed (nine countries).[32] In other countries, both increased simultaneously (two countries).[33] It also emerged that in other countries in the region, whilst poverty decreased, inequality increased (two countries),[34] and that in some, on the contrary, poverty increased or remained stable whilst income distribution improved (three countries).[35] This was the case in Mexico, where an increase in poverty and a reduction in inequality were recorded, and Brazil, which witnessed the simultaneous reduction of both phenomena (Graph 2).

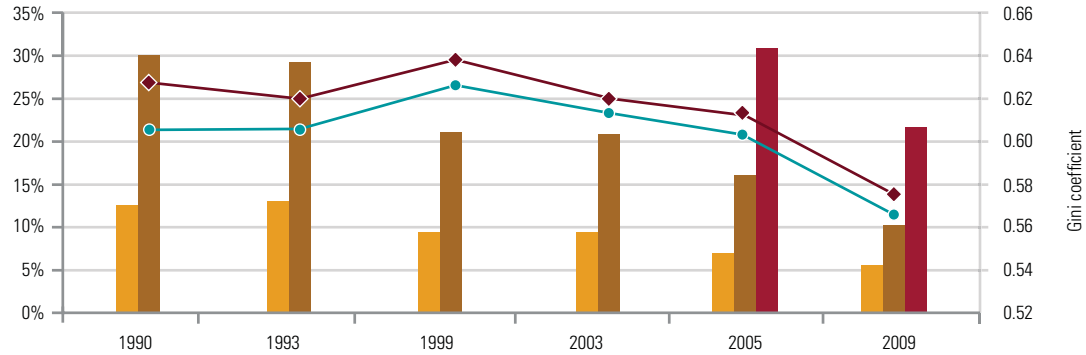
Whilst there may be a dominant group, the comparison of trends in inequality and poverty in Latin America's urban areas reveals that a change in the overall trend of one does not necessarily generate an automatic change in the other. Consequently, the public policies designed to combat poverty must not be directly applied in the fight against inequality, or vice versa. It is necessary to develop an arsenal of specific initiatives and strategies for each of the two phenomena. By way of example, in the fight against inequality, tax policy is crucially important. Progressive income tax policies contribute to a reduction in inequalities. Tax policy is progressive when the tax rate rises as the taxable base and level of income increase. As far as cities are concerned, it is recommended that policy-makers pay close attention to land tax and urban development. If policies in these areas are designed according to progressive criteria, equity increases. Experience indicates that if national and local taxes are progressive, a reduction in inequality will be seen.

Graph 2: The contrasting evolution of poverty and inequality in Mexico and Brazil (around 1989 and 2010)

Mexico



Brazil



Source: World Bank, World Development Indicators, 2013. UN-Habitat.

[32] The countries in which poverty and urban inequality decreased during the 2000s were Argentina, Bolivia, Chile, El Salvador, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[33] The countries in which poverty and urban inequality increased simultaneously were Costa Rica and Dominican Republic, also in the 2000s.
[34] The countries in which poverty decreased and inequality increased were Colombia and Ecuador.
[35] The countries in which the urban poverty rate increased and urban inequality decreased are: Guatemala (2002-2006), Honduras (2002-2010) and Mexico (1989-2010).

Another area of focus in the analyses is the equally contrasting trajectories of poverty and inequality – a contrast which can be observed in several of the urban centres for which information is available. Indeed, among the nine cities in which the poor population decreased at the end of this millennium's first decade, the inequality trajectories observed varied a great deal. In three cities, the income gap narrowed (Montevideo, Lima and Panama), in a further two it widened (El Alto and Santiago) and in the rest it remained stable over the course of the same period (Santo Domingo, Buenos Aires, La Paz and Quito). Such contrasting trajectories demonstrate the absence of a pattern in the relationship between inequality and poverty at city level. Several cases serve as an illustration of these contrasts.

In Panama's urban area poverty decreased from 26 per cent in 2002 to 15 per cent in 2010, whilst the Gini coefficient simultaneously fell from 0.516 to 0.460 in the same space of time.[36] Elsewhere, in the metropolitan region of Santiago, poverty decreased significantly, from 33 per cent in 1990 to 11.5 per cent in 2009. However, rather than falling as they did in Panama, levels of inequality tended to rise, causing the Gini coefficient to increase from 0.542 in 1990 to 0.573 in 2000 (when it reached its highest point in history) before dropping to 0.558 in 2009 and remaining stable above its initial value.[37] As far as Quito is concerned, income distribution has showed no significant variations over the last 20 years, with a coefficient hovering constantly around the 0.5 mark. However, the population living in poverty reduced significantly: by 2010, it was 75 per cent smaller than it had been in the year 2000.[38] There is no doubt that growth accompanied by the distribution of its benefits was a crucial factor in driving these changes.

In the light of the divergences recorded in these studies, it is recommended that the public policies designed to combat inequality and poverty take these contrasting trajectories into account, in order to be more effective. The UN-Habitat/CAF study demonstrates that inequality and poverty are two very different phenomena, and as such, they should neither be dealt with in the same way nor considered as one and the same. Cities have made significant progress in the measurement of and fight against poverty, but the same progress has not been recorded where inequality is concerned. In addition to tackling delays in progress, creating security, reducing deficiency and building capacity (all crucial components of the fight against poverty), cities must also extend opportunities and distribute the benefits of development in order to reduce the gap which separates the rich from the poor.

Cartagena de Indias, Colombia. Gender equality, human rights and equity go hand in hand.
© Eduardo López Moreno.

[36] Rodríguez A., 2013.
[37] Contreras D., 2013.
[38] Banco Central del Ecuador, 2012.

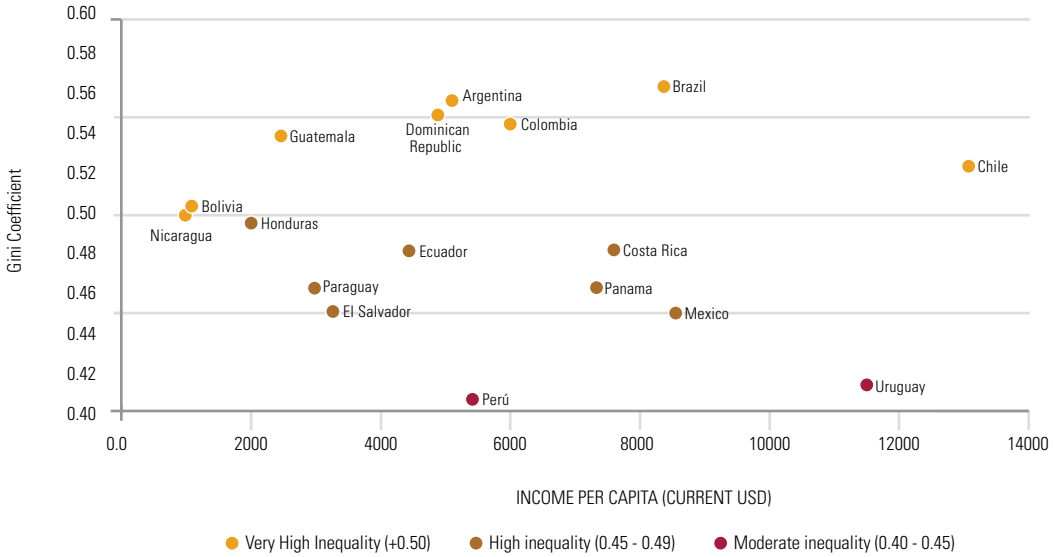
ECONOMIC GROWTH AND INCOME EQUALITY

The countries of Latin America and the Caribbean have been marked by continuous cycles of crisis and recovery, as well as growth and stagnation. Income distribution has suffered a series of fluctuations, with significant increases and decreases recorded over the last 20 years. Following the completion of various studies examining the phenomena which coexist in the region, available data demonstrate that inequality is not connected to economic cycles. This conclusion is very close to those of other studies which have been conducted in other regions and countries. The OECD's analysis of the issue, for example, highlights the fact that in spite of the vast wealth of theoretical literature which has been produced on the link between inequality and growth, there exists neither broad consensus nor conclusive empirical evidence. This can be seen in Graph 3, which displays the correlation between GDP per capita and the Gini coefficient in selected Latin American countries.

The results reveal that there is no clear link between these two variables, whilst in other regions of the world, a negative correlation is present (the higher the Gini coefficient, the lower the income and vice versa). Countries such as Chile and Uruguay, which have the highest income per capita in the region (over 10,000 American dollars), or Colombia and Peru, both with similar average incomes (around 8,000 dollars) have starkly contrasting Gini coefficients which do not reveal any consistent correlation or identifiable pattern between economic growth and inequality.

A conceptual precedent of these disparities dates back to the previous century. Some 60 years ago, the economist and Nobel laureate Simon Kuznets wrote that inequality "has been plagued by looseness in definitions, unusual scarcity of data, and pressures of strongly held opinions".[39] This perception has not changed a great deal since then and the debate rages on. In fact, for the economist Jared Bernstein "a modern economy can achieve faster growth or greater equality, but not both". In the light of his belief, he indicates that a decision must be taken regarding "which it is we value most: growth or equity". In contrast, the Nobel laureate Joseph Stiglitz labels this position part of the "old school" and states that "the cost of inequality is high." As such, he believes that inequality reduction and the promotion of growth are interlinked and complementary goals. It must be acknowledged that the study of the relationship between economic growth and inequality in Latin America and the Caribbean should perhaps be considered over a period longer than the 20 years covered by the UN-Habitat database. However, the analysis of the evolution of these two variables in 18 countries and various cities constitutes a sufficiently comprehensive data set to validate the conclusion that there is no clear link between the two.

Graph 3: Economic development and income inequality. Selected countries in Latin America and the Caribbean. Various years around 2010.



Source: UN-Habitat, Global Urban Observatory, 2013, Gini, UN-Habitat database, income per capita from the WDI 2013. Note: The GDP values given correspond to the years for which the Gini coefficient is available in the database.

[39] Kuznets S., 1955.
[40] Citing the economic journalist Davidson Adam referring to Bernstein J., 2013.
[41] Stiglitz J., 2012.

ECONOMIC GROWTH AND INCOME INEQUALITY

INEQUALITY IN THE REGION IS NOT CLEARLY CONNECTED TO ECONOMIC CYCLES.

TRENDS VARY GREATLY AND FOUR MAJOR GROUPS CAN BE IDENTIFIED AMONG THEM:

4 TRENDS

1 — **7** countries recorded an increase in economic activity with a reduction in inequality.

- Argentina, Uruguay — from 2005 to 2010
- Paraguay, Mexico — during the 2000s
- Peru — from 2003 to 2010
- Nicaragua — from 2001 to 2005

2 — **8** countries achieved economic growth, and simultaneously generated greater inequalities.

- Chile, Colombia, Costa Rica, Ecuador, Nicaragua — in the early 1990s
- Bolivia — from 1997 to 2005
- Guatemala — from 2002 to 2006
- Dominican Republic — from 2000 to 2007

3 — **7** countries recorded a slowdown in economic growth with an increase in inequality.

- Argentina — between 1999 and 2002
- Brazil, Colombia, Ecuador, Uruguay — around 2000
- Costa Rica, Nicaragua — in 2002

4 — **4** countries suffered economic contraction, but this did not drastically affect income distribution.

- Brazil, Honduras — in the early 1990s
- Peru — at the turn of the century
- Mexico — in 2002

GROWTH

INEQUALITY

The trends vary greatly and four major groups can be identified among them:

Group 1	The countries which recorded an increase in economic activity with a reduction in urban inequality.	A positive correlation between economic development and the narrowing of the income gap in urban areas was observed in seven countries. In these seven nations, the poorest decile saw their income grow either two or three times more than the richest members of the population.[42] Unfortunately, this was not a general trend but rather the situation which prevailed in relatively short periods. In Argentina and Uruguay; this developments were seen in 2005 and 2010; in Brazil and Nicaragua from 2001 to 2002 and in 2005;[43] in Mexico and Paraguay, throughout the decade and in Peru, from 2003 to 2010.[44] In the remaining countries, in the 20 years studied, the evolution of these variables was highly inconsistent and changed a great deal.
Group 2	The countries which achieved economic growth and simultaneously generated greater inequalities.	Contrary to what might be anticipated during a period of economic growth, the vast majority of income was captured by the wealthiest groups. This pattern of growth was common to eight countries and also occurred in relatively short periods. In Chile, Colombia, Costa Rica, Ecuador and Nicaragua, such a growth pattern occurred in the early 1990s; in Bolivia, from 2000 to 2007; in Dominican Republic, from 1997 to 2005, and in Guatemala, from 2002 to 2006. The growth recorded in these years did not ensure that the inequalities between rich and poor diminished. On the contrary, it rendered them even more acute.[45]
Group 3	The countries which recorded a slowdown in economic growth with an increase in urban inequality.	In these countries, a lack of economic dynamism was accompanied by greater inequity in income distribution. Seven countries functioned according to an unfair model of income distribution against a backdrop of economic contraction. With its financial and political crisis (1999-2002), Argentina witnessed a drastic increase in inequality levels.[46] During the same years, Brazil, Colombia, Ecuador and Uruguay were hit by a serious economic crisis which developed into a severe recession in some countries. Costa Rica and Nicaragua saw economic growth begin to slow, and both witnessed corresponding increases in inequality (2002).
Group 4	The countries which suffered economic contraction, but in which this did not drastically affect income distribution in the cities.	The countries in this group experienced short periods during which economic contraction did not directly affect the poorest members of society. There is no doubt that these are more isolated cases – countries in which the crisis most likely left its mark on other groups and was almost contained among the most disadvantaged social groups. Only four countries fall into this category: Brazil and Honduras in the early 1990s, Peru at the turn of the century and Mexico in 2002.[47] In spite of the negative growth of GDP in these countries, income inequality tended to decrease in three cases and remained stable in Brazil.

[42] This observation of course relates to various years in which economic growth and poverty reduction coincided in these countries.
[43] Whilst inequalities did frequently decrease from 1999 onwards, they did so in periods of economic growth and contraction (1999 and 2009).
[44] In the majority of the countries in this group, the increase in the income of the lowest decile was proportionally around twice as high as that seen in the income of the highest decile in the periods indicated: Argentina (174 vs. 83 per cent), Uruguay (89 vs. 49 per cent), Nicaragua (62 vs. 30 per cent), Brazil (23 vs. 10 per cent) and Peru (16 vs. 8 per cent).
[45] In urban Colombia for example, between the years 1990 and 1994, the poorest sectors of the population saw their income fall by 17 per cent, whilst the richest individuals increased their income by 81 per cent. In the cities of Ecuador, both the rich and the poor saw their income reduce proportionately. However, this reduction was slightly greater for the poorest 10 per cent. In Dominican Republic, the lowest decile saw its income drop by 36 per cent whilst the highest decile increased their income by 33 per cent between the years 1997 and 2002. In Guatemala the rich increased their income by 123 per cent whilst the poor increased their own by 99 per cent between the years 2000 and 2006.
[46] The rich-poor ratio went from 34 to 50.5 during the crisis, and the Gini coefficient rose from 0.539 to 0.578.
[47] In urban Mexico, the 10 per cent in receipt of the largest share of total income increased their income by 22 per cent, whilst the 10 per cent receiving the smallest share increased their own by only 9 per cent between 2002 and 2005.

This study demonstrates that economic growth has an impact on inequality and can increase or reduce it. The nature and intensity of this impact are determined, on the one hand, by the speed of growth and the structural conditions in which it occurs and, on the other, by the dominant distributive mechanism in place. The presence of an effective distributive mechanism largely depends upon the existence of a pro-poor policy and the quality of political and economic institutions.[48] In other words, existing institutions (the market, society, government), as well as the specific policies implemented at any given moment in time determine the nature of the growth-inequality relationship. It should be noted that that the growth-inequality relationship is not simple. Nor is there an automatic correlation between the two factors. In the same city or country, two or more of the trends described above can occur in consecutive periods. For example, it is possible for a region or country to experience a short period of economic growth accompanied by a reduction in inequalities (Group 1), followed by an economic crisis with a drop in GDP and an increase in inequalities (Group 3). Scenarios such as that which prevailed in Bogotá and which is presented in Box 2 are also possible. In the Colombian capital, all four of the trends described above were seen, each emerging in one of four consecutive periods.

Box 2: Evolution of economic growth and inequality in the city of Bogotá [(I)]

Between 1990 and 2010, the city of Bogotá moved through at least three of the above groups describing trends in the relationship between economic growth and inequality:

- Increase in the level of economic activity and an increase in inequality (1990-1994, Group 2).

The 1990s began with economic growth. This growth continued until 1994 and was due, to a large extent, to the development of a bubble within the finance, construction and trade sectors, similar to that seen in the country as a whole. The cause of this bubble was the acceleration of the process aiming at increasing trade openness, seen in 1990, the same year in which smallholder production fell and the country witnessed the very gradual growth of its manufacturing industry. In Colombia, between 1990 and 1994 the trade balance went from +5 per cent of GDP to -5 per cent. The process of trade openness was a radical one. The agricultural sector, which had grown at an annual rate of 4.8 per cent between 1986 and 1990, saw growth slow to an annual rate of 2 per cent between 1991 and 1995. However, by way of compensation, the country's import sectors grew and their profits increased.

In 1994, the country's GDP grew by 6 per cent, whilst the GDP of Bogotá increased by 10 per cent. Levels of extreme poverty remained stable and relative poverty decreased. These changes were largely due to the decentralization process, which created the transfer system and increased the share of the state's ordinary income received by the regions. Surprisingly, this period saw the unbridled growth of inequality and the Gini coefficient rose from 0.492 to 0.564. The ratio between the richest and the poorest decile almost doubled, increasing from 28 to 44 [(II)].

- Slowdown of economic growth with an increase in inequality (1995-1999, Group 3).

In the second half of the 1990s, the country experienced a significant economic recession. It was the largest in its history, responsible for negative GDP growth of -4 per cent in 1999, and a crisis which affected the nation as a whole and Bogotá in particular (-10 per cent). The crisis originated in the financial sector of Asia's developing countries, and was exacerbated by excessive bank loans, the deregulation of the financial system and an influx of foreign capital, which led to the appreciation of the national currency and an increase in the trade deficit.

This crisis caused both poverty and inequity to increase. By 1999, the country's Gini coefficient (0.611) was 24 per cent higher than that recorded in 1991. The gains that the city had obtained in terms of poverty reduction were lost (extreme poverty reached 11.4 per cent) and the rich-poor differential increased to 83 (see Graph 4).

- Overall increase in the level of economic activity and the reduction of inequality (2000-2010, Group 1), combined with a medium-sized economic crisis which did not increase inequalities (Group 4).

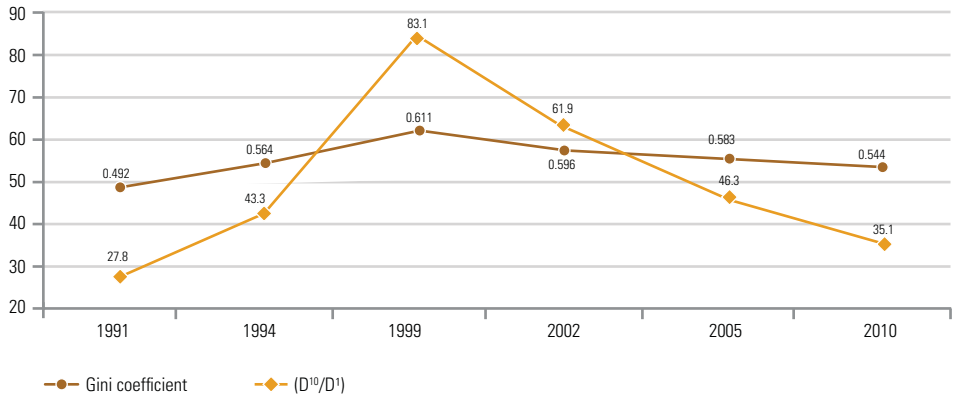
For both Bogotá and Colombia, the twentieth century began with high levels of inequality and poverty as a consequence of the 1998 crisis. The year 2000 marked the start of a slow economic recovery which gathered pace in 2007 (GDP grew by around 7 per cent). It is useful to note that the 2008 crisis, which significantly affected developed nations, impacted less severely upon Colombia and Bogotá.

[48] Gapminder, 2012.

Positive growth and a slow but constant reduction in the Gini coefficient were observed during this period (although it should be noted that the 2010 Gini coefficient was still five percentage points above the value calculated in 1991). The differential between the salary earned by the richest and the poorest 10 per cent reduced to 46 in 2005. The provision of public services, together with the other social policies adopted by the city's government contributed to a reduction in inequalities. Moreover, for the first time in the city's history, its Gini coefficient fell below the national urban Gini (2010).

The end of this first decade saw a slowdown in economic growth as a result of the international financial crisis. In the two years which followed, the crisis produced slower economic growth which continued until the end of 2009. A process of economic recovery subsequently began. In this two-year period, the Gini coefficient reduced to 0.544 (2010) and the differential between the richest and poorest groups also moved towards equity, decreasing to 35 over the course of the period mentioned above[II].

Graph 4: Inequality and income distribution between deciles, Bogotá (1991-2010)



Source: UN-Habitat database, 2012.

[I] Sarmiento Gómez A., 2012. [II] UN-Habitat database, 2013.

Experience indicates that economic growth is important in order to ensure the expansion of various opportunities, but equally important is the way in which this growth occurs.[49] Cities and countries can adopt strategies and policies to reduce inequalities without affecting economic growth. This study demonstrates that an increase in economic growth rates does not automatically lead to higher levels of inequality, as the classic theories suppose. It emerges in this study that an equal number of Latin American countries reduced and increased inequalities in their urban areas during periods of economic growth.

Similarly, it is indisputable fact that the benefits of growth are better absorbed by more egalitarian societies. However, it is perhaps more difficult to assume that in the long term, a reduction in inequality levels enables the sectors of the population at the very bottom of the income scale to develop and exploit their capacities. If they are indeed able to do so, this, in turn, has a positive impact on labour productivity and injects new impetus into economic growth. Furthermore, improvements in income distribution foster political stability and eradicate possible social and political tensions which generate uncertainty and reduce investment and growth. The equitable distribution of income also serves to increase demand and this, in turn, stimulates the growth of GDP.

This piece of research contributes to increasing understanding of the fact that equality and development are not conflicting variables. Rather, they are inextricably linked and mutually reinforcing. Cities can grow without generating greater inequalities, and in doing so become places of opportunity and shared prosperity. This is a vital pre-requisite for the attainment of sustainable and equitable development.

[49] Ceara-Hatton M., 2013.

INCOME INEQUITY AND HUMAN DEVELOPMENT

Inequality impedes human development: in certain cases it can delay it or even halt it altogether. The similar levels of progress in human developments which different countries record can in reality conceal marked disparities between regions, cities and inhabitants. In order to capture these disparities and the effects which they have on human development, in 2010, the United Nations Development Programme (UNDP) introduced the Inequality-adjusted Human Development Index (I-HDI).[50] The I-HDI examines the average level of development and its distribution across the population in relation to the three dimensions of the HDI – life expectancy, education level and level of control of the resources necessary for a decent life – excluding or reducing values when the progress achieved was distributed unequally throughout society.

In principle, where there is no inequality present, I-HDI values are exactly equivalent to those of the HDI. It is appropriate to emphasize that a difference between these two indicators denotes inequity. The greater the difference between the two values, the greater the inequity within a country's borders.[51] A UNDP study conducted in 132 developed and developing nations revealed that there is inverse correlation between inequality and human development. In other words, the lower the development index value, the higher the level of inequality present, and vice versa. According to the global I-HDI calculations, almost a quarter of the HDI value (23.3 per cent) is lost due to income inequality.[52]

In general terms, the countries whose HDI value is lower tend to display greater inequality in the various dimensions of development, and, as a result, suffer the greatest losses in their HDI value, estimated at up to a third of the total. Conversely, on average, countries with a high HDI display lower levels of inequality and see their development index value reduced by only 10-12 per cent.[53] In the light of this analysis, it is striking that the region of Latin America and the Caribbean does not closely adhere to these global trends. With more than half of its countries in the "Very High" or "High" HDI range, low levels of inequality and a consequent reduction of the HDI of 15 to 20 per cent would be expected. However, according to the UNDP, the region was penalized to the tune of 25.7 per cent in the three dimensions of development in 2012.[54] Income inequality was the main cause of the reduction in the development index value from among all four of inequality's explanatory variables (human development in general, life expectancy, level of education and income per capita), recording values of up to 38.5 per cent among these four variables. In other regions of the world, income inequality reduced HDI values by an average of 23.5 per cent.[55]

In the light of the analyses conducted, it should be underscored that the values produced by the I-HDI are a more accurate reflection of the level of human development attained in various countries. The average reductions in HDI value on account of inequality in the region range from 16.4 per cent in Uruguay

Santa Marta, Colombia. The integration of ethnic minorities is crucial in order to ensure equity in cities.
© Eduardo López Moreno.

[50] UNDP, 2013a.
[51] Ibid.
[52] Ibid.
[53] Ibid.
[54] A greater aggregated loss of 35 per cent across the three dimensions of the HDI was recorded in sub-Saharan Africa (2012), followed by Southern Asia (29 per cent) and the Arab States (25.4). Europe and Central Asia suffered only a 12.9 per cent loss in the same year. UNDP h, 2013.
[55] According to the I-HDI, after Latin America, the region most affected by income inequality was sub-Saharan Africa, which saw its HDI reduced by 30.4 per cent. This region was followed by Eastern Asia and the Pacific (27.2 per cent). The regions least penalized by income inequality were Southern Asia (15.9 per cent), Europe and Central Asia (16.3) and the Arab States (17.5). UNDP, 2013b.

to 40.2 per cent in Haiti. Reductions of more than 25 per cent can be seen in Venezuela (26.6), Brazil (27.2), Ecuador (25.8), Colombia (27.8), the Dominican Republic (27.3), El Salvador (26.6), Bolivia (34.2), Honduras (25.5), Nicaragua (25.5) and Guatemala (33.1) (see Table 1). Such losses see the majority of countries reclassified on the HDI scale, a number of levels below where they would be placed if their inequality levels were lower. Such is the case with Brazil. The country has a HDI value of 0.730 which situates it among countries with high levels of development and sees it reach number 84 in the global rankings. However, owing to the adjustments made on account of inequality, the country loses 27 per cent of its HDI value and drops 12 places, finishing among the countries with medium levels of human development (indicated in Table 1). A sudden change in HDI position, with a loss of more than 10 places in the rankings, can be observed in over half of the countries in the region. Panama, Venezuela and the Dominican Republic drop more than 15 places on the same scale, emerging as the countries which slip the furthest down the rankings as a result of the income distribution effect.

When the index values obtained are corrected taking general levels of inequality into consideration, the average value of income inequality is by far and away the key factor which reduces values in the region. According to the UNDP, Panama, Venezuela, Colombia, Bolivia, Guatemala and Haiti suffer major losses, estimated at more than 40 per cent. These countries are followed by Chile, Argentina, Mexico, Costa Rica, Brazil, Ecuador, the Dominican Republic and Honduras, nations which lose up to a third of their HDI value on account of income inequality (Table 1).

Table 1: Inequality-adjusted index in the countries of Latin America

Country	Human Development Index (HDI)	Inequality-adjusted Index (I-HDI)			Income Inequality-adjusted Index	
	Value	Value [1]	Total loss (%) [1]	Change in HDI position at global level	Value [1]	Loss (%) [1]
Very High Human Development						
Chile	0.819	0.664	19.0	- 10	0.488	34.1
Argentina	0.811	0.653	19.5	- 8	0.487	34.4
High Human Development						
Uruguay	0.792	0.662	16.4	- 4	0.521	27.9
Panama	0.780	0.588	24.6	- 15	0.431	40.5
Mexico	0.775	0.593	23.4	- 12	0.463	35.6
Costa Rica	0.773	0.606	21.5	- 10	0.430	37.9
Venezuela	0.748	0.549	26.6	- 17	0.385	44.9
Peru	0.740	0.561	24.3	- 10	0.452	32.5
Brazil	0.730	0.531	27.2	- 12	0.411	39.7
Jamaica	0.730	0.591	19.1	+ 2	0.434	30.1
Ecuador	0.724	0.537	25.8	- 8	0.390	38.8
Colombia	0.719	0.519	27.8	- 11	0.366	44.5
Medium level of Human Development						
Dominican Republic	0.702	0.510	27.3	- 15	0.410	37.6
El Salvador	0.680	0.499	26.6	- 11	0.415	31.1
Bolivia	0.675	0.440	34.2	- 12	0.294	47.4
Honduras	0.632	0.458	27.5	- 3	0.335	35.0
Nicaragua	0.599	0.434	27.5	+ 1	0.317	33.6
Guatemala	0.581	0.389	33.1	- 3	0.318	42.5
Haiti	0.456	0.273	40.2	- 7	0.182	47.9

Source: Human Development Report 2013: The Rise of the South, Human Progress in a Diverse World, Human Development Trends, Table 3, pp. 152-155, simplified by Eduardo López Moreno, 2014.

[1] The I-HDI value and the loss of that value is calculated using the Atkinson Index proposed by Foster, Lopez-Calva and Szkely (2005), UNDP, 2013 b.

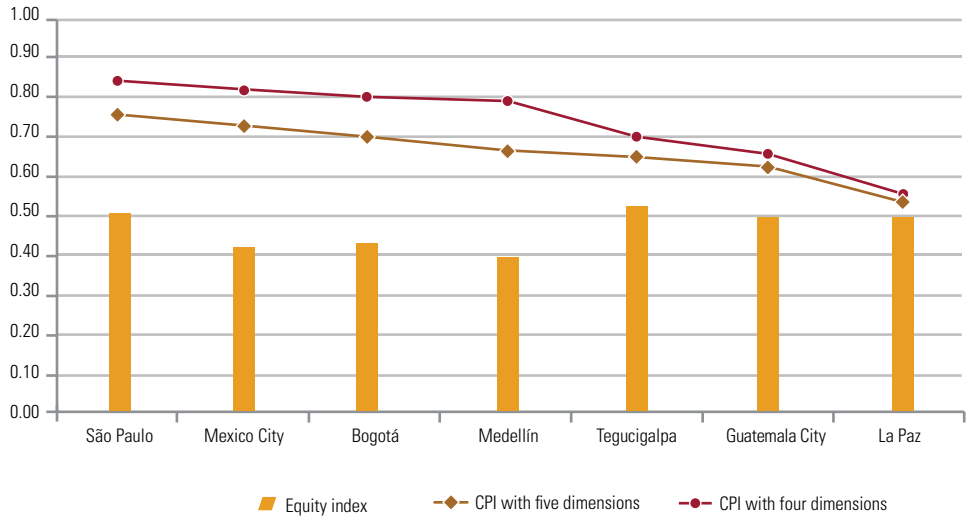
Unfortunately, the I-HDI does not present values at subnational level and even less so data pertaining to urban centres. However, one would expect values collected at city level to behave in the same way as those collected at national level. According to this logic, in cities with high levels of inequality, the I-HDI value would be greater than that calculated for urban centres with lower inequality levels. If the cities of Latin America are among the most unequal in the world, it would therefore be expected that the I-HDI would place them towards the bottom of the HDI.

In 2012, UN-Habitat launched the City Prosperity Index (CPI). The tool's aim was to measure urban prosperity in a more integrated fashion, taking five dimensions into consideration: productivity, infrastructure, quality of life, environment and equity. Based on an analysis of these factors, and using components of the HDI, UN-Habitat calculated the Cities Human Development Index.[56] Generally speaking, the values of this index are higher than national aggregates, given that on average, a country's main cities are richer and better able to contribute to human development than the rest of the country.[57]

Equity also forms part of the Urban Prosperity Index and is calculated by combining various statistical measures of income/consumption inequality, and by using the Gini coefficient and other social and gender inequality indicators in connection with data regarding levels of access to services and infrastructure. Based on the same principle as the I-HDI, the calculations performed can either include or isolate the equity value. It is important to point out that one of this study's contributions to the field lies in the fact that its results demonstrate that the equity and prosperity of cities are closely linked. Generally speaking, the urban centres which obtain good results for the other four dimensions of prosperity are more egalitarian places. Conversely, the cities for which low prosperity values are calculated tend to be more unequal.[58] Nevertheless, it is possible to conclude that, in one way or another, a lack of equity penalizes almost all cities, including those in which inequity levels are found to be highest. Indeed, cities such as Milan, Barcelona, Brussels, Copenhagen and Tokyo, as well as others which belong to Group 1 - "Very Solid Factors of Prosperity" – lose points on account of the inequality present within their urban areas. Levels of inequality in these cities are such that half ultimately finish in Group 2 – "Solid Factors of Prosperity".

As was to be expected, the marked inequalities in the majority of Latin American cities interfere in the overall prosperity results. By way of an example, Mexico City and São Paulo see their index values fall from over 0.8 (Group 2) to below 0.7 (Group 3) when equity is factored into the equation. Similarly, Bogotá and Medellín see their overall prosperity values reduce significantly on account of the marked income inequality levels. These values fall from 0.791 to 0.699 and from 0.789 to 0.667 respectively. In the cases of Guatemala City, Tegucigalpa and La Paz, the prosperity indices which consider five dimensions are almost identical to those which consider four (without equity) as both produce low values for the various dimensions of prosperity (see Graph 5).[59]

Graph 5: CPI. Selected cities in Latin America



Source : UN-Habitat, Global Urban Observatory, 2012.

[56] UN-Habitat, 2012.
[57] The differences between a city's HDI and a national aggregate are more pronounced in the countries situated in the "Low Human Development" category. See the World Cities Report 2012/2013, "The Prosperity of Cities".
[58] UN-Habitat, 2012.
[59] Tegucigalpa's general prosperity index value drops from 0.694 to 0.652; the city of Guatemala's rating, from 0.646 to 0.614, and that recorded in La Paz falls from 0.565 to 0.551.

In order to deepen this analysis, it is appropriate to note that income inequality is not solely characterized by the concentration of monetary resources into the hands of a minority. In many cases, this phenomenon is accompanied by a high proportion of the population being forced to contend with deficient healthcare, nutrition and education – a situation which stymies development and which affects productivity and growth.[60] Whilst information at subnational and local level is very scarce indeed, in those cases for which data are available, the connection between these factors is abundantly clear. For example, while in the relatively rich state of Santa Catarina, in southern Brazil, the Gini coefficient is 0.548, life expectancy (71.4 years) and illiteracy (6.3 per cent) are relatively good. In contrast, in the relatively poor state of Alagoas, whose Gini coefficient is 0.627 (within the Extreme Inequality range), life expectancy is 10 years lower and illiteracy five times higher (33.4 per cent).[61] As the IDB has made clear, the insufficient income distribution can hinder the accumulation of physical and human capital.[62]

In slums, access to transport services and high-quality domestic services is reduced.

SLUMS AND INEQUALITY

Income inequality and spatial or urban inequality, which implies the existence of slums, constitute to different forms of inequity. Their causes are multiple and their consequences varied. In fact, it has been demonstrated that cities with higher levels of income concentration are not necessarily those in which slums are most prevalent. Conversely, the cities in which a higher proportion of habitants live in informal neighbourhoods do not necessarily display the highest levels of income concentration. However, it is common for cities which are deeply divided, both spatially and socially, to report high inequality coefficients. The physical segmentation of cities in some ways reflects the coexistence of wealthy and poor areas, which often take the form of slums.

In this way, slums are the physical and spatial manifestation of poverty in cities. They are one of the many faces of inequality. Known by a myriad of names in various parts of Latin America – *asentamientos irregulares, barrios marginales, conventillos, colonias populares, solares, bohíos* and *cuarterías, villa miseria* in Spanish, or *bidonvilles, taudis, habitat spontané, favelas, morros* and *corticos* in French and Portuguese,[63] slums are the manifestation of multiple shortfalls and represent various forms of inequity. They are also a factor of inequality.

Furthermore, the presence of a sizeable proportion of the population living in slum conditions limits both quality of life and a society's ability to make full use of labour potential. In these settlements, access to transport systems and high quality domestic services is typically reduced. This creates additional costs and increases the time it takes to access the labour market. It increases the burden, in terms of both labour and time, involved in collecting water, communicating with the rest of the city and having a household member permanently look after the home, which is necessary as more precarious housing is more susceptible to being burgled. Furthermore, the authorities or other individuals can condemn or destroy slums without warning, as they benefit from less oversight and security. Similarly, there are other factors which affect income inequality, all of which imply that the link between slums and income inequality is not direct, as close as it may be.

There is also no doubt that not all slums are the same, and that not all slum-dwellers suffer the same degree of deprivation. It is nevertheless impossible to deny that slums do reflect significant deficiencies in both accommodation and the provision of basic services. It is an indisputable fact that in many cities, slums lack public services, adequate access roads, transport systems, schools, parks, recreational areas and other public goods. Slums are also "invisible areas" where security of tenure is concerned.[64] It is estimated that between 20 and 30 per cent of Latin Americans live without the appropriate forms of legal property documentation, a situation which renders them "owners and occupiers without deeds".[65]

[60] Messias E., 2003.
[61] Ibid.
[62] Inter-American Development Bank, 2000.
[63] López M. E., 2003.
[64] Ibid.
[65] UN-Habitat, 2006.

In many cases, occupation of land and/or housing is informal, illegal, quasi-legal and tolerated or legitimized in light of the history of the slum. The length of a dweller's occupation, as well as the possession of informal documents, be these contracts of sale, receipts or proofs of payment for services, may be recognized or ignored by the authorities.

As far as their geographical location is concerned, slums tend to be located in peri-urban areas, the so-called "poverty belts" in the dilapidated areas of a city, and in areas at environmental risk, either inside or beyond a city's borders. The key characteristics of a slum include different degrees of consolidation, various deficiencies and social problems (violence, poor public health). It should be emphasized at this juncture that both the precarious nature of the housing provided and the various deprivations present in slums have a much more serious impact on women and youth – the result of phenomena such as overcrowding, a lack of security and limited opportunities.[66]

In 2010, 23.5 per cent of the urban inhabitants in Latin America and the Caribbean were living in slums, which equated to some 111 million people[67] (see Box 3, which provides a statistical definition of this concept). The situation at regional level was very varied indeed and the proportion of national populations living in slums ranged from Suriname's 4 per cent to the 70 per cent recorded in Haiti.[68] During this same period, the prevalence of slums was relatively low in Chile, moderate in Colombia, Brazil and Mexico and startlingly high in Guatemala, Nicaragua and Bolivia (see Graph 6, which presents the prevalence of slums in the urban areas of the countries in the region).

Box 3: Slums

Definition of Slums

The Millennium Development Goals framework (Goal 7D) established the target of "considerably improving the living conditions of at least 100 million slum-dwellers by the year 2020." As part of this framework, in 2002, UN-Habitat defined slums as a group of people living under the same roof in an urban area which fails to provide one or more of the following conditions:

Indicator 1: Durable housing, permanent in nature which protects inhabitants against adverse climate conditions.

Indicator 2: Adequate living space, which means no more than three people living in the same room.

Indicator 3: Easy access to drinking water which is both sufficient in quantity and reasonably priced.

Indicator 4: Access to improved sanitation: either a private pit latrine or a public facility shared with a reasonable number of people.

Indicator 5: Security of tenure in order to avoid forced evictions.

The classification of slums

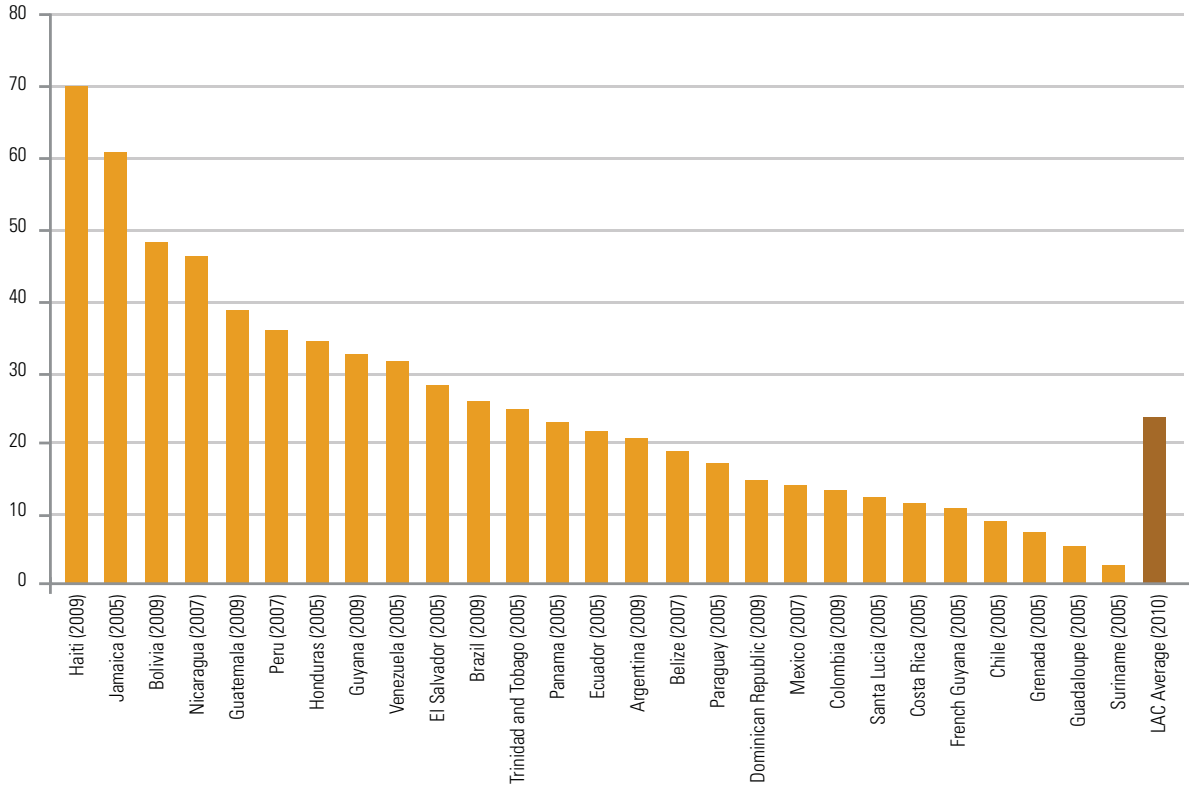
In 2008, UN-Habitat proposed a methodology which made it possible to estimate the intensity of the various forms of deprivation suffered by the inhabitants of slums. Three categories were established: moderate (one housing deprivation), severe (two deprivations) and extreme (three or more deprivations).[69] Using this methodology, it became possible to identify most disadvantaged areas in Latin America's cities, design initiatives and policies, and measure the changes which resulted from such action.

The study which was conducted based on the application of this methodology provided a more accurate understanding of the level of inequality present in the urban areas of the region's various countries. According to UN-Habitat, two thirds (66 per cent) of the slums in Latin America and the Caribbean suffered only one deprivation and could be classed as "moderate slums." A quarter (25 per cent) suffered two deprivations (severe), and the rest displayed three or more (extreme). Whilst in Brazil the lack of water and sanitation were the two factors chiefly responsible for the prevalence of slums, in Peru, Nicaragua, Honduras, Guatemala, Dominican Republic and Colombia, the lack of inhabitable space, the precarious dwelling structure and the lack of access to water were the three key explanations for the presence of slums.

Source: UN-Habitat, Global Urban Observatory, 2002 / UN-Habitat, 2008

[66] ONU-Habitat, 2012.
[67] ONU-Habitat, data base 2013.
[68] ONU-Habitatt, 2012.
[69] Deficiencies relate to one of the five indicators described above – lack of water, sanitation, adequate living space, durable housing or security of land tenure.

Graph 6: Proportion of the urban population living in slums (2005-2010) selected countries in Latin America.



Source: UN-Habitat, Global Urban Observatory, 2013. Global Urban Indicators Database, 2012. Average 2010, countries (2005-2009).

At regional level, the reduction in the number of slums and the decline in income inequality observe similar trends. Over the last 20 years, significant improvements in both areas have been reported. On the one hand, the proportion of the urban population living in slums has decreased considerably, falling from 33.7 per cent in 1990 to 23.5 per cent in 2010.[70] On the other hand, more than half of Latin American narrowed the income gap over the same period. In both cases, the improvements seen did not emerge at a constant pace over the course of both decades; it appears that the trend began to evolve in a more positive direction at the turn of the century. Whilst a third of the improvements witnessed, both in the reduction of slums and of inequality, occurred in the 1990s, it is interesting to note that the real point of inflection in the trend emerged in 2000, when two thirds of all progress was made. Whilst these improvements are undoubtedly cause for optimism, the good news is overshadowed by less positive data.

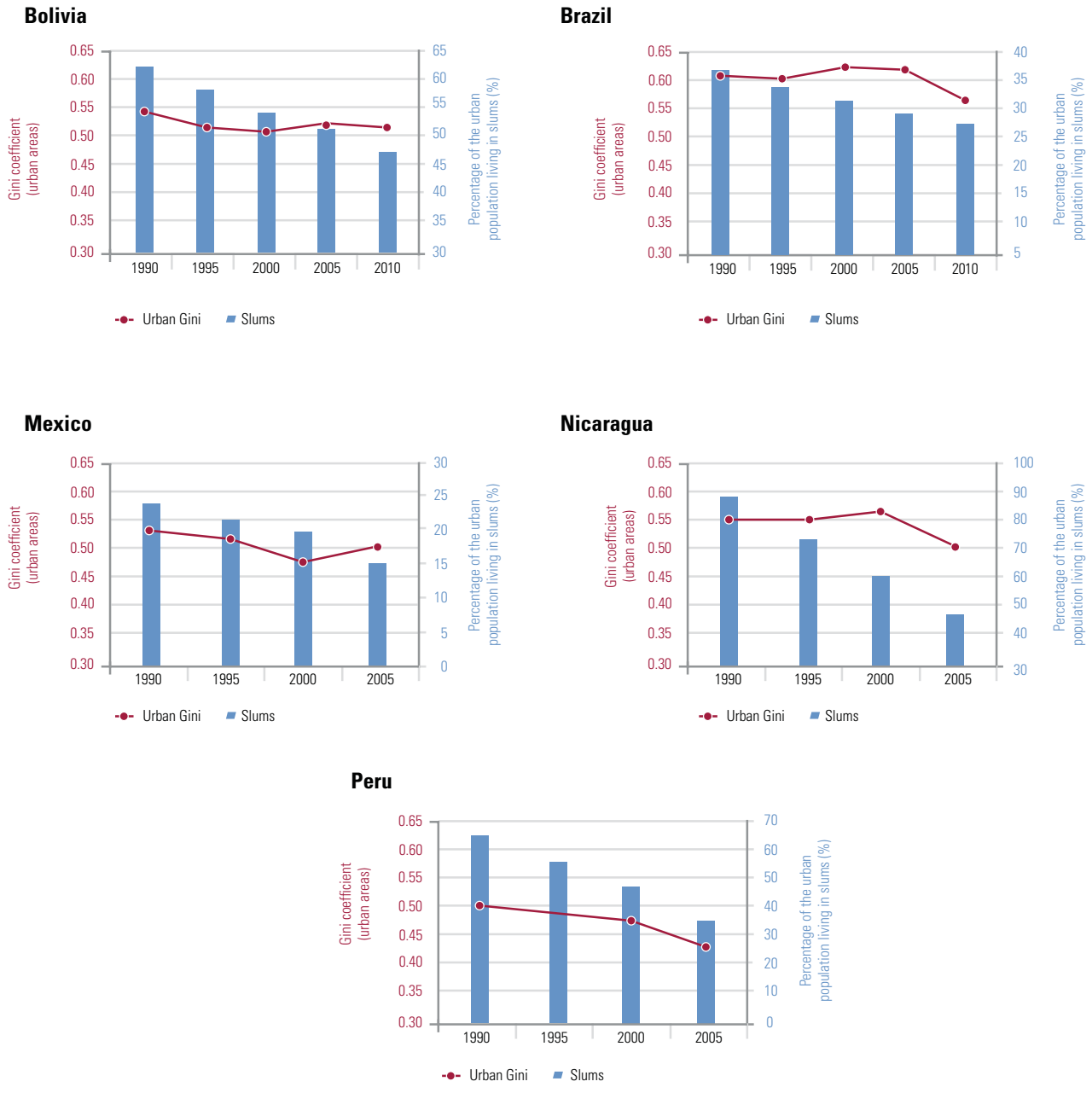
Despite the reduction in the proportion of people living in slums, the number in absolute terms has increased. The number of slum-dwellers has increased over the last 20 years, not only as a result of demographic growth, but also as a consequence of an urbanization process which is occurring in a context of poverty. Notwithstanding the efforts, the number of inhabitants of poor, informal settlements rose from 105 million in 1990 to 111 million in 2010.[71] Income inequality decreased overall but increased in around a third of cities and remained roughly the same in around 15 per cent of them.

However, if we compare trends at country level, a number of very different stories emerge. Whilst all the nations in the region did indeed reduce the proportion of urban inhabitants living in slums, albeit to varying degrees, changes in income equality did not follow the same pattern in all cases. Within the nine countries for which time-series information relating to these two variables over the last two decades is available, two broad groups can be identified: 1) countries which witnessed a simultaneous reduction in the both the prevalence of slums and the income gap in their urban areas; 2) countries which reduced the proportion of urban slum dwellers, but which did not succeed in reducing inequalities, or even increased them.

[70] UN-Habitat, database, Global Urban Observatory.
[71] ONU-Habitat, database 2013.

1. Countries which reduced both slums and inequality. The simultaneous improvement in these two forms of inequality was recorded in five countries: Bolivia, Brazil, Mexico, Nicaragua and Peru. In the first two countries in this list, the progress made was relatively significant, with a reduction in the prevalence of precarious housing of 25 per cent and a 6 per cent decrease in levels of income concentration. Mexico reported more significant progress in both variables: a 14 per cent reduction in inequality and up to a 38 per cent decrease in the number of inhabitants residing in slums. Nicaragua and Peru, the two nations which were most successful in reducing the prevalence of slums (49 and 46 per cent respectively), also took some very important steps towards reducing income inequalities in cities. This was particularly the case with Peru, which successfully reduced such inequality by 20 per cent (see Graph 7). In sum, the similarly positive trajectories observed for these two variables clearly highlighted that it is possible to mitigate inequalities and reduce the prevalence of slums through the implementation of joint policies and initiatives which link various sectors and levels of government.

Graph 7: Countries in which both the number of slums and inequality decreased



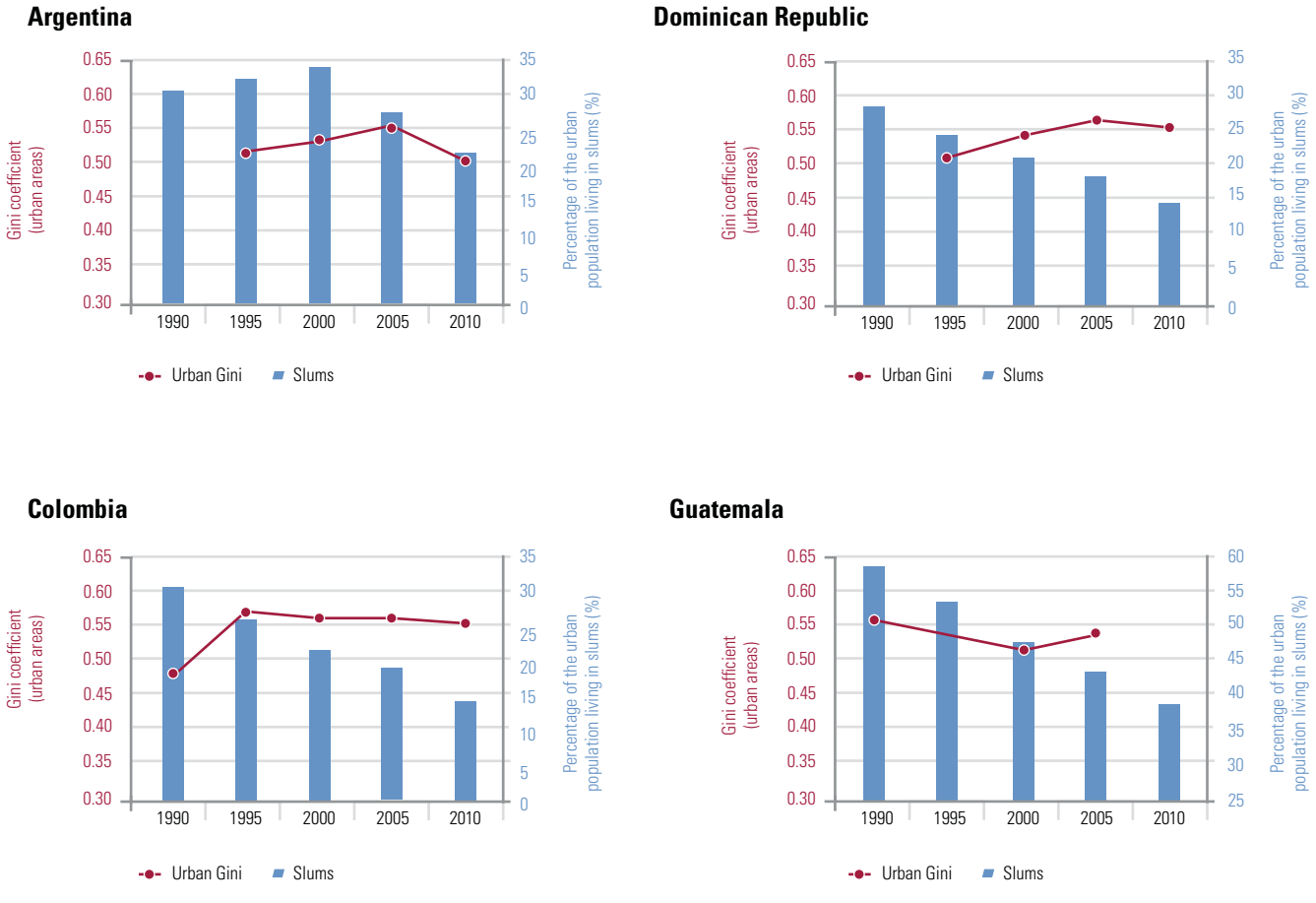
Source: UN-Habitat, Global Urban Observatory, 2012.

2. Countries which reduced the prevalence of slums but in which levels of inequality increased or remained stable. In four of the nine countries in this group, the trend lines pointed in different directions: Argentina, Colombia, the Dominican Republic and Guatemala. Whilst all of these countries saw the prevalence of slums decrease, two of them recorded minimal positive changes in their inequality coefficient meaning that overall, these nations remained in almost the exact same position as they had previously been. Indeed, both Argentina and Guatemala made significant progress in successfully reducing the population living in poor, irregular settlements by a third, but were unable to narrow the income gap over a 20-year period. The other two countries in this category followed radically diverging trends. Whilst the slum-dwelling population decreased by almost half (54 per cent in Colombia and 47 per cent in the Dominican Republic), income distribution significantly increased (15 and 10 per cent respectively, see Graph 8).

One particularly noteworthy finding is that whilst more than half of the countries recorded a certain similarity in trends in both inequality and slum reduction at national level, the link between the two trends is not immediately clear. It is highly likely that each requires specific initiatives and policies, as they are two different phenomena. Taking account of the fact that in the rest of the countries studied (four out of nine) the behaviour of these two variables was very different indeed, it is possible to conclude that reducing slums does not automatically guarantee a reduction in inequality, and neither is it certain that the opposite will occur – at least not in the short term.

It is also appropriate to highlight the fact that policies aimed at combatting poverty, which include the improvement of slums, have proved effective in the majority of countries in Latin America and the Caribbean. Indeed, it is thanks to these policies that the region has witnessed a 30 per cent reduction in the prevalence of poor informal settlements in the region over the last two decades. Although this does not directly affect nominal income, there is no doubt that the provision of basic services and public goods has a positive impact on the consumption

Graph 8: Countries in which the number of slums decreased but in which inequality remained stable or increased.



Source: UN-Habitat, Global Urban Observatory, 2012.

levels of poor inhabitants, as families have a higher disposable income. It is quite possible that, in certain cases, the savings which result from such a change may be used productively, culminating in increased income and, consequently, less income polarization. This is, of course, a lengthy cycle which must be consolidated with policies designed to support job creation and the generation of additional income.

The successful physical improvement of slums, as part of a policy designed to improve well-being, also require that public goods be the focus of policies and initiatives in favour of asset creation and the local economy. Greater convergence between the reduction of slums and income equality requires the integration of skills development, training, capacity building and human development programmes, particularly targeting the women and young people who live in these informal settlements.

When income inequality increases, the rich isolate themselves in gated compounds, and the poor on the outskirts of a city.

SPATIAL SEGREGATION AND INEQUALITY

The inequalities in cities do not solely relate to income; they also manifest themselves as clear, physical disparities. The deeply rooted trends towards the increasingly exclusionary use of space separate the rich from poor and provide for little or no interaction between residents. Some residents enjoy greater access to infrastructure, education, health, security, transport and green areas. Others live in neighbourhoods utterly devoid of services, with transport problems, reduced access to quality education and healthcare, fewer recreational areas and higher crime rates.

It is in this way that cities come to divide into smaller areas, each with invisible borderlines: "top and bottom", "north and south", "the centre and the outskirts", "strata and districts", divisions which follow a social and spatial continuum. Furthermore, it must be acknowledged that the forces which underpin this inequality are difficult to isolate and often one is superimposed upon another. In general terms, these forces are the fruit of interaction between geographical, political, historical and institutional factors.[72] Consequently, the development of certain areas and of the social groups which inhabit them is hindered by such factors as use of resources, access to public goods and amenities, urban planning which segregates spaces and people, regressive public spending policies and the proximity of markets and the structures of production.[73]

This urban fragmentation has other negative effects. Many of the disadvantages associated with slums have to do with segregation – in other words, with living conditions and other factors such as infrastructure, transport and housing type. Spatial segregation is both the consequence of income inequalities and a factor which increases or perpetuates them. In Latin American cities, segregation is related to variations in the quality of services and, in more general terms, in the extent to which the different parts of the city function. In other words, segregation is not simply attributed to the fact that ethnic or national minorities are situated in different spaces, but rather the fact that these spaces are stratified in terms of services, security and prestige.

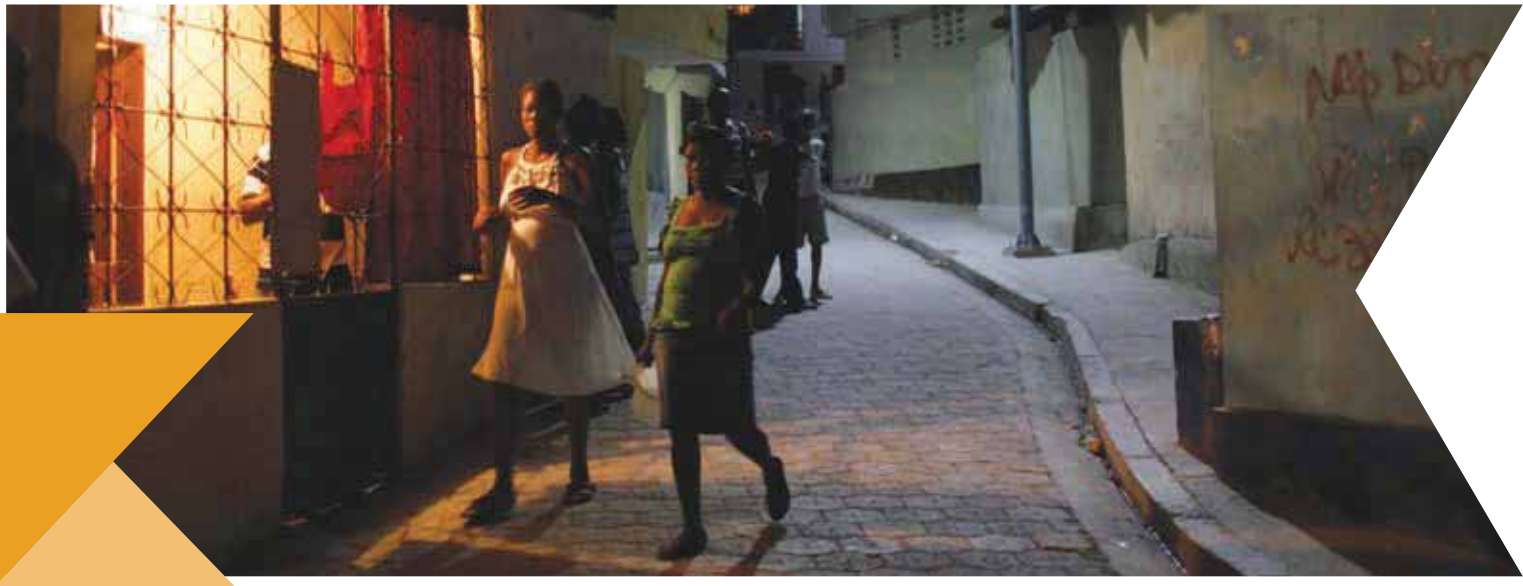
This phenomenon is also encouraged by the current urban development model – a model which tends to divide and fragment cities. Such fragmentation has become more pronounced in the last few years in particular, with the emergence of gated communities or private residential areas, with impoverished neighbourhoods and with the appearance of residential areas beyond the known peripheries. These segregated spaces do not simply harbour the seeds of inequality. They are also generators of new inequalities, some of which are characterized by the way in which space is used. For example, in Buenos Aires, gated communities occupy 360 square metres and house approximately 250,000 people. These neighbourhoods occupy a surface area which is almost double that of the Autonomous City of Buenos Aires. The core city's surface area is officially defined as 200 square kilometres, and houses 3 million individuals.[74] When income inequality becomes more pronounced, the rich isolate themselves in gated communities, whilst the poor have no other alternative but to live on the outskirts of a city, where house prices are lower.

[72] OECD, 2011.
[73] Ibid.
[74] Gasparini L., 2013.

The studies conducted clearly demonstrate that the proliferation of acutely isolated urban residential areas which lack any structural function limits opportunities and increases the risk of social fracture, a context which is itself conducive to the generation of new forms of inequality. The inhabitants who live in areas far outside the city are not simply forced to endure longer journey times and high transport costs, but must also contend with an increase social distance which separates them from the benefits, resources and commodities which the city has to offer. This distance – both physical and social – from major cities manifests itself as a "spatial poverty trap"[75] which separates the rich from the poor in a variety of ways:

a) employment opportunities are restricted, which leaves a larger number of residents in outlying areas in an economically vulnerable position;[76]
b) gender inequality increases, owing to the risks of violence and the difficulties in accessing transport;[77]
c) living conditions deteriorate, as a consequence of the long distances which residents must travel every day and the related costs which lead some workers to share overcrowded spaces in areas near to work;
d) exclusion and social marginalization increase, along with the chances of having access to insufficient public goods;
e) the various forms of social interaction between citizens are limited, which in turn diminishes the positive effects of social capital,[78] and
f) the crime rate rises, which sees the poor become victims or, on occasion, perpetrators of crime.

A UN-Habitat/CAF survey into spatial inequality and social and economic inclusion revealed that just over a third (35 per cent) of those surveyed in 10 cities in Latin America and the Caribbean believes that the government implements measures to reduce social disparities. An even smaller percentage (25 per cent) believes that there are special measures in place to benefit women, such as the promotion of microcredits, technical and professional training, skill development and the protection of rights in the areas furthest away from the city.[79] In this climate, spatial segregation contributes to increasing economic exclusion, which in turn isolates certain individuals from social, cultural and political spheres, severely limiting their capacities (see Box 4).[80]



Port-au-Prince, Haiti. Public space, identity and the harmonious coexistence of different social groups are crucial ingredients of a public policy designed to promote equity.
© Dominic Chavez / World Bank.

[75] UN-Habitat, 2010.
[76] For example, in the Chilean capital, Santiago, the closest neighborhoods to the city with a higher energy consumption, have an average of 33 business by 1000 inhabitants. This number is reduced to 21 businesses in the neighborhoods with medium consumption and it drastically falls to less than 6 in those with low consumption in the cities' peripheries. Contreras D. and Sepulveda P, 2013.
[77] A study published by UN-Habitat revealed that in the slum of Sanjay, New Delhi, 75 per cent of women work within a 5km radius of their home, whilst, on average, men work within a 12km radius of their place of residence. The constraints imposed by distance and poor urban planning should be the subject of more studies conducted in the Latin American region. UN-Habitat, 2010.
[78] Residential segregation means that people of a similar socioeconomic level tend to share spaces with only with each other, and not with anyone whose social position is different from their own. This affects the assets and opportunities structure of the lower classes, generates territorial stigma and jeopardizes the effectiveness of inclusion policies.
[79] UN-Habitat, 2010.
[80] Sen A., 1999.

Box 4: Perception and spatial inequality

In order to understand, measure and combat urban inequality in the broadest sense of the term – that is, in economic, social, political and spatial terms – a number of tools are already available, including the Gini coefficient, deprivation analysis, multidimensional poverty, and access to basic goods and services, to name just a few. An understanding of perceptions regarding inequality helps to pinpoint a number of specific aspects crucial to the successful implementation of public policies aimed at reducing urban inequity.

Perception surveys document citizens' impressions of the phenomenon, making it possible to identify a number of its subjective aspects. These range from the emotional to the symbolic and include the beliefs, attitudes and moral, political and ideological positions of the society in question. The inequality perception survey produced by UN-Habitat, CAF, Avina and Red de Ciudades revealed the opinions, feelings and fears of the inhabitants of 10 cities in the region regarding the causes of inequality, the phenomena it produces and the impacts it has, and the possible public policy necessary to reduce it. These opinions were presented on a city-by-city basis for each of the cities analysed, but also in regional-level aggregate form.

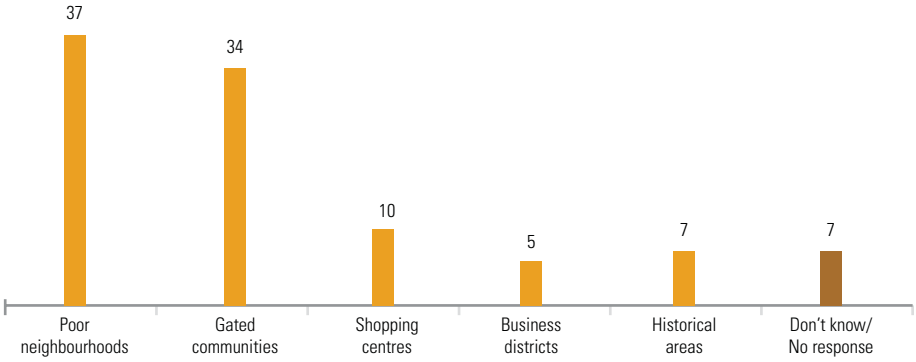
Once the economic, political and social dimensions of inequality covered by the survey had been analysed, an evaluation was conducted of inhabitants' perceptions of the urban and institutional factors related to spatial inequality.

Spatial inequality

The survey asked respondents to consider which urban spaces tend to generate the greatest inequality, and to choose from the following options: private land/neighbourhoods, gated communities, shopping centres, poor neighbourhoods, business districts and historical areas.

According to the aggregated value of all cities, the spaces which generate the greatest inequality are the poor neighbourhoods and the private neighbourhoods or gated communities, according to 37 and 34 per cent of respondents respectively. In other words, 7 out of every 10 inhabitants surveyed believed that spatial segregation, both of the wealthiest individuals and most disadvantaged groups, was the domain or factor responsible for the greatest degree of inequality. The remaining 22 per cent of respondents was divided between a further three options: shopping centres (10 per cent), historical areas (7 per cent) and business districts (5 per cent).

Graph 9: What do you think generates the most inequality in your city?



Source: UN-Habitat, based on the data from the perception survey of urban inequality in Latin American cities. ONU-Habitat, CAF, Avina y Red de Ciudades, 2013

INSECURITY AND INCOME INEQUALITY

As has been seen throughout these first chapters, Latin America and the Caribbean has traditionally been a highly unequal region. It has also been characterized by the fact it is the region with one of the highest crime rates in the world. Nevertheless, the relationship between these two variables has received very little attention in the field. There has been no systematic access to reliable data on crime, violence and inequality which enable the comparison of countries and cities. Access to data on the evolution of these phenomena in the region's urban centres has been yet more limited still.[81]

In spite of the lack of academic interest in these two issues, citizen security has been a subject of public debate in the region for many years, and broached from many different angles, including from a media, social, political and institutional perspective. In one way or another, Latin Americans in a number of different cities in the region have for years lived with feelings of insecurity. The recent perception survey on urban inequality conducted for this study by UN-Habitat, CAF, Fundación Avina and Red de Ciudades concluded that 93 per cent of those surveyed in 10 cities agreed that inequality affects security: 76 per cent declared that its impact was severe, and 17 per cent stated that it had at least some impact.[82]

There is no doubt that there exists a whole range of situations which undermine security in urban areas. However, inequality emerges as a significant economic determinant of insecurity, together with a series of institutional and sociological factors. Space also plays its part. The working classes living on the urban peripheries are isolated both from systems of production and from the city itself. This in turn makes any distributive mechanism in place less efficient.[83] The new geography of exclusion which is emerging in cities – both real and perceived – is exacerbating the cycles of crime and violence in the areas in question.

It is for this reason that urban insecurity is a matter of increasing public concern. Poverty is often criminalized and the lowest-income sectors of the population are stigmatized. In some cases, tackling this issue can also involve strengthening the existing apparatus of control and using increasing force. In some other cases, the social and economic origins of the problem are addressed. An ever-growing number of studies on crime consider the significance of economic, social and demographic indicators for explaining the phenomenon. Such indicators include the unemployment rate, average family income and education level and, more recently, income inequality was added to the list. The seminal study by Nobel laureate Gary Becker, *"Crime and Punishment…."*, had already established a clear theoretical and statistical relationship between these two variables, indicating that "the increase in income inequality within a society has a positive effect on the increase in crime".[84] Unfortunately, the shortage of data has limited research into the issue in Latin American cities. However, despite the multiple lines of causality between these variables and the impact that various factors can have on the crime rate,[85] the majority of studies produced establish a strong link between inequality and crime.

Citizen security has been a subject of public debate in the region, and broached from many different angles.

The link between poverty and crime is weaker, if not almost inexistent. The link between inequality and crime was demonstrated in the ECLAC study, *"Citizen security and violence in Latin America,"* which concluded that "more than poverty, it is inequality, together with other social, cultural and psychological factors, which generates the most violence".[86] Moreover, a study produced by the World Bank and the University of Minas Gerais found that there is strong positive correlation between income inequality, as measured by the Gini coefficient, and homicide rates. This correlation is such that if inequality decreases by approximately 2.4 percentage points in the countries considered in the study, the intentional homicide rate falls by 3.7 per cent in the short term and up to 20 per cent in the long term.[87] It should be noted that other academic studies had already produced similar findings. In his contribution to the World Development Report (1999), F. Bourguignon, former chief economist at the World Bank and Dean of the Economic Sciences Faculty at the University of Paris, had written that an increase of five percentage points in the inequality coefficient (an entirely credible figure for a country experiencing real distributive change and which was in fact the figure recorded in five Latin American nations between 1989 and 2002), would produce an average 15 per cent increase in the homicide rate.[88]

[81] Data on crime and violence are scarce and their quality is not always guaranteed, since they tend to come from secondary sources. This is particularly true in developing countries and means direct interpretations are risky. See the work of Bourguignon, François, 1999.
[82] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[83] Christophe G., 2012.
[84] Becker G., 1968. In this study, the author focuses solely on examining the phenomenon of crime as a relationship between the economic benefit of committing the crime (income) and the cost (the likelihood of being caught).
[85] Bouzat G., 2010.
[86] CEPAL, 1999.
[87] Fajnzylber P., Lederman D. and Loayza N., 2002.
[88] The same study concluded that an increase of one percentage point in the Gini coefficient would produce an average 3.6 per cent increase in the homicide rate and a 1.1 per cent increase in the robbery rate, in the countries included in the sample. Bourguignon, François, 1999.

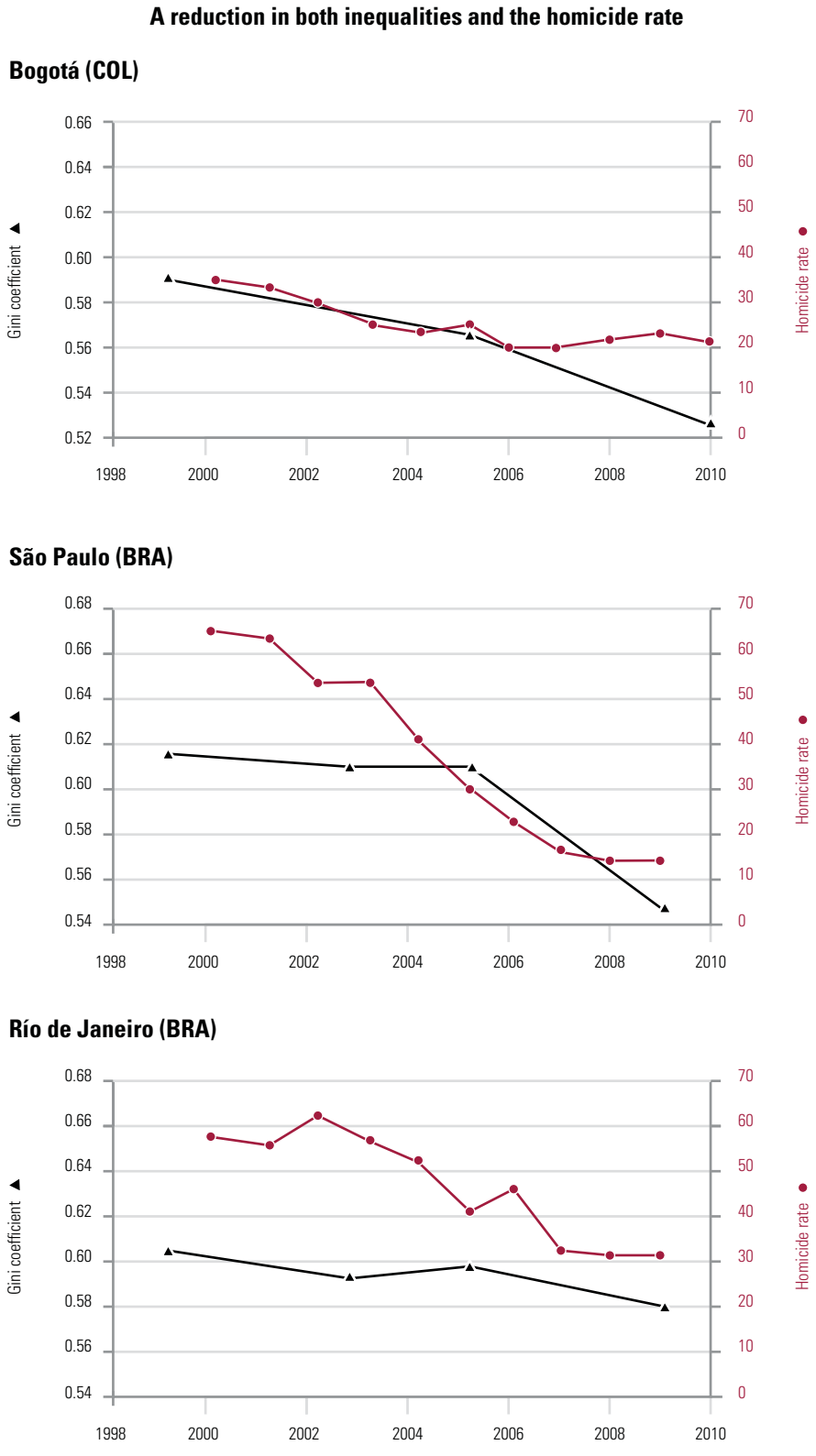
At overall country level, a number of isolated studies have produced similar conclusions. Costa Rica's National Human Development Report, produced by UNDP in 2006, found that the link between poverty and lack of security for citizens was somewhat weak. In contrast, inequality provides more direct, coherent explanations regarding the evolution of crime and lack of security.[89] Some experts attribute rising crime rates to the increasingly unequal distribution of income and goods. One example where such a link can be identified is Argentina, a country which recorded one of the largest increases in Gini coefficient in Latin America between 1990 and 2002 (more than one per cent per year), with a homicide rate which increased to the highest levels recorded in several decades.[90]

Crime, inequity and poverty in cities are two sides of the same coin.[91] These are phenomena between which there is a clear link, although this link is neither causal nor direct. Examining the UN-Habitat database and the homicide rates recorded in a number of cities in the region, this positive correlation between the two can be confirmed – a relation which is not always conclusive and which, in certain cases, produces negative, insignificant and even anomalous results.[92] In some of the cities for which reliable information is available, straight downward lines can be observed, both for inequality and for homicide rates (see Graph 10). Such is the case of Belo Horizonte, capital of the Brazilian state of Minas Gerais, which succeeded in almost halving its homicide rate, reducing it from 65 per 100,000 inhabitants in 2004, to 38 in 2009. Inequality decreased simultaneously from 0.607 to 0.567 within the same period.[93] Elsewhere, São Paulo recorded outstanding progress in violence reduction, going from 65 homicides in the year 2000 to only 15 in the year 2009 – the same period during which income concentration reduced by 7 per cent. Other studies into intra-urban disparities and the mortality rates by homicide in this megacity demonstrate clear and significant correlation between mortality rates by intentional homicide and socioeconomic development indicators, including income inequality.[94] Elsewhere in Brazil, the city of Rio de Janeiro revealed downward trends for these two variables, with an average reduction in the homicide rate of 47 per cent between 2000 and 2009 and a reduction of 4 per cent in the Gini coefficient.[95] On the Atlantic coast to the north-east of Brazil, the city of Recife experienced a relatively solid reduction in inequality levels (8 percentage points) between 1990 and 2009, without a similar reduction in the violence indicator. However, the downward trend in the curve of this indicator (the homicide rate fell from 97 to 72 per 100,000 inhabitants in the first decade of the new millennium), is almost four times higher than the national average.[96] A similar behaviour in the two trends was observed in the Colombian capital, Bogotá, where it is somewhat noteworthy that in 2000, intentional homicides fell from 35 to 21 per 100,000, whilst the inequality coefficient dropped from 0.611 to 0.544.

Graph 10 also presented cities in which upward trends in both indicators prevail. Such trends are an expression of another form of positive correlation between the two variables. A case in point is Medellín, where after reporting unprecedented levels of violence between 2000 and 2002 (with between 160 and 180 homicides per 100,000 inhabitants, perhaps one of the highest homicide rates in the region at that time), a policy promoting the demobilization of illegal armed groups was put into place, and was combined with the development of a culture of citizen security and the promotion of preventive measures.[97] By 2007, the homicide rate had decreased to 34 per 100,000, but it subsequently began to increase sharply, peaking at around 90.[98] In this same period, income inequality suffered a slight increase of 4 per cent which saw the capital of the province of Antioquia become the most unequal city in the country. In Brazil, the city of Curitiba witnessed the most significant increase in inequality of the whole nation (20 per cent between 1990 and 2009). This was an increased which propelled the city from the "Very High Inequality" group to the "Extreme Inequality" category. In this period of nearly 20 years, violence in the city doubled, making the capital of the state of Paraná one of the five urban centres with the highest crime rates in the country.[99] Elsewhere, Brasilia witnessed an increase in income concentration of around 10 per cent. Whilst this did not translate into an overall increase in crime, some of its satellite cities displayed crime rates which were double the average of the federal capital.

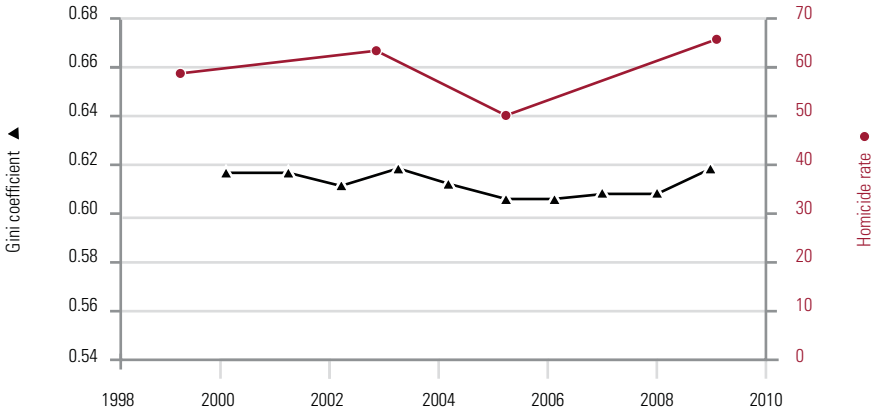
[89] PNUD, 2006.
[90] Rebossio A., 2011. In 2002, Argentina recorded its highest-ever intentional homicide rate (9.2 for every 100,000 inhabitants). Between 1995 and 2001, the recorded average was 7.9. See the UNODC database, 2013.
[91] Ezequiel N,. 20.
[92] This is the case, for example, for the city of Caracas which, as we have seen in Chapter 3, produces a negative correlation: increase in homicides and reduction of the Gini coefficient.
[93] The inequality values used are the Gini coefficients and form part of the UN-Habitat database (2013). The homicide rates were taken the Map of Violence produced by the Brazilian Centre for Latin American studies (CEBELA, FLASCO, 2013).
[94] Peres M., Cardia N. et al, 1998.
[95] The homicide rate fell from 57 per 100,000 inhabitants in the year 2000, to 31 in 2009. The Gini coefficient dropped from 0.607 to 0.580 in the same period.
[96] UNODC, 2013.
[97] Velásquez A., García V., 2008.
[98] Policía Nacional and Dane, 2012.
[99] The Gini coefficient rose from 0.561 (Group 5) in 1990 to 0.672 in 2009. The intentional homicide rates increased from 26 to 57 during the same years of reference.

Graph 10: Inequality and violence in selected Latin American cities (around 2000-2010)

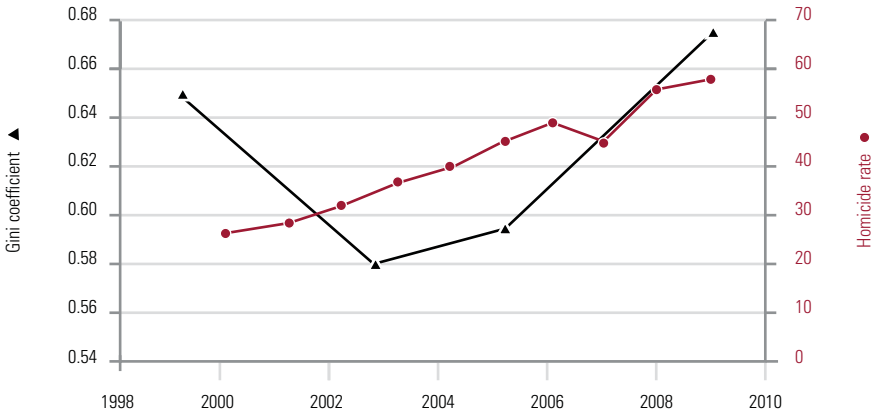


An increase in inequalities and the homicide rate

Brasilia (BRA)



Curitiba (BRA)



Source: UN-Habitat, Global Urban Observatory, 2013, Gini coefficient, UN-Habitat, Colombia:, Cali Municipality, Brazil: Map of Violence, 2012.

At this juncture it is appropriate to underline that violence and lack of security in their various forms and manifestations generate high social and economic costs. In spite of the methodological difficulties encountered, in a comparative study produced in the 1990s the IDB concluded that these variables represented 25 per cent of GDP in El Salvador and Colombia, 12 per cent in Venezuela and Mexico and 10 per cent in Brazil.[100] There is no doubt that these costs are distributed inequitably throughout society and tend to generate new inequalities, which significantly impedes the development of the region.

There are major disparities which exist in Latin American cities between the rich and poor sectors of the population, a context which creates an urban landscape of segregation and difference. Not only are public goods and services distributed unequally, but systems of protection and surveillance are also the privilege of certain minorities. It is clear that levels of security in the majority of disadvantaged areas falls consistently below average security levels. This in turn introduces new forms of inequity into the environment which in this case are linked to the distribution of police resources.[101] It consequently comes as no surprise that members of the lowest-income households are those who experience greater fear. To cite just one example, according to Santiago's Citizen Peace Index, the majority of citizens living in the south-eastern and western areas of the city (the most vulnerable), acknowledged that they lived with a "high level of fear", whilst only 7 per cent of those living in the higher-income districts in the north-east of the city shared this sentiment.[102]

Despite the crucially important nature of this issue, very few studies provide a systematic analysis of the relationship between crime rates and the social programmes implemented at city level. One study which did so was conducted in Buenos Aires. The study evaluated the impact of the *Plan Jefas y Jefes de hogar desocupados* (Unemployed Heads of Household Plan),[103] and estimated the causal link between this plan and the crime rate in general and the rate of crimes against property in particular. The results produced are interesting from a number of perspectives: overall crime and crimes against property decreased by 0.6 and 0.7 per cent respectively following the implementation of this social welfare plan.[104] It is thus evident that social policies do have a positive impact on crime rates and that, as such, they are equally relevant to the fight against crime as traditional security policies.[105] Unfortunately, it is not possible to conduct a more extensive evaluation of the impact of this type of programmes, as data pertaining to the majority of cities are rare. The need to clarify the nature of this relationship and ascertain the factors which truly explain the lack of security and inequality reduction is of paramount importance in the Latin American societies of today.

Fortaleza, Brazil. Goods and services are unequally distributed.
© Eduardo López Moreno.

[100] Arriagada I., Godoy L., 1999.
[101] Ibid.
[102] Contreras D., Sepúlveda P., 2013.
[103] The Unemployed Heads of Household Plan was implemented within the context of the economic crisis, in order to alleviate the effects of unemployment and the income shortfalls which household suffered. The plan did have a positive impact on crime reduction.
[104] Gasparini L., 2013.
[105] Ibid.

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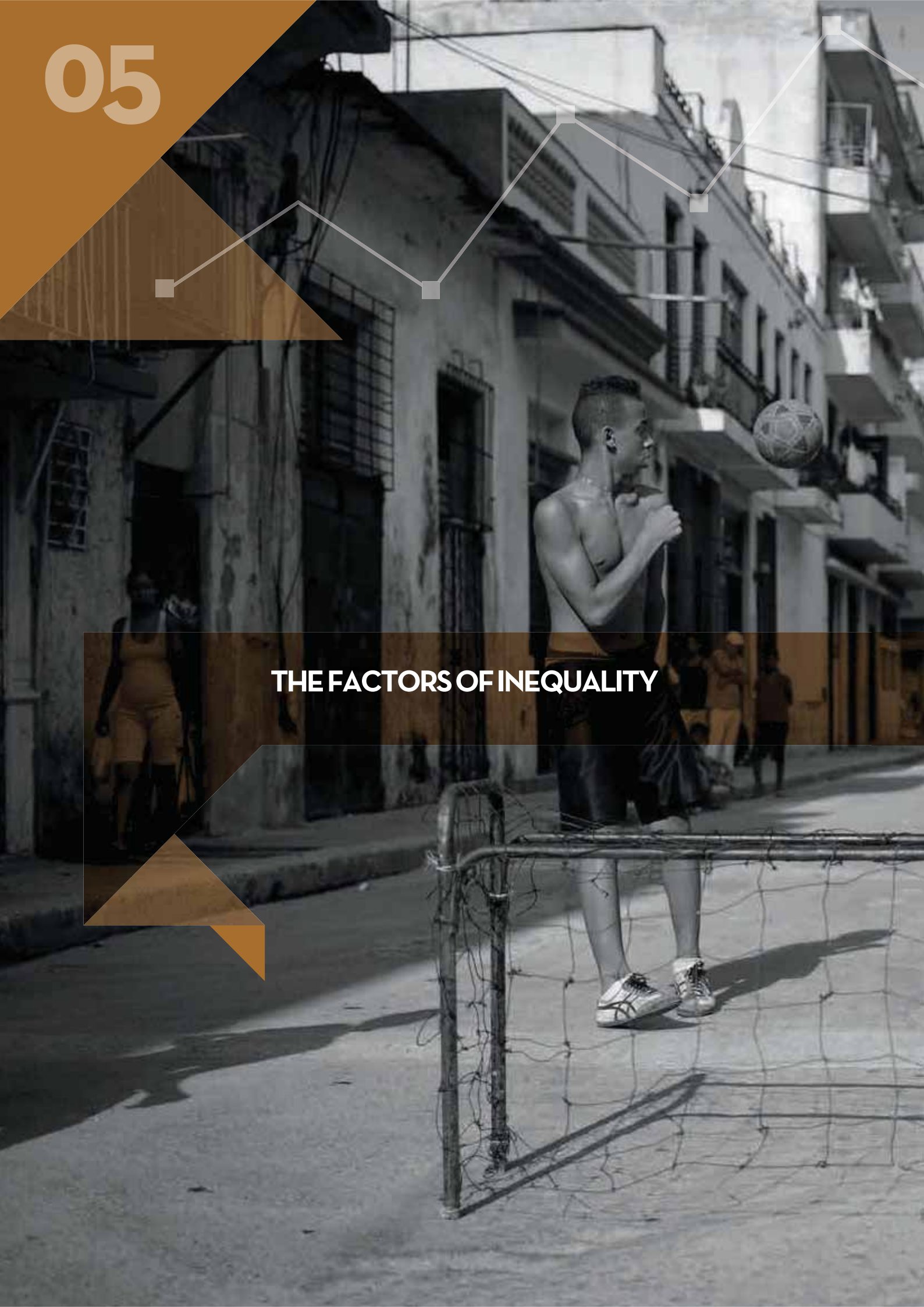
05

THE FACTORS OF INEQUALITY



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CHAPTER 05

THE **FACTORS** OF **INEQUALITY**

New causes of inequality connected to the use of technology, access to knowledge, advanced corporate services, financial innovations and the role of consultancy services in decision-making processes have emerged.

Mexico City, Mexico. In 6 out of every 10 cities in the region inequality reduced, in 5 it increased and in 1 it remained stable.

Income inequality has decreased in at least 6 out of every 10 Latin American urban centres over the course of the last two decades. It is appropriate to note that these positive changes were not the result of an accidental or sudden process. Rather, the implementation of certain public policies in the economic, social, cultural and spatial spheres contributed to the narrowing of social divides.

Little by little, the Latin American and Caribbean region is beginning to consolidate its image as a region capable of closing the income gap in order to construct a more egalitarian society. The cities of that society can glimpse the possibility of a shared destiny based on a common commitment to greater justice and equity which translates into equal opportunities for all. However, this vision is often diluted by the sudden onslaught of other types of policies and practices which consolidate high inequality levels and favour those at the top of the pyramid. It is for this reason that over the course of the same two decades, inequalities increased in just over a third of the region's cities. The prevailing situation caused the income of those at the bottom of the pyramid to decrease or remain stable.

In spite of these changes, the traditional causes of inequality continue to pervade the region's societies to a greater or lesser extent. These include the concentration of land, the control of resources, inequalities in accumulated human capital, rent capture, gender inequality and the monopolization of productive assets. New causes of inequality have also emerged. These are connected to the use of technology, access to knowledge, advanced corporate services, financial innovations and the role of consultancy services in the decision-making process.[1] An analysis of the region thus reveals how both traditional and emerging factors are working together to produce a variety of social inequalities, each with their own logic and intertwined with the various forms of economic inequality already in existence.[2]

The aim of this chapter is to analyse the factors which generate inequalities. Beyond direct and empirical observations pertaining strictly to the economic factors which explain inequality, much progress has been made regarding explanations of the social, political, spatial and institutional contexts in which such inequalities are both created and consolidated.

This publication adopts an approach different to that used in other studies of inequality which have focused on labour-related aspects of the phenomenon and the analysis of national policies, evaluated in the light of average situations. By taking account of the fact that highly unequal cities and other, more egalitarian urban centres often exist within individual countries, this chapter presents a differentiated analysis of the factors which interact within national and local spheres. Examining the problem at city level makes it possible to design public policies which address the various territorial challenges of equitable development.[3] Such an approach ensures that national responses are more closely aligned with the realities and requirements of each urban centre, and that they better exploit the potential of each.

Inequality has deep, historical roots and dominates in contemporary institutions.

Previous studies have evaluated inequalities between individual nations. These include both the performances of their various socioeconomic indicators (including income inequality) and the differences between rates which reflect changes in certain variables (as well as the causes of such fluctuations).[4] In addition to these overall differences between nations, it is clear that inequalities are also present within national borders. The previous chapters of this book revealed the significant variances reported between the inequality coefficients of individual cities, concealed by national averages. This chapter now seeks to conduct a more in-depth analysis of both general factors of inequality and those of a more localized nature, with a view to investigating the causes of the gaps which exist between both countries and cities.

In a recent study on inequality in Latin America, the World Bank noted that the genesis of the current structures of inequality dated back to the region's colonial past (2003). Such a genesis means that "inequality has deep, historical roots and dominates in contemporary institutions".[5] Many other studies have linked history, institutions and power as factors which explain inequality in the region.[6] In a pioneering study on inequality in Latin America (1999), the IDB stated that "inequality is linked, on the one hand, to a range of dimensions of the state of economic and social development and, on the other, to more permanent characteristics of the countries relating to natural resource endowment; its geographic location and other characteristics of the productive resources" (which were called endowments in the study).[7] According to the Bank, up to two thirds of inequality can be explained by endowments "the influence of which on income distribution has occurred historically through varying institutional and political channels".[8]

[1] Sassen S., 2012.
[2] Fitoussi J. P. and Rosanvallon P., 1997.
[3] Rodríguez J., 2011.
[4] Ibid.
[5] Banco Mundial, 2003.
[6] There are various works which refer to the historical genesis of inequality in Latin America. See, for example, the study on inequality and education by Lindert, Peter (2010).
[7] BID, 1999.
[8] Ibid.

In the light of this analysis, it becomes logical to assume that the region's abundance of agricultural land, dependency on primary exports and geographical location (among other endowments) influence its economic institutions. As things stand, these factors continue to impact upon income distribution in the subcontinent and encourage the creation of opportunities in certain parts of national territory to the detriment of others.[9]

Similarly, the OECD recognizes that the economic institutions and policies play a significant role in labour inequality (2011).[10] Factors such as the presence of trade unions, employment protection, taxes on earnings, the levels and duration of benefit replacement rates and the minimum wage all affect salary differentials. Public policies also influence both the degree of competition and the emergence of comparative advantages within labour markets.

In one of the first studies to explore the factors behind inequality reduction in Latin America, three explanatory variables were highlighted: I) returns on education, expressed in the form of salaries which vary according to level of qualification achieved; II) state action in the form of transfers to the poor, and III) a number of institutional factors, such as unionization and the minimum wage.[11]

None of these studies produced a city-level diagnosis of inequality. Nor did they examine the factors which produce such marked territorial differences. Neither did they offer explanations for the fact that in 7 in 12 countries in the region, levels of inequality in the urban centres within national borders can differ by more than 50 per cent. In another four countries, the differences between urban inequality levels hover around the 25 per cent mark and in only one are they similar. Similarly, the analyses of labour income inequalities conducted to date lack systematic explanations of the divergences which may arise in the evolution of wages or profits in cities in the same country. It would be expected that such differences in these indices would be less pronounced given that similar education, labour and institutional policies have been implemented in those countries. Other explanations entirely absent from previous studies are those regarding the causes of such marked variations in returns on physical and financial capital as well as in the quantities transferred through public and private transfers in cities of the same country – transfers which, in principle, are mediated and harmonized by the redistributive functions of the state's economic policy.

It is striking, for example, that the Nicaraguan cities of León and Granada should register an increase in income inequality while the city of Managua experienced a decrease in the same phenomenon between 1993 and 2005. Such differences are ubiquitous among the inequality landscape of various cities within the countries of the region. It is equally pertinent to note that, despite the fact that in both Nicaragua and other Latin American countries similar labour and economic policies are implemented, the components of income tend to vary a great deal. To give just one example, between 1993 and 2005 in the cities of León and Granada, the contribution of wages to the total income decreased considerably, by 13.8 and 19.7 per cent respectively. In contrast, wages in the capital city increased slightly during the same period, rising 0.8 per cent. However, contrasting trends have not been recorded where solely wages are concerned. Such differing trends have also been observed in the profits of independent workers. While in León and Granada the contribution of such profits to total income increased by 5.8 and 12 per cent respectively, in Managua it fell by 7.3 per cent.

Other cities within the same country have observed contrasting developments regarding certain income streams. Between 1994 and 2010, the Argentinian cities of Neuquén and Río Gallegos reduced the contribution of wages to total income by 5.7 and 3.5 per cent, while in the cities of Mendoza and Resistencia this proportion increased significantly, to the tune of 14.4 and 9.9 per cent, between 2003 and 2010. In contrast, in the Peruvian cities of Iquitos and Cuzco, the contribution of profits to total income increased by 7 and 1 per cent respectively, while in the small city of Sullana it decreased by some 10 per cent. In some cases, trends evolved in the same direction but large discrepancies between cities were recorded. For example, the Chilean city of Chillán increased the contribution of wages to total income by some 21.1 per cent, whilst in Coronel and San Fernando, two similarly sized cities, this contribution increased by only 4.8 and 7 per cent. Significant differences were also observed regarding income streams which are not strictly labour-related. This was the case in the Argentinian city of Neuquén, where the contribution of capital returns to total income was 30 times higher than in Resistencia and six times higher than in Mendoza, which are in the same country. In contrast, the contribution of transfers to total income in Resistencia was double that recorded in Neuquén. Furthermore, the contribution of capital to total income was twice as large in Sucre (Bolivia) and Brasilia (Brazil) than it was in Guayaquil (Ecuador) and Belém (Brazil). Such marked variations in the factors which generate inequality in the cities of an individual nation demonstrate just how significant a role history, geography, internal migration and culture can play in both shaping institutions and the functioning of the market, as well as the influence they can have on methods of government and on ways of exercising power. Such differences are those which open up or limit opportunities, include or exclude social groups, encourage or stymy the growth of businesses and promote or hinder the distribution of income.

[9] This is the case in Peru, which has undergone coastal development at the expense of its highland areas in such a way that the Andean economy is becoming modernized at a slower pace than the coast and, in particular, the population of the capital which is where the political, economic and social power has accumulated. BID, 1999.
[10] OECD, 2011.
[11] López Calva and Lustig, 2013.

The study produced by UN-Habitat and CAF seeks to investigate the differences in income distribution in cities and offer explanations as to the factors which create these disparities. In addition to examining labour-related aspects of income distribution (analysis of income composition by source, trends in income concentration by decile and changes in labour structure, etc.), the study also addresses non-labour aspects of the phenomenon (capital, remittances, transfers) linked to more structural issues, where institutions, policies and place play a decisive role.

Thanks to these new areas of focus, it is clearer today than ever before that inequality is not the result of inexorable market forces.[12] The experiences studied show that government action (on a local or national level) can reduce or, in certain cases, exacerbate inequality. It can also weaken, or indeed strengthen, its intergenerational transmission. In a just over a third (36%) of the cities which recorded increases in income polarization, it is patently clear that political systems failed. These systems proved incapable of reducing or limiting the negative externalities linked to the inefficiencies of the market. Neither did they succeed in protecting the social groups in receipt of the smallest salaries. It is likely that a number of plans and incentives have served to increase wealth concentration rather than to generate or distribute new wealth. It is also entirely possible that some decisions may have contributed to the consolidation of income systems which benefited an elite to the detriment of the majority. The factors identified as being responsible for the exacerbation of inequalities in the region include the following: a number of public subsidies were granted to those who did not require them; indiscriminate deregulation further consolidated systems of privilege; investments in infrastructure were made in areas where productive activity was low or where they were not necessary; resources were not prudently allocated; regional and local programmes were poorly designed; and social systems were plagued by a number shortcomings. In cities where inequality levels increased, equity was not factored into the development equation and, if it was, it was given only superficial consideration. As a result, the cumulative impacts of political decisions ultimately benefited certain economic and politically powerful groups.

In order to produce a more detailed diagnosis of the causes of inequality, it is pertinent to recommend that the study of the factors which generate inequality in Latin American cities explores some of the elements closely related to both labour and non-labour income, all of which are connected to the economic policy of redistribution.[13] The more conventional factors which have historically played a decisive role in reducing inequality, such as education, social growth and access to opportunities, must also be examined. It is also recommended that the role which technology, knowledge, finance and other aspects of the so-called modern economy play in the creation or possible reduction of inequality be incorporated into this study. All of these factors have their own, unique impact on the local environment. Sometimes their impact is diluted and sometimes it is reinforced. On other occasions they combine together or interact in an isolated way. At certain points in time, they can have either regressive or progressive effects. Whatever specific role these factors play, it is an indisputable fact that such a unique, diverse local context creates a differentiated geography of inequality. Income inequality, as well as unequal access to resources, opportunities and physical and productive assets, generates inequalities which the urban space can either compound or reduce, and in doing so, this space itself becomes a factor of inequality. In other words, inequality stems from one place in particular – a place which in this study we call the city.

Mexico City, Mexico. The integration of ethnic minorities is fundamental to ensure equity in cities.
© Eduardo López Moreno.

[12] Stiglitz, 2012.
[13] López Calva and Lustig, 2013.

THE INFLUENCE OF LABOUR AND NON-LABOUR INCOME IN THE GENERATION OF INEQUALITY

The most immediate determinants of inequality are related to labour income, particularly wages and profits, and non-labour income, comprising capital, transfers and other sources such as remittances. Together, these components constitute the so-called income streams.[14]

When examining the variables, it must be borne in mind that labour income is directly affected by the dynamics of the labour market: production factors, an increase in supply of and/or demand for employment, the formalization and protection of jobs, average salary increases, etc.

According to conventional theory, inequalities result from the differences created by the market and its flaws, the polarization of employment, the differing levels of productivity among workers and the payment of so-called "efficiency wages" – payment incentives not necessarily determined by labour-related supply and demand. These are bonuses paid by the employer in addition to the equilibrium wage with a view to increasing productivity and efficiency. It is for this reason that in the quest for productivity, higher wages are paid – a practice which tends to generate inequalities. Some economists consider this payment to be a form of market inefficiency. One such economist is Joseph Stiglitz. In his most recent book, *The Price of Inequality,* Stiglitz argues that efficiency wages discourage workers, reduce incentives for the poor and raise the cost of loans which, in turn, generates greater inequality.[15] In various countries and cities, these market distortions and flaws are adjusted by the institutions of the labour market, as well as by regulations and policies which seek to reduce differences and protect wages in order to minimize inequalities.

As far as non-labour income is concerned, it comprises a vast range of sources: returns on physical and financial capital (interest, earnings and rental income), which are inequitable by nature and are often underestimated; private transfers, chiefly comprised of remittances and royalties (whilst, in principle, such transfers favour equality, in some cities they tend to generate inequality) and public transfers. The latter can involve money from contributory or non-contributory funds. In general, they are monetary or quasi-monetary transfers,[16] but in some countries they are transfers in kind.[17] It should be noted that monetary transfers often have a progressive impact. The other varieties of transfer tend to favour those with relatively minor needs and foster the unequal treatment of social groups, benefiting those with greater resources.[18]

One study providing data appropriate for the evaluation of how labour income influences inequality reduction was conducted in Brazil by the IPEA (2007). This investigation concluded that, between 2000 and 2005, the contribution of labour-related sources to total income was between 32 and 46 per cent, while non-labour income generated between 42 and 48 per cent of the total.[19]

Furthermore, according to the analysis produced using the region's Gini coefficient, each income stream varies not only in terms of the extent to which it contributes to household income,[20] but also in terms of its contribution to the calculation of the inequality coefficient. A breakdown of income streams reveals significant variations between countries and cities. For example, according to data reported in 2005, wages accounted, on average, for 29 per cent of income in the urban centres of the Dominican Republic and for up to 74 per cent of income in Costa Rica's urban centres. Similarly, the profits of independent workers in urban Mexico fluctuated around a minimum of 11 per cent according to data from 2010 – a year in which profits constituted the third largest income stream. The contribution of such earnings to total income climbed as high as 54 per cent in the urban centres of the Dominican Republic, where they constituted the largest income stream in that year. This same study revealed that transfers were almost non-existent in Honduran cities.

However, they did account for around 4 per cent of income in the urban areas of El Salvador and Peru and constituted a surprising 23 per cent of total income in Uruguayan cities in 2010. Furthermore, major divergences were noticeable in the income streams classed as "other" – mainly remittances and royalties. In the urban areas of Ecuador, "other" accounted for less than 2 per cent of total income, whilst in Mexico their share was almost 15 times larger in size. Returns on capital and their contribution to total income also vary considerably. In 2005, these sources accounted for 12.7 per cent of income in Brazilian cities, whilst in the cities of Panama, their contribution to income reached only 1.4 per cent in the same year.

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[14] The breakdown of sources of income depends on the method of analysis proposed and the availability of information from household surveys. In a study on changes in the distribution of family income in Costa Rica, 10 to 12 elements are used. See Trejos J.D. and Oviedo L.A., 2012. In this book, five sources, described in Box 1, have been used.

[15] Stiglitz, 2012.

[16] Quasi-monetary transfers are subsidies for the purchase of consumer goods, such as food and energy, the sale of products, the purchase of basic goods and the transfer of basic goods such as school lunches and education grants. PNUD, 2011.

[17] This is the case, for example, in Peru. See the work of López L. F and Lustig N., 2013.

[18] PNUD, 2011.

[19] IPEA, 2007.

[20] It is important to clarify that household surveys in Latin America adopt different methodologies in order to study the contributions made by various income streams. This could create certain discrepancies in the results (Beccaria and Gluzmann, 2013).

Variations between individual cities seem no less significant. Such diversity in the influence and evolution of income flows enables the detection of equality-promoting factors, as well as those which exacerbate inequalities in urban centres.[21] An analysis at this level provides information which is useful for the decision-making process and which considers local, not necessarily labour-related, phenomena such as the evolution of political power, social changes, public expenditure and demographic issues, among others.[22]

Box 1: Composition of total income by income stream

The Gini coefficient was calculated taking five distinct components into account. Each one of these components was an income stream. A household's primary income depends on the participation in the labour market of each of its members and comprises wages and returns on labour income, profits, capital income and other related income.

These are the definitions used for each source:

1. ***Wages:*** the income received by persons who are in a situation of labour dependency. They are known as salary earners. Wages originate in the labour market of employed individuals.
2. ***Profits:*** the income received by independent or autonomous workers. Profits are considered to be the entrepreneurial income of these workers.
3. ***Capital:*** fixed-term property income, fixed-term investments and interest received by households.
4. ***Transfers:*** transfers to households, including retirement benefits, pensions, insurance and compensation, education grants, private transfers and public monetary transfers. This book considers there to be six main types of transfer flows to households, depending on the country:
   - (a) Retirement benefit income: deferred payments for work undertaken which can come from contributory, non-contributory, mixed, public or private mechanisms. Household surveys do not distinguish between income sources, particularly those which are strictly "returns" on contributions and solidarity-based payments. Neither do they consider whether redistribution depends on public resources financed by general taxation, social solidarity funds or intergenerational solidarity mechanisms.
   - (b) Income from pensions: these include old-age pensions, disability pensions and widow/ers' pensions, child support, alimony and others. The majority of these income sources are non-contributory, and mandatory in the case of transfers between private households. Not all surveys make a distinction between retirement benefits and pensions.
   - (c) Income from insurance and compensation: most income in this category is derived from transfers linked to the private insurance market in the fields of employment and health. Public resources also have a role to play; for example, through the financing of unemployment insurance.
   - (d) Income from education grants: this category has been separated from the other income components as it is not conceptually comparable. The surveys do not consider whether grants are public or private, whether they are rewards based on academic performance or whether they tend to be non-transferable in nature.
   - (e) Income from private welfare transfers: these include all forms of monetary transfers by civil society organizations, particularly religious institutions and domestic and foreign non-governmental organizations. It was not always possible to treat all of these types of transfer separately, or to distinguish them from private household gifts.
   - (f) Income from public welfare transfers: these include monetary transfers under public social programmes and subsidies, some of which do not involve an actual transfer but rather a reduction in the cost of accessing public services.

[21] The breakdown of inequality by income stream makes it possible to determine how and where inequality originated. This makes it possible to understand what share of the total inequality can be attributed to the inequality in some components or income streams. Box 1 explains the breakdown of these sources and the methodological definitions adopted.

[22] Some factors can be considered exogenous, including forced migration and armed violence in Medellín. Such factors undoubtedly impact upon the behaviour of income streams.

5. ***Other:*** this can include remittances and national and international royalties, depending on the information available. Some household surveys do not make a specific distinction between remittances from family members and gifts given to households as part of community redistribution mechanisms. In addition, where such information is available, this income flow can include imputed rent.

In countries in which some non-monetary income can be measured and evaluated, there is no way to be certain that total available income can be calculated, as not all non-commercial services are included. Finally, not only should it be borne in mind that not all transfers can be measured, but the fact that some can be underestimated due to incorrect income statements in the surveys should also be considered.

Note on the comparability of data: as the surveys are based on a sample, some transfers to minority groups can appear insufficiently represented in terms of coverage and the total volume of resources involved. Following standard ECLAC practice, corrections were applied to the data due to the low rate of response to a number of questions relating to income among salary earners, independent workers and retired persons. Such corrections also served to minimize the bias likely caused by under-declaring. The corrections were applied by comparing the survey's income streams with estimations of revenue account statements and with household expenditure as detailed in the national accounts system. This comparison was developed specifically for our purpose and performed using official information. Consequently, we can be relatively certain that the concepts used in different countries' household surveys correspond to one another. Another factor which enables comparisons of income distribution data for different countries is that of household income per capita. This process circumvents the problems associated with the extremely diverse composition of households in Latin America. Indeed, household size and composition varies significantly throughout the region. For example, there are considerable differences in average household size between countries of South America and Central American nations.

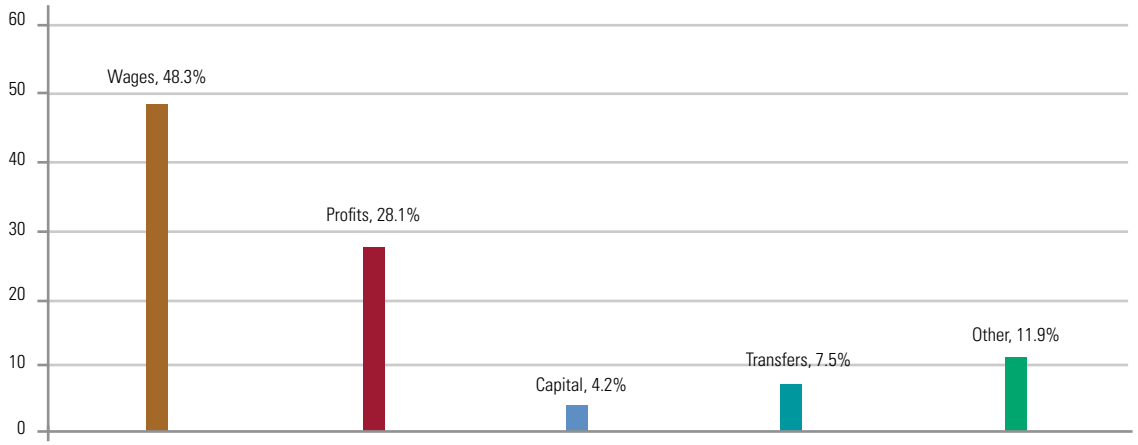
Source: CEPAL, 2013.

THE EVOLUTION OF INCOME STREAMS AT NATIONAL LEVEL

Most inequality studies agree that labour income[23] (wages and profits) accounts for the largest share of overall household income.[24] As a regional urban aggregate, labour income accounted for an average of 76.4 per cent of total household income between the 1990s and the end of 2010. Wages represented 48.3 per cent of this total, and profits 28.1 per cent (see Graph 1). The remainder of total income (23.6 per cent) was generated by the various non-labour sources. The largest of these, and the third largest contributor to total household income, was the "other" category. As has already been seen, this mainly refers to remittances, royalties and gifts to households (and represented 11.9 per cent). Transfers were the fourth largest income stream, followed by return on capital. They accounted for 7.5 and 4.2 per cent of total income respectively, during the same period (see Graph 1).

As shown in Graph 2, the relative significance of each component in terms of its contribution to inequality varied significantly during this 20-year period, as measured by the Gini coefficient. Wages, which, on average, had accounted for 48.3 per cent of total income, reduced their share of the Gini coefficient to 43.4 per cent in the same period of analysis. As far as profits are concerned, they accounted for 28.1 per cent of total income and 31.2 per cent of the Gini coefficient. On the one hand, these changes demonstrate the equalizing role played by wages, whose contribution to inequality reduced by 4.8 percentage points. On the other, they clearly highlight the potential of profits to generate inequality – their contribution to the Gini coefficient increased 3 per cent more than their contribution to total income. The profits of independent workers – including those of self-employed and non-salaried employees – tend to generate more diversified, and consequently more unequal, income.

Graph 1: Income streams, average contribution to total income. Latin American cities. The beginning of the 1990s to around 2010.

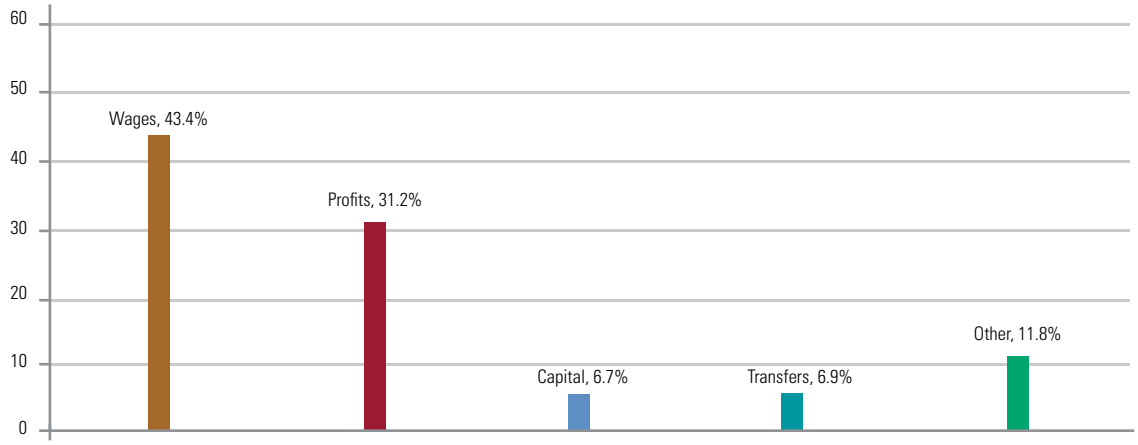


Source: UN-Habitat, Global Urban Observatory, 2013.

Labour income accounts for the largest share of overall household income.

[23] The occupational category of employer is included in labour income.
[24] This income comprises all monetary and non-monetary income derived from principal and secondary, salaried and self-employed labour.

Graph 2: Income streams, average contribution to Gini coefficient. Latin American cities. The beginning of the 1990s to around 2010.



Source: UN-Habitat, Global Urban Observatory, 2013.

As far as the aggregated regional urban average is concerned, returns on capital accounted for 4.2 per cent of total household income between 1990 and 2010. The very fact that capital is concentrated in the hands of an elite few meant that its share of the Gini coefficient increased by 55 per cent and, as a result, its contribution to the generation of inequality rose to 6.7 per cent (see Graphs 1 and 2). Transfers accounted for 7.5 per cent of the total income of Latin American households in the same years of reference. Furthermore, despite the fact that in various countries such as Mexico, Brazil, Argentina and Uruguay transfers have played a crucial role in reducing inequality (estimated as an urban regional aggregate value, their contribution to the generation of inequality is relatively high, at 6.9 per cent), the difference between the contribution of transfers to income and their contribution to the Gini coefficient is minimal (0.6). It can thus be inferred that, with the exception of the countries mentioned above, transfers have not had an equalizing effect in the rest of the region. In this context, it is appropriate to add that, in addition to the potential regressive distribution of some government transfer policies, the tendency of the income streams in this category to increase inequality is largely undoubtedly due to the generation of inequality by the pension system on the subcontinent.

Santa Marta, Colombia. Salary protection is a mechanism which contributes to reducing the inefficiencies of the labour market.

INCOME STREAMS IN CITIES WITH GREATER INEQUALITY

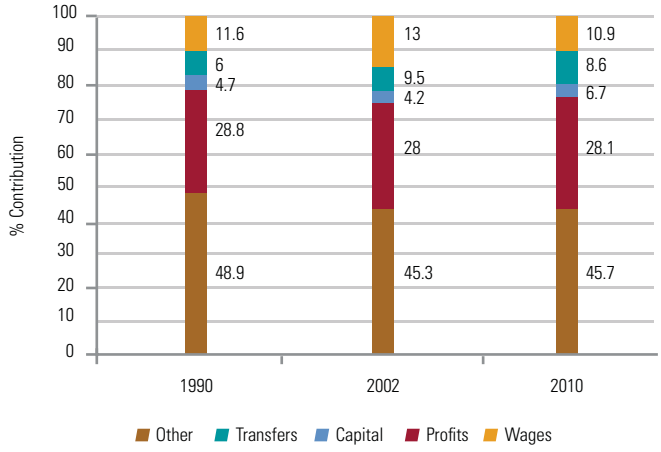
The reduction of wages' contribution to income and the contribution of profits to inequality.

What follows are the details of an interesting finding, provided to illustrate the effect of income streams on urban life. Of the 284 cities in the sample used in this study, 21 recorded significant increases in their inequality coefficients. The average Gini coefficient for these cities rose from 0.457 to 0.526, which represented a 15 per cent increase between 1990 and 2010. During this upward trend, wages were proportionally affected, and these changes saw their average contribution to total household income fall from 48.9 to 45.6 per cent. The loss of more stable and regulated wages in the majority of countries became a significant factor of inequality. However, it must be stressed that these changes occurred between the 1990s and 2002, when the largest increases in inequality in these cities were recorded. In this period, wages fell by 3.5 percentage points. However, in the following decade (2002-2010), wages demonstrated a slight overall increase (0.6 percentage points), while a moderate reduction in inequality levels was observed.

Despite the fact that in 2002 the contribution of wages to total income was smaller than it had been in the early 1990s (45.4 vs. 48.9 per cent, see Graphs 3 and 4), their contribution to the Gini coefficient was slightly greater (41.2 vs. 40.2 per cent). According to research, the fact that wages were seen to increase inequality during this period can be attributed to the implementation of neoliberal cuts, which became increasingly severe in the majority of the region's countries in the mid-1990s. These policies tended to liberalize trade, make savings and reduce the workforce, which in turn eroded the protection and representation which workers had previously been afforded. As part of these strategies, a process of economic restructuring was set in motion, and this brought with it the reduction of manufacturing activity and the expansion of the tertiary sector. According to ECLAC, non-productive, or "white collar", salaries increased more quickly than productive, or "blue collar", salaries. However, in addition to the effect of neoliberal policies, the implementation of new technologies in a number of sectors and returns of education and skill development may have also played their part.

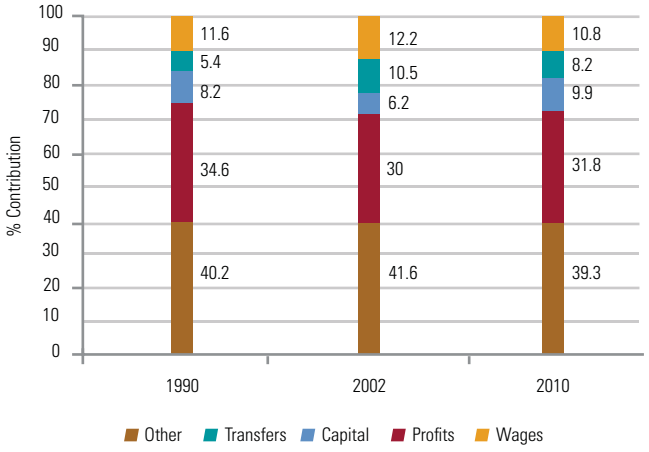
Moreover, ECLAC estimates that differences in employment levels, documented as a consequence of the polarization of labour, were responsible for 15 per cent of total inequality in this period.[25] These data thus reveal that the increasing disparity between the salaries of more and less highly qualified workers was one factor contributing to the rise in inequality.

Graph 3: Average contribution of income streams to total income creation, cities which recorded the largest increase in inequalities in Latin America. (Around 1990 – 2002 – 2010).



Source: UN-Habitat, Global Urban Observatory, 2013.

Graph 4: Average contribution of the income streams to the Gini coefficient, cities which recorded the largest increase in inequalities in Latin America (around 1990-2002-2010).



Source: UN-Habitat, Global Urban Observatory, 2013.

[25] ECLAC, 1998.

A closer examination of the indices at city level reveals a widening salary gap, as illustrated by the following examples. The case of the medium-sized city of León in Nicaragua merits analysis, as wages as an income stream in the city plummeted by 29 per cent between 1998 and 2005. During this same period, income distribution deteriorated by 9 per cent.[26] An analysis of the economic landscape in the city at the time shows that employment grew more slowly than the economically active population and that a large majority of jobs were concentrated in the informal sector. Consequently, the contribution made by independent workers' profits to total household income increased by 17 per cent. By 2005, the last year for which data for this country are available, profits had come to be one of the income streams responsible for gaping inequalities.

The Gini coefficient for profits was over 0.7, which meant that this income stream had generated up to two thirds of the inequality recorded. Between 2001 and 2005, the income received by the richest decile increased by 187 per cent, whilst that of the poorest decile rose by just 3 per cent. It is likely that the growing income gap may to some extent have been buffered by the increase in "other" non-labour income streams, chiefly remittances. At that time, this component in particular recorded very high values, ultimately accounting for some 17.2 per cent of labour income. Despite the fact that the country was strengthening its social policy during this period by increasing the supply of goods and services such as healthcare, water and sanitation, housing and social protection, the low financial sustainability of its programmes[27] and the limited reach of the state, particularly in secondary cities, prevented the benefits of this social policy from spreading to populations such as that of León.

To give another example, Argentina's urban centres recorded a significant reduction in inequality between 2002 and 2010 (around 12 per cent). Wages played a significant role in this change as their contribution to total income increased by 27 per cent (wages went from 38 per cent to 48.1 per cent of total income). Nevertheless, despite the positive changes underway in the country as a whole, inequality in two relatively small cities, Nequén and Río Gallegos, increased in the reference period mentioned above: wages' share of total income in these two cities decreased by 18 and 5 per cent respectively. This situation may have been responsible for a sharp rise in inequality in these cities (inequality grew by 14 per cent between 2002 and 2010). Furthermore, while the income of the poorest decile (D^1) increased twice as quickly as that of the richest decile (D^{10}) in the country's urban areas, the income of the poor decreased by 42 per cent in Nequén and Río Gallegos.

With the expansion of social programmes and the provision of public goods, it is hoped that both the income and the consumption gap will narrow in the coming years.

Another example worthy of note is that of Colombia. According to the reports studied, all urban centres in Colombia developed inequalities between 1991 and 2010 (inequality levels rose by 14.5 per cent on average). However, the real growth of the income gap occurred in the 1990s, when inequality grew increased by up to 85 per cent of its original level. In the following decade the trend started to reverse, despite the fact that a small increase in inequality was still recorded, which accounted for the remaining 15 per cent. Over the course of this period, wages' total contribution to income gradually decreased, falling 14 per cent overall. At the same time, the profits of independent workers, with a certain regressive capacity, increased considerably (31 per cent). In sum, as these figures indicate, the real drop in wages and the simultaneous increase in profits occurred over the course of the 1990s, the period during which the most dramatic increases in inequality were recorded. Years later, throughout the first decade of the new millennium, the contributions of these income streams remained unchanged. It can thus be concluded that the reduction in the wages of salaried workers and the increase in the profits of independent workers were one cause of unequal growth in the country's urban centres. Indeed, in the Colombian cities in which greater inequality was generated, namely Ibagué and Medellín, this pattern is clearly visible. Ibagué, in the department of Tolima, saw its income gap widen considerably between 1991 and 2002, while wages' contribution to total income decreased by a third. Between these years, the richest decile (D^{10}) increased its income by up to ten times more than the poorest decile (D^1).[28] In the following decade, during

[26] However, between 1998 and 2005, income distribution in the country's urban centres decreased significantly, falling from 0.551 to 0.500. With average GDP growth of 4.5 per cent, this period saw significant advances made in social policy despite the very few resources available. The salary of the bottom decile (D^1) increased proportionally by 62 per cent, whilst that of the top decile (D^{10}) fell by 8 per cent.

[27] ECLAC has stated that between 2000 and 2005, social policy was mainly financed through donations and foreign loans, constituting between 7 and 9 per cent of the country's GDP. CEPAL, 2010.

[28] Between 1991 and 2002 the income of the richest decile increased by an average of 64 per cent, whilst the salary of the poorest decile increased by just 6 per cent.

which wages and profits remained relatively stable, the income of the poorest 10 per cent increased by 70 per cent while that of the richest 10 per cent rose by 44 per cent. There is no doubt that other factors played an important role in this equalizing process. A similar trend was observed in Medellín, the capital of the department of Antioquia. As inequality increased over the course of the 1990s (by an average of 20 per cent), wages decreased and profits rose (by 12 and 26 per cent respectively). In addition, it is appropriate to add that income polarization increased to a worrying extent as a consequence of other factors which increase inequality, namely the high concentration of productive assets, including land and large companies, and due to deregulation and tax exemptions for domestic and foreign companies and a system of privileges serving the interests of a small elite.[29] Furthermore, between 1991 and 2002, the income of the richest residents increased five times more than that of the poorest members of society. At the beginning of 2000, an active social agenda which significantly improved the provision of public goods successfully reversed this trend: for the first time in many years, the increase in the income received by the poorest members of society was greater than that enjoyed by the richest (47 vs. 26 per cent). However, between 2005 and 2010, the trend towards income concentration emerged once more, causing the poorest inhabitants of the city to lose part of their income in proportional terms (-6 per cent), while the income of the richest citizens increased (36 per cent). With the expansion of social programmes and the provision of public goods, it is hoped that both the income and the consumption gap will narrow in the coming years (see Box 2).

The increase in returns on capital

With the proportional reduction in wages as an income stream in the cities which generated the highest levels of inequality (-7 per cent over 20 years), other streams with greater power to concentrate income increased their contributions to the total figure recorded in nations in the region. This is the case with capital income, which, between 1991 and 2010, increased its share of the total by 1.8 points, going from 4.7 to 6.7 per cent.[30] This relatively low share reveals, among other things, the limitations that exist when capturing this non-labour income source. In this way, the regressive power of capital can be observed through its contribution to the Gini coefficient, which was almost double its contribution to income at the beginning of the 1990s (8.2 per cent) and close to half at the end of 2010 (9.9 per cent, see Graph 4).

In this context, returns on capital were largely responsible for the increasing concentration of income in various cities which generated greater inequality. This is the case of Sucre, Bolivia, a city which experienced a marginal increase in the income gap with a substantial increase in capital income, which almost doubled. In Neuquén and Río Gallegos, returns on capital contributed a surprising 49.7 and 34.1 per cent respectively to the Gini coefficient in 2010, making them the income source most responsible for inequality.

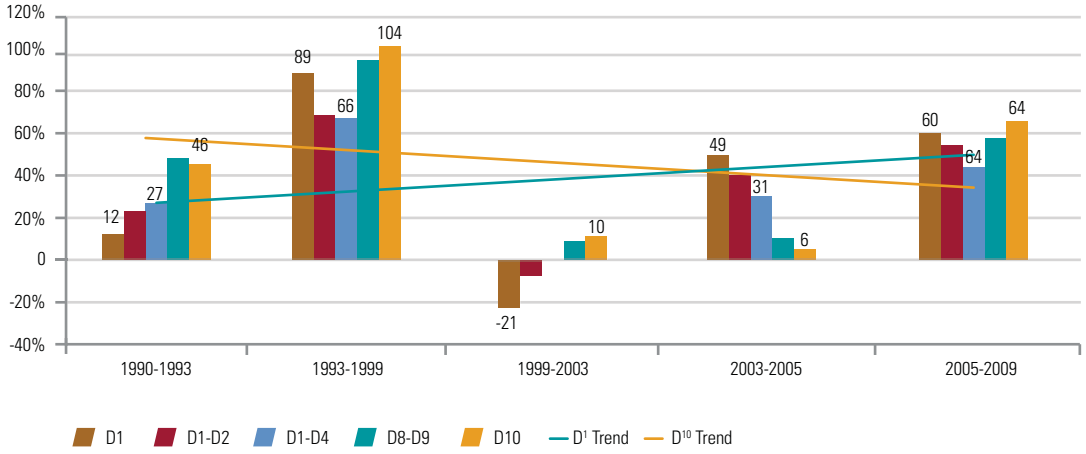
The experiences of Brasilia and Curitiba are also significant. These are two Brazilian cities whose inequality levels increased between 1990 and 2009 (10 and 20 per cent, respectively), while the income gap decreased in the rest of the country (6 per cent). In this almost 20-year period, return on capital in the two cities accounted for an average of 13.5 and 16.4 per cent of income, respectively – a percentage far above the national urban average (9.6 per cent). Capital displayed significant regressive power as it had a negative impact on the Gini coefficient: 14.5 per cent in Brasilia and 17.3 per cent in Curitiba. This and other factors contributed to income polarization in both cities. As Graphs 5 and 6 show, the pro-poor growth observed in the country's urban centres in the 2000s was not mirrored in the Brazilian capital. Between 1999 and 2003, the period prior to the economic crisis, the income of the pyramid's bottom decile decreased by 21 per cent while that received by the top decile increased by 10 per cent. Similarly, between 2005 and 2009, the income of the poorest 40 per cent in the country's capital increased by 43 per cent, while that of the richest citizens increased by 64 per cent. Conversely, in Brazil's urban centres, growth consistently benefitted the poorest 40 per cent, whose income increased by 40 per cent.

Returns on capital were largely responsible for the increasing concentration of income in various cities which generated greater inequality.

[29] It must be noted, however, that household surveys are not an effective way of documenting the income of the "very rich". This is due to a range of factors (see the works of Atkinson, Piketty, Saez). Some of these factors include the fact that the very rich are not surveyed for sampling reasons (the very rich are very low-frequency events, and as such, ordinary sampling methods do not capture them) and the fact that when this group are surveyed they grossly under-report their income and wealth, which results in the deficient recording of these variables. Furthermore, statistical agencies subject very high income to top coding (as part of their treatment of atypical values or outliers). Consequently, income never appears as high as it really is. In this part of the study, reference is made to a number of inequality-producing factors (the concentration of factors or of the ownership of very large companies, for example) which would only affect the income of the very rich and not that received by those included in the household survey. For example, according to Alvaredo and Londoño (2013), the household survey indicates that the richest 1 per cent of the population receives 13.5 per cent of total income, when in reality (according to income data from tax declarations) they receive more than 20 per cent. Note by Arreaza A., 2014.

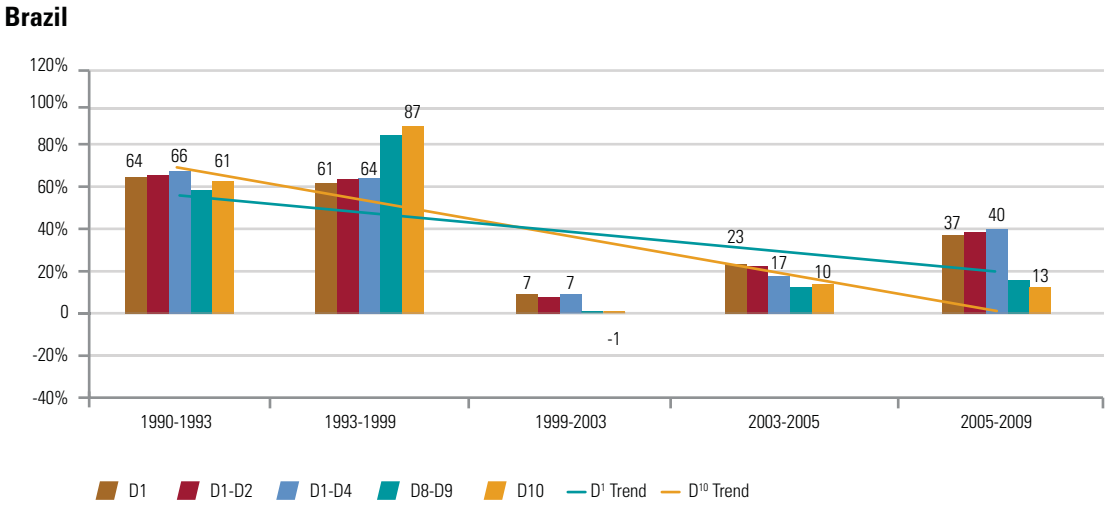
[30] A share which is undoubtedly higher if we consider that in the majority of countries and cities this income stream is underreported.

Graph 5: Brasilia, variations in income by decile. Various periods. (1990 – 2010)



Source: UN-Habitat, Global Urban Observatory, 2013

Graph 6: Brazil aggregated national urban data on variations in income by decile. Various years. (1990 – 2010)



Source: UN-Habitat, Global Urban Observatory, 2013.

Transfers which accentuate inequalities

Transfers are an eminently redistributive form of income. They comprise a plethora of assistance mechanisms which include retirement benefits, pensions,[31] insurance and compensation, as well as public transfers. According to the analysis undertaken in the 21 cities which witnessed the most marked increases in inequality, transfers accounted for an average 6 per cent of total income in the early 1990s and 8.6 per cent at the end of 2010. In theory, such an increase ought to have counteracted the increase in inequality. However, it appears instead to have caused inequality to rise. It is for this reason that the contribution of transfers to the Gini coefficent also increased, rising from 5.4 to 8.2 per cent in the reference period used (Graphs 3 and 4).

Moreover, in other cities which recorded unequal growth, it is possible that a reduction in transfers served to widen the income gap. This was the case in the Peruvian cities of Iquitos and Cuzco, for example, where this income stream decreased by almost half between 2003 and 2010.[32] However, in the other Peruvian urban centres which reduced inequalities, transfers remained stable over the same period.

It is appropriate to note that in cities which witnessed more unequal growth, it is highly likely that pensions and contributory public transfers – often with regressive tendencies – may have played a more significant role in this unequal development than non-contributory public transfers, which, in most cases, are progressive.[33]

Another key component in the analysis of inequality is the issue of social policy. In many cities and countries, despite the significant development of the labour market, access to health insurance and a pension scheme remains limited. Nevertheless, there is a general positive trend towards the extension of these redistributive benefits to a greater proportion of the population. As far as access to health insurance is concerned, between 2012 and 2013, 57 per cent of the employed population of Lima had some type of health insurance, whether public or private. In contrast, between 2007 and 2008, this figure stood at 39 per cent.[34] Whilst some pensions and contributory public transfers did at one point promote equality, studies into the issue suggest that, over time, most of these income streams in fact became a source of inequality. [35] In several countries, contributory pensions have favoured the medium and high segments of income distribution (Uruguay), [36] and their allocation has been biased in favour of those with higher levels of income and human development (Mexico), [37] or displayed regressive characteristics which increased over time (Costa Rica).[38] According to ECLAC, in a study of 13 of the region's countries it was found that there is stratified access to contributory pensions which seems to have increased in recent years.[39] However, as Box 4 shows, there is no doubt that non-contributory transfers have helped to equalize household income in most countries in the region.

Guatemala City, Guatemala. Access to public health services produces highly redistributive effects.
© Maria Fleischmann / World Bank.

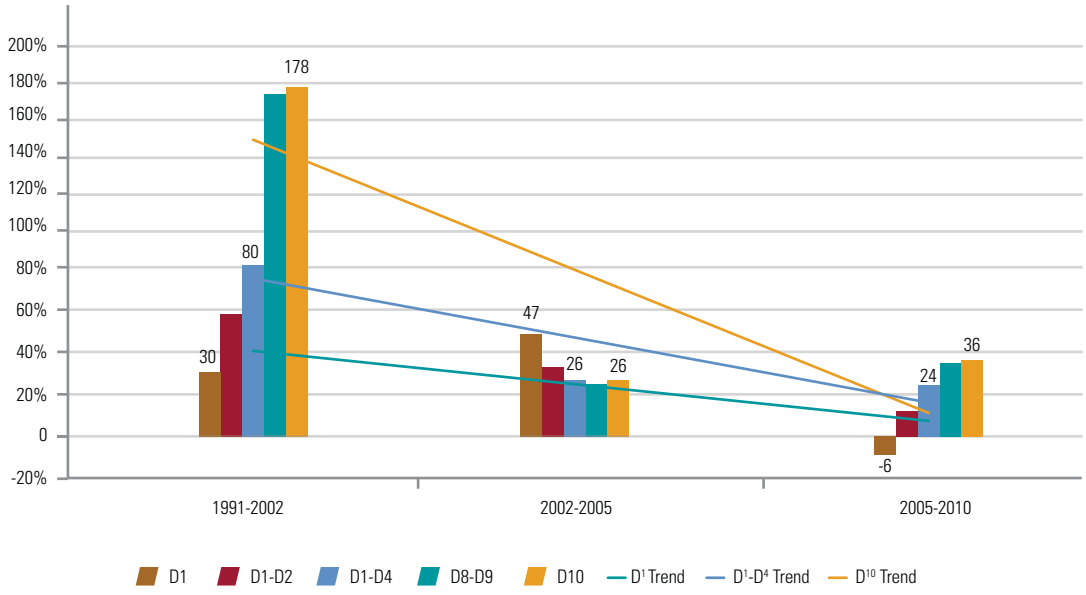
[31] The level of redistribution which can be attained with retirement benefits and pensions depends both on the characteristics of the pension systems (firstly, whether pensions are funded or unfunded) and on the extent to which the labour which individuals undertake over the course of their working lives is formal in nature. CAF's 2012 RED (Economy and Development Report) indicates that income transfers not related to pensions were drivers of equality, especially in the 2000s.
[32] Transfers accounted for 7.9 per cent of income in Iquitos in 2003 and 10.1 per cent in Cuzco in the same year.
[33] CAF, 2012.
[34] Continuous Employment Survey applied in the metropolis of Lima in 2012-13. Mauro Raúl, 2013.
[35] See, for example, Alves G. and Amarante V., 2012 and CAF RED, 2012.
[36] Alves G. and Amarante V., 2012.
[37] PNUD, 2011. The UN agency indicates in this study that the majority of the benefits arising from public systems are concentrated in the hands of the highest-income quintile and the public expenditure required amounts to 2.4 per cent of GDP. This is in comparison with non-contributory transfers, which represent just 0.1 per cent of GDP.
[38] In Costa Rica, the contribution of income from contributory pension payments to the Gini coefficient increased from 6 per cent in 2001 to 9 per cent in 2009. In that year it became the fourth largest source in terms of contribution to inequality. Trejos J. and Oviedo L., 2012.
[39] CEPAL, 2012.

Box 2: Unequal growth. Factors and effects of inequality: The case of Medellín, Colombia.

Colombia (Urban Centres)

- In the nineties, the country's GDP grew at an annual rate of 3.9 per cent, in a highly unequal manner. The income of the population's poorest 10 per cent fell by 17 per cent, while the income of the richest 10 per cent rose by 81 per cent.
- In the years which followed, economic growth was erratic and lacked any clear pattern regarding its beneficiaries.
- Between 2005 and 2010, national per capita income rose from 7,270 to 9,377 dollars.[40] This growth benefited the middle class and the richest members of society, whose income increased by 25 and 21 per cent respectively.
- Between 2000 and 2010, the poorest decile saw its income decrease proportionally from 42 to 13 per cent, in a particularly difficult period.

Graph 7: Medellín: Variations in income by decile. Various periods. (1990 – 2010)



Source: UN-Habitat, Global Urban Observatory, 2013.

Medellín

1991-2002: The richest 10 per cent received an income six times higher than that received by the poorest 10 per cent (see Graph 7).
2002-2005: Poor inhabitants saw their income increase (47 per cent). The income of the richer deciles increased by 26 per cent in comparison.
2005-2010: The positive trend reversed once more. The income of the poorest decile decreased by 6 per cent while that of the richest increased by 36 per cent. The city recorded the most unequal growth in the country, with a Gini coefficient which rose by 20 per cent (2002 and 2010). Inequity also translated into unequal access to water.[41]

[40] World Bank, 2013.
[41] López M., 2010.

- The city became a laboratory of urban planning, design and management.*
- Significant innovations in public transport, the design and provision of public goods*
- An active social agenda, modern governmental practices and the development of competitiveness strategies*
- Reconstruction of the social fabric with an emphasis on public spaces as a strategy for inclusion.*
- Consolidation of the state's presence in poor areas.* Named "City of the Year 2013" for its ability to find innovative solutions to the problems of mobility and environmental sustainability.
- Slight improvements in the distribution of consumption: the Gini coefficient went from 0.495 in 1994 to 0.477 in 2006. It is hoped that the spending structure will produce greater benefits which will have a positive impact on income.

UN-Habitat – CAF Database, 2013. *Brand Peter, 2013.

THE EVOLUTION OF INCOME STREAMS IN THE CITIES WHICH MOST REDUCED INEQUALITY

Of the 284 cities in the sample evaluated for this study, 19 were the most successful in reducing inequality. On average, these cities recorded a 19 per cent drop in their Gini coefficient between 1990 and the end of 2010 (the Gini coefficient went from 0.529 to 0.429). Of course, several factors of various kinds contributed to the narrowing of the income gap. A number of the following elements linked to income streams were particularly significant: the increase in transfers, the simultaneous increase in wages, the fall in profits, the slight improvement in the "other" stream and the reduction in returns on capital.

Various studies have documented the progressive impact of transfers and their decisive role in reducing inequality (CAF RED, 2012). Of these studies, particularly noteworthy is ECLAC's 2011 evaluation of recent experience with conditional transfers.[42] According to this research, transfers benefit more than 25 million families, in other words 19 per cent of the region's population. In a number of these countries, these programmes have helped to reduce both poverty and the income gap (see Box 4).[43] Furthermore, although its geographical scope was much more limited, it is worth highlighting the equalizing role played by the "other" income category, chiefly in Mexico and in Central American countries.[44]

Various studies have documented the progressive impact of transfers and their decisive role in reducing inequality.

[42] Cecchini S.,and Madariaga A., 2011.
[43] In Mexico in 2010, government transfers lifted 1.5 million out of poverty and 1.7 million (or 16 per cent) out of extreme poverty (CONEVAL, 2011).
[44] The "other" income category is a very significant component of total income in Mexican urban centres and the cities of Central American countries. While the regional urban average for this component was 11.9 per cent between 1990 and 2010, it reached 23.3 per cent in Mexico and up to 16 per cent in Honduras. In seven Mexican cities – Cancún, Culiacán, Hermosillo, Querétaro, Morelia, San Luis Potosí and Zacatecas – the "other" category had a significant impact on the economy, an impact which saw it become the second largest income stream, close behind wages and at least three times larger than the profits of independent workers. In 2010, "other" accounted for an average 36 per cent of total income in these seven cities (UN-Habitat, 2013). In Mexico, this source comprises various components: property income (rents), income from transfers (payments from insurance against risks and monetary donations), net household income for other independent workers, cash transfers (remittances) and payments (payment in cash by households and household institutions). CEPAL, study methodology, 2013.

Increases in wages and reductions in profits

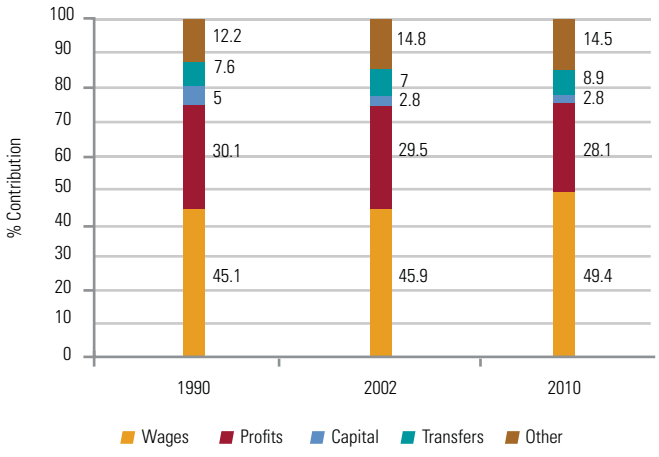
Another striking point to emerge from the analysis of these 20 years is that, of the various income streams considered, wages increased most in those cities which were most successful in reducing inequalities. As can be seen from Graph 8, wages accounted for 45.1 per cent of the total of all income streams. By 2010, this figure had increased to 49.4, an increase of 10 per cent with significant equalizing effects. At the same time, the contribution of the profits or income of independent workers to total income decreased by 22 per cent, falling from 30.1 to 24.6 per cent in the same period. With this reduction, their impact on income concentration levels also decreased.[45]

A historical review of the data reveals that, in the early 1990s, the contribution of profits to the Gini coefficient stood at 35.6 per cent, in other words 18 per cent greater than their contribution to total household income (30.1 per cent). This difference demonstrates the regressive power of this source. By 2010, the contribution of profits to total income had fallen to 24.6 per cent, a drop which saw its contribution to the Gini coefficient reduce to 27 per cent (Graph 9).

In around 1990, the contribution of wages to the Gini coefficient was 18 per cent lower than their contribution to total income (36.9 vs. 45.1 per cent); a situation which clearly highlighted their distributive power. With the partial increase of wages as an income stream in around 2010, their contribution to the Gini coefficient fell to 47 per cent (Graph 9). This constituted a relatively small reduction, which limited the distributive power of wages owing to the fact that the nineties saw the growing polarization of salaries at the two extremes of the labour structure.

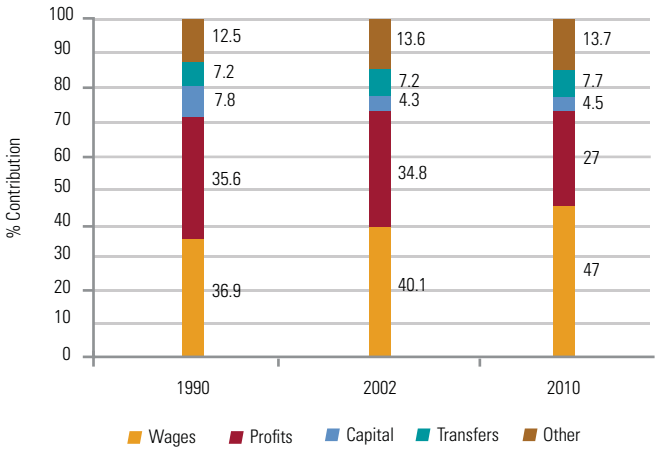
The experience of cities as diverse as Managua in Nicaragua, Mendoza and Resistencia in Argentina, Monterrey in Mexico, Belém in Brazil, Sullana in Peru, Chillán and Osorno in Chile and Oruro in Bolivia catches the attention of the outside observer. These cities are all characterized by the fact they have significantly reduced income inequality. All of these cities have something in common: the wages income source tended to grow, particularly the labour income of non-qualified workers. At the same time, the profits of independent workers decreased.

Graph 8: Average contribution of income streams to total income, cities which most reduced inequality. (Around 1990-2002-2010)



Source: UN-Habitat, Global Urban Observatory, 2013.

Graph 9: Average contribution of income streams to Gini coefficient, cities which most reduced inequality. (Approximate years: 1990-2002-2010)



Source: UN-Habitat, Global Urban Observatory, 2013.

[45] The fact that profits contribute to the concentration of income is based on the idea that a reduction in the contribution of one part of income, which is usually distributed unequally across total income (such as the profits of independent workers), will likely reduce inequality. However, this would not be entirely true if, while its contribution to total income reduced, this source was concentrated to a much greater extent in the hands of the rich. In other words, even as its contribution to total income falls, levels of inequality may continue to rise. Comment: Arreaza, A., 2014.

In a number of these cities, the trajectories followed in terms of the evolution of income streams differed from those seen at a national level. For example, in Managua (a particularly successful city at reducing inequality), wages increased slightly between 1993 and 2005, while in the other Nicaraguan cities they decreased. In Peru, the small city of Sullana (also successful at reducing inequality) recorded a drop in profits as an income stream, while in the country's other urban centres this income stream increased between 1999 and 2010. Furthermore, in the Chilean cities of Chillán and Osorno (the cities which recorded the biggest drop in inequality in the country), wages increased much more than they did at the national level: five and three times more, respectively, between 1990 and 2009. Meanwhile, the contribution of the profits of independent workers to family income decreased by around 40 per cent in both cities, whilst in the rest of the country's urban areas, this income stream remained unchanged.

Furthermore, wage increases, which generally have a progressive impact, and the simultaneous reduction in the profits of independent workers, which tends to have a regressive impact,[46] formed part of a clear trend in the 19 cities which were most successful in reducing inequality in the region. These variations appeared very marked indeed when compared with the evolution of income streams observed in the respective countries of these cities. It is for this reason that the fight to reduce inequalities must take these contrasting realities into account. If such contrasts are duly considered, it will be possible to maximize the equalizing effects of income streams in certain cities and minimize those effects which contribute to the increased concentration of income in other cities.

Cartagena de Indias, Colombia. The income of independent workers can vary a great deal and contribute to an increase in inequalities.
© Eduardo López Moreno.

[46] However, the Gini coefficient of the "earnings" which come from the labour income of non-qualified independent workers (non-professional self-employed individuals) are not as unequal in some countries. For example, in Colombia, the Gini coefficient for this form of income is lower (0.443) than that of salaried workers (0.460) and, in Brazil, there is not much between them (0.508 and 0.483 respectively). Gasparini et al, CAF RED, 2013.

The reduction in returns on capital

One of the main trends which prevail in this type of study is that returns on physical and financial capital typically create inequality as they are concentrated into the hands of a small group. However, unlike the 21 cities which experienced more unequal growth, recording a constant increase in capital as an income stream, the 19 cities which enjoyed more equal growth reduced the extent to which this component contributed to total income. In fact, in the early 1990s, the share which capital held of total income stood at 5 per cent. Two decades later, this share had decreased to 2.8 per cent. It must be emphasized that such a significant reduction of 44 per cent in an income stream with a great deal of power to concentrate wealth contributed to the narrowing of the income gap. It is appropriate to recall that at the beginning of the 1990s, capital accounted for 7.8 per cent of the Gini coefficient in these successful cities. 20 years later, this figure had fallen to just 4.5 per cent (see Graphs 8 and 9). However, these data must be examined with extreme caution in light of the difficulties inherent in measuring this income stream.

A more nuanced analysis at city level allows a more refined understanding of this trend. The Argentinian cities of Mendoza and Resistencia both succeeded in reducing income inequality by 12 per cent between 1994 and 2010. In the same period, the country's urban areas reduced inequality by just 0.6 per cent. Among the factors responsible for these changes was a decrease in capital income, which undoubtedly played a part in this process. In 1999, the regressive power of capital was so strong that it accounted for 22.4 per cent of Mendoza's Gini coefficient, 12.2 per cent of Resistencia's coefficient and up to 16.3 per cent of national urban aggregated values. The power of this income source to concentrate income reduced significantly in the years which followed. By 2010 the contribution of capital was 9.7 per cent in Mendoza and just 2.1 per cent in Resistencia (see Box 3). In Argentina's urban centres, which were, on average, less successful than these two cities in reducing the income gap, capital continued to make very significant contributions to Gini coefficients, with values of almost 15 per cent being recorded.

In Brazil, to cite another interesting example, the high level of economic inequality which prevails in urban centres is due, in part, to capital income, which made an average contribution of 16.3 per cent to the country's Gini coefficient between 1990 and 2010. This trend emerged in spite of a likely underestimation of this source. In the cities reporting the lowest inequality coefficients in Brazil – Belém, Porto Alegre, São Paulo and Belo Horizonte – capital income averaged 11 per cent of total income and was the fifth largest of all the income streams considered.[47] In contrast, in the cities with higher inequality coefficients – Brasilia and Curitiba – capital income's contribution to the Gini coefficient was twice as high as that recorded in less unequal cities, and the income source was the second largest of all considered. Capital played a regressive role in both of these two cities.[48]

Returns on physical and financial capital typically create inequality as they are concentrated into the hands of a small group.

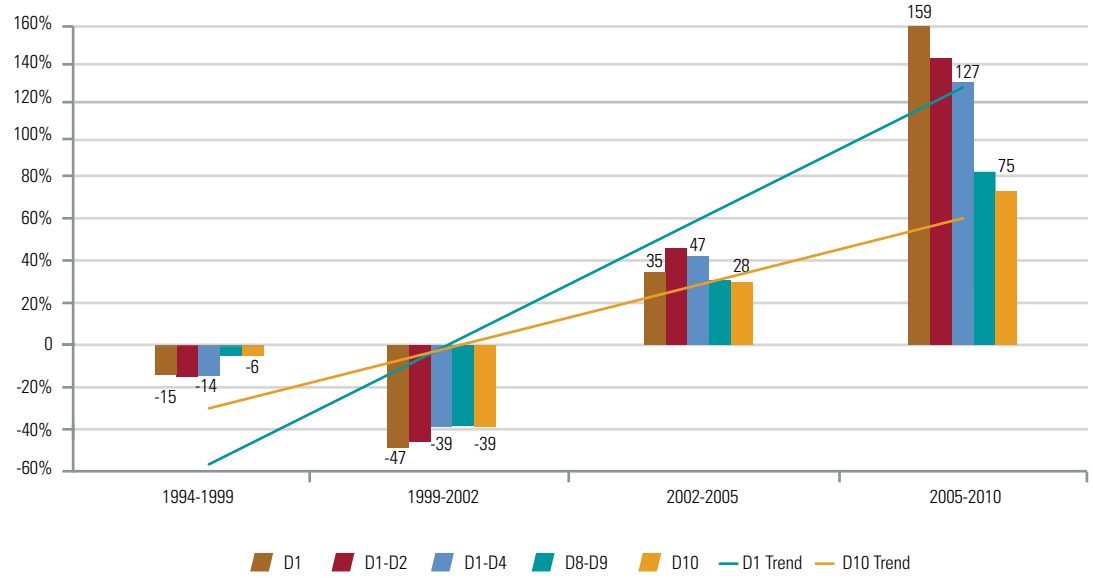
[47] The four other sources of income are, in order: wages, transfers, profits and other, with some variation in the order according to the city.
[48] These cities which generated high levels of income did not succeed in developing efficient instruments in order to enable the local government to obtain a share of the surplus.

Box 3: Mendoza, Argentina: reducing the income gap

Argentina (urban centers)

- 1994-1999: Incipient economic growth was recorded, with an average GDP of 2.8 per cent. The income of the top decile grew an average of 15 per cent while the income of the bottom decile decreased by 7 per cent.
- National GDP fell 4.9 per cent during the economic and political crisis. The crisis affected everyone, but its impact on the poor was more severe: the income of the poorest 40 per cent decreased by 42 per cent while that of the richest 10 per cent fell by 25 per cent between 1999 and 2002.
- After 2002 came a boom period (GDP increased by 9 per cent between 2003 and 2005). The income of the rich and the poor increased at the same rate (33 per cent on average).
- The first pro-poor period in almost 20 years. The group at the bottom of the pyramid saw its income increase by 174 per cent – a rise which was double that enjoyed by the richest group.

Graph 10: Mendoza: variations in income by decile. Various periods. (1994-2010).



Source: UN-Habitat, Global Urban Observatory, 2013.

Mendoza

Factors such as market reforms, the privatization of the pension system, policies of financial liberalization and trade openness implemented rapidly and in isolation, without any policies designed to protect social well-being, led to increased inequalities in all areas. On average, the poorer members of society lost 15 per cent of their income between 1994 and 1996.[49]

The national crisis affected the city of Mendoza like any other. There was loss of income which, although seen across the board, affected the poor to a greater extent (-47 per cent versus -39 per cent for the richest citizens).

- National plans such as the *Jefes y Jefas* and *El Plan Nacional Manos a la Obra* were successfully implemented in Mendoza and give local government a leading role.
- The differential between the top and the bottom decile in Mendoza decreased 35 times in 2002 and 22 times in 2010.
- The salary of the very bottom income decile (D1) increased by 159 per cent, while that of the very top decile increased by 75 per cent between 2005 and 2010 (Graph 10).

UN-Habitat and CAF Database, 2013.

[49] Bebczuk R., and Gasparini L., 2001.

Box 4: The progressive power of transfers

The "transfers" income stream, comprising the six different flows outlined in Box 1, constituted, on average, 7.5 per cent of total income in the urban centres of Latin America and the Caribbean between 1990 and 2010. The UN-Habitat and CAF database does not make it possible to identify what proportion of these flows correspond to conditional transfers and what proportion corresponds to assistance transfers. ECLAC estimates that transfers accounted for 10.3 per cent of the income per capita of the households which received them in 2010, whether in urban or rural areas. The redistributive power of these monetary benefits enabled those in the bottom decile to double their income by an average of 100 per cent.[50] Transfers conducted under the two largest programmes in the region, *Bolsa Familia* (Brazil) and *Oportunidades* (Mexico) helped to lift extremely poor families above the indigence line. Furthermore, the *Bono de Desarrollo Humano* (Ecuador) and the *Red de Oportunidades* (Panama) successfully covered more than half the income deficit of the destitute. The total cost of transfers expressed as national aggregated values was around 0.4 per cent of regional GDP.[51]

In 1990, at city level, transfers accounted for 6 per cent of total income in those cities which experienced more unequal growth and 7.6 per cent in those which were more successful in reducing the income gap. The highest values were recorded in Uruguayan and Brazilian cities.

In the urban areas of Uruguay, transfers came to represent around 15 per cent of total household income between 1990 and 2010. However, in 2005, their contribution to household income reached a strikingly high level of over 30 per cent, the highest of any country in the region. The equalizing role of this source was very clear as it contributed just 9 per cent to the Gini coefficient at that time. Between 2005 and 2010, the increase in the income of the poorest Uruguayans was double that of the richest sector.[52] Transfers were an important factor in this period of pro-poor growth which the country enjoyed.

In urban Brazil, transfers fluctuated between some 10 per cent of total household income in 1990 and 15.4 per cent in 2009. Another social programme of note was the *Programa Progresa - Oportunidades* in Mexico. It was designed to increase family income in rural, poverty-stricken areas by 23 per cent. ECLAC estimates that these programmes accounted for a 2.7 per cent reduction in inequality.[53] Working in conjunction with other factors, the programme allowed poorest 40 per cent in urban areas to increase their income by some 40 per cent, while the income of the richest 10 per cent increased by an average of 13 per cent between 2005 and 2009.

Transfers were also important in Panamanian cities, where they remained stable at around 12 per cent of total income between 1991 and 2010. Elsewhere, Argentina's urban centres saw the contribution of transfers increase from 7 per cent in 1994 to a maximum value of 11.2 per cent in 2010. In urban Colombia, the contribution of transfers to total household income increased significantly, rising from 6.5 per cent in 1994 to 14 per cent in 2010. However, it is significant that their contribution to the Gini coefficient was even higher than that of income. In cities such as Cartagena, Ibagué and Manizales, the contribution of transfers to total income was notably high, standing at around a fifth of the total received. However, their contribution to the Gini coefficient was even higher still, as they accounted, on average, for a quarter of inequality. The data analysed from this country show that the progressive impact of transfers has been limited by some regressive forces. Between 2005 and 2010, the poorest decile at urban national level increased its income by 13 per cent, while that of the richest decile increased by 21 per cent. A more in-depth study should investigate the factors which are currently generating new inequalities in Colombia and the role that transfers play in this process of income concentration.

[50] CEPAL, 2010a.
[51] Ibid.
[52] The rate of income growth of the poorest 40 per cent was 77 per cent between 2005 and 2010, while that of the poorest decile was 89 per cent. In comparison, the rate for the richest sector of society was 49 per cent.
[53] In a study carried out between 1999 and 2007, the UNDP estimates that, in addition to social policies which included transfers, two other factors were decisive in reducing inequality: demographic change and education policies. UNDP, 2009.

EDUCATION AND SKILLS DEVELOPMENT ARE ESSENTIAL FOR EQUALITY

Studies of the factors which contributed to the increase in inequality witnessed in the 1990s highlighted the fact that the evolution of the informal economy, unemployment and the shift in labour demand towards ever higher levels of education were significant generators of inequality.[54] Low levels of education among large sectors of the population contributed to low returns which, in turn, contributed to an increase in the income gap.[55] In addition, it must be emphasized that the lack of attention given, during the first half of the twentieth century, to the quest for equal opportunities, including education, was largely responsible for the reproduction of inequalities in the region. In fact, differences in educational capital not only contributed to the polarization of income, but also reinforced exclusion and residential segregation. Over time, the difference between enjoying widespread or scant access to education, high or low productivity and a decent or poor salary were ultimately transmitted from generation to generation, affecting the economic and social mobility of individuals. Lack of an adequate education has seen other forms of inequality linked to male dominance, ethnic divisions and low levels of participation in cultural and political spheres become ever more deeply entrenched in society. In the light of the conditions described, it is pertinent to note that poor results in education create a cumulative causation of low salaries and greater inequality.[56] Similarly, concentration of income is almost always accompanied by a concentration of advantages and opportunities for an elite few, and this ultimately generates new inequalities in educational performance. In this way, a vicious circle is set in motion which reproduces differences. The available data bear out this conclusion: an IDB study conducted at the end of the last century noted that the richest 10 per cent of the region's population had just over 12 years of education. The second richest 10 per cent of the population had nine years of education, while the poorest 30 per cent continued to have, on average, only five years of education behind them.[57]

There is no doubt that formal education and skill development are the gateway to a range of economic and social opportunities. This conclusion has been reiterated in various pieces of research which have emphasized the key role of education in the more equitable distribution of income.[58] In the study *The Race between Education and Technology,* the authors, from the University of Harvard, note that the dramatic impetus given to education in the second half of the last century was the principal cause of the reduction in inequality in the region. This impetus continued to drive change a generation later.[59]

El Alto, Bolivia. Quality education fosters economic and social mobility.
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[54] See, for example, the works of Bourguignon, F., 2005; Barros R., et al, 2009; López L.F. and Lustig N., 2013; Gasparini L. et al, 2011.
[55] In Brazil, for example, some studies hold education responsible for between 25 and 37.6 per cent of income inequality. See the works of Ramos and Veira (2000) and Guimarães (2004). Other analysis indicates that equalizing levels of education could reduce income concentration by up to 40 per cent. Barros, Henrique and Mendonça (2002).
[56] Studies have concluded that the gap between those who have a minimum level of education and those who access the highest levels of the education system is equivalent to income differences of between 60 to 65 per cent on the labour market..
[57] BID, 1999.
[58] López L. F. and Lustig N., 2013; Gasparini L. et al, 2011.
[59] Goldin C. and Katz L., 2010.

Elsewhere, the World Bank recalls that more widespread access to education has brought with it an increase in the average schooling of the heads of the household in all social groups, in both rich and poor sectors alike.[60] In a more recent study exploring the reduction in inequality in Latin America, the authors reiterate that a crucial factor in this reduction was the higher level of education among the region's workforce.[61] This increase in educational level enabled the more equitable distribution of educational achievement.[62] As a result of this investment in mass education, the proportion of the region's labour force with access to a minimum of secondary education increased from 40 to 60 per cent between 1990 and 2010.[63]

The statistics show that in addition to education's becoming more widespread, access to education has also increased in recent years, especially among low-income families. Social protection networks have also been strengthened, meaning that many poor children are no longer forced to leave school in periods of economic difficulty. Moreover, with greater educational achievement, the role of women in society and their participation in the labour market have also been strengthened, although there is still room for improvement.[64]

Following the significant progress made in the coverage of primary education in the region between 1960 and 1980, secondary school also expanded considerably. Between 1989 and 2009, the average length of schooling in the countries of the region increased by 1.5 years. Today, one in every eight workers has completed some tertiary education, compared to one in every 13 in 1990. Almost half of them have completed secondary education, in comparison to just one third in 1990.[65]

Mexico provides a clear example of the advances made in this area. In Mexico in 1990, rural girls left school two years before their brothers and before finishing basic primary education. The assessment of the *Progresa-Oportunidades Programa* from 2000 on concluded that the programme had seen women increase their level of education more than men and that the indigenous population in particular achieved the largest absolute increases, from a less favouable starting position. According to these assessments, this programme reduced socio-economic, ethnic and gender inequalities in educational outreach.[66]

Bogota, Colombia. The education gab between the slum inhabitants and the consolidated city has decrease considerably.

[60] Gasparini L., Galiani S., Cruces G and Acosta P., 2011.
[61] However, while López C. and Lustig N. advocate the increased supply of an educated labour force as a crucial factor in the declining cost of this labour force in relation to that of its less educated counterpart (the fall in education returns which largely explains the equalization of prices for both types of labour force witnessed in the last decade), other works (for example, Gasparini et al, 2011) refer to a relative drop in demand for qualified labour as the main factor in its declining price. However, it is very difficult to determine whether this price change is a result of variations to the supply and demand curve (there may also have been a change in the quality of the qualified labour force resulting in lower pay). Note by Arreaza A., 2014.
[62] López L.F. and Lustig N., 2013. The authors indicate that in three of the four countries analysed, the Gini coefficient for education decreased. It decreased by five percentage points in Brazil between 1998 and 2007, by seven percentage points in Mexico between 1996 and 2006 and by four percentage points in Peru between 2001 and 2007. Argentina was the only country not to show tangible improvements in this area and this was due to the fact that a certain level of equality had already been reached in regarding education levels across the country.
[63] Gasparini L., Galiani S., Cruces G and Acosta P., 2011.
[64] In Bogotá, for example, women's participation rose from 36 per cent in 1982 to 48 per cent in 1997 to 50.4 per cent in 2002. Sarmiento A., 2013.
[65] Gasparini L., Galiani S., Cruces G and Acosta P., 2011.
[66] González de la Rocha, 2008.

As has been explained, advances in education have a direct impact on the evolution of income such that each year of schooling produces an increase in income, particularly at the level of higher education. For example, according to figures from 2000, in Santiago de Chile, the return on an additional year of tertiary education was around 25 per cent.[67] At other educational levels, the linear relationship between schooling and returns is broken by the so-called "diploma effect". In Brazilian cities, finishing primary school produced an average increase in income of some 15 per cent, finishing secondary school increased returns by some 23 per cent and completing higher education increased income by an additional 18 per cent.[68]

There is no doubt that education does not simply produce economic effects. Better education in the region has resulted in significant progress in general human development and has served to cement the notion of citizenship and ownership of rights in the collective imagination. Education has also been decisive in improving the productivity and competitiveness of cities; it has increased levels of participation and contributed to social and economic equity. Nevertheless, as noted by ECLAC, "the achievements have not been evenly spread throughout all spheres of education, and have served to highlight shortcomings in terms of the quality of education".[69] It is thus clear that the problems related to the education system (access, continuation and completion), including the quality of education, are expressions of social and economic inequality. Disparities play a significant differentiating role, which ultimately influences access to suitable employment with sufficient remuneration. Consequently, quality of education "becomes more central in the intergenerational reproduction of opportunities for well-being".[70]

Despite the upward trend in education levels in the region, significant disparities can still be observed within countries: only a minority have acquired an education of more than nine years in length, particularly in the Southern Cone, while in other countries – particularly those in Central America – the average period spent in education is shorter than six years.[71] The outcome data available reveal substantial differences in levels of adult education between the richest and the poorest quintiles.[72] Whilst the educational performance of women and girls has been impressive in recent years, upon joining the labour market they are once again forced to contend with substantial gender differences.[73]

Similarly, significant gaps continue to exist within cities between the educational levels of the rich and the poor. For example, in 2005 in the Peruvian capital, Lima, the poorest decile devoted 3.2 per cent of expenditure to education, whilst the percentage of expenditure allocated to education by the richest decile was five times greater. In four Mexican cities, Mexico City, Guadalajara, Monterrey and Puebla, which house 30 per cent of the urban population in the country, the poorest citizens invested an average of 5.7 per cent of their total expenditure in education between 2000 and 2010, compared to the 18.3 per cent invested by the richest members of society. In La Paz and Santa Cruz, Bolivia, the poor invested four times less than the rich (2000) and in Bogotá, three times less (2006-2007) (Graphs 11 and 12).[74]

Another aspect to consider is that primary education enrolment rates in Latin American urban areas have reached a certain degree of universality, with coverage of close to 91 per cent in 13 countries (see Table 1). There is an educational convergence between the residents of informal areas or slums, and the rest of the consolidated city (a minimal difference of 2.6 percentage points). The most notable lags relate to secondary education, with only 73.6 per cent of residents of urban areas reaching this level of schooling. The UN-Habitat study shows even more noticeable differences between the residents of slum areas and the rest of the consolidated city. On average, the enrolment rate for secondary schooling in slums is 65.7 per cent, compared to 80.4 per cent in more formal areas. One finding that stands out is that, in both parts of the city, women have higher levels of secondary schooling, particularly in the slums (67.5 vs. 63.8 per cent). These findings undoubtedly indicate that the significant advances achieved in education have contributed to closing the income gap in cities.

Formal education and skills development are the gateway to a range of economic and social opportunities.

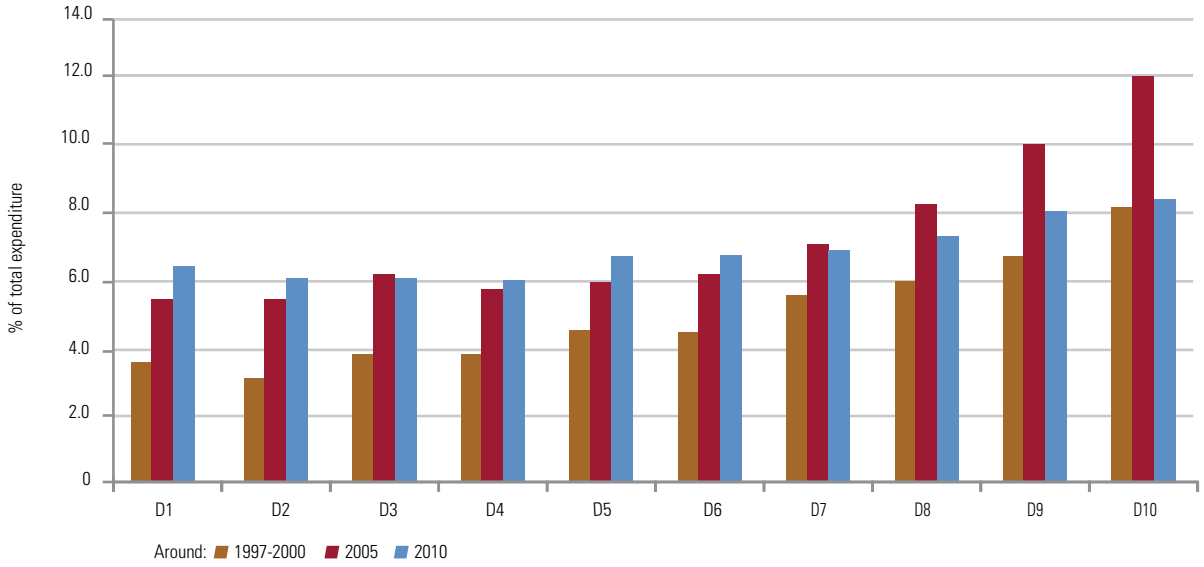
[67] Contreras D. and Sepúlveda P., 2013.
[68] Crespo and Reis, 2006.
[69] CEPAL, 2007.
[70] Ibid.
[71] Gasparini L., Galiani S., Cruces G and Acosta P., 2011.
[72] Ibid.
[73] CEPAL, 2007.
[74] UN-Habitat, 2013, database compiled by CEDLAS, Gasparini L., commissioned for this study. It goes without saying that in a context of high public spending and good provision of public goods, including education, it could be expected that expenditure on education among the poor would be lower.

Table 1: Rates of enrolment in Latin American cities: urban areas, slums and non-slums. 2001-2006.

Country	Year	Sex	Primary			Secondary and Higher		
			Urban	Non slum	Slum	Urban	Non slum	Slum
Bolivia*	2008	Men	95.1	95.4	94.9	75.1	79.6	73.2
		Women	94.2	94.0	94.3	75.2	80.0	72.3
Colombia*	2010	Men	88.6	89.5	86.0	77.4	80.7	64.1
		Women	89.9	90.0	89.5	81.8	85.2	69.1
Dominican Republic*	2007	Men	88.0	89.5	85.1	43.4	48.9	28.7
		Women	89.8	91.2	87.0	58.2	62.5	46.1
Guatemala*	1998	Men	67.4	76.4	61.9	44.5	59.9	30.6
		Women	60.2	71.4	54.5	40.1	58.2	23.9
Honduras*	2011	Men	91.4	92.4	90.8	58.2	74.1	48.6
		Women	91.1	94.1	89.5	66.8	79.9	58.9
Nicaragua*	2001	Men	82.5	84.1	81.9	52.2	73.0	41.9
		Women	86.1	85.4	86.3	63.0	80.1	53.9
Peru*	2012	Men	92.2	93.4	91.0	73.4	78.3	68.1
		Women	93.4	94.7	92.4	73.9	77.8	69.5
Brazil**	2010	Men	97.9	98.3	97.3	91.1	92.3	89.3
		Women	98.1	98.5	97.6	91.4	92.7	89.5
Ecuador**	2010	Men	96.7	97.6	95.3	86.9	90.6	80.0
		Women	97.1	97.8	96	87.1	90.4	80.9
El Salvador**	2007	Men	88.9	91.7	86.8	74.7	82.1	68.7
		Women	89.4	91.9	87.6	74	80.3	68.6
Mexico**	2010	Men	95.8	96.9	94.3	83.1	87.1	76.8
		Women	96.1	97.2	94.8	84.1	88.2	77.7
Panama**	2010	Men	98.2	98.5	97.7	92.2	94.8	88.1
		Women	98.4	98.6	98.1	93	95.1	89.7
Uruguay**	2006	Men	99.5	99.7	99	83.6	86.7	71.9
		Women	99.7	99.7	99.7	88.3	91.2	77.6
		Total	91.0	92.6	89.6	73.6	80.4	65.7
		Men	90.9	92.6	89.4	72.0	79.1	63.8
		Women	91.0	92.7	89.8	75.1	81.7	67.5

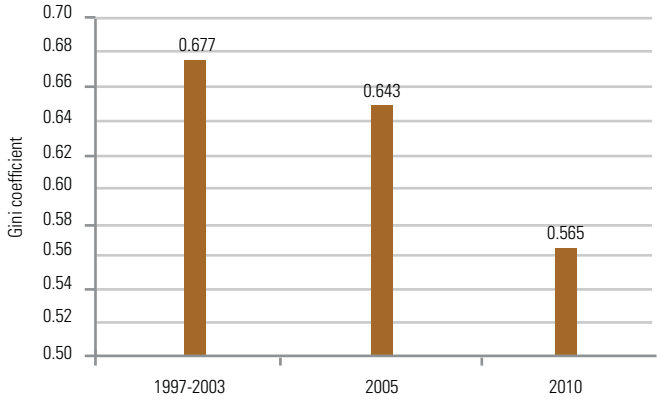
Source: Demographic and health surveys* and national censuses**
Compiled by UN-Habitat, Global Urban Observatory, 2014.

Graph 11: Average proportion of total expenditure devoted to education by decile. Selected cities in Latin America. Around 1997-2005-2011.



Source: Gasparini et al., CEDLAS, 2013.

Graph 12: Average Gini coefficient of spending on education in selected cities



Source: Gasparini et al., CEDLAS, 2013.

Skill development and technology diffusion: an equalizing process

Education is undoubtedly a factor of paramount importance in the achievement of social mobility and the reduction of poverty and inequality in the long term. However, in order to be effective it must be accompanied by other conditions, including a good diet, adequate housing, access to health centres, an effective and accessible public transport system and an appropriate quantity of public goods.

Over the course of the 1990s, trade liberalization and economic modernization led to the adoption of new technologies which increased the relative demand for qualified workers. This in turn sparked an increased in the premium on education and, consequently, an increase in inequality.[75] The OECD has noted that "in that decade, technology had a greater impact than globalization on inequality within countries".[76] Technology was also a more powerful factor than commercial integration in income dispersion.[77]

It is highly likely that the increased provision of basic and secondary education in the 1980s and 1990s reduced the inequality-producing effects of technological change associated with trade openness and investment. This caused the income gap between qualified and non-qualified workers to close in the following decade. In fact, a greater diffusion of technology to a larger proportion of the population could partly explain the changing levels of demand for a qualified labour force. It is plausible that companies stopped paying a high premium for technology-related knowledge and that this tended to reduce income differences.[78] Consequently, as education levels increased, the profitability of each additional year declined.

In the 2000s, a significant number of countries recorded changes in their employment structure with the development of mining, construction and non-qualified services. This sparked an increase in the demand for low-skilled workers. This growth of both the service sector and of an industry intensive in non-qualified labour was a positive factor in the gradual increase of the salaries of these workers. Combined with these changes, skill-development initiatives for low-skilled workers and the increased supply of semi-qualified workers have contributed to a sustained fall in returns on secondary education and a slowed increase in the returns of higher education.[79] A World Bank study estimates that both returns on higher education and the returns-salary ratio decreased in most countries in the region by an average annual rate of 2.8 per cent per year in 2000.[80] At city level, UN-Habitat has documented the speedier entry into the labour market of individuals having either completed or partly completed the medium level of the education system. In Panama City, for example, the access to employment enjoyed by those with a middle-level education was twice as great as that of workers with some form of a university degree.[81] The indices for the city of Belo Horizonte reveal a similar trend: a 28 per cent increase in employment for workers with an incomplete primary education and a 3.6 per cent increase in employment between 2001 and 2010 for workers with experience of higher education.[82]

Education is a factor of paramount importance in the achievement of social mobility and the reduction of poverty and inequality in the long term.

[75] Gasparini L., Galiani S., Cruces G. and Acosta P., 2011, and López L. F and Lustig N., 2013.
[76] OECD, 2007.
[77] OECD, 2011.
[78] Gasparini L., Galiani S., Cruces G. and Acosta P., 2011.
[79] It is estimated that return on education and its relation with salary fell in most of the countries in the region. The average rate of reduction was around 2.8 per cent per year.
[80] Gasparini L., Galiani S., Cruces G. and Acosta P., 2011.
[81] The variable with a value higher than the Panama's national average is those with an incomplete medium-level education, with a value of 0.907. This is followed by employees with level of education higher than a completed university degree, with a value of 0.805. Next come employees who have completed medium education, with a value of .0788 and finally, employees with some form of university degree, with a value of 0.450 (2001-2007). Rodríguez A., 2013.
[82] Guimarães N., 2013.

Río de Janeiro, Brazil. The premium on qualified workers decreased from the 2000s onwards.
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06

EQUITY: URBAN SPACES, PUBLIC GOODS AND SERVICES

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CHAPTER 06

EQUITY: **URBAN SPACES, PUBLIC GOODS** AND **SERVICES**

Tangible differences in access to and the use of urban spaces are both the symptoms and the causes of intangible divisions. These divisions are often more persistent than income and consumption inequality.

Bogota, Colombia. The provision of public goods has effects on the consumption distribution and can benefit the income

Several studies aiming to analyse the factors which affect inequality have highlighted the close link between income and consumption. The data collected have made it possible to draw a number of conclusions. First, a fall in current income tends to affect the form and structure of consumption. Second, the limitations on both the consumption and expenditure of large sections of the population often generate unemployment or give rise to poorly paid work, which in turn affects income. In other words, inequality of income is very closely linked to inequality of consumption. Consequently, the policies designed to combat income inequality have an impact upon inequality in consumer spending.

In this study, it has been shown that cities differ significantly from one another. They also display very different coefficients from those of countries in terms of income inequality and income patterns. The data compiled leave no doubt that various income streams produce various levels of inequality within each city. Furthermore, salaries and rents help in their own, unique way to define the structure of income and inequality.

Analysing the link between income and consumption, it is interesting to note that urban structures such as real-estate prices, the quality and cost of transport and the coverage, quality and cost of public education services dictate contrasting patterns in income use among different sectors of the population. As a result, income and consumption inequalities become inextricably linked to other forms of inequality, whether these be in the social, legal, cultural or environmental domain. This convergence of inequalities in turn reinforces the deprivation faced by specific groups and individuals.[1] Moreover, these differences almost always manifest themselves in cities, creating fragmented spaces and neighbourhoods. Areas of great wealth abut areas of deprivation, and areas of opportunity exist alongside those of concentrated disadvantage. Cities can become open or closed spaces depending on their inhabitants' ability to access, occupy and use the urban space. They can also become open or closed spaces according to their inhabitants' access to both the public decision-making process and the various forms of interaction or exchange. Furthermore, some inhabitants make the city the arena for their social and political lives, the place where they create and share knowledge, and the location in which various forms of art and creativity are developed. In contrast, other residents feel that the city denies them opportunities and the chance to enjoy urban life. It is for this reason that cities can be spaces of inclusion and participation but also of exclusion and marginalization.[2]

Income and consumption inequalities become inextricably linked to other forms of inequality.

Cities are divided by invisible borders and often by highly visible walls, grills and barriers. The most detailed analyses of urban space in Latin American cities cast an almost forensic light on the fragmentation of society and its districts, neighbourhoods and colonies. These partitions mark differences in the way in which space and opportunities are created, appropriated, transformed and used. Whilst some areas have first-rate infrastructure, well-tended parks and gardens and luxurious residential developments, other urban districts suffer from severe deprivations, inadequate housing, sub-standard services, a lack of recreation areas and cultural centres, urban decay, and a dearth of capital investment in public goods. These tangible differences in access to and the use of urban spaces are both the symptoms and causes of intangible divisions which are often more persistent than income and consumption inequality. These differences manifest themselves as an unequal urban space, itself a generator of new inequalities.

This chapter presents findings pertaining to the distribution of consumption in a select number of Latin American cities, and looks at some of the problems which arise from the disparities in this distribution. After analysing the impact of consumption inequality on the local environment, the chapter goes on to examine the main components of per capita household expenditure and their repercussions on the wellbeing of families. One section is dedicated specifically to housing and transport, two areas of expenditure in which local authorities have the greatest opportunity to act with redistributive policies and policies designed to foster wellbeing and quality of life.[3]

Traditionally, inequality studies in Latin America have been based on indicators of household per capita income distribution as the region's surveys lacked information on consumption.[4] In some other developing countries, consumption indices are calculated, and in a limited number of nations, both types of data are available. In addition to the various income inequality indices evaluated in this study, the consumption values of a select number of cities were also examined and subsequently compared with national statistics. An analysis of the main expenditure which make up aggregate household consumption

[1] UN, Open Working Group on SDGs, 2013.
[2] UN-Habitat, 2010.
[3] An analysis of the structure of household consumption provides a clearer picture of families' quality of life than an analysis of income. This type of approach is compatible with priority selected by the Sarkozy Commission, coordinated by Stiglitz, Sen and Fitoussi (2010). In the view of these authors, households improve their standard of living if they have more resources available in order to acquire the goods which they deem valuable. If the supply of public services available is adequate and high-quality, families can use their very limited resources to purchase such goods. Viewed from this perspective, well-being improves as a family's control over their own resources increases.
[4] This section of the chapter uses both the database and some additional information prepared specifically for this study by Leonardo Gasparini, Nicolás Badaracco and Julián Amendolaggine. Centre of Distributive, Labour and Social Studies (*Centro de Estudios Distributivos, Laborales y Sociales* - CEDLAS), Faculty of Economics, La Plata National University, Argentina..

was also included. The analysis of these components was used to evaluate the factors which generate inequality in cities, such as housing, transport and urban space.[5] Broadly speaking, information on consumption can often prove more reliable than that pertaining to income.

As has been explained throughout this study, inequality at country level does not necessarily coincide with inequality in a country's cities, as cities do not constitute a simple, scaled-down replica of the national population. This same is true when cities' consumption values are compared with the national aggregate consumption value: the two can sometimes differ significantly. In 2000, for example, the consumption Gini coefficient for Monterrey, Mexico was 29 per cent lower than the national average.[6] Similarly, the Gini coefficients for the city of Guayaquil, Ecuador, and the Department of Guatemala City, calculated on the basis of household per capita consumption, differed from the national values for their respective countries by 20 per cent, in 2006. The city of Puebla, Mexico, had a consumption coefficient of 0.383 – 15 per cent lower than the national Gini consumption coefficient in 2010.

In spite of the reduced sample size (see Box 1), analysis also reveals significant variations between the coefficients of cities within the same country; these are slightly greater than the variations observed between certain cities and the country as a whole. In 2006, for example, Medellin was 26 per cent more unequal in its consumption coefficients than Cali, and 21 per cent more unequal than Bogotá.[7] Similarly, Mexico City presented a consumption inequality coefficient 24 per cent higher than that of Monterrey (2000) and 17 per cent higher than that of Puebla (2010). These variations appear sizeable if we consider that, in general terms, consumption values tend to be lower than income values.

Box 1: Consumption inequality: surveys, methods and samples

Consumption inequality was calculated based on the national household surveys conducted in each Latin American country. These surveys are designed to obtain both overall results on a national level and results specifically for densely populated areas. The cities selected for the study were large metropolises inhabited by a significant proportion of each country's population. In these urban areas (which generally extend beyond the administrative boundaries of the city, and encompass the entire urban conglomeration), statistical institutes collected a sufficient quantity of statistical observations in order to obtain reasonably representative results for the main social variables (poverty, inequality, unemployment). In all cities used in the analysis, the number of observations (households) exceeded 1,000 with the exception of the Mexican cities of Guadalajara, Monterrey and Puebla, where the national survey sample included around 250 households.

The sample includes 16 cities from 10 different countries, with a variety of data compiled between 1994 and 2010. The cities included were Bogotá, Cali, Mexico City, Guadalajara, Guayaquil, Guatemala City, La Paz, Lima, Medellin, Managua, Monterrey, Panama, Puebla/Tlaxcala, El Salvador, Santa Cruz and Santiago.

The data on household per capita income and on housing conditions which fed into this report were obtained from household surveys processed in the SEDLAC database (CEDLAS-World Bank). Consumption data were processed on the basis of various surveys conducted in each country in the sample, in particular Bolivia (MECOVI 2000, 2005 and 2007), Chile (FBS 1996/7, 2006/7), Ecuador (QLS 1999, 2006), El Salvador (MPHS 2005, 2010), Guatemala (NQLS 2006, 2011), Mexico (HIES 2000, 2005, 2010), Nicaragua (EMNV 2001, 2005, 2009), Panama (LSS 2003, 2008) and Peru (NHS 2000, 2005, 2010).

Leonardo Gasparini, Leonardo Nicolás Badaracco and Julián Amendolaggine, Centro de Estudios Distributivos, Laborales y Sociales (Centre of Distributive, Labour and Social Studies - CEDLAS), Argentina.

[5] See the statistical annex, which contains a summary table displaying the main consumption distribution values.
[6] In 2000, the national consumption Gini coefficient was 0.52, whilst for Monterrey it was 0.372.
[7] The consumption Gini coefficient for Medellín was 0.477. Those for Cali and Bogotá stood at 0.354 and 0.394 respectively.

The share of total consumption held by the various population deciles also varied significantly between the 16 Latin American cities selected for analysis.[8] On average, the poorest decile accounted for just 1.87 of total consumption, whilst the richest 10 per cent of the population accounted for an average 36.27 of total consumption between 1995 and 2000 (see Table 1). As regards the lowest values recorded, the share of total consumption held by the poorest 10 per cent of the population fell as low as 1 per cent in both La Paz and the cities of Colombia and rose to more than 2.6 per cent in Guadalajara, Monterrey and Lima over the course of the same period. As far as the highest values recorded were concerned, the richest 10 per cent accounted for up to 40 per cent of total consumption in the cities of Santiago and Bogotá, and just under 32 per cent in Guayaquil, Monterrey and Lima between the years 1995 and 2000.

The pattern of income inequality reduction observed in the first decade of the new millennium (Chapter 3) is consistent with that observed in consumption inequality. By 2005, average expenditure among the poorest decile had increased to 2.17 per cent. By around 2010, this figure had increased further still, climbing to 2.43 per cent.

Inequality at country level does not necessarily coincide with inequality in a country's cities.

Conversely, consumption among the richest 10 per cent as a proportion of total expenditure decreased gradually during the same period, falling from 34 per cent in 2005 to 32 per cent by the end of 2010.

Significant variations continue to emerge when comparing the cities using data compiled in around 2010. The poorest decile of the population in Santiago, Medellin and Cali accounted for an excessively low proportion of total expenditure: 1.7 per cent in the Chilean capital and a mere 1 per cent in the two Colombian cities. The average reported for the 16 cities in the sample was 2.43 per cent. In contrast, by 2010, the poorest 10 per cent in Guayaquil, Guatemala City, Managua, Lima and El Salvador had increased their share of total consumption to more than 3 per cent, a little more than double the percentage recorded in the other three cities with the lowest values. Differences are also present at the top of the pyramid: the richest sectors of Santiago's population did not see any change in their share of total consumption between 1996-1997 and 2006, and continued to account for around 40 per cent of this total (compared to the 32 per cent average for the sample). Mexico City and Monterrey were the only cities in the sample in which the richest sectors of the population tended to increase their share of total consumption. The change observed in the Mexican capital was minimal (1 per cent), whilst in Monterrey, the upward curve was worryingly steep (33 per cent).[9]

Income inequality typically affects consumption inequality.
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[8] The 16 cities selected are listed in Table 1.
[9] As Table 1 shows, the average consumption of Mexico City's richest population remained stable at 38 per cent of total expenditure between 2000 and 2010, whilst the wealthy population of Monterrey saw their average consumption increase from 26.8 to 35.7 per cent of total expenditure.

Table 1: Changes in expenditure among the richest and the poorest deciles in selected Latin American cities between 1995 and 2010

		Decile 1				Decile 10			
		1995-2000	Around 2005	2007-2010	Change (%)	1995-2000	Around 2005	2007-2010	Change (%)
1	La Paz*	1.2	1.8	2	67%	39.2	36.9	32.1	-18%
2	Santa C.*	1.7	1.9	2.7	59%	37.4	34.5	26.8	-28%
3	Santiago	1.6	0	1.7	6%	40.9		39.8	-3%
4	Bogotá	1		2.2	120%	39.9		30.1	-25%
5	Medellín	0.9		1	11%	37.4		34.4	-8%
6	Cali	1.1		1	-9%	38.1		34.4	-10%
7	Guayaquil	2.6		3.3	27%	32.9		26.4	-20%
8	Guatemala*		2.7	3.1			32.4	33.3	
9	Mexico City	1.8	2.1	2.3	28%	37.8	42.8	38.1	1%
10	Guadalajara	2.8	2.3	2.5	-11%	38.2	34.9	31.2	-18%
11	Monterrey	2.7	2.7	2.6	-4%	26.8	34.1	35.7	33%
12	Puebla	2	2.2	3	50%	37.6	37	30.5	-19%
13	Managua*	2.3	2.8	3.1	35%	34.6	30.5	27.6	-20%
14	Panama**		2.2	2			33.4	34.7	
15	Lima	2.6	2.5	3.2	23%	30.7	29.8	29.3	-5%
16	San Salvador*		2.8	3.1			28	27.4	
		1.87	2.17	2.43		36.27	34.03	31.99	

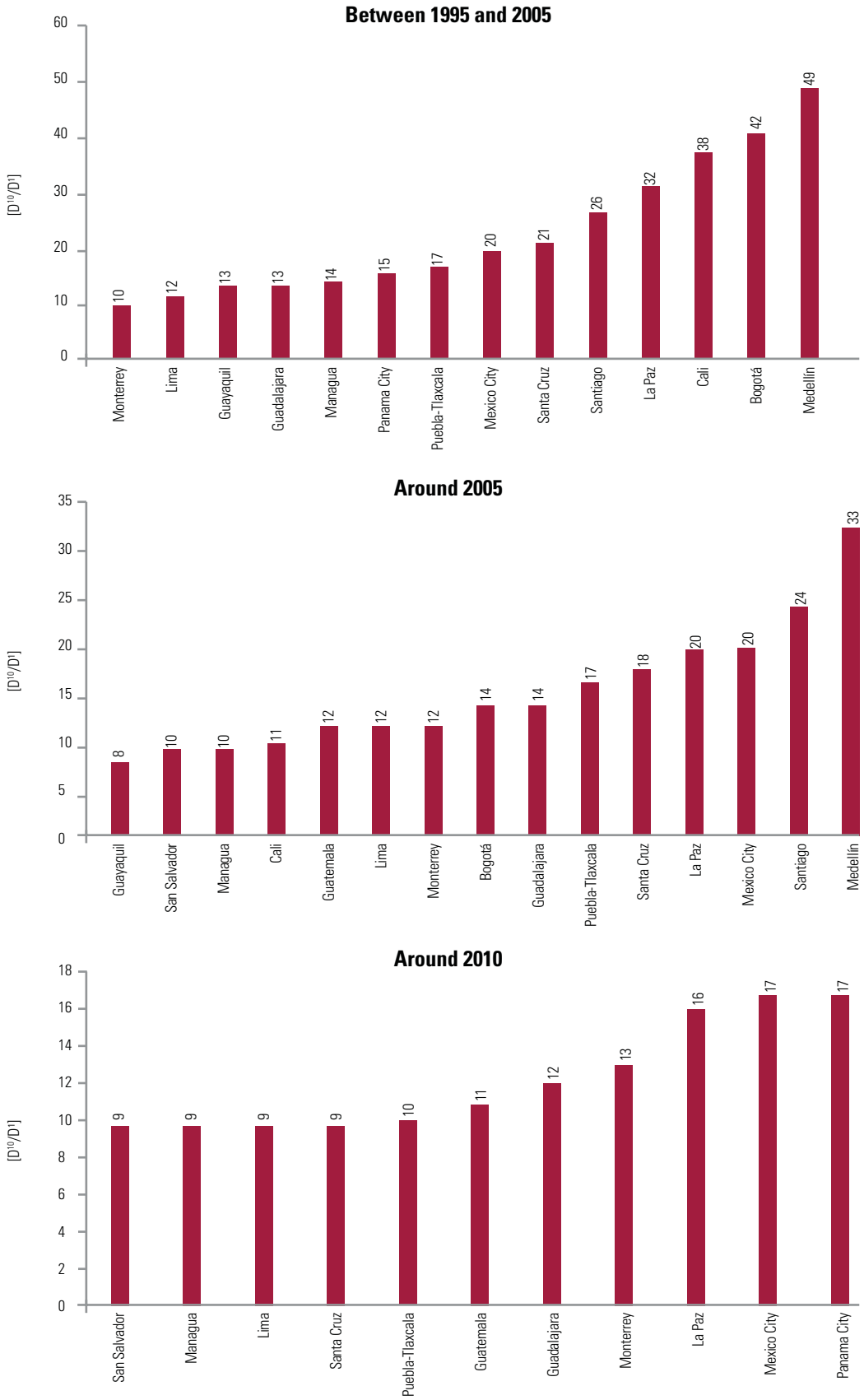
* Departments ** Province

Source: UN-Habitat, with data from CEDLAS. Gasparini L., Badaracco N. and Amendolaggine J., 2013.

Notable differences can also be observed between the decile ratios comparing upper and lower deciles (D10/D1) calculated for each of the cities in the sample. At one end of the spectrum, the cities of Monterrey and Lima displayed the lowest consumption ratio between rich and poor (10 and 12 respectively) between 1995 and 2000 (see Graph 1). At the other end, the Colombian cities of Bogotá and Medellín presented the highest values (42 and 49 respectively). In 2005, an overall trend of improvement was detected in rich-poor consumption distribution (D10/D1) in several of the region's cities.

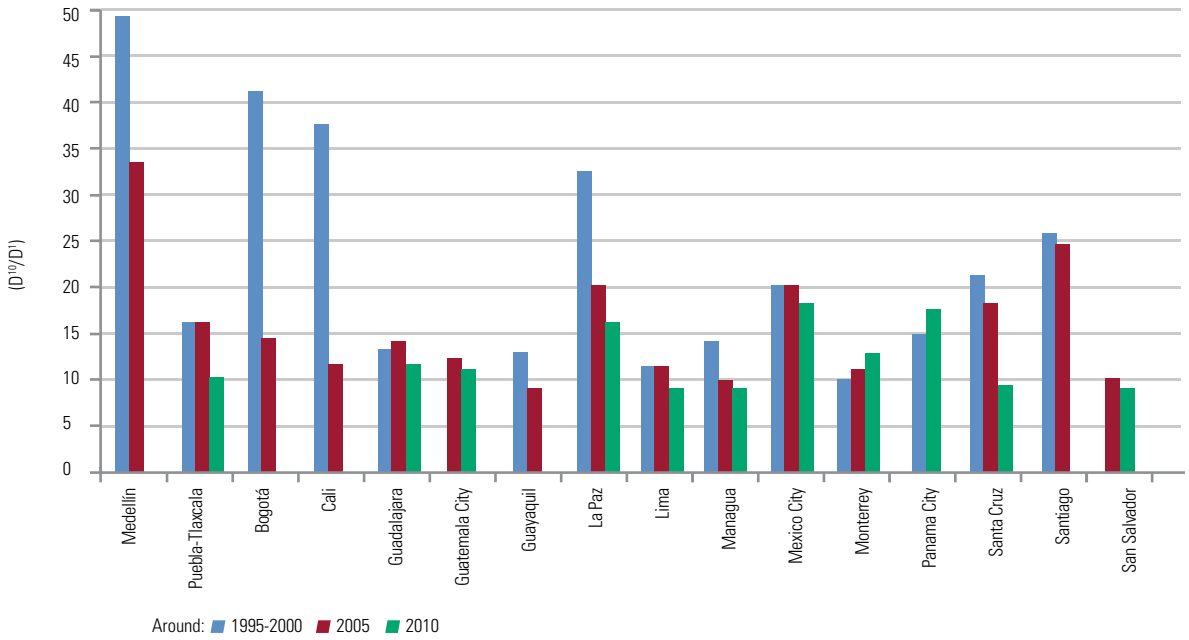
This trend was particularly marked in Guayaquil, where this ratio reduced from 13 to 8, and in La Paz, where it fell from 32 to 20. However, Colombian cities recorded very significant reductions in consumption distribution: Cali from 38 to 11, Bogotá from 42 to 14 and Medellín from 49 to 33 in 2005 or thereabouts (see Graph 1). The rest of the cities in the sample did not witness any significant changes. In 2010, the downward trend in consumption inequality continued. Whilst the lack of a time series makes it impossible to conduct a more precise longitudinal analysis, values for the D10/D1 ratio are visibly lower than those recorded in previous years (Graphs 1 and 2).

Graph 1: Consumption ratio between the poorest 10% and the richest 10% (D10/D1), selected Latin American cities, various years:



Source: Gasparini et al., CEDLAS, 2013

Graph 2: Consumption ratio between the poorest 10% and the richest 10% (D10/D1), selected Latin American cities, around 1995, 2000 and 2010



Source: Gasparini et al., CEDLAS, 2013

As has been previously stated, income and consumption are closely linked. The cases examined in the various metropolises of the subcontinent demonstrate that as income rises or falls, the form and structure of consumption are affected. Furthermore, the limitations placed on a population's consumption or expenditure are ultimately detrimental to income. Limited consumption also affects access to the city. This is particularly true for those urban centres in which the supply of public goods and communal spaces is insufficient. Another point worthy of particular attention is that the policies designed to combat income inequality affect inequality in consumption expenditure. Furthermore, both factors influence access to and the use of the benefits which a city offers.

A larger sample of cities (similar to that used to analyse income inequality) would provide a better understanding of the causes of consumption inequality, the problems which stem from this scourge and the ways in which such inequality manifests itself in the local environment. City-level information is relevant not only on account of the fact that the majority of the region's population is concentrated in these geographical spaces (82 per cent in 2010), but also in the light of the fact that urban centres constitute the sphere in which the majority of socioeconomic inequalities are both generated and visible. Whilst it may be true that inequality tends to be a national social problem, it is on a local level that inequality is most keenly felt and experienced on a daily basis. Furthermore, cities often act as an initial testing ground for various public policies with redistributive aims and consequences. Indeed, experience indicates that the quest for equity is more effective if an understanding of individual situations is developed. It is based on such an understanding that strategies and initiatives which connect the local sphere to the national sphere, and vice versa, can be developed.

In all the countries and cities studied, public policies are being designed which aim to reduce consumption inequality, although very often such policies do not translate into changes in household expenditure, or at least changes which are reflected in expenditure statistics. The most widely implemented policies are those which have to do with the provision of public goods and services such as healthcare, formal education, infrastructure, housing and transport, and it ought to be emphasized that a number of these services do not always fall within the remit of local authorities. For example, in the case of healthcare, households which attend a public hospital consume a service which does not appear among the categories of expenditure

covered by the surveys used, given that, in the majority of cases, consumption of such services requires no financial outlay on the part of those households.[10] These variations in the public provision of services – which are generally designed to benefit the most vulnerable sectors of the population – affect inequality in actual household consumption, despite the fact that they may not produce changes in the distribution of these households' expenditure. Whatever the effect of these variations, when poor families receive public goods and services, they have a greater expenditure margin than they would without state intervention.

There is no doubt that a city which offers an uninterrupted supply of public goods and services and which reduces the cost of these goods and services for those most in need is in a position to reduce consumption expenditure in a number of essential areas. This reduction can foster improvements or, in other words, it can increase expenditure in other areas of consumption. To cite one particular example, the poorest 10 per cent of Lima's population saw their housing consumption gradually decrease from 39.2 per cent of total expenditure in 2000 to 36 per cent in 2005 and 24.4 per cent in 2010. At the same time, their healthcare expenditure increased from 5.8 to 6.2 and 9.7 per cent in the same years of reference, whilst education consumption doubled over the course of the decade.[11]

Another example is Mexico, where the healthcare programme Seguro Popular has the explicit aim of reducing out-of-pocket healthcare expenditure among low-income households. Whilst the reductions observed between 2004 and 2006 were minimal, recent assessments have shown subsequent declines to be much more significant. It is hoped that consumption capacity in other goods and services, and wellbeing as a whole, will increase as a result.

An interesting finding of the studies was that a more consistent drop in one component of per capita expenditure on the part of the poorest groups, triggered by local government intervention (for example, in the transport, leisure or housing sectors), can influence the savings and investment models followed by these groups. With adequate support, be it in the form of fiscal, social or economic policies, individuals can be encouraged to spend in areas which boost the productivity of disadvantaged sectors. This increased expenditure will in turn tend to improve income and reduce inequality. Public policies which link income and consumption inequality in a clearer and more integrated fashion, with sustained commitments and long-term investments in strategic sectors, can thus become the agents of transformative change. Such change is particularly likely to occur if these policies focus on the most deprived urban areas

Guadalajara, Mexico. If the public transport agenda is neglected, this can affect family consumption and limit well-being.
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[10] However, in a large number of Latin American public clinics patients and their families are required to pay for varying proportions of treatment inputs and medication. Note by Escobar A., 2014.

[11] Education expenditure in the Peruvian capital went from 3.7 per cent in 2000 to 7.8 per cent in 2010. There is no doubt that a quality public service, whether in the healthcare or education sector, will not necessarily entail increases in expenditure. Nevertheless, the structure of household consumption displays certain features common to all countries and cities analysed. One such similarity is that, with the exception of food expenditure, which decreases in proportional terms as we move up the income scale, the proportion of spending dedicated to other components (facilities, education, healthcare, leisure, etc.) increases as we move from the tenth decile to the first. A more refined analysis ought to determine if this change is borne out of necessity or the result of greater freedom to decide how income should be used.

and are designed using an integrated and holistic territorial approach which tackles the problems inextricably linked to inequality and poverty: inadequate housing and deficient services, poor schools, a lack of transport, few or no jobs and high levels of crime.

It is also striking that in several cities, monthly expenditure per capita in a number of areas of consumption can vary a great deal, even within the same country. The disparities observed are not linked solely to income, the cost of living and the expenditure capacity of city-dwellers. They are also the symptoms of market failures, the inefficient provision of goods and services, irregularities in rent capture and certain negative externalities, such as the excessive price of land. In Medellín, for example, the poorest 10 per cent devoted 20 per cent of their total expenditure to housing, whilst in Bogotá and Cali, the same decile allocated only 10 per cent of their total expenditure to the same component in 2006-2007. In Mexico City, 33 per cent of expenditure was devoted to food, drink and tobacco, whilst in Monterrey this figure stood at just 24 per cent in 2010. These differences typically affect the poor to a greater extent, particularly in cases where the consumption gap tends to widen for certain essential components. This is clearly the case in Panama. Housing expenditure among the poorest decile in the province of Panama increased by more than 200 per cent, whilst for the richest decile it fell 13 per cent between 2003 and 2008. Thus, it seems that housing was a regressive factor in the structure of consumption in this province, with a very high Gini coefficient of 0.629 being recorded in 2003. Equally regressive was education and healthcare expenditure in Santiago, Chile, whose Gini coefficient for 2006-2007 was surprisingly high – values of 0.711 and 0.747 were recorded, placing the city in the "Extreme Inequality" category. In Guayaquil, the share of expenditure devoted to healthcare tripled among the richest 10 per cent (rising from 3.2 to 10.9 per cent) and remained stable among the poorest 10 per cent between 1999 and 2006. This situation is characteristic of a consumption pattern according to which as the poorest members of society increase their share of total expenditure (going from 2.6 to 3.3 per cent over the course of the same reference period), gradual increases in expenditure in this area were also expected.

However, it ought to be noted that, as is the case with income, as a variable of well-being, consumption followed a positive trend in Latin American countries and cities. This positive trend can be observed in all of the main areas of expenditure. On a national level, the Gini coefficient for per capita household consumption in the region fell by an average of five percentage points between 2001 and 2008, which represents a 10 per cent decrease if compared to the initial value (0.468). At city level, whilst sample size may be limited, it nevertheless clearly emerged that the Gini coefficient for consumption went from 0.447 (1995-2000) to 0.398 (2006-2010) as an unweighted average. This constitutes a decrease of five percentage points, similar to that observed at national level.[12]

With the exception of the two cities which displayed an increase in income inequality – the province of Panama (from 5 per cent between 2003 and 2008)[13] and Monterrey (from 11 per cent between 2000 and 2010) – all cities in the sample saw their Gini consumption coefficients reduce to varying degrees. It is no surprise to note that the two cities which recorded increases in inequality, as well as those which witnessed the smallest reductions in inequality levels – Medellín (by 4 per cent between 1994 and 2006) and Santiago (by 5 per cent between 1997 and 2006) – display the greatest regressive distortions in certain proportions of expenditure. Conversely, in the cities which recorded the greatest drop in this indicator, namely Cali (28 per cent), Santa Cruz (26 per cent), Bogotá (25 per cent) and La Paz (18 per cent), significant progress can be observed in the reduction of the consumption gap under various components of consumption[14] (see Graphs 3 and 4). It is for this reason that a detailed understanding of the ways in which these variables evolve enables the formulation of better targeted local and national policies. The ultimate aim would be to design policies which establish clear scopes of action based on the extent to which various levels of government and other stakeholders are involved, with clearer information on the redistributive impact generated by the different components of consumption. The formulation of such policies would, in turn, tend to influence income distribution.

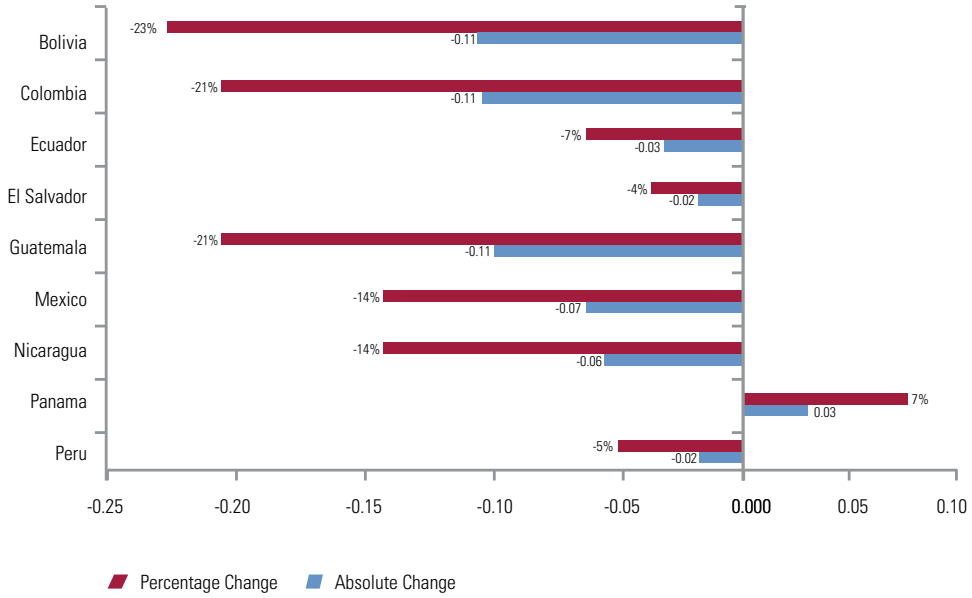
Consumption – a variable of wellbeing – followed a positive trend in the countries and cities of Latin America.

[12] The average Gini coefficient for cities between the years of reference (1995-2000 and 2006-2010) also fell by 10 per cent.

[13] Despite the significant reduction in income inequality in Panama (16 per cent), the structure of expenditure in the country is regressive. In 2003, the poorest decile of the population accounted for 1.8 per cent of expenditure, whilst the richest decile accounted for 34.6 per cent of total expenditure. A few years later, spending had become polarized so that the poorest had reduced their proportion to 1.2 per cent and the richest had increased theirs to 36.2 per cent (2008).

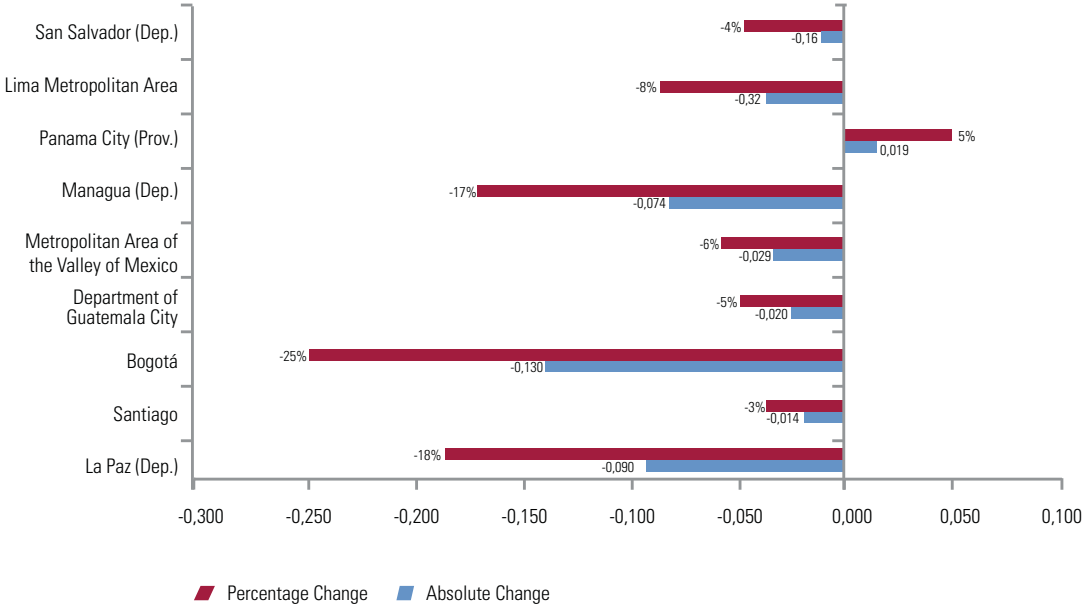
[14] Such progress was even recorded in cities which achieved a limited reduction in the consumption gap, as was the case for Lima, the Peruvian capital. Indeed, consumption in Peru remained very stable between 2000 and 2005. At national level, a certain regression was identified which caused the proportion of expenditure of decile 1 to decrease once again. It fell from 1.8 to 1.5 per cent between 2000 and 2005, whilst the richest decile's proportion of expenditure rose from 30.8 to 32.6 per cent during the same period. In Lima, both the poorest and the richest decile saw their share of total expenditure remain almost completely stable, at 2.5 per cent and 30 per cent respectively, between 2000 and 2005. Over the next five years, a progressive trend was recorded in consumption distribution. The poorest decile increased their share of total expenditure from 2.5 to 3.2 per cent. A number of areas of consumption witnessed the positive evolution of distribution coefficients, particularly among the poorest 10 per cent: housing (61 per cent), healthcare (40 per cent) and education (53 per cent).

Graph 3: Changes in the consumption Gini coefficient in selected countries, 1994-2010



Source: Gasparini et al., CEDLAS, 2013

Graph 4: Changes in the consumption Gini coefficient in selected capital cities 1996-2006



Source: Gasparini et al., CEDLAS, 2013

As we have seen in Graphs 1 and 2, the consumption ratio between the poorest and richest deciles has evolved positively in the most recent years studied. Given that the areas of consumption considered are not directly comparable between the cities in the sample, it is difficult to determine which of these areas were on average more egalitarian in terms of consumption distribution. However, a certain degree of consistency can be observed among all of the countries and cities analysed. On average, food expenditure emerges as the largest component of consumption. However, in line with Engel's Law[15] (1857), the amount of income spent on food falls as income rises and as such, the poorest decile now spends more on food than the richest decile of the population. On average, 44.8 per cent of the consumption of households in the first decile was reserved for food, whilst households in the tenth decile allocated 21.6 per cent of their budget to this type of expenditure.[16] Housing expenditure emerges as the second largest area of consumption, accounting for around 25 per cent of the total.

Unlike food, housing expenditure increases as we move up the decile scale, a pattern mirrored in the other areas of expenditure studied. The categories of education and transport vied for third and fourth place, almost always followed by healthcare and occasionally by facilities. Entertainment and recreation appear in last place.

In the light of the fact that education, healthcare and large-scale monetary transfer programmes generally fall within the remit of state/provincial or national governments in the countries of the region, housing and the provision of public services – mainly transport – emerge as the area with the greatest potential for consumption redistribution, as they benefit from the direct intervention of local governments. In the medium term, the capture of income derived from urban growth is shaping up to be a factor with significant redistributive potential.

On average, food expenditure emerges as the largest component of consumption.

Barranquilla, Colombia. A fair and egalitarian society requires social programmes and the protection of the rights of the elderly.
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[15] The Engel Method (1857) is based on the premise that the proportion of total expenditure devoted to food is an (inverse) indicator of a family's wellbeing: the higher proportional food expenditure, the lower the level of wellbeing. This assumption is based on the following observations: a) as income or consumption rises, the proportion of total expenditure devoted to food decreases; and b) for an equal level of total expenditure, the smallest households allocate a lesser proportion of their resources to food consumption than larger households. Sergio R., 1990.

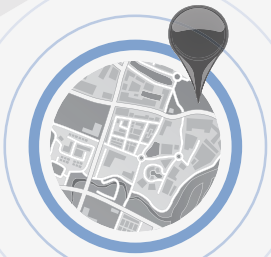
[16] Average inequality in food consumption is slightly higher for cities (0.358) than for the national total (0.349). If households whose food consumption is nil are included in the calculations (that is, the expenditure reported by households is zero), these figures rise to 0.406 and 0.369 respectively.

SOCIAL HOUSING AND EQUITY

Income and consumption inequalities intersect with other forms of **inequality**

SOCIAL · LEGAL · CULTURE · ENVIRONMENTAL

and take shape in cities.



Urban space and housing and the location of housing can contribute either to integration or physical and social segregation.

HOUSING

Access to housing policies with direct assistance or cash transfers have had various redistributive effects.

Social housing has had a strong equalizing impact on the distribution of wellbeing.

SOCIAL HOUSING + BETTER COVERAGE + CLEARLY TARGETED SUPPORT = MORE EQUALITY

In **16 cities,** the poorest people devoted **21%** of their expenditure to housing **(1994 and 2010),** and the richest **28%.** This is a minimal difference which indicates inequality in expenditure.

MEXICO CITY

The evolution of housing expenditure among the poorest decile is surprising:

2000: 19.8%

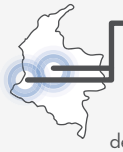
2010: 29.3%

For the richest decile, this expenditure remained stable at 30%.

LIMA

Housing expenditure among the poorest decile fell by **61%**

BOGOTÁ AND CALI



Recorded a **40%** decrease in housing expenditure among the poorest sectors of the population (1994-2006).

HOUSING CONDITIONS

PRECARIOUS MATERIALS

27%

of the households in the **first quintile (poor)** lived in housing built with precarious materials. In the **fifth highest (rich) quintile,** this figure stood at only **4%**

SANITATION

55%

of homes in the first quintile **(poor)** were connected to the network.

90% of homes in the richest quintile enjoyed the same connection.

The distributive effects of the housing policy are very varied indeed. In certain cities, this policy generated distortions, whilst in others it contributed to correcting inequalities.

HOUSING CONSUMPTION: REGRESSION OR PROGRESSION?

Each country, and on occasion some cities, have devised their own versions of housing systems. These systems are adjusted according to their socio-political evolution, the role played by the private real-estate and construction sectors, the degree of influence of social groups and civil society, and the extent to which housing policy is treated as a priority issue.[17] The gradual reduction of the state's apparatus in several countries in the region and a strengthened real-estate sector – itself the cause of a notable economic spillover effect – have contributed to reducing the production of social housing. This has in turn proved detrimental to the process of social inclusion. Moreover, the economic situation and its cyclical effects on financial markets, mortgage rates, the taxation of housing, the potential for private profits and expenditure control policies have also had an impact on social housing policy.[18]

In the majority of Latin American countries, the provision of a merit good such as housing has been a policy pursued with the aim of generating employment and economic growth in order to redistribute profits and correct inequalities. This was also the ultimate aim of access to housing policies targeting low-income families, of direct assistance or of cash transfers, initiatives which have had a variety of redistributive effects in the cities and countries of the region. For some academics, these policies have had regressive impacts, particularly when social goals have been combined with the pursuit of industrial and economic ends, and the aim of levying tax or stabilizing the economy. For other experts, social housing, chiefly for rental accommodation, has historically played an important equalizing role. Furthermore, insofar as coverage has improved and the allocation of housing has become better targeted, the system has gradually become more progressive. In these cases, social housing has had a strong equalizing impact on the distribution of wellbeing.

In the 16 cities in the sample analysed, the households in the poorest decile devoted an average 21 per cent of their monthly expenditure to housing between 1994 and 2010, whilst for households in the richest decile this figure stood at 28 per cent. This difference between the two ends of the spectrum is minimal – a clear demonstration of the high costs which the poorest citizens incur in order to acquire a house. In the city of Monterrey, the poorest sector of the population devoted almost a third of their expenditure to housing in 2000, whilst in Guayaquil the same sector allocated almost 37.1 of their expenditure to the same area in 1999, a figure close to that spent on food. In four Mexican metropolises (Mexico City, Guadalajara, Monterrey and Puebla/Tlaxcala), average housing consumption between 2000 and 2010 was 23.5 per cent for the poorest decile. If the Mexican capital is considered in isolation, the evolution of expenditure in this component among the poorest sector of the population is surprising to note: at the turn of the century it stood at only 19.8 per cent, and 10 years later it had risen to 29.3 per cent. Housing emerges a significant contributing factor to inequality in this city, with a Gini coefficient of 0.527. However, other urban centres which are even more unequal in terms of housing consumption include the Department of Guatemala City (0.655), Greater Santiago (0.592) and La Paz (0.585). Furthermore, overall downward trends in consumption inequality coefficients can be identified in the area of housing for a number of cities. Noteworthy cases include Lima, which reduced expenditure on this commodity by 61 per cent for the poorest 10 per cent between 2000 and 2010. The cities of Bogotá and Cali recorded 40 per cent decreases in expenditure in this component for the same group between 1994 and 2006.

Socioeconomic inequalities in the region in terms of housing quality and access to public services are also clearly apparent. On average, 27.2 per cent of households belonging to the poorest quintile in the cities analysed lived in housing built from precarious materials. For households in the upper quintile, this figure was 4 per cent.[19] In terms of access to the sewage network, it was noted that in the region's major cities, 55 per cent of households in the first income quintile were connected to the network, whilst the average rate of connection among the richest quintile was over 90 per cent.[20]

As is evident in the data examined, the distributive effects of housing policy differ very greatly indeed. In a number of cities and countries, this policy produces significant distortions and in others it helps correct social inequalities. It is for this reason that it would appear necessary to conduct a more refined analysis of the impact of this sector as an equalizing factor for income and consumption inequalities. This analysis could link housing expenditure to the quality of this housing and the services which it offers, as well as to the legal ownership and the secure tenure which residents enjoy. Legal ownership and secure tenure are factors which contribute to the intergenerational reduction of poverty. A study of this kind could more clearly pinpoint the role that local governments can play in housing provision. The ultimate aim would be to foster the development of a territorial policy and an urban planning policy which would avoid the current haphazard expansion of cities, a policy built on public transport and sustainable mobility which would make the city more accessible. If such progress were achieved, urban space could be used as a factor of physical and social integration.

[17] Pareja M. and Sánchez M., 2012.
[18] Ibid.
[19] Cities with a greater proportion of precarious housing – evaluated in terms of the quality of wall materials – among their poor population (defined as those in the lowest-income quintile) are Lima (30.5 per cent) and Mexico City (29.1 per cent). In terms of inequality, the gap in access to decent housing between the first and fifth income quintile is widest in Puebla-Tlaxcala (68.5 points), the Valley of Mexico (45.1 points) and Managua (39.5 points).
[20] Examining the most recent data available, the highest values for the first quintile are those of Puebla-Tlaxcala (74.94 per cent), the Department of Guatemala City (74.2 per cent) and San Salvador (58.7 per cent). Cities with the least access to the sewage network for the poorest 20 per cent are the Valley of Mexico (23.9 per cent), Guadalajara (34.80 per cent) and Guayaquil (47.8 per cent).

TRANSPORT AND EQUITY: INTEGRATING MOBILITY AND THE SPATIAL FIX

Several studies have highlighted the close link between poverty, inequality and daily mobility. In its recent publication *Planning and Design for Sustainable Urban Mobility (2013),* UN-Habitat emphasizes that restricted mobility is a fundamental component of social exclusion and a decisive factor in inequality and poverty.[21] In the same vein, other studies underscore the fact that inequalities and mobility practices reflect the social inequalities present in spatial accessibility.[22] One fact is indisputable: as household purchasing power increases, so too does the percentage of mobile persons.[23] Individuals with a greater capacity to choose the means of transportation which best meet their needs can move from place to place with greater ease. As a result, they enjoy greater access to the urban activities and opportunities the city has to offer.[24] In this way, some inhabitants can gain access to certain places, goods and services, whilst others cannot, a disparity which confirms the existence of a clear link between transport and exclusion. Experts in the field claim that inequality is not generated by the lack of social opportunities alone, but rather by a lack of access to those opportunities.[25] Public transport thus becomes a factor which can contribute towards social equity.

However, it is important to note that increasing numbers of private motor vehicles have also led to rising inequality where mobility is concerned. This increase in the quantity of motor vehicles on the roads has been driven by the increase in income per capita and a preference for individual transportation. It is also the result of the development of road infrastructure and the endless expansion of cities. Inequalities are rendered even more acute by the transport policies which have been implemented in several Latin American countries in recent decades. These policies essentially involve the promotion of individual forms of mobility and the increased liberalization of public transport, with the consequent reduction subsidies for mass transport.[26]

In its study entitled *Urban Development and Mobility in Latin America, CAF's* Urban Mobility Observatory (UMO) notes that the use of public transport has fallen in a number of cities, including Buenos Aires, Rio de Janeiro, Santiago, Guadalajara and Montevideo.[27] Furthermore, the UMO maintains that the geographical characteristics of cities, as well as their vertiginous and poorly planned urban growth, do not create conditions propitious to the addition of public transport, particularly in areas isolated from the city. However, as a general rule, the outskirts of urban centres tend to be inhabited by people who are on low incomes and highly dependent on public transport for their daily journeys.[28] In a space which is occupied without any planning or control, with a deregulated transport system subject to very few inspections and with inefficient road infrastructure, mobility opportunities for local inhabitants are limited. In addition to the significant negative externalities of transport which are already present and which chiefly affect the poor, such as congestion, pollution and traffic accidents, residents are forced to contend with other inequalities linked to cost, waiting times and journey times. There is thus no doubt that insufficient mobility generates and reproduces new inequalities.

In this context, the poor sectors of society often have less access to services such as hospitals and education establishments. Such a disadvantage hinders their ability to enjoy their basic rights as citizens (the rights to education, healthcare, food and work).[29] Their opportunities to access the labour market are also restricted, since their limited financial resources mean they are obliged to reduce the number of journeys they make in the search for work. Residents of these areas are also commonly forced to limit travel to either the head of the household or another family member, which ultimately restricts the opportunities enjoyed by women, young people and the elderly. The restricted mobility to which low-income urban residents are subject entails fewer opportunities and prospects for human and social growth – a situation which in turn increases levels of poverty, inequality and exclusion.[30]

Public transport is one factor which can contribute to social equity.

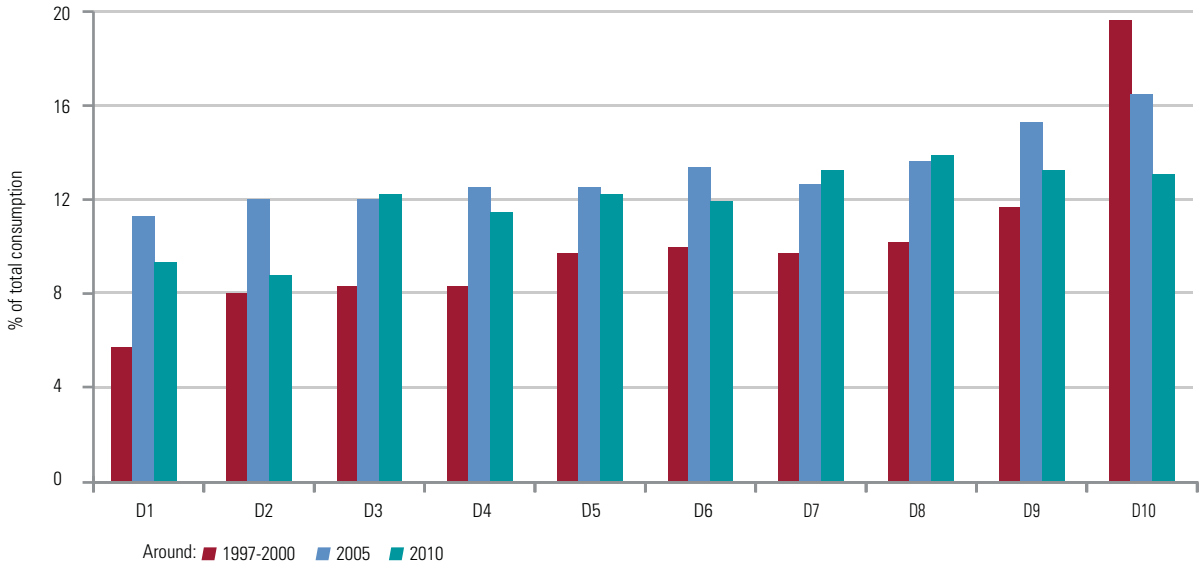
[21] UN-Habitat, 2013.
[22] Dureau F., Goueset V., Le Roux M., 2013.
[23] PNUD, 2012.
[24] Dureau F., Goueset V., Le Roux M., 2013.
[25] Ibid.
[26] Ibid.
[27] In Buenos Aires, for example, the use of public transport fell from 67 per cent in 1972 to 40 per cent in 2007. In Montevideo, the bus journeys have fallen from 68 per cent to 55 per cent over the past 20 years. In Rio de Janeiro, journeys completed by car, taxi and van as a share of the total trips undertaken have risen from 15 to 37.8 per cent in the last decade. CAF, 2011.
[28] CAF, 2011.
[29] Cebollada A. and Avellaneda P., 2008.
[30] Ibid.

The situation becomes more complicated still as cities spread and expand outwards into the periphery, which is increasingly remote and isolated. UN-Habitat estimates that in the past 20 years, Latin American cities have physically grown, on average, two to three times more than was necessary to keep pace with their demographic growth.[31] With very low residential and economic densities, and forms of land use which restrict the development of productive activities, this expansion of the urban area is not conducive to either the consolidation of economies of agglomeration or job creation. As such, new inequalities can take root.

Between 1995 and 2010, transport expenditure increased slightly in the cities in the sample. Whilst this should be interpreted with extreme caution, it has been calculated that transport consumption rose from 10 to 12 per cent during this period.[32] In all of the cities studied, transport expenditure was highest among deciles 8 and 10 – a clear indication of inequity (see Graph 5). The wealthiest citizens use individual motor vehicles, which are a more costly form transport, whilst the most deprived sectors of the population turn to cheaper public transport, or to non-motorized means of travel.[33] However, in the majority of the cities studied, particularly in the peripheries, public transport is inefficient and unreliable, which hinders access to the city.

In the majority of the cities studied, public transport is inefficient and unreliable.

Graph 5: Total average transport expenditure by decile, selected Latin American cities, 1995-2011



Source: Gasparini et al., CEDLAS, 2013

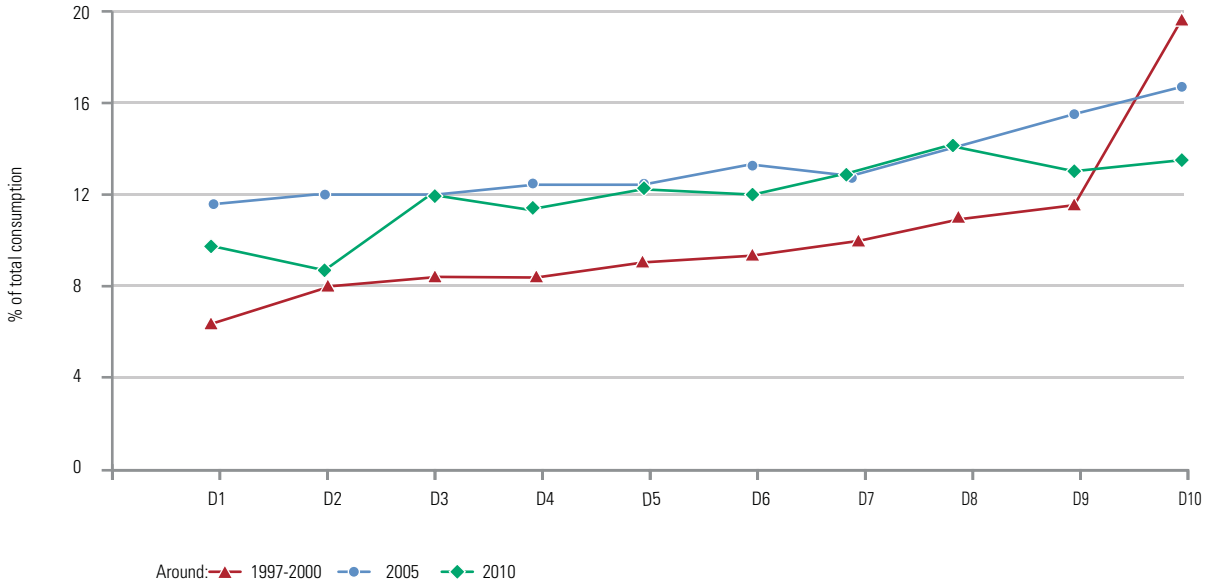
[31] PNUD, 2012.
[32] However, it was in 2005 that the highest consumption of transport among the 16 cities in the sample was recorded (13 per cent).
[33] The UNDP study on mobility and public transport in Latin America revealed that whilst over two thirds of journeys completed by the first income tertile were made using public transport, the upper tertile used private motor vehicles for 64 per cent of journeys. PNUD, 2012.

As is clear from Graph 6, with limited mobility the cost of transport for the lower deciles (D1) tends to increase, whilst for the upper decile (D10), it falls. Around 1995 and 2000, the poorest members of the population allocated an average 6 per cent of their total expenditure to transport. By 2010, this figure had risen to 9 per cent.[34] In contrast, the wealthiest citizens devoted an average 20 per cent of their total expenditure to transport between 1995 and 2000, and by late 2010 they had reduced their consumption to 13 per cent.[35] The data categorically demonstrate that high transport costs increase inequality and compound poverty, which in turn limits potential for greater inclusion and social cohesion.[36] In some cities such as Santiago (2006), Puebla/Tlaxcala (2000), Bogotá (2006), Mexico City and Guadalajara (2005) and Monterrey (2010), transport expenditure among the poorest sector of the population hovered around 15 per cent, and was perhaps up to 5 percentage points higher for those living in the most outlying periphery in the same period.[37]

In short, there is no doubt whatsoever that such high public transport costs constitute a significant inequality factor. However, it is appropriate to note that in other cases where service coverage has been extended to poorer city suburbs and where timetables and the quality of public transport provision have also been improved, a high level of social efficiency has been attained.[38] Consumption distribution in this area has also been reduced in a number of cities. This is the case, for example, in Bogotá and Medellín, which in 1994 displayed worryingly high transport Gini coefficients of 0.80 and 0.788 respectively. By 2006, inequalities in this area had fallen to 0.535 and 0.621.

Studies demonstrate that low transport costs and good accessibility constitute a crucial catalyst for economic development and equity.[39] However, in order for transport to function as a driver of social integration, it is necessary to improve not only the quality and efficiency of this transport, but also the form and function of the city.[40] In order to achieve this goal, it is vital to understand the reciprocal relationships between mobility and the spatial fix, taking account of all the urban processes of transformation which make it possible to increase density, diversify land use,[41] promote social diversity,[42] foster a sense of place, and harness the gains generated by the process of urbanization for the benefit of the majority. If such an understanding is developed, it becomes possible to consolidate the right to equitable access to opportunities. This access facilitates the simultaneous improvement of inhabitants' quality of life.

Graph 6: Evolution of total transport expenditure by decile, selected Latin American cities, 1995-2011



Source: Gasparini et al., CEDLAS, 2013

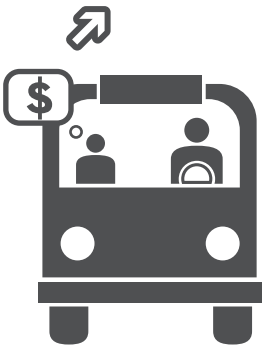
[34] Once again, it was in 2005 that the greatest increases in average transport consumption by the poorest decile were recorded, with levels reaching 13 per cent.
[35] These changes caused the transport Gini coefficient to fall from the 0.653 calculated around 1995-2000 to 0.540 in 2010 – a 17 per cent decrease.
[36] Cebollada A. and Avellaneda P., 2008.
[37] Personal interviews between the author and inhabitants of the remote peripheries of Guadalajara, Caracas, Puebla, Medellín and Rio de Janeiro, 2013.
[38] Cebollada A. and Avellaneda P., 2008.
[39] Lupano J., 2013.
[40] UN-Habitat, 2013.
[41] For example, repopulating the city centre or strengthening the suburban sub-centres, integrating initiatives relating to land and transport use. CAF, 2011.
[42] An interesting case is that of the neighbourhoods in western Bogotá. See the study by Dureau Françoise, Goueset Vincent and Le Roux Guillaume, 2013.

TRANSPORT AND EQUITY

Restricted mobility is a fundamental component of social exclusion and a decisive factor in inequality and poverty.

Between 1995, 2000 and 2010, transport costs **increased** slightly in cities (10 to 12 %).

Deciles 8 and 10 (the richest deciles) spend more on transport, which in itself constitutes a sign of **of inequity.**



The poor tend to increase transport expenditure most significantly whilst the rich reduce it.

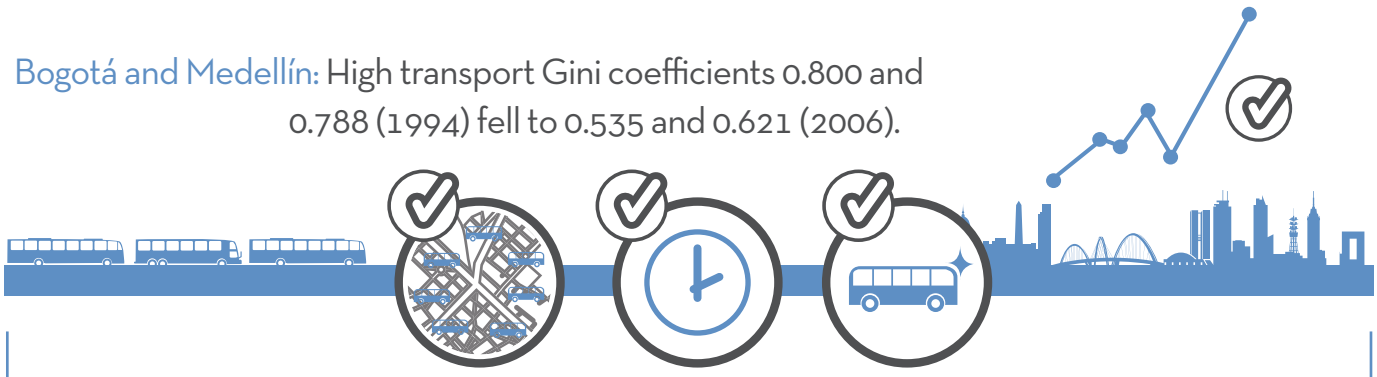
- 1995-2010: From **6% to 9%** for the poorest population.
- 1995-2010: From **20% to 13%** for the richest population.

- Public transport can **contribute to social equity.**

However, the use of public transport decreased in the cities of **Buenos Aires, Rio de Janeiro, Santiago, Guadalajara and Montevideo,** among others.

- **Insufficient mobility** generates and reproduces new **inequalities.**

Bogotá and Medellín: High transport Gini coefficients 0.800 and 0.788 (1994) fell to 0.535 and 0.621 (2006).



BETTER COVERAGE + TIMETABLES + QUALITY = SOCIAL INTEGRATION

In order for transport to function as a driver of **social integration,** it is necessary to improve not only the quality and efficiency of that transport, but also the form and function of the city

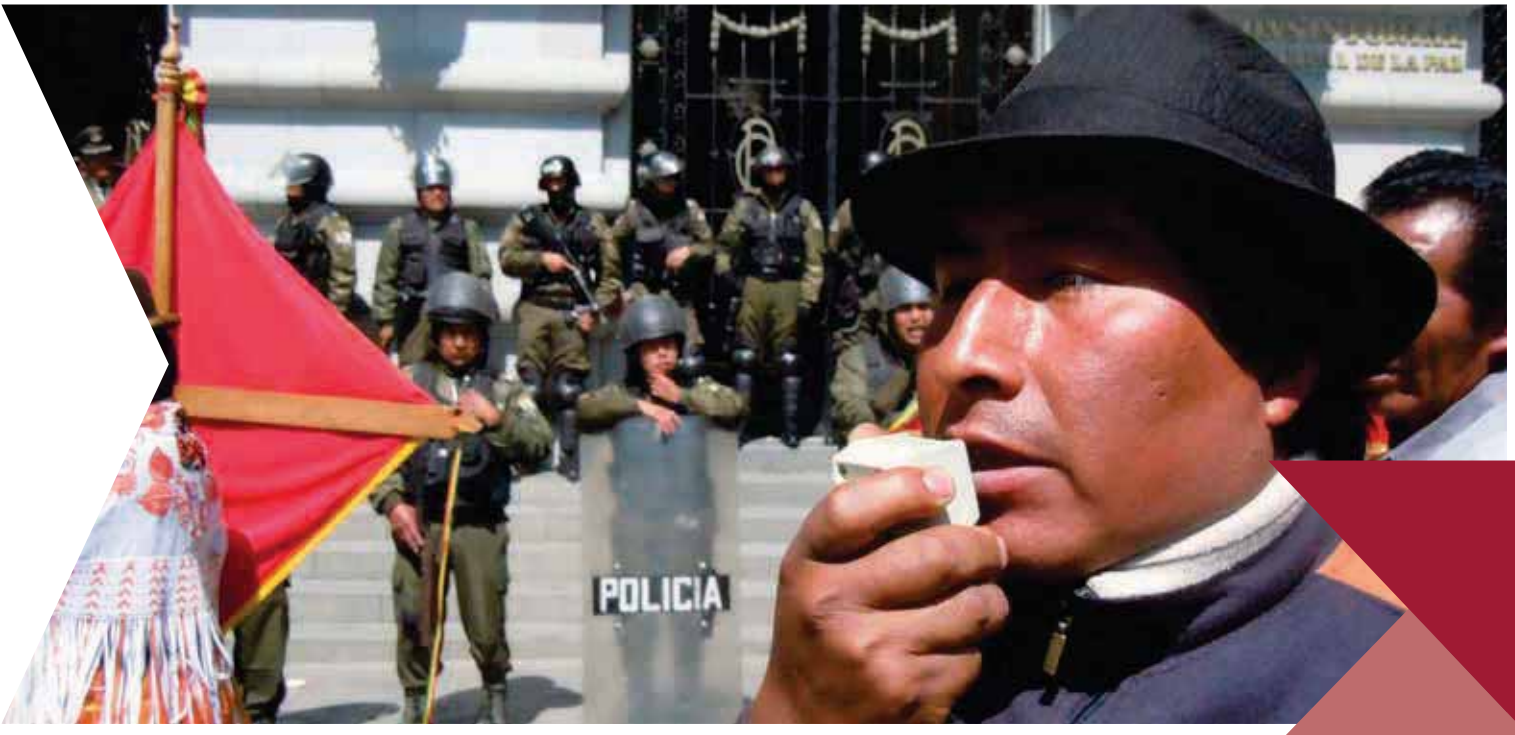
AN UNEQUAL SPACE WHICH GENERATES INEQUALITIES

In order to deepen our analysis, it is important to highlight that it is not only income which is unequal. The wealth which is distributed in a city in the form of basic services, public goods and services and infrastructure is also highly unequal. It is in this way that economic inequality becomes geographical inequality. The space in Latin American cities – physical, social and political – appears inherently unequal, to such an extent that in the majority of cases, a single city can be viewed as two or more separate cities within the same borders.

One phrase can be used to sum up a part of the findings of this study: cities are a divided space. They are characterized by a flagrant contradiction: areas of excessive wealth and prosperity exist alongside areas of concentrated disadvantage. Inequality thus assumes the form of an immutable geography of class.[43] As we have seen in this study, the income gap is closing in many Latin American cities. However, some studies confirm the existence of a "worrying link between geography, inequality and poverty".[44]

Cities are undergoing abrupt transformations in both their form and their function. This evolution of urban space is characterized by an increasing polarization of space caused, among other things, by rapidly accelerating real-estate speculation, changes in the reorganization of labour with new decentralized modes of production, and new forms of consumption in which space plays a differentiated role.[45] This polarization also manifests itself as differentiated access to the infrastructure, public amenities, goods and opportunities which the city has to offer. In this way, the space itself creates conditions propitious to the amplified reproduction of wealth for some and the perpetual reproduction of poverty for others.[46] During this process, new varieties of urban marginalization and residential segregation emerge whilst others become more deeply entrenched. New conflicts and forms of violence arise which have a marked territorial undertone. The wealthy isolate themselves from the rest of the population in luxury compounds, whilst the poor are forced to live in the periphery, where land prices are lower.

Furthermore, inequalities tend to rise due to the implementation of regressive public expenditure policies, as investments are clearly concentrated. They also increase due to the supply of services in high-income neighbourhoods and areas with the greatest potential for development. Consequently, opportunities are located in defined spaces, increasing the likelihood of jobs being generated in a small number of areas and limiting them in others. This model is replicated in several Latin American cities. For example, in the Costa Rican capital, San José, there are substantial differences between the locations



La Paz, Bolivia. Recognition of rights to equality, a fundamental principle of democracy.
© Eduardo López Moreno.

[43] Florida R., 2013.
[44] Ibid.
[45] Sassen S., 2012.
[46] Gómez A, 2009.

of companies in various areas of the urban space. These differences impact upon the capacity to create local sources of employment in certain areas. On average, high-income cantons boast 32.9 companies for every 1,000 inhabitants. This figure drops to 21.4 companies for middle-income cantons, and falls drastically to 5.8 in those with a low income. Alajuelita, one of the most deprived cantons, has only 1.8 companies to every 1,000 inhabitants.[47]

Income inequality and that of economic enterprises divides cities further still, particularly those in which there is formal, planned separation of land use and residential occupation. Such a situation affects economic activities, employment dynamics, the price of land and housing and public amenities, and these changes in turn trigger the construction of separate and secure neighbourhoods.[48] It is clear that a tacit social and spatial divide is being established or consolidated in cities: a north-south divide in Bogotá, with neighbourhoods legally stratified by social and economic strata;[49] an east-west divide in Guadalajara, with residents colloquially referring to living "on this side or on that side" of one of the city's historic avenues, La Calzada; Montevideo's west-northwest and centre-east divide; and the north-south divide of La Paz, among others. Spatial segregation, which has been historically recognized, and on occasions accepted by some inhabitants, increases socioeconomic and cultural exclusion, thus reproducing new forms of inequality.

The divisions between areas of abundant wealth and poverty are not the only divisions present within cities. Within each area significant disparities can also be identified. Such is the case in Greater Buenos Aires, where 12.3 per cent of inequality stems from differences between the Autonomous City of Buenos Aires and its natural extension, known as Greater Buenos Aires, whilst the remaining 87.7 per cent is the product of inequalities within each area.[50] However, it is clear that in the majority of Latin American cities, the greatest economic divides are more clearly visible in wealthy areas than in areas of poverty.

Medellín, Colombia. The expansion of public transportation to marginal areas fosters the access to the city.
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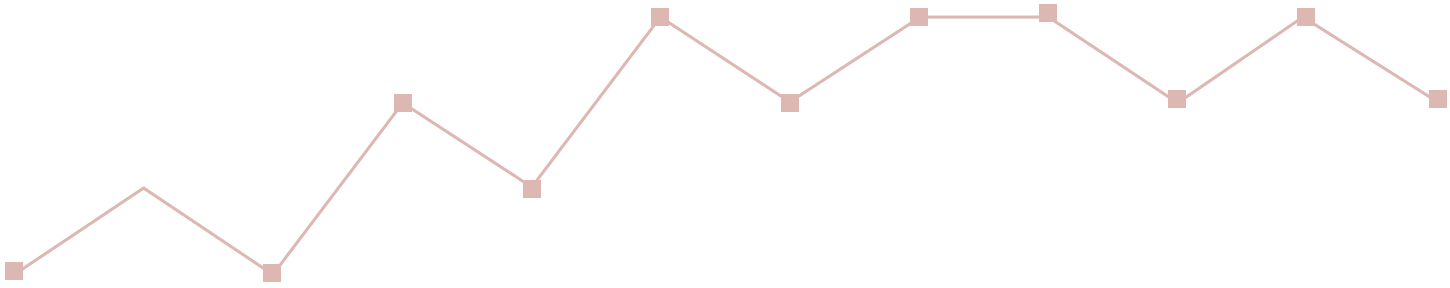
[47] Barahona M., 2013.
[48] Sarmiento A., 2013.
[49] Iván J., 2007 and Uribe C., 2002.
[50] Gasparini L., 2013.

This could be explained by the increased diversity in these areas, with several social and economic groups living side by side. As far as areas of poverty are concerned, the social groups present display greater similarities in terms of both social background and economic status.[51] In Belo Horizonte, for example, where per capita income is lower and more uniform, the favelas have a relatively low Gini coefficient (0.393), a figure decidedly lower than that recorded in affluent areas, whose Gini coefficient is extremely high (0.603).[52] In Montevideo, a more egalitarian city, the difference between rich and poor areas is only four percentage points, with the highest value recorded in the wealthiest areas. Similar statistics are present for Guadalajara, La Paz and other cities. In other words, socioeconomic segregation in urban space is greater in affluent areas.

However, whilst the poorest areas are more economically homogenous, it is also these areas which offer the fewest opportunities and which display the marked persistence of inequality in its various dimensions. At the end of the twentieth century, the World Bank and other international agencies emphasized the role of social capital as a tool for poverty eradication. In other words, with mutual trust and the movement of various free goods and services, the poor would be more quickly able to cast off the shackles of poverty. However, the discovery that poor areas are socially homogenous casts a shadow over this optimistic prediction, as it signals that, as a general rule, the social networks of the poor extend to other poor individuals when they live in segregated environments. Conversely, the consolidation of sociability between the members of various social classes facilitates more diverse and richer exchanges, and reduces discrimination between these groups. As sociologist Robert Sampson notes, the increasing separation of the top of the income pyramid from its main body has intensified the effect of the spatial divisions between those below the apex. Consequently, the spatial concentration of the richest members of society, with their attendant resources, such as well-equipped schools, security, services and abundant political ties, ultimately "pulls up the drawbridge on the poorer neighbours".[53] Several studies, particularly in developed nations, have shown that upward mobility is reduced in cities characterized by neighbourhoods which are economically and racially segregated.[54] Indeed, the geographical location of a household can increase or decrease the social capital of its residents, either facilitating individuals' development or limiting their potential.

Despite the positive changes in the distributive structure of the region's income, spatial inequalities persist in a number of cities. Unfortunately, social policies, urban legislation and public expenditure sometimes tend to exacerbate inequalities rather than mitigate them. Whether this is due to exclusionary zoning, the selective provision of public goods, the levying of regressive local taxes, the differentiated supply of social housing and services or exclusionary social and political measures in specific parts of the city, the geography of inequality ultimately becomes even more deeply entrenched in the social fabric.[55] Urban space thus becomes a social frontier and a vector of new inequalities. To paraphrase Saskia Sassen, the space becomes an actor in its own right, generating outcomes which affect production and consumption, as well as flows and relationships.[56]

The geographical location of a household can increase or decrease the social capital of its residents, either facilitating individuals' development or limiting their potential.



[51] Serna M., 2013.
[52] The Gini coefficient for the Belo Horizonte municipality is 0.607.
[53] Sampson R., 2013.
[54] Raj Chetty, 2013, Florida Richard, 2013.
[55] Sampson R., 2013.
[56] Sassen S, 2012.

AN UNEQUAL SPACE WHICH GENERATES INEQUALITIES

Economic inequality becomes geographical inequality

In many cities, the existence of a worrying link between geography, inequality, and poverty is confirmed.

Cities are characterized by a flagrant contradiction:

areas of excessive wealth and excessive prosperity

and areas of concentrated disadvantage.

SPACE

Creates conditions propitious to the amplified reproduction of wealth for some and the perpetual reproduction of poverty for others.

Situates opportunities in defined areas.

Establishes or consolidates a tacit social divide.

GEOGRAPHY OF INEQUALITY = Exclusionary zoning + Selective provision of public goods

Upward mobility is reduced in cities characterized by economically and racially segregated neighbourhoods.

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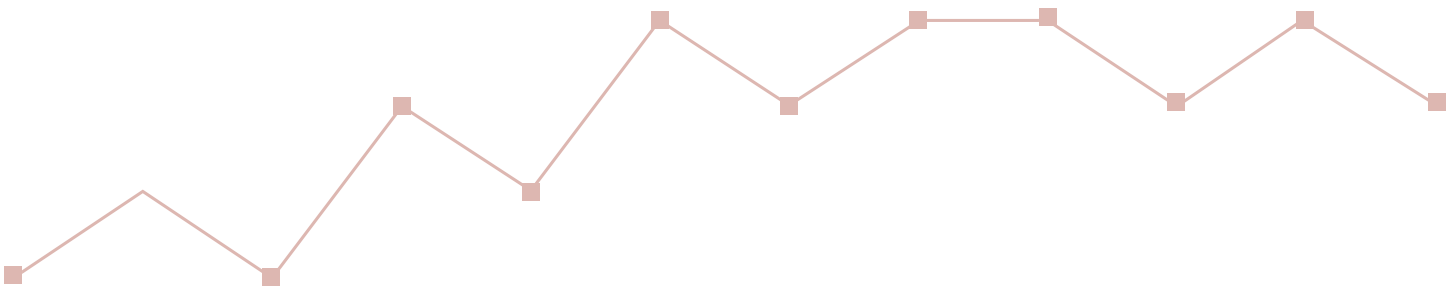

07

EQUITY POLICIES IN CITIES

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CHAPTER 07

EQUITY POLICIES IN CITIES

The positive results achieved in the reduction of INEQUALITY over the past decade have made it possible to determine which policies and strategies work.

Improving quality of life in the most disadvantaged neighbourhoods is a fundamental local initiative to foster equity.

EQUALITY MAKES THE DIFFERENCE: NATIONAL POLICIES AND THE CITY

Several Latin American countries and cities are redesigning proposals and plans related to development, growth, poverty and equality. The positive results achieved in inequality reduction over the past decade have made it possible to determine which policies and strategies work. Other, less positive results have helped foster an understanding of the fact that, on occasion, policies can exacerbate inequalities. The evaluation of the experience acquired over recent years has made it clear that equity is a political choice, but that so too is inequality.

An analysis of the inequality trends in the region, the factors which produce inequalities and the initiatives currently being implemented makes it possible to obtain policy guidance in this area. The specialist literature on the subject suggests that the instruments available encompass a wide range of possibilities.[1] The joint study produced by UN-Habitat and CAF identified a series of initiatives which, in general terms, were focused on a number of common themes: incorporating the quest for equality of opportunities more explicitly into the policy agenda; investing in education and human capital; strengthening the taxation system and making it more progressive; bolstering the state's redistributive power; ensuring more equitable access to economic resources; extending the scope of labour policy in order to protect workers' rights; improving social expenditure and increasing social programmes; investing in social and economic infrastructure and in the provision of public goods; and improving urban planning and increasing local governments' share of the income derived from urbanization and economies of agglomeration. In contrast, other authors insist that there are a limited number of policies which can effectively reduce inequality, an argument supported by a large number of studies and proposals.[2]

If one thing is certain when it comes to analysing this phenomenon, it is that meeting the challenge associated with the design of effective policy begins with evaluating the very nature of the process of economic growth. The more pro-poor this growth – in other words, the more it increases the poor's income to a greater extent in proportional terms than that of the non-poor[3]– the more likely it is to be successful. The likelihood of success is even greater when a coherent system of economic, social and labour policies is in place, with coordination between various levels of government and other stakeholders. If such a strategy is pursued, it is easier to avoid the actions undertaken in one area nullifying the positive effects seen in other sectors.

Inequality reduction policies are interrelated and mutually reinforcing.

As regards the inequality reduction policies proposed by various international organizations, it is important to note that these are interrelated and mutually reinforcing. The proposals made by the UNDP, like those of other institutions, are tailor-made to suit the profiles of the regions' countries. For example, in Paraguay (2008) the agency established three separate types of equity policy: macroeconomic, restructuring and redistributive.[4] In Bolivia (2010), the UNDP suggested the following principles in order to ensure equal social change:[5] universalization of social rights, democratization of employment and decent work and the reinforcement of interculturality in democracy.[6] In several national reports, the UN agency promotes a gender equality campaign. Elsewhere, in the global document on sustainability and equity (2011) it encourages reforms to foster equity, linking these to the notion of sustainable development.[7] Measuring disparities and the effects of inequality in human development is crucial to progress in development policy. Following in the footsteps of its predecessors, the UNDP Report *The Rise of the South: Human Progress in a Diverse World* (2013) contains the Inequality-Adjusted Human Development Index (I-HDI), which serves as a template for similar studies at city level.

It is appropriate to note that the IDB broke new ground in the publication of works on inequality in the region with its report *Facing Up to Inequality in Latin America* (1999). In this study, the IDB links inequality to the state of economic and social development in the region's countries, attaching particular importance to natural endowments and productive resources. More recently, the IDB has focused particularly on fiscal policy and equity. It also promotes social equity and the economic development of poor and excluded groups.[8] The bank also supports sectorial policies designed to improve equality, with a particular emphasis on healthcare and education.[9] In adopting such an approach, the IDB plays a key role in encouraging dialogue and the exchange of experiences and knowledge of inclusion.

[1] See, for example, Amarante V. and Melo de G., ECLAC 2004, Cuervo M. and Morales F., 2007.
[2] Glaeser E., Resseger M. and Tobio Kristina, 2009.
[3] Berry Al. 2013. Kakwani N., Khandker S. and Son Hyun., 2004.
[4] According to the UNDP, macroeconomic policies are aimed at achieving stability in the economic system, restructuring policies relate to state participation in economic processes and markets, and redistribution policies seek to implement mechanisms designed to ensure the fairer distribution of goods and services throughout the economy. PNUD Paraguay, 2008.
[5] PNUD Bolivia, 2010.
[6] Colombia's proposal for equitable and inclusive development is focused on the Millennium Development Goals (PNUD, DNP, 2005). Mexico's proposal is focused on equity in public expenditure, analysing the components of healthcare, education and income transfers in particular detail (PNUD Mexico, 2011), etc.
[7] PNUD, 2011.
[8] BID, 2007.
[9] In an inequality study produced specifically for Mexico (1999), the BID proposed a strategy underpinned by five "pillars": trade policy, labour policy, social security reform, financial policy and educational reform. BID, 1999.

ECLAC has also conducted extensive research in this area. The seminal study, *Time for Equality: Closing Gaps, Opening Trails* (2010) offers an interesting analysis of the effects of the crisis on inequality and broaches the issue of the phenomenon's territorial dimension, as well as the many disparities present in development.[10] The "Social Panoramas" produced at regional level reveal, from various perspectives, the progress made at regional level in redressing the unequal distribution of resources, and include proposals for policies which cover a variety of areas.[11] The various studies and analyses of the challenges of inequality and the pro-equity initiatives which ECLAC has coordinated are widely disseminated in the region.[12] The organization also specializes in sectorial studies in which it links issues such as development, competitiveness, macroeconomics and education to the phenomenon of inequality.

Elsewhere, the World Bank has proposed a variety of economic policies contained within the regional report *Inequality in Latin America and the Caribbean: Breaking with History?* (2004). These policies can be placed into three complementary areas of work: reducing inequalities in assets, strengthening institutions which define market structure and returns, and consolidating the use of the state's redistributive power.[13] In a more recent study entitled *Shifting Gears to Accelerate Shared Prosperity in Latin America and the Caribbean* (2013), the World Bank conducts a more in-depth analysis of four important topics related to those policy areas, all of which are designed to achieve a more equitable society. These four areas seek to strengthen links between growth and equity: I) equitable and sustainable fiscal policies; II) responsible and efficient institutions and equal access to services; III) markets which function smoothly and are accessible; IV) improved risk management and resilience.[14]

CAF is directly and actively involved in issues related to inclusion and the improvement of living conditions in the most disadvantaged sectors of society. As far as social wellbeing is concerned, the Bank supports a number of programmes designed to increase youth participation in sport and culture. In this connection, the publication entitled *Social Policies to Promote Citizenship and Social Cohesion* emphasizes the need to establish a fiscal pact – one which would enable the sustainable financing of social policies and provide greater distributive equality. Its contribution to issues of investment in infrastructure and services focuses particularly on the universalization of drinking water and sewage services. The aim of the book entitled *Equity and Social Inclusion in Latin America: Universal Access to Water and Sanitation,* meanwhile, is to promote a broad discussion on public equity and social inclusion policies which may help tackle the drinking water and sanitation deficit, whilst at the same time helping to ensure the complete coverage of quality urban services for society's poorest and most vulnerable groups. Finally, it is appropriate to highlight the efforts undertaken by CAF in the dissemination of knowledge of best practices regarding the installation of these services in informal settlements. Such efforts are patently clear in the publication *Inclusion of Inhabitants in Full Citizenship.* This study contains the presentation of a document useful for local authorities, offering concrete transformative solutions and tools in order to improve quality of life and the development of cities' most deprived areas.

Another interesting initiative was that which UN-Habitat implemented with the Inclusive Cities study as part of its global Urban Governance campaign (2000). The concept of the initiative is underpinned by three interrelated ideas, all of which contribute to the realization of full citizenship: respect for human rights, good urban governance and equitable growth. For the first time ever, in the reports *State of the World's Cities: Harmonious Cities* (2008) and *Bridging the Urban Divide* (2010), UN-Habitat presented a study on inequality in cities. In the 2010 edition, it examined the issue of the right to the city and proposed five steps towards an inclusive city, three of which are covered in Chapter 1, "The change after the Change".[15] In 2012, in the Prosperity of Cities report, (2013), UN-Habitat introduced the CPI, built on five different dimensions: productivity, urban infrastructure, quality of life, equity and the environment. Here, the concept of prosperity is based on a more holistic and integrated approach to people-centred sustainable urban development. UN-Habitat recently proposed a new urban agenda in which equity appears as an integral part of sustainable urban development.

Fiscal policy plays a key role in the reduction of the income gap.

[10] CEPAL, 2010.
[11] CEPAL, Social Panorama, various years.
[12] Particularly relevant is the study by Simone C. and Aldo M. (2011) on conditional transfer programmes in Latin America.
[13] World Bank, 2004.
[14] World Bank, 2013.
[15] The three subjects proposed in the National Policy for Equity proposed in Chapter 1 are the evaluation of the unequal past and the measurement of progress, the creation of stronger and more effective institutions, and the development of new relationships and alliances between the different levels of government. The two remaining issues discussed in the Report on the State of the World's Cities (2010) are developing a more integrated and long-term vision in order to promote inclusion and ensuring the equal distribution of opportunities..

This chapter provides a summary of key national policies which can be implemented at various levels of government. New mandates, economic resources and political dynamics have enabled cities and local governments to increase their catalogue of public interventions,[16] giving them greater influence in several areas of action. Some of these are described in greater detail below:

Education. The inequality perception survey, conducted in 10 Latin American cities, attaches a great deal of significance to education. Just over 5 in every 10 people surveyed (52.6 per cent) believed that the development of educational capacity was the best way to improve social mobility and reduce inequality.[17] It is worth noting that a vast wealth of studies believe access to higher education in the region to be decisive in closing the income gap and eradicating various forms of exclusion.[18] They also agree that it is crucial to equalize access to quality education for inhabitants in the lowest deciles of income distribution given the extent to which such access can influence economic opportunities, social position and political influence.[19]

The local agenda has incorporated elements of public policies that have not traditionally fallen within municipal remits, including educational services and capacity and skill development, areas crucial to the opening up of opportunities and job creation. In several countries (Peru, Brazil, Bolivia, Chile, Mexico, Nicaragua, Honduras, etc.) basic education is decentralized and it is incumbent upon state and municipal governments to manage the networks of public schools. Whilst the conditions and capacities of municipalities in the area of education vary a great deal, there is increasing recognition of the need for these municipalities to participate in the educational domain and in efforts to develop skills among students.[20] Transport provided at preferential rates, subsidized or free for students, the elimination of quotas in public education, the extension of the school day (which allows parents to extend their own working day), and the provision of standardized supplies and books to schools free of charge are all measures which can increase equity in education. Moreover, they can be implemented at local level.

Taxes. Fiscal policy plays a key role in the reduction of the income gap. Despite the fact that the recent inequality perception survey conducted in the region's countries showed that 1 in every 10 inhabitants believed that taxation was the most important redistributive policy, the same surveys revealed that 51 per cent are of the view that the state is the most relevant institution when it comes to inequality reduction.[21] It is interesting to note that in some European countries, the inequality coefficient is as high as it is in some.

Latin American nations before the redistributive power of fiscal policy is taken into account.[22] For this reason, the state in Latin American countries should strengthen its redistributive capacity.

Cartagena, Colombia. Improving the quality of life in historical areas taking into account the inclusion of poor and vulnerable groups is a policy important for equity.
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[16] Meza C. O., 2013.
[17] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[18] See, in particular, the study published by UNESCO and the International Institute for Higher Education in Latin America and the Caribbean entitled "Higher Education Trends in Latin America and the Caribbean", 2008, as well as the documents cited in Chapter 5 of this study, in the section "Education and Skills Development Are Essential For Equality"..
[19] Banco Mundial, 2004.
[20] Skill development means connecting education with technical and vocational training, including information and communication capacities. The individuals with the best capacity are able to improve productivity, earn more, improve their standard of living, and reduce inequalities as a result.
[21] The highest values were recorded in Bogotá (17.7 per cent), Quito (14 per cent), Lima (13 per cent) and Santa Cruz (22 per cent), UN-Habitat, CAF, Avina and Red de Ciudades, 2013.
[22] Perry G., Steiner R., IDRC, 2011.

This means heightening the tax burden and ensuring that taxation is increasingly progressive.[23] Such a measure would bolster the resources available and augment their revenue-raising capacity. It is also necessary to include the income and property tax payable by physical persons, for which the rate of collection in the region is very low.[24] These types of tax are levied above all on the most thriving sector of the population, and their collection would not only boost confidence in the system but also help instil an overall sense of justice in the population as a whole. This would, in turn, enable the optimal redistribution of wealth.

Furthermore, in order to promote the more efficient allocation of public resources, it is necessary to strengthen cities, as cities are the drivers of national development. This aspect is particularly important given that the majority of local authorities lack the fiscal autonomy to set their own tax rates and depend to a large extent on intergovernmental transfers. Consequently, it is recommended that a number of fiscal competencies and management resources be handed over to these sub-national bodies. Fiscal policies involving the collection of local taxes are among the instruments which have the greatest impact on inequality. The benefits of such taxation are huge, namely the prioritization of investments and establishment of local projects using more accurate information; the improved coordination of various stakeholders and resources; the promotion of civil society participation with more direct forms of communication; and better-targeted public spending. Such benefits enable problems of equity to be successfully corrected.[25]

It is clear that the national policy for equity proposed in Chapter 1 requires guidance from the national government, just as it requires responsibility to be shared with other levels of government. In order to achieve this goal, it is necessary to improve the management methods used and increase transparency, as well as ensuring that local taxation mechanisms are developed. One of the mechanisms whose potential remains under-exploited in achieving this goal is the capture of added value – shared value – which is the result of property development and investments made by the public administration itself.[26] The capture and redistribution of land value, in conjunction with other instruments, could be a powerful mechanism for public funding and the redistribution of wealth. The benefits can be captured indirectly through property taxes, impact rates, the securitization of building rights, and other kinds of tax. They can also be captured indirectly through the conversion of the benefits of the land and through the transferral of rights to urban development.[27]

Transfers. The redistributive power of transfers was covered in Chapter 5. With different impacts in the various countries in which they are implemented, these social protection systems can contribute significantly to the reduction of poverty and inequality. Transfers also contribute to improving social cohesion and to the realization of human rights, and help protect individuals from economic, climate or food crises.[28] To the extent that countries become fairer societies, transfers will have an important redistributive role to play, and, in time, can develop into more permanent and universal social protection systems.[29]

Ensuring the persistence and consolidation of conditional transfers, associated with investment in human capital, constitutes one way of strengthening the welfare state. The support or participation of local governments, be this in their capacity as responsible and/or implementing agencies, is essential. These governments can reinforce the public institutionality of the programme and, in doing so, prevent it from becoming too sectorialized. The decentralization of public transfers to local territorial bodies can serve to make the programme more effective, as well as ensuring better-targeted action and improved accountability in the light of the broader social participation involved.[30] The greater the efficiency of local expenditure and the greater the proximity between authorities and inhabitants, the easier it becomes to increase the efficacy of public policies, which can in turn improve democratic governance.[31] As ECLAC notes in its study *Time for Equality*, territory has a vital role to play when it comes to combatting inequality in the light of the fact that spatial proximity and face-to-face interactions are crucial in building trust and obtaining positive results.[32]

In order for these local measures to be effective in reducing inequality, it is necessary to improve accountability at that local government level. A national accountability consolidation process at all levels of government would undoubtedly contribute towards achieving this goal.

Labour law. Achieving equality in cities requires a labour and social security framework which is more inclusive and which distorts income to a lesser extent. This means, a framework that enables basic labour rights and social security protection to be extended

Territory has a vital role to play when it comes to combatting inequality.

[23] Banco Mundial, 2004.
[24] Perry G., Steiner R., IDRC, 2011.
[25] Aghón G. and Cortés P., CEPAL, 2001.
[26] ONU-Habitat, 2013.
[27] ONU-Habitat, 2013a.
[28] UN, Open Working Group on SDGs, 2013.
[29] Banco Mundial, 2004.
[30] Latin America contains relevant examples at either end of the government spectrum. Whilst Oportunidades, the first integrated programme of conditional transfers for healthcare, education and food, does not allow local authorities any margin for manoeuvre in the selection of beneficiaries (although some have indeed found ways of doing so), Bolsa Familia began life as a state initiative, with a great deal of freedom given to municipalities in the selection of families.
[31] Aghón G. and Cortés P., CEPAL, 2001.
[32] CEPAL, 2010.

to all workers. Policies to increase the salaries of unskilled workers can be achieved through the implementation of a minimum wage or a wage floor – a task which falls within the remit of federal government.

In cities, local economic policies must promote the creation of new businesses and strengthen existing ones,[33] attract investment, promote job creation, and, above all, regulate economic activities and local markets.[34] It is also essential to regulate informal business and implement local anti-discrimination legislation which includes policies designed to increase female participation in the labour force. In order to achieve this goal, cities should actively participate in the elimination of the structural and systemic obstacles which impede women's participation, and consequently contribute to improving the measures which facilitate their empowerment.[35] Doing so involves overcoming the hurdles regarding access to decent jobs, education and skills, the issue of unpaid work, the acquisition of physical and financial assets, social protection guarantees, security, and effective participation in urban governance.[36] Cities must also guarantee the labour rights of ethnic minorities, the elderly and the disabled in order to remove the barriers which prevent them from exploiting their full potential.

Social expenditure. In the inequality perception surveys conducted in 10 Latin American cities, it is patently clear that social expenditure, public services, housing, healthcare and transport are all deemed highly relevant issues. One in every five people surveyed felt that social expenditure (under all of the headings considered) was a fundamental mechanism for equality and social procurement.[37] Thus, just as is the case with taxation, social expenditure also has to be redistributed according to progressive criteria: "giving more to those with less". Other studies have underscored the fact that an increase in, as well as the improvement and monitoring of, social spending is a crucial factor in order to guarantee a more cohesive and egalitarian society.[38] Indeed, as access to essential goods and services is made universal, the opportunities for all citizens to enter economic, social and political life on an equal footing are extended.[39] Whilst it is true that social policy tends to be more cross-cutting, intergovernmental and inter-institutional (and, as such, tends to involve various sectors including the social, economic and cultural sectors, national and sub-national levels of government and public, private and academic institutions), we can also see that local governments in Latin America are tending to extend their activities in this area.[40] For example, whilst in 1990 Mexican local authorities spent an average of around 50 pesos per inhabitant on

La Paz, Bolivia. Basic labour rights must be extended to all workers, seeking to protect job security and safety in the workplace.
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[33] For example, through local regulations, such as planning for mixed land use and appropriate urban design, and through appropriate municipal regulations, the local government can provide policy environments conducive to productive activities in the home. For example, in Venezuela, 45 per cent of the dressmaking industry is in the hands of workers based in their own homes, activities which could be reinforced. UN-Habitat, 2013c.
[34] Aghón G. and Cortés P., CEPAL, 2001.
[35] UN-Habitat, 2013a.
[36] Ibid.
[37] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.
[38] PNUD Paraguay, 2008.
[39] Ibid.
[40] Gómez A. D., 2012.

issues which appeared on the extended agenda and three times as much on traditional activities from what could be considered their constitutional agenda,[41] by 2008, this trend had almost reversed.[42] New mandates, economic resources and political dynamics (the very process of decentralization) give local governments greater scope for action in all public policies, particularly regarding the provision of basic social services, social wellbeing and housing. Through funding awarded via subsidies, budgetary contributions and the various types of grants and transfers, local authorities can, with varying degrees of skill, tackle poverty and contribute to inequality reduction.

However, despite some progress and the implementation of slightly more forward-thinking policies during the 1990s, a great deal of public spending remains fairly regressive.[43] One study shows that for each case of progressive public expenditure, another type of either neutral or highly regressive expenditure is generated. This is true, for example, for pension payments, the provision of public services, certain types of transfer and public secondary education. In fact, whilst the majority of expenditure on primary education is designed to benefit the poorest 25 per cent of the population, the majority of expenditure on tertiary education is aimed at the population's richest 25 per cent.[44] This is the situation prevailing, for example, in Mexico, where, fortunately, the regressivity of national indices is gradually declining, with the increase in average attendance rate and with the even sharper increase in school attendance among the lowest-income deciles (in baccalaureate and higher education programmes). However, it cannot be denied that social expenditure for the provision of sufficient public goods, which can be used freely and without competition, is an important instrument which local governments implement to help increase equity in society.[45]

Infrastructure. The prosperity and development of cities and countries depend, to a large extent, on their infrastructure. Physical infrastructure, such as modes of transport, energy and communication, contributes to economic development, encourages industrialization, and fuels commerce and labour force mobility. Social infrastructure, such as water supply, sanitation, waste water treatment, and education and healthcare facilities all have a direct impact on the quality of life which individuals enjoy.[46] Both types of infrastructure connect cities to cities, people to people, goods to markets, workers to jobs, families to services and rural inhabitants to urban centres. This connectivity process is essential in order to stimulate economic growth, reduce poverty and promote equality.[47]

The under-development of infrastructure renders life more difficult and costly. This in turn affects the development of industry, trade and tourism, and also discourages investment. Experience indicates that deficient infrastructure reduces the competitiveness of cities and generates negative externalities, such as air pollution, time-wasting,

Bogotá, Colombia. Quality public transport fosters economic growth, contributes to poverty reduction and promotes equality.
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[41] In the so-called constitutional or traditional agenda, the municipality would be primarily responsible for public policies relating to the provision of public and urban services and the peaceful coexistence of citizens. The extended or broader agenda includes economic and social development measures, and education and healthcare services, which all form part of so-called social expenditure. ECLAC, 2001, Meza C. O., 2013.
[42] Meza C. O., 2013.
[43] Banco Mundial, 2004.
[44] Perry G., and Steiner R., 2011.
[45] Gómez A. D., 2012.
[46] López M. E. 2012.
[47] Ibid.

fuel costs, security costs, as well as noise and excessive greenhouse gas emissions. Consequently, the lack of urban infrastructure constitutes an institutional barrier to social inclusion and the right to the city, which limits social and individual wellbeing and denies access to opportunities. Research has shown that a lack of infrastructure primarily affects the poor. According to CAF, several Latin American metropolises have seen the number of motor vehicles on their roads increase between three- and fivefold over the last 20 years. Meanwhile, road infrastructure has not been updated accordingly, and alternative forms of transport were not developed to the same extent.[48] As a result, the lowest income groups pay more in time and transport costs, a situation which obviously causes inequalities to increase.[49] Furthermore, inadequate infrastructure compounds the vulnerability of the poor in cities, especially in slums, which increases the risk of landslides, floods and other natural disasters.[50]

Historically, physical infrastructure works, especially those on a large scale, were the responsibility of national governments, although local governments are increasingly getting involved in at least one variety of physical infrastructure project, chiefly in the development of social infrastructure, in urban and regional areas. The development of metropolitan funds promoted by the national government, with co-investment and coordination on the part of local governments, could provide a possible tool with which to foster improvement and equity in this area. The key prerequisite for the provision of infrastructure effective in the generation of economically and socially equitable activity is adequate urban planning. For this reason, infrastructure has a dual role to play. On the one hand, it stimulates increasing yields from the economies of agglomeration.

On the other, it enables the potential of these economies to be better exploited, linking residential and economic density and fostering the connectivity of cities.[51] However, with the increasing trend towards the dispersion and expansion of cities, it is becoming more costly to build and maintain urban infrastructure. Furthermore, if this investment is not made in the appropriate way, inequalities can become more deeply entrenched in the fabric of society.[52] UN-Habitat maintains that with effective urban design coupled with appropriate legislation and land policy, it is possible to reduce the cost of infrastructure.[53] In this context, it is important to recognize that many urban authorities lack sufficient resources and are consequently unable to satisfy the increasing demand for basic services, new infrastructure and the maintenance of existing facilities.[54] Faced with this situation, local authorities must explore innovative mechanisms in order to generate additional resources, such as capital market borrowing, concession contracts, the issuance of municipal bonds, responsible borrowing or the identification of projects which can be financed by third parties. Other alternatives to obtain the resources necessary may include the mobilization of private capital, the establishment of public-private partnerships, the issuance of buildability and development rights and value capture.[55] In Latin America, current levels of investment in infrastructure stand at around 3 per cent of GDP.[56] Existing estimates suggest that between 2011 and 2012 investment grew, but so too did GDP. As a result, the relationship between investment and GDP remained unchanged.[57] In order for infrastructure to help increase productivity, improve equity, enhance quality of life and protect the environment, investment in this area must stand at around 5 per cent of GDP.[58]

Inequality is an "invasive phenomenon"[59] which characterizes every aspect of life, be this access to education, healthcare or services. It also influences access to land and other assets, as well as the functioning of the labour market and formal credit systems.[60] In this section of the chapter, we have presented a range of initiatives and policies which could form part of the proposal for a regional policy agreement for inequality reduction. Such an agreement between the different levels of government should combine political, institutional and economic efforts in order to tackle inequality in cities in a decisive and systematic manner.[61] Following an examination of the many studies conducted in this field, one conclusion becomes abundantly clear: national public policies require strong and autonomous local governments. These must enable the effective involvement of the local population and stakeholders both in emerging successfully from various crises and in the completion of the tasks necessary to consolidate development.[62] As we have seen, local governments have a role to play in the national policy for equity in several areas and sectors, but their role in efforts to territorialize relevant initiatives is particularly important. Some municipal initiatives have either drawn inspiration

[48] CAF, 2011.
[49] See Chapter 6, "Equity: Urban Spaces, Public Goods and Services".
[50] Climate change could further compound these crises and increase differences..
[51] UN-Habitat 2013c, CAF, 2013.
[52] CAF, 2012.
[53] UN-Habitat, 2013c.
[54] A study by UCLG, Flacma and the European Union on *Decentralization of the State and Municipal Finances in Latin America* indicates that in 2010 there were around 16,000 local governments – municipalities, districts, cantons or communes – which differed a great deal from one to the next. According to this study, almost 90 per cent of municipalities in the region had fewer than 50,000 inhabitants. The majority of these inhabitants faced severe financial difficulties and lacked the human and technical resources necessary to carry out their work. Rosales, 2012.
[55] For example, in costly public transport works, which tend to increase the value of private land, and whose capture and redistribution could contribute to new infrastructure projects. UN-Habitat, 2013a.
[56] By way of comparison, in 2006, investment in infrastructure in China was 14.4 per cent of GDP, in India it was 5.6 per cent in the same year and in African countries it stood at an average of 5 per cent in 2010. UN-Habitat, 2012b.
[57] CAF, 2013.
[58] CAF, 2013.
[59] Banco Mundial, 2004.
[60] Ibid.
[61] CGLU, 2012.
[62] Ibid.

from national policies or have sought to differ from them. This was the case for the local business tax (ICA) in the city of Bogotá, which enabled the city to raise up to 42 per cent of its tax income in 2006. Here are some other examples: in Lima a specialized semi-autonomous tax administration service (SAT) was introduced in order to increase tax collection (the service has now been rolled out in other Peruvian municipalities); Brazil has introduced the Tax on Services (ISS), which is applied at municipal level through services overlooked by value added tax, or by conditional subsidies for public transport, primary education and healthcare services; in Chile, conditional subsidies have for a number of years been funding local government activities as part of various social programmes; in El Salvador there are special subsidies for infrastructure; in Mexico a compensation fund earmarks at least 20 per cent of capital investment subsidies for the poorest states – funds which are then administered by the local authorities.[63] In sum, it can be concluded that it is through cities and local governments that national pro-equity policies can make a real difference.

National public policies require strong and autonomous local governments who enable the effective involvement of the local population and stakeholders in the completion of the tasks necessary to consolidate development.

[63] These examples were taken from Rosales Mario's document (2012) *Decentralization of the State and Municipal Finances in Latin America,* 2012.

CLARIFYING THE ACTION FRAMEWORK

This section of the chapter seeks to explore the possible relationships between local development policies linked to the structure of the city, as well as examining the evolution of inequality over the first decade of the 21st century. The section outlines a catalogue of actual initiatives which local leaders can consider in order to improve equity in their respective cities. Broadly speaking, it is appropriate to highlight that, despite the progress seen in recent years, the lack of equity in Latin American cities continues to constitute one of the main barriers to prosperity.[64] Furthermore, we have already seen how location has historically been a crucial factor in allowing inequality to take root, and how it has developed as a result of productive and social structures. The combination of these factors has created endogenous trends which evolve according to the specific context of each city.[65]

In view of the reasons outlined above, appropriate areas of action were identified and validated based on the study of policies and the evolution of conditions in 10 Latin American cities. The cities analysed differed in terms of inequality levels, the variation of their Gini coefficient, and size. Of these 10 cities, two displayed extreme inequality (Curitiba and Fortaleza); six had a very high inequality coefficient, (Belo Horizonte, Bogotá, Greater Buenos Aires, Medellín, Quito and Santo Domingo); and two cities presented coefficients which placed them in the relatively high inequality category (Guayaquil and Lima).[66]

Local government is the level of government closest to citizens; perception surveys associated this proximity with the capacity and need to take action on the ground.[67] This places municipal authorities in a key position, ahead of state governments, when it comes to tackling the root causes of inequality and its agents. By helping to devise national policy or bringing their own work into line with policies implemented at national level, city leaders have the opportunity and the commitment to develop specific initiatives able to combat some of the most tangible agents of urban inequality. These include spatial fragmentation, social segregation, the lack of capacity to access formal employment, and the patronage which results from the arbitrary decision-making process. There is no doubt that inequality, as a scourge which limits prosperity, is rarely considered a priority, and it does not often feature in local policies. Furthermore, the lack of an operational plan which offers integrated responses to inequality constitutes a missed opportunity for local political leaders. A city with better mechanisms for capacity development in place would increase its human capital, which in turn would have a positive effect on the intensity and diversity of its model of economic growth. Similarly, a city which improved urban mobility would enable quicker, affordable access to the places containing social facilities, public services and a high concentration of employment, connecting citizens and optimizing their purchasing power.

Table 1: General characteristics of the cities studied in order to define the action framework

City	Population (*)	Population growth 2000-2010 (*)	National GDP growth 2000-2010 (**)	Annual variation in GDP (2000-2010) (national)	Variation of Gini (%)	Gini coefficient (around 2010)	Inequality Group
Belo Horizonte	5,406,833	16%	43%	3.6%	-6.72	0.567	Very High
Bogotá	8,502,405	34%	49%	4.0%	-8.78	0.544	Very High
Buenos Aires	13,369,921	13%			-14%	0.506	Very High
Curitiba	3,118,137	25%	43%	3.6%	-15.78	0.672	Extreme
Fortaleza	3,519,526	22%	43%	3.6%	-2.52	0.602	Extreme
Guayaquil	2,273,133	9%	49%	4.0%	-16.36	0.414	Relatively High
Lima	8,950,481	23%	74%	5.5%	-18.2	0.401	Relatively High
Medellín	3,594,977	32%	49%	4.0%	3.9	0.564	Very High
Quito	1,597,586	18%	49%	4.0%	-6.18	0.507	Very High
Santo Domingo	2,153,779	19%	68%	5.2%	-5.4	0.579	Very High

Source: (*) Population: UN DESA, World Demographic Prospects, 2013.
(**) World Bank, World Development Indicators, 2011 / Gini: UN-Habitat, Global Urban Observatory, 2013.
GDP Growth: Buenos Aires (2000-2006). Gini variations: Belo Horizonte (2003-2009): Bogotá (2002-2010); Buenos Aires (2003-2009); Curitiba (2003-2009); Fortaleza (2005-2010); Guayaquil (2003-2010); Lima (2002-2010); Medellín (2005-2010); Quito (2005-2010); Santo Domingo (2005-2010).

[64] Besides equity, UN-Habitat (2012b) has defined prosperity based on four other dimensions – productivity, urban infrastructure, quality of life and the environment. As indicated in Chapter 4, the results of the CPI confirm the link between equity and prosperity.

[65] The relationship between macroindicators of economic growth and national policies with the changes in the equity indicators is not always very clear at city level. For example, Peru's economic growth in the first decade of the new millennium was significant, with values consistently higher than 4 per cent since 2003, and reaching 9.8 per cent in 2008. During this period, Lima's Gini coefficient fell by 18.20 per cent. In Brazil, GDP in 2010 was 28 per cent higher than it had been in 2000; the percentage of public expenditure in 2009 was almost triple that of Peru; and yet, inequality in Curitiba increased by 15.78 per cent. In other words, economic growth in Peru coincided with the reduction of inequality in Lima whilst development in Brazil coincided with an increase in inequality in Curitiba.

[66] In terms of the population, this analysis group includes megacities of more than 10 million inhabitants such as Greater Buenos Aires, large cities such as Bogotá and Lima, and medium-sized cities classed as those with up to 2.5 million inhabitants (see Table 1).

[67] ONU-Habitat, CAF, Avina y Red de Ciudades, 2013.

This would allow them not only to be a part of the city but also to contribute to growth. Furthermore, a city which improves access to goods and public space fosters a sense of belonging, identity and citizenship, sentiments which generate cohesion and trust between social groups and reduce the risk of instability, conflict and crime.

Improving citizens' access to those common goods which serve as a springboard for social progress requires leadership when designing policy and political commitment during its implementation. It is not the case that inequality is being met with inertia, but rather that, in many instances, initiatives are piecemeal, opportunistic or undertaken more with a view to remaining in power than with the aim of finding structural and lasting solutions.[68]

We have seen that many factors lead to inequality and that a long-term approach is required to measure the effects of the policies and initiatives being used to fight against it. We also know that each local context presents unique conditions. In light of these facts, a complex analytical framework must be employed to identify the appropriate components of an operational plan. Greater empirical evidence would be needed in order to establish conclusive links between various initiatives and their effects on inequality reduction. Nonetheless, the comparison of urban development policies, with changes measured by the Gini indicator in 10 of the region's cities, makes it possible to begin the identification of areas of action at a local level which could form part of an operational plan to combat inequality.

As stated in Chapter 1 of this study, the success of local inequality reduction policies depends to a large extent on the degree to which they are coordinated with action taken at national level. In many cases, political agendas make public-public coordination a common good to which it is extremely difficult to give tangible form. However, the creation of a critical mass of policies is an essential asset in order to ensure that inequality reduction initiatives produce the correct impact. Once again, leadership which unites the various stakeholders in the field is crucial if operational plans are to have transformative effects. Without attempting to offer a pre-established formula for success, the observations of Latin America's cities conducted in this last section of the chapter enables the development of a catalogue of areas of action which could foster the conditions propitious to inequality reduction. Despite adopting different management formulae, the cities analysed have implemented initiatives related to four key components of any inequality-reduction plan: spatial connection, social cohesion, capacity development and institutional coordination. Table 2 offers a summary analysis of the scope for action of each of these components.

La Paz, Bolivia. Local inequality reduction policies require joint action between the various levels of government
© Gastón Brito.

[68] In order to ensure it can have a truly transformative effect, an operational plan to combat inequality should vertically link national and local policies and horizontally connect agencies and municipal departments, establish clear and measurable goals, determine technical criteria to prevent patronage and ensure the constant evaluation of initiatives against impact in order to avoid the arbitrary allocation of resources.

Table 2: Urban action framework against inequality

1	**Spatial connection**	Improved spatial connection establishes a link between land use and accessibility, eliminates the imbalances between residential and working areas and reduces the gap between slums and consolidated neighbourhoods. Generally speaking, it facilitates access to the areas in which job opportunities, equipment and public services are located, thereby limiting territorial inequality.
2	**Social cohesion**	Improved provision of public space as an instrument of social cohesion fosters the notion of citizenship and enhances the sense of belonging to the community which reduces the likelihood of conflict, develops civil society's capacity to organize its own support networks in order to cope with shortfalls, and improves quality of life and environmental conditions, which is ultimately reflected in the improved health of the population.
3	**Capacity development**	A number of measures are required if opportunities to access decent and formal employment are to be improved through capacity-building. These measures include developing vocational training programmes which are demand-based and therefore offer real prospects of employment, implementing transfer programmes conditional on school attendance, creating facilities which ensure broad learning and social development, and promoting programmes designed to support microenterprises and entrepreneurs.
4	**Institutional coordination**	Improved institutional coordination is fostered through the development of synergies between initiatives promoted at local level and those promoted nationally. The aim of institutional coordination is to build the critical mass necessary for policies to have a transformative effect. This ensures policy continuity despite changes in government administration and foster decision-making capacity and transparency, two factors which are key in avoiding patronage.

Pablo Vaggione, 2013.

Spatial connection

It has been demonstrated in previous chapters that the spatial structures of the city can accentuate inequalities. Moreover, they can create structural conditions which are not conducive to equality. More specifically, the lack of urban planning and the weak implementation of plans made have generated land occupation patterns which produce vicious circles of gradual deterioration in equality conditions. Furthermore, divides in terms of residency, productivity and quality of life generate their own inequality maps which both manifest themselves in and are fuelled by the segmentation of the territory.[69] Let us consider some examples of spatial disconnect.

In Lima, the historical absence of instruments with which to manage land use and population growth, or the purely normative nature of plans such as the MET Plan (1990-2010), have contributed to the development of a land occupation model based on invasion and, consequently, on high levels of informal occupation. If new areas for the city's expansion are not identified, it is impossible to offer land at an affordable price; this affects the cost of housing and encourages informal occupation as a result. Furthermore, the increase in expanding conurbations with a low density of informal settlements in the Peruvian capital meant public transport, liberalized in the nineties, was no longer a viable option. In consolidated areas, the large quantity of building

[69] CEPAL, 2010.

works undertaken have not been accompanied by the efficient organization of the urban space, and the ill-planned allocation of construction permits has not been conducive to the provision of appropriate infrastructure. Another similar case is that of Santo Domingo. In this Caribbean city, growth unaccompanied by urban planning and occurring at an average annual rate of over 4.3 per cent between 1960 and 2010 has resulted in the emergence of outlying areas with precarious infrastructure and facilities. The supply of public services has also failed to increase in line with increasing demand.[70] Elsewhere, in Medellín, urban growth in the 1960s and 1970s emerged as a consequence of mass rural immigration and according to a disorganized and informal growth model which has ultimately seen exclusion reach unprecedented levels over the course of time. In this Colombian metropolis, population growth has remained high, at a rate of between 3 and 4 per cent from 1993 to 2011, and it has made the introduction of an inclusive approach to urban planning problematic.[71]

During the 1970s and 1980s, the population of Quito grew rapidly, at an annual rate of around 5 per cent. This growth was characterized by scarce urban planning and invasion constituted the most common method of land occupation. This has brought with it problems of tenure and a lack of access to basic services, leading in turn to a structural situation in which inequity can thrive. In Bogotá, the lack of public involvement in the direct management of the land market has generated a shortage of affordable housing, and many have been forced to live in informal dwellings as a result. The spatial imbalance between residential areas and the areas which boast jobs and services is one which chiefly affects disadvantaged citizens, who are forced to invest a great deal of time and money in crossing the divides which separate the two. In addition to spatial segregation, the disparity between access to services in the north and south of the city has negative repercussions on the efficiency of the urban system.

Gated community living is both a cause and consequence of inequality.

In the urban landscape of the laissez-faire policies observed in some of the cities analysed, one particularly prominent feature is the contrast between the gated communities and the precarious nature of many settlements lacking access to basic services. However, the low density of land occupation is also striking, and this can be observed alongside the contrast noted above. In this context, it is worth noting that gated community living is both a cause and consequence of inequality. It has been mentioned that there is a positive correlation between inequality and insecurity, a correlation which stimulates the development of a property market aimed at those social groups who can afford to pay more to buy a property which combines housing, on-site urban services, private surveillance and restricted access. The proliferation of this type of housing, which is so profitable for developers, accentuates spatial segregation as infrastructure, services and facilities (very often under minimal public supervision) tend to be located in areas boasting the largest mass of potential consumers. Consequently, a gap in access to these goods begins to emerge. As well as exacerbating mistrust between social groups, the low density of this model results in inefficient land use and high per capita infrastructure costs.[72] This was the case in Buenos Aires in 2007, when gated communities in the conurbation occupied 360 square kilometres for a population of 250,000 people. By comparison, within the administrative borders of the city of Buenos Aires, 3 million are housed in half of its surface area.[73]

The area of action pertaining to spatial connection in a city must facilitate daily access to the resources and opportunities that city has to offer, such as employment, services, shops, education and culture facilities and housing. In metropolitan areas, the distance to be travelled in order to reach the areas where these services are concentrated is, for many inhabitants, an inequality factor.

Spatial connection can be promoted through the careful planning of land use and the distribution of services, designed with a view to reducing both the physical distance to be covered and the need for travel. The pursuit of such a goal means that coordination between the municipalities which make up metropolitan areas is of paramount importance in the spatial distribution of services.

The situation in Belo Horizonte, Brazil helps to illustrate the ways in which this inequality factor manifests itself in the region. The imbalance in the location of services between central and outlying areas is rooted in the city's history. Belo Horizonte was Brazil's first planned city. It was created at the end of the nineteenth century with the Belo Horizonte Plan, which was devised to resolve hygiene concerns through the construction of wide streets and avenues. However, the city was designed as an administrative and political centre and, as such, the plans for the city did not provide for industrial areas and space for affordable housing. The same workers who built the city illegally occupied the areas bordering the planned city, a city whose plans did include transport, education, sanitation and healthcare systems, as well as public buildings for civil servants. Once the city had reached its planned size and status, development did not slow. On the contrary, the high level of demographic growth (in 2000 it was more than four times the size initially forecast)[74]

[70] Ceara H., 2012.
[71] Between 1993 and 2005, the annual average rate of population growth was 3 per cent. Between 2005 and 2011, the annual average was 4 per cent. DANE, 2013.
[72] UN-Habitat, 2012a.
[73] Gasparini L., 2012.
[74] Belo Horizonte City Authorities' communication in CAF, Caracas, 20 August 2013.

meant that the city extended far beyond the plan's limits and towards adjacent municipalities in a spatial structure which was detrimental to the emergence of equality.[75] Another case is that of Curitiba, where the adjacent municipalities offer a lower level of services than the administrative area of the city, with particular shortcomings in access to healthcare and education. The existing level of service provision would be sufficient for the population living in the municipal area, where the employment supply is also concentrated. However, if the bordering municipalities are taken into consideration, service provision is scarce, and this could be a contributory factor in the extreme levels of inequality recorded in the city.[76]

One essential element to take into consideration in order to enrich this analysis is transport, a service which can function as a tool for social integration. In the light of this role which transport may come to play, the development of public transport systems should guarantee affordable daily mobility for a large number of people. Such mobility can contribute to narrowing the gaps in territorial inequality. A number of studies have reported structural changes in the mobility systems which have developed over the past decade in several Latin American cities, largely as a result of the introduction of the bus rapid transit (BRT) system. Using affordable investment, this system seeks to reduce journey times, improve safety and extend the distance covered by fleets of minibuses, microbuses and other transport vehicles which can get through the congested streets on routes not designed according to technical criteria. Box 3 offers a brief analysis of the evolution of public transport in the cities studied.

Box 1: Transport and territorial integration

In Bogotá, the first routes of the Transmilenio, which entered into service in 2000, mainly covered the north-south axis, the areas between which there was greatest inequality. In 2009, the system was used by nearly 1.4 million passengers, around 27 per cent of the city's public transport demand. A key advantage of the system is that it reduces journey time by an average of 32 per cent in comparison to the traditional bus system.[77] The advent of the Transmilenio has also seen the workers of the previous independent fleets receive a formal status, which has in turn allowed their entry into the social security system. In addition to transforming the traffic conditions in the city, the system has acted as a catalyst for improvements in the areas which it serves. In specific terms, it has facilitated citizens' access to businesses and urban facilities and has increased the value of housing by up to 17 per cent.[78] However, in the second decade of this century, the Transmilenio expansion plan was not implemented at the rate initially scheduled.[79] The crowding of passengers at bus stops and on buses, and the high ticket prices at around USD 0.80, are other issues that need to be resolved as the system matures.

In Lima, whilst there is still significant room for improvement, public transport conditions have undergone a wholesale transformation, allowing more residents from the most deprived sectors of society to gain access to the city. In 2010 the Metropolitano entered into service – the BRT system, funded by the local government. The service links Cono Norte – an area with two million inhabitants, rapid growth and poor transport links – with the financial, administrative and services centre, which is precisely where employment and training opportunities are located. The Metropolitano allows the 350,000 passengers[80] which it transports every day to reduce their travel time from two hours by minibus to around 40 minutes at an affordable price.[81] Inaugurated in 2012 the Metro, or electric train, is being extended from the city centre to the district of Villa El Salvador, a populous slum to the south of the city. Both levels of government (local and state) are working to integrate the two systems, which will make them easier to use and increase the range of destinations available to passengers.

[75] Spurred on by the prospect of hosting the 2014 World Cup, projects are underway in both Fortaleza and Belo Horizonte to build BRT systems. In Fortaleza there are four BRT lines, currently at different stages of completion, and another four for which resources are still being sought. Belo Horizonte's Move system is designed to cover some 160 kilometres when finished. The first 25 kilometres will be opened in 2014..
[76] Santoro, 2002.
[77] Banco Mundial, 2010.
[78] Perdomo-Calvo et al J., 2007.
[79] For example, between 2010 and 2012, 41 per cent of the planned construction of 25.52 kilometres of core lines was complete. Urban Development Institute, 2012.
[80] EMBARQ, 2014.
[81] Machuca R, personal telephone communication, 4 October 2013.

Quito's unusual geography – an elongated rectangle which stretches some 50 kilometres long from north to south and 8 kilometres wide from east to west – together with the growing number of private vehicles on its roads, constitute a mobility challenge and have exacerbated spatial inequality. One mitigating factor is the Metrobus-Q, the BRT which travels from the north to the south of the city, connecting the financial centre and services of the north with the working-class residential area of the south. It also boasts five corridors which total 69 kilometres in length and have been built gradually since 1995.[82]

Curitiba, a city which has broken new ground in the integrated planning of land use and transport, commenced the installation of its BRT system in 1974. After more than two decades of successful operation, the public transport system reached the limits of its operational capacity in 2000. The concentration of services and highly-skilled jobs in the central and surrounding areas has not been sufficiently diluted or distributed evenly enough along the city's axes, which has produced high demand for travel to the centre. This concentration and the fact that the BRT does not reach all adjacent municipalities, but rather chiefly those located in the south, makes access to services and amenities from outlying areas difficult. The system required improvements to maintain its quality, including the introduction of new rolling stock with space for more passengers (MegaBRT), as well as other measures to increase capacity, such as improving the location of stops to make overtaking easier.[83]

Medellín boasts a Metro (urban railway) system which was built in the 1990s. The first line crosses the city from north to south, running the length of the Aburra Valley, whilst a second line runs perpendicular to the first, going from east to west. This main backbone provides a point of convergence for the various lines of Metrocable, an innovative cable car system which allows access to Santo Domingo and La Aurora, slums located on the valley's steep slopes. It also has a system of feeder buses which reaches the communities of Belén and Manrique-Aranjuez. These connections will help reduce the divide between populations in the slums and those in the various parts of the city in which the majority of urban facilities, services and businesses are located.

Pablo Vaggione, 2013.

Social cohesion

Several experiences demonstrate that public space is an instrument which can be used to create cohesion and foster the development of social capital. It also helps consolidate identity and a sense of belonging, and facilitates the peaceful coexistence of citizens and the development of solidarity. Policies to increase the quality and quantity of public space can translate into improved quality of life for inhabitants and, in the medium term, establish a sense of respect for common goods. There is no doubt that this results in reduced insecurity and crime. However, in order to be effective, public space policies must overcome the challenge posed by the absence of a growth model.[84] Without a model to organize it and connect it to other spaces, public space is very often seen as a hindrance to the short-term profit of the property sector, or as a space to be informally invaded and occupied. In this dynamic, only waste spaces or environmentally vulnerable (hardly habitable) areas are ultimately used as public spaces by the poorest members of society.

Apart from the sense of collective disappointment which an abandoned or neglected public space generates, it must also be borne in mind that in many deprived areas, the dilapidated public space often falls into the hands of gangs or organized crime rings. Consequently, proper maintenance of public space is essential. If citizens feel a sense of ownership for these spaces, their upkeep and appropriation will be much easier to ensure. It is important to remember that public spaces traditionally formed the very backbone of Latin American society. At times of economic crisis, Lima's meeting places acted as catalysts for the creation of community networks which mitigated shortages in basic foodstuffs, provided an alternative to unemployment benefit, for which there was no provision, and offered protection to the vulnerable.[85] Following the hyperinflation of 1987-1990, the lifting of commodities subsidies triggered a food crisis. As a result, public spaces were converted into community dining rooms as part of the "soup kitchen movement". The area known as Alameda de la Juventud, in Villa El Salvador, provides an example of how a public space was created in a neighbourhood developed in the 1970s to respond to a migratory emergency in the face of major shortfalls in public assistance. The tradition of self-organization in the neighbourhood, with the support of local authorities, has resulted in the creation of a public space along a central axis in the same neighbourhood area which serves as a recreation area for young people, a green space and an area for the development of community activities which will be key in the maintenance and sustainable use of the space.

[82] EMBARQ, 2014.
[83] Currently, the city is preparing a call for tenders to award a 35-year contract to build and operate a new underground city railway. Santoro, 2002.
[84] UN-Habitat, 2012a.
[85] Arana V., personal telephone communication, 18 October 2013.

In several cities, public space has been approached as an institutionally strategic issue. In Bogotá, the management of public spaces has been the subject of various reforms in the decade studied. One factor which has contributed to the improvement of this management is the Land Management Plan (POT) introduced in 2000. This offers an integrated vision of the municipal environmental structure, which identifies the environment as a crucial component of urban planning and links public space to mobility.[86] A year earlier, in 1999, the Public Space Ombudsman (DADEP) was created. These lines of action are reflected, for example, in the mandatory requirement that up to 40 per cent of each plot of land be given over to a competent authority and developed for use as a public space. This provision forms part of a strategy for territorial integration and the creation of common goods whose aim is to reduce inequalities.[87] Another point of reference is Bogotá's green space system, which boasts a total of 3.93 square metres of green space per inhabitant. Whilst this value remains below the nine square metres per capita recommended by the World Health Organization, the ratio has improved by some 36 per cent since 2005.[88] In Quito, the open space available in 1993 stood at 9.41 square metres per person,[89] and included Bellavista Park and the Metropolitan Guanguiltagua Park, created in 1990. This park, with its 557 hectares, is the largest green space in the city. According to the National Statistics and Census Institute, by 2010, the surface area per person had increased to 20.4 square metres.

The General Territorial Development Plan has been crucial in producing these improvements, as it advocates the recovery and extension of the system of open spaces, as a way of providing the population with public goods, achieving spatial convergence between different parts of the city.

In some cities, the need to create social capital in troubled areas has been at the very heart of local policies on public space. In Medellín, the transformation which began at the end of the 1990s is clearly visible in projects which combine public spaces with buildings for various civil and cultural activities, such as the Park-Library project. In this city, green spaces contain multi-use areas where, in addition to a library, citizens' services are also present, including cultural activities, meeting places, spaces for community participation, information and communication technology rooms, and entrepreneurial training and support services. Park-Library centres are located in neighbourhoods characterized by physical and social vulnerability.[90] It is appropriate to note that the reaction to this public investment programme from the people of Medellín has been very positive indeed. In 2010, the homicide rate was noticeably lower than it had been in 1991, with a reduction of around 70 per cent recorded.[91]

Pátzcuro, Mexico. Public spaces create an identity and a sense of belonging and foster a sense of place.
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[86] Alcaldía de Bogota, 2000.
[87] However, this legislation could still be improved, for example by providing for the participation of communities in the design, building and maintenance of neighbourhood and communal parks and the improvement of the cultural, recreational and sporting programmes which are conducted in parks.
[88] It is must be borne in mind that the Bogotá's population increased by 14 per cent over the same period.
[89] Murray, 1998.
[90] Furthermore, in Medellín, public spaces have been improved in formally established areas with the San Antonio Park, a meeting space and a site for public events stretching over 33,000 square metres and attached to the Metro station with the same name, the Pies Descalzos Park (2000), designed as a public oasis in the heart of the administrative area, the Plaza Cisneros (2003), situated next to the Library of the Public Companies of Medellín, and the Deseos Park (2002), a cultural park dedicated to astronomy.
[91] Medellín Cómo Vamos, 2013. However, it should be noted that between 2007 and 2010, the homicide rate spiked, going from 34 to nearly 90 per 100,000 inhabitants. Policia Nacional, 2012.

Another development worthy of note is the reconnection of the city with its river and seafront, a recurring strategy in attempts to improve public space. On a number of occasions, projects have been designed and implemented either partly or completely by public-private enterprises. Such synergies constitute a resource with which to ensure the more equitable provision of these public goods and the contribution to equity between inhabitants. To cite one relevant experience in this area, in Guayaquil, efforts to restore the Guayas riverfront and the El Salado estuary have been a crucial component of the city's regeneration and territorial integration project. Where restoration of the riverfront was concerned, management of and conditions for the use of the public space, unusually governed by the operator, sparked a range of contrasting debates on the privatization of public space, rights of use and the relocation of the informal sector to markets and designated areas. As regards the second case, the regeneration of the banks of the El Salado estuary, a site occupied by insalubrious and precarious housing, without basic infrastructure and erected on rubbish and rubble, the regeneration strategy combined environmental improvement, the recovery of public space and the improvement of living conditions.

This type of initiative has a highly equalizing effect. The provision or improvement of public spaces as an instrument for equitable distribution and spatial compensation is also a strategy present in Fortaleza. In this city, a key component of the municipal programme to improve quality of life and social justice has been the creation of public space and restoration of the seafront's accessibility, through the Nova Beira Mar, Vila do Mar and Praia do Futuro projects.[92]

Furthermore, continuity in public space policies is an important item on the social cohesion agenda. In Curitiba, following notable investment in parks during the 1980s and 1990s, the city reached a level of 51 square metres of public space per inhabitant.[93] 98 per cent of parks and 97 per cent of the woodland areas currently in existence were already present at the end of that period. However, from the early twenty-first century onwards, the creation of green spaces for communal use slowed significantly, and particularly in slum areas, a situation which has consolidated the inequality map. At the time, the population was growing at an annual rate of 3 per cent. Originally, the plan had provided for the extension of parkland along the banks of the river, comprising an integrated network of cycle routes.

Lima, Peru. The improvement of public spaces on riverfronts is a valuable strategy for the creation of an egalitarian environment in cities.
© José Luis Chong.

[92] These projects will create areas for tertiary and recreational use such as restaurants, a fish market, craft fairs, pedestrian walkways, cycle routes and sports facilities, ultimately developing into an area of more than 10 kilometres in size. In the far north, the project will involve the relocation of a slum of around 600 families..
[93] Prefeitura de Curitiba, 2013.

Capacity development

Education and capacity development are vital to prosperity. Experiences in the region reveal that inequality can be explained to a large extent by differences in educational achievements. Consequently, capacity-building must serve as an instrument with which to reduce existing differences and ensure the smoother functioning of society as a cohesive whole. However, capacity-building policies yield results if action is sustained over a long period of time. It is difficult to yield immediate distributive improvements from these policies given that the annual turnover of the labour force is very low indeed. In professional training programmes, relevance is the key to success. It is for this reason that it is important to understand the labour market in order to decide which kind of professional capacity-building is required.

Local governments can use their proximity to citizens and society's productive fabric in order to develop useful programmes and training dynamics. While the state's role in education is key in order to establish a basic level of learning and thus lay the foundations for human development, concerted action is required on the part of local governments, as well as non-governmental and business sectors, in order to create transfer programmes conditional on early school attendance, community development and civic capital building programmes, as well as professional training programmes integrated into educational policies but adjusted to market demand. In Buenos Aires, for example, the city's government launched the Ciudadanía Porteña programme in 2005. This provided a monthly subsidy to supplement the income of households living in poverty on the condition that they fulfil obligations regarding education and healthcare for their children aged under 18. In March 2012, around 58,000 households were benefitting from the programme.[94]

Spatial connection and social cohesion are pivotal in the creation of an environment in which all individuals enjoy the same opportunities, regardless of their place of birth or residence. In order for these conditions to be established, it is vital to encourage both basic and professional training programmes, whether through the use of own or third-party resources. Also of paramount importance is the creation of spaces which allow education to be imparted where it is needed – areas which can also subsequently generate complementary training and social skills activities. In Belo Horizonte, for example, integrated schools see academic work supplemented with training for the world of work and other activities. These schools offer nine-hour daily programmes with five meals. In 2011, the programme was attended by 47,000 students in 148 schools.[95] In Fortaleza, the construction of 91 child education centres and 35 integrated schools will occur chiefly in the south-west of the municipal area, where the lowest-income neighbourhoods are located. These centres are part of a local government strategy aimed at closing the intra-urban gap.[96]

Another key aspect of capacity-building is the ability to unite policies which combine investment in training spaces with the development of educational content. In Colombia, one of the main goals of the Department for National Planning (DNP) between 2006 and 2010 was human capacity formation and job creation. On a national level, the Quality Schools for Equity and Peaceful Coexistence programme sought to provide resources and specialized support to schools in the most deprived areas. In Medellín, where unemployment can affect one in every two young people, the local government has developed integrated care initiatives aimed at early childhood. The Buen Comienzo programme was developed between 2008 and 2011, with the construction, provision and management of children's gardens and play centres, and a 700 per cent increase in the number of teaching staff as against 2004. The initiative is supported by and complements both the Park-Libraries detailed earlier and local libraries. The 35 libraries, spread across 10 municipalities, welcomed six million visitors in 2010 whilst 1.5 million people made use of the information and communication technology training spaces.[97] This spatial development constitutes an attempt to dilute deprivation in the most neglected areas of the city, with a view to eradicating the disparities present.

Spatial connection and social cohesion are pivotal in the creation of an environment in which all individuals enjoy the same opportunities.

[94] UIMyE, 2012.
[95] Guimarães D., 2012.
[96] Cláudio, R., 2013.
[97] Alcaldia de Medellin, 2011.

Also in Medelliín, the Secretariat for Economic Development of the Medellín City Authorities has developed the network of Zonal Entrepreneurial Development Centres (CEDEZO). The network includes 14 centres in the municipal area, many of which are in the poorest areas. With an attractive architectural design, the centres are open to anyone with a business idea, and offer support with entrepreneurial capacity-building, business incubation, and access to credit. They also provide technical assistance and management and labour training for companies already in existence. By 2012, 50,000 entrepreneurs had benefitted from this initiative, and it had generated more than 6,000 new self-employed posts.[98]

In the city of Bogotá, the local government has launched the Capital Network of Public Libraries. Known as BibloRed, it was devised as part of the Economic, Social and Public Works Plan (1998). In 2001 the first library opened its doors. El Tunal was located in an abandoned building which had previously functioned as a waste treatment plant. Today the system comprises 36 libraries, the four largest of which are located in public parks. As far as spatial distribution is concerned, the aim is to ensure that each Bogotá resident has a major library less than five kilometres away from his home and a neighbourhood library no further than one a kilometre away in order to favour access among society's most disadvantaged groups. The provision of public goods to the most vulnerable sectors of society on this scale is a government strategy designed to foster equality. In 2008, the library network served more than 4.4 million users, more than half of Bogotá's population. Of these users, more than 70 per cent of visitors belong to the two lowest of Colombia's six official population strata.[99] Whilst no empirical studies on have been conducted on the impact which a library has on its environment, it is nevertheless possible to conclude that El Tunal is altering the perception that access to knowledge and culture is the preserve of the most privileged.[100] For those communities where violence, low levels of education and poverty have long formed the backdrop of daily life, libraries can help foster social integration and respect for different cultures. As emphasized throughout this chapter, cultivating a sense of belonging and citizenship is a long-term asset crucial to the development of the city and to social and cultural integration.

Furthermore, the emergence of a broad and relatively affordable education supply at tertiary, secondary and vocational level has had a positive effect on inequality reduction. This is the case for Lima, where access to training and capacity-building is a chief concern of families in the capital and viewed as the pathway to formal employment.[101] Private institutions manage training centres, many of them in disadvantaged areas, using space left empty by the public sector to develop a lucrative business. This phenomenon suggests that the collaboration between private institutions and the public sector could serve to provide training where it is most needed. Spaces for tuition are made available, each of which may be linked to one productive sector, and students follow curricula which take the demands of the market into account.

In general, it is clear that the level of education achieved is inversely proportional to the level of informality in the labour market. This equation is manifestly present in Ecuador, and in Quito in particular. In this city we can see that the less education an individual has received, the more informal his employment. Dependence on informal employment is linked to inequality. In fact, studies show that the Human Development Bond, a direct monetary subsidy offered by the national government focused on education and healthcare, has only a limited impact on the quality of learning.[102] It is important to recall that in order to reduce inequalities in the long term, in addition to an increase in the school enrolment rate, education and training must be directly linked to the access to opportunities. The emergence of job centres favours the development of labour opportunities. In fact, in Curitiba, the local government has developed several initiatives involving the creation of business clusters such as the Curitiba Industrial City, the *Linhão Do Emprego* (Employment Line), several Business Incubation Parks and the Curitiba Technological Centre, where the development of physical infrastructure is combined with tax incentives. Better synergies must be established between job creation strategies in marginalized neighbourhoods, with small business initiatives receiving particular support.[103]

Education and capacity-building must be directly linked to access to opportunities.

[98] Alcaldia de Medellin, 2013.
[99] McDermott, 2010.
[100] Ibid.
[101] As we saw in Chapter 4, the average salary for workers in Lima with a secondary education is around 20 per cent higher than the salary of those who have acquired only a primary education.
[102] Ponce and Bedi, 2008.
[103] Santoro, 2002.

Institutional coordination

Institutional coordination refers to the ability to ensure that anti-inequality initiatives implemented at different levels of government, and within the various operational areas of a single level of government, complement one another. Political agendas and the prioritization of resources generally produce a very unequal relationship between municipalities and regions. Sound leadership at each and every level of government is a crucial factor in the creation of a critical mass of local policies which are more dynamic and demand-oriented, as well as a critical mass of national policies which are more structural in nature and key in the long term. Whilst the sheer number of interlocutors and political agendas make it difficult to achieve objectives, the ability to establish public-public partnerships is crucial in order to ensure that policies have a transformative and equalizing effect. In Greater Buenos Aires, for example, the governments of the Autonomous City of Buenos Aires, the municipalities in the metropolitan area, the province of Buenos Aires and the national government overlap, which clearly makes it difficult for these different levels of government to work on pro-equity initiatives in a coordinated manner.

There is no doubt whatsoever that the governance approach selected is of paramount importance in reducing inequality. A city which has a political commitment to clear rules and an established plan underpinned by an efficient and results-based structure, and which takes decisions according to technical and transparent criteria, will offer its citizens a genuine chance to prosper. In contrast, a local government which practises patronage, neglects its planning responsibilities, adopts a short-term perspective and makes partisan decisions will perpetuate conditions of inequality and consequently jeopardize the prosperity of its city in the long term. As a result, the periodic and systematic review of decisions taken, as well as the monitoring of changing conditions, is very important when it comes to building trust between citizens and political leadership.

In this connection, in order improve coordination it is useful to create a local entity charged with the specific task of adding anti-inequality initiatives. As we have seen in this study, inequity is a multi-dimensional issue and a phenomenon which can manifest itself as income inequality, unequal opportunities to access decent and formal employment, and gaps in access to public goods and services, housing, land or other territory-related benefits. As a result, there exist a myriad of thematic or sectorial points of entry from which an attack on inequality can be launched, and these points of entry must converge in specific areas. It is clearly unlikely that local governments would be able to achieve a transformative impact through sectorial action. However, in their attempt to resolve the problem, local authorities often implement piecemeal initiatives without any operational or integrated plan in place. These methods limit the impact of the policies and the effectiveness with which resources are used. In order to avoid such mistakes, a vehicle for integrated action must be established which treats inequality as a cross-cutting issue in the coordination of stakeholders and sectors. Consequently, an operational plan to combat inequality requires the creation of a coordination group comprising stakeholders from various levels of government and civic associations, with a specific mandate to include inequality in sectorial plans and budgets (transport and basic infrastructure, for example). Once again, it is important to emphasize that coordination between national and local government is essential in order to ensure that policies are more efficient.

Mexico City, Mexico. Cultivating a sense of belonging through urban regeneration is a key asset in fostering social and cultural integration.

One coordination model which serves as a point of reference in this field is the Curitiba Urban Research and Planning Institute (IPPUC). The institute has been considered one of the fathers of integrated city planning since the mid-1960s. It was responsible for the incorporation of a variety of issues into the plans for the city's development, including social issues, land use and the provision of public transport, and network planning, route-setting and the establishment of service frequencies. A public-private enterprise, Urbanização de Curitiba S.A. (URBS), was charged with auditing the plan's implementation by public transport company operators. This link between land use and transport led to the pioneering implementation of a BRT system. However, at the end of the 1990s, the planning of the transport network was a responsibility placed entirely in the hands of URBS. As this body sought to extricate itself from the IPUCC's responsibilities, the strategic link between land and transport was broken. Currently, each municipal government secretariat conducts its own planning, whilst the IPPUC acts solely in the capacity of a strategic advisor. The case of Medellín also merits attention. In this city, the holistic design of urban projects incorporated into Integrated Urbanization Projects (PUI) integrates capacity for investment and intervention on the part of a number of municipal areas into the urban development project. The inclusion of areas such as transport, healthcare, public space and education sets in motion a process of transformation centred on key projects, of which the Parque Biblioteca España, situated along the Metrocable line, is perhaps the most representative example.

One of the key tasks for local governments is to develop an information base which enables sound decisions to be made regarding inequality. In order to devise policies with a local impact, it is not enough to possess information based on national censuses or on indicators compiled according to the national urban average. It is necessary to examine inequality through a much more powerful statistical lens, until changes at district or another sub-local level, representative of everyday life in a city's neighbourhoods, can be brought sharply into focus. Cities which extend over several kilometres present a variety of different sub-local realities which are not reflected in city-level statistics.

Medellín, Colombia. Urban projects which link transport, public space and common goods foster social integration.

For example, the variations in conditions and in the possible effects of policies can be entirely dissimilar within a single city. Broadly speaking, statistical information in Latin America has always focused on income, attaching little importance to what happens in terms of wealth distribution.

Inequality in cities can be considered from a number of different angles, and this suggests that a multi-sectorial and multi-departmental approach is necessary to combat the scourge. Local governments have a dual opportunity. On the one hand, they can generate structural conditions which curb the prevalence of inequality and, on the other, they can attack the issue head-on, a strategy for which coordinated and sustained effort is required. It must not be forgotten that in addition to being multifaceted, the agents of inequality are also dynamic. It is for this reason that Curitiba is so striking. Having stood out from its counterparts since the 1970s on account of its innovative and highly acclaimed policies, it is one of the Latin American cities in which inequality has increased most sharply over the first decade of the twenty-first century. It would be impossible to isolate a single cause of this change or the specific point in time at which it occurred. However, the factors which may have been partially responsible include the significant immigration of skilled employees in the city, drawn to Curitiba by the development of corporate clusters, the resulting income disparity, and the concentration of services in Curitiba along with lack of them in adjacent municipalities, which created a gap in access and produced congestion in the transport system. However, other possible reasons for this inequality are also worthy of note, including the burden placed on the transport system by the increase in both demand and the number of private vehicles on the roads. Another potential reason is the erosion of the key principles which underpinned the system's success, such as the capacity to plan and implement beyond political cycles which the integrated planning agency traditionally possessed.

Local-level policies can generate an environment propitious to the development of equality at grassroots level – a factor which, as we have seen, is crucial in order to create quality of life and opportunities for progress. Such policies may be designed, among other things, to connect citizens with services and areas of employment, to build capacity in order to promote access to formal work, to build cohesion through spaces for social interaction and the development of citizenship, and to coordinate agendas, plans and budgets between government agencies, both vertically and horizontally.

Consequently, although the inequality landscape in the city's regions is mixed – since the quality and commitment of local governments varies a great deal – inequality reduction in most cities should be linked to the proliferation and organization of local, national, public and social policies, with greater coordination between all of the above. The landscape is teeming with a myriad of initiatives which, when considered as a whole, appear to pursue the same goals. Broadly speaking, not one of these initiatives has been disseminated widely enough, or studied in minute detail. However, it can nevertheless be concluded that a large number of pro-equity instruments are already in place.

The observations contained in this chapter pave the way for the development of a field of research centred on leadership and operational plans at local level. The decision-making process and the creation of special implementation agencies are assets which can be cultivated and developed in the light of their fundamental importance in fostering broader access to prosperity. This is a research field of the utmost interest, not only for local government leaders but also for those international organizations and their partners who seek to identify and implement the urban development policies which have a positive impact on inequality reduction in Latin American cities.

Coordination between national and local government is necessary in order to ensure policies are more efficient.

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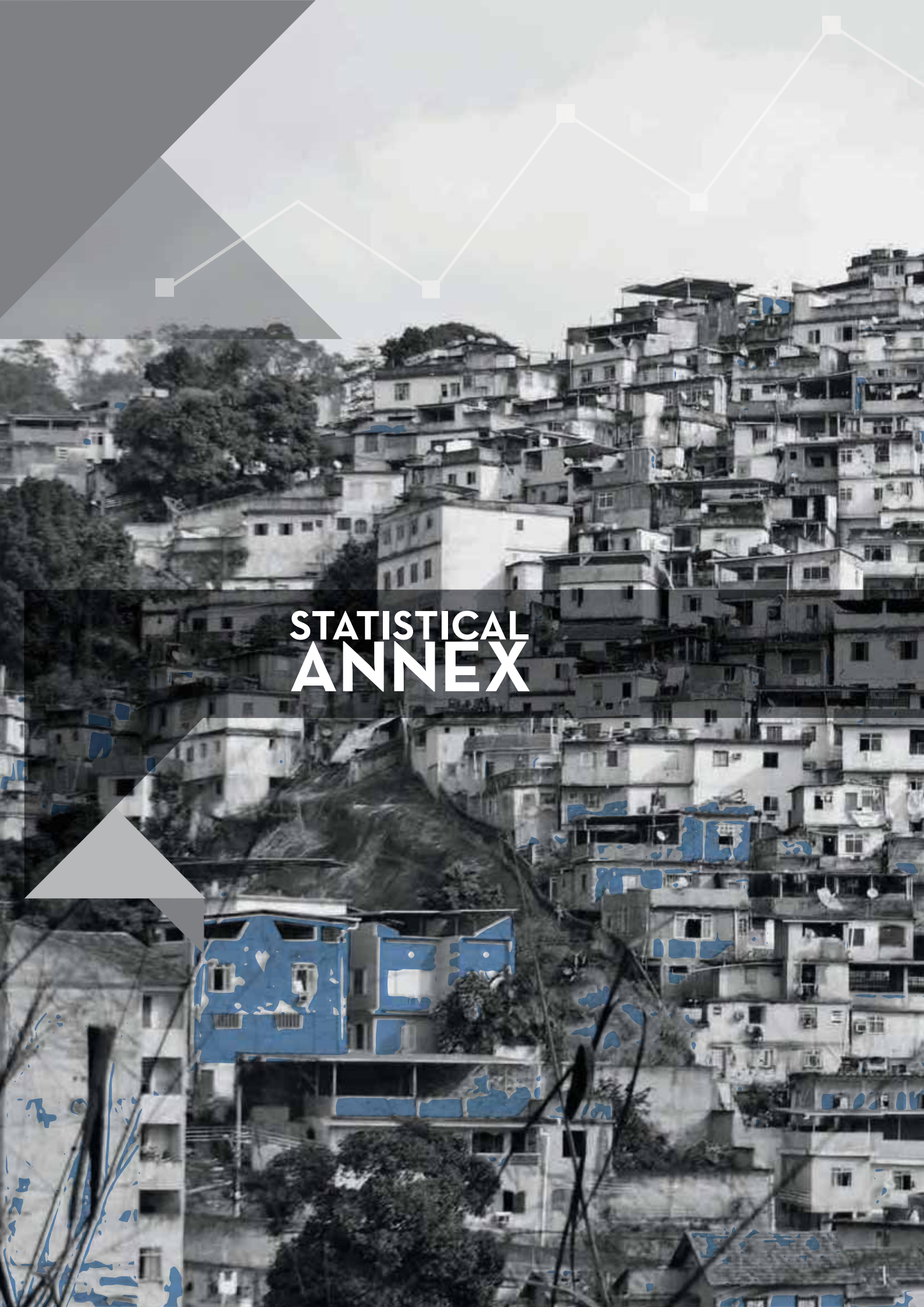
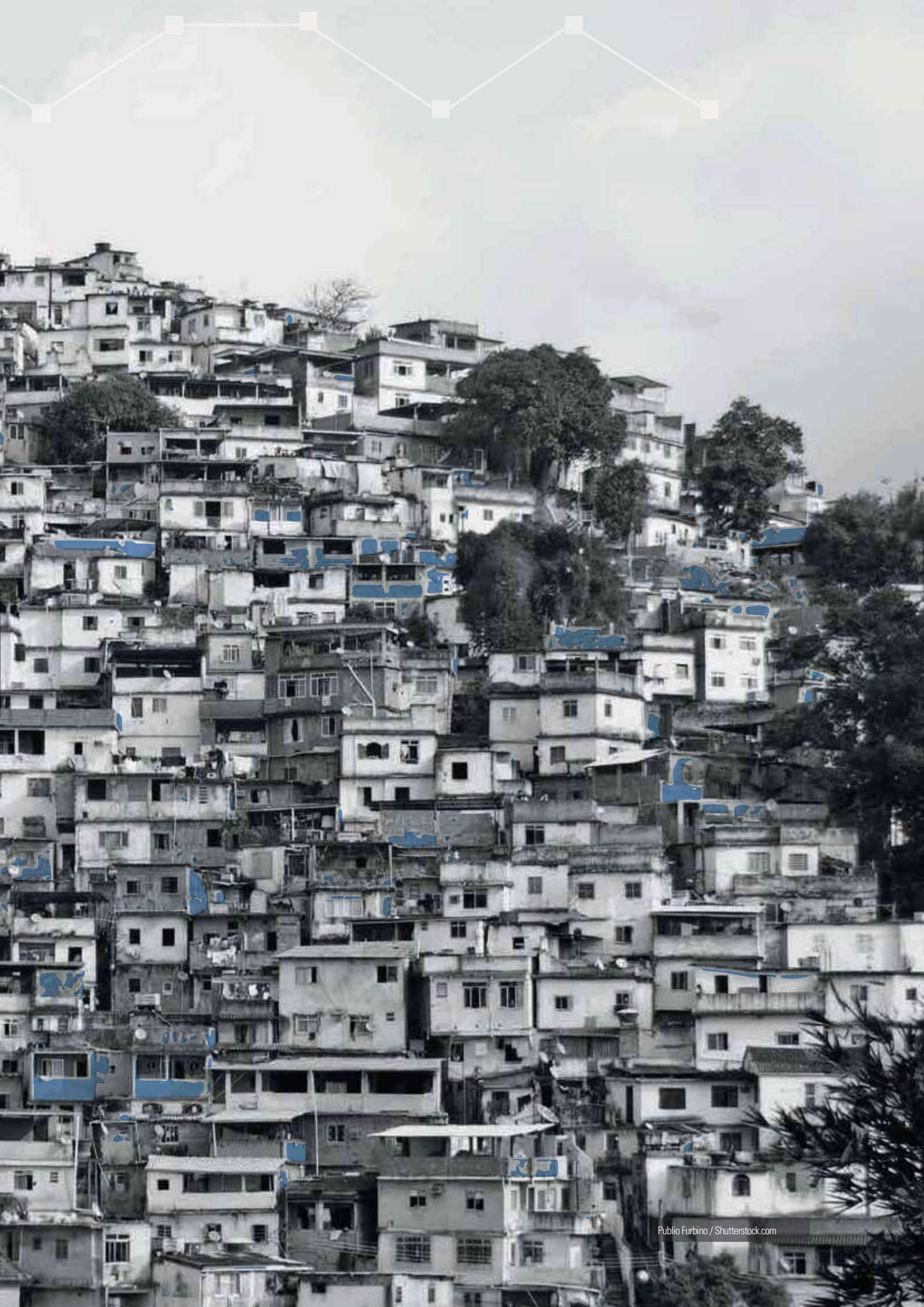


STATISTICAL ANNEX



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STATISTICAL ANNEX

Table 1: National-level Gini index for urban and rural areas

Country	National Urban Gini						National Rural Gini					
Argentina	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	--	0.515	0.539	0.578	0.558	0.509	--	--	--	--	--	--
(Plurinational State of) Bolivia	**1989**	**1994**	**1999**	**2004**	**2007**		**1989**	**1994**	**1999**	**2004**	**2007**	
	0.536	0.513	0.504	0.511	0.506		--	--	0.640	0.521	0.607	
Brazil	**1990**	**1993**	**1999**	**2003**	**2005**	**2009**	**1990**	**1993**	**1999**	**2003**	**2005**	**2009**
	0.606	0.604	0.625	0.612	0.604	0.569	0.548	0.589	0.577	0.564	0.542	0.523
Chile	**1990**	**1994**	**2000**	**2003**	**2006**	**2009**	**1990**	**1994**	**2000**	**2003**	**2006**	**2009**
	0.543	0.546	0.559	0.547	0.517	0.524	0.585	0.504	0.511	0.507	0.506	0.466
Colombia	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.484	0.579	0.564	0.571	0.561	0.555	0.587	0.572	0.525	0.542	0.475	0.494
Costa Rica	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.419	0.443	0.472	0.490	0.482	0.480	0.375	0.380	0.421	0.496	0.469	0.488
Dominican Republic	**1990**	**1994**	**1997**	**2002**	**2005**	**2010**	**1990**	**1994**	**1997**	**2002**	**2005**	**2010**
	--	--	0.510	0.548	0.568	0.559	--	--	0.487	0.473	0.542	0.512
Ecuador	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.461	0.479	0.526	0.513	0.513	0.485	--	--	--	--	0.468	0.420
El Salvador	**1990**	**1997**	**1999**	**2002**	**2004**	**2010**	**1990**	**1997**	**1999**	**2002**	**2004**	**2010**
	--	0.467	0.450	--	0.455	0.454	--	0.423	0.462	--	0.456	0.402
Guatemala	**1989**	**1994**	**1998**	**2002**	**2006**	**2010**	**1989**	**1994**	**1998**	**2002**	**2006**	**2010**
	0.557	--	0.525	0.523	0.547	--	0.519	--	0.510	0.470	0.526	--
Honduras	**1990**	**1994**	**1999**	**2002**	**2006**	**2010**	**1990**	**1994**	**1999**	**2002**	**2006**	**2010**
	0.561	0.533	0.517	0.533	0.515	0.492	0.558	0.538	0.512	0.519	0.601	0.560
Mexico	**1989**	**1994**	**2002**	**2005**	**2010**		**1989**	**1994**	**2002**	**2005**	**2010**	
	0.530	0.512	0.476	0.497	0.456		0.453	0.450	0.498	0.486	0.450	
Nicaragua	**1993**	**1998**	**2001**	**2005**			**1993**	**1998**	**2001**	**2005**		
	0.549	0.551	0.561	0.500			0.536	0.558	0.507	0.497		
Panama	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.544	0.549	0.514	0.561	0.480	0.471	0.535	0.522	0.511	0.581	0.524	0.509
Paraguay	**1990**	**1994**	**2000**	**2005**	**2010**		**1990**	**1994**	**2000**	**2005**	**2010**	
	--	0.511	0.510	0.508	0.468		--	--	0.529	0.506	0.586	
Peru	**1999**	**2003**	**2006**	**2010**			**1999**	**2003**	**2006**	**2010**		
	0.508	0.483	0.421	0.409			0.428	0.381	0.422	0.403		
Uruguay	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.492	0.423	0.440	0.456	0.452	0.422	--	--	--	--	--	0.384
(Bolivarian Republic of) Venezuela	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.464	0.476	--	--	--	--	0.431	0.460	--	--	--	--

Source: UN-Habitat, Global Urban Observatory, 2013. / Note:-- Not available

Table 2: Gini coefficient and income per capita ratio (D^{10}/D^{1}) of cities in Latin America and the Caribbean (p. 1 of 7)

Country/City*	Gini						Income per capita (Ratio D^{10}/D^{1})					
Argentina	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Bahía Blanca	--	--	--	0.520	0.582	0.454	--	--	--	36.46	64.06	28.48
Buenos Aires	0.502	0.508	0.542	0.590	0.559	0.506	25.79	27.16	33.41	56.10	51.49	32.07
Comodoro Rivadavia	--	0.534	0.507	0.599	0.554	0.522	--	33.75	29.44	55.85	52.32	39.68
Concordia	--	--	0.563	0.565	0.558	0.526	--	--	42.61	61.21	46.31	39.01
Córdoba	--	0.519	0.508	0.549	0.547	0.506	--	30.98	27.32	39.45	45.10	30.03
Corrientes	--	--	0.459	0.486	0.515	0.505	--	--	20.60	30.34	40.19	34.01
Formosa	--	--	0.528	0.528	0.458	0.451	--	--	32.82	33.42	22.05	19.69
Jujuy	--	0.497	0.526	0.545	0.538	0.484	--	23.84	26.23	32.87	31.80	25.00
La Plata	--	--	0.519	0.473	0.522	0.462	--	--	29.49	26.31	37.27	29.72
La Rioja	--	--	0.503	0.517	0.535	0.424	--	--	24.27	30.15	30.62	16.96
Mar del Plata	--	--	0.515	0.489	0.530	0.475	--	--	33.45	34.00	53.70	28.29
Mendoza	--	0.523	0.536	0.532	0.506	0.463	--	27.47	30.42	35.05	32.66	22.20
Neuquén	--	0.541	0.535	0.559	0.534	0.611	--	37.41	35.88	47.15	51.25	64.94
Paraná	--	0.458	0.528	0.545	0.491	0.466	--	20.36	33.27	36.37	29.85	25.89
Posadas	--	--	0.580	0.520	0.523	0.501	--	--	42.08	32.51	30.56	31.31
Resistencia	--	0.518	0.573	0.563	0.554	0.453	--	26.85	48.44	41.21	42.78	24.94
Río Cuarto	--	--	0.481	0.599	0.608	0.543	--	--	23.73	53.06	81.79	39.08
Río Gallegos	--	0.435	0.447	0.455	0.492	0.500	--	15.40	18.16	22.46	24.13	28.70
Rosario	--	0.478	0.430	0.512	0.504	0.492	--	22.39	18.88	33.73	41.30	34.47
Salta	--	0.471	0.524	0.621	0.558	0.503	--	20.45	30.62	56.07	45.20	29.93
San Fernando del Valle de Catamarca	--	0.493	0.510	0.533	0.557	0.479	--	22.56	28.30	34.77	40.09	25.80
San Juan	--	0.467	0.519	0.487	0.532	0.484	--	19.82	31.03	25.19	36.84	27.47
San Luis	--	0.521	0.491	0.558	0.452	0.471	--	26.61	26.17	43.19	23.19	23.23
Santa Fé	--	0.445	0.479	0.522	0.548	0.450	--	19.67	23.42	41.12	52.18	23.02
Santa Rosa	--	0.454	0.480	0.609	0.521	0.484	--	17.41	23.20	54.59	32.77	28.97
Santiago del Estero	--	0.475	0.460	0.513	0.527	0.454	--	23.39	20.53	30.14	36.52	19.75
Tucumán	--	0.544	0.542	0.584	0.543	0.513	--	29.60	33.81	56.61	47.06	29.43
Ushuaia	--	0.477	0.500	0.557	0.571	0.508	--	24.66	29.52	43.71	43.74	32.83
(Plurinational State of) **Bolivia**	**1989**	**1994**	**1999**	**2004**	**2007**		**1989**	**1994**	**1999**	**2004**	**2007**	
Cobija	--	--	--	0.458	0.367		--	--	--	18.12	12.89	
Cochabamba	0.499	0.455	0.431	0.498	0.505		35.68	16.87	13.32	22.39	26.05	
El Alto	0.464	0.430	0.470	0.394	0.493		30.62	15.39	21.01	11.80	20.16	
La Paz	0.557	0.531	0.555	0.559	0.569		46.22	26.55	58.46	29.61	34.08	
Oruro	0.585	0.468	0.403	0.442	0.387		--	19.22	14.04	18.93	10.94	
Potosí	0.513	0.476	0.441	0.438	0.504		38.46	20.68	17.63	14.30	25.02	
Santa Cruz	0.504	0.501	0.440	0.497	0.494		40.70	22.82	17.69	21.51	26.86	
Sucre	0.473	0.487	0.422	0.508	0.487		30.82	24.47	14.44	22.72	20.66	
Tarija	0.474	0.487	0.386	0.464	0.435		31.52	24.55	9.82	18.14	14.98	
Trinidad	0.580	0.372	0.473	0.452	0.400		50.25	10.79	19.43	17.94	15.77	

Table 2: Gini coefficient and income per capita ratio (D^{10}/D^{1}) of cities in Latin America and the Caribbean (p. 2 of 7)

Country/City*	Gini						Income per capita (Ratio D^{10}/D^{1})					
Brazil	**1990**	**1993**	**1999**	**2003**	**2005**	**2009**	**1990**	**1993**	**1999**	**2003**	**2005**	**2009**
Belém	0.639	0.643	0.625	0.579	0.586	0.542	53.78	64.01	60.56	51.87	45.16	35.37
Belo Horizonte	0.628	0.625	0.636	0.607	0.607	0.567	63.39	57.81	64.94	55.37	49.94	44.01
Brasilia	0.610	0.629	0.659	0.666	0.640	0.672	62.85	81.45	88.86	121.7	85.79	88.62
Curitiba	0.561	--	0.649	0.581	0.594	0.672	39.46	49.17	83.04	50.40	52.36	88.62
Fortaleza	0.644	--	0.659	0.617	0.613	0.602	58.87	59.11	71.48	62.38	59.68	54.21
Purto Alegre	0.595	0.598	0.647	0.607	0.599	0.544	52.69	53.95	73.53	61.78	55.74	39.65
Recife	0.645	0.644	0.650	0.638	0.658	0.596	64.75	103.6	73.36	99.89	93.79	63.43
Río do Janeiro	0.607	0.606	0.605	0.592	0.596	0.580	53.99	54.05	53.59	56.98	52.57	51.51
Salvador	0.660	0.673	0.663	0.651	0.618	0.620	114.6	113.6	96.68	103.7	64.24	63.63
São Paulo	0.557	0.574	0.615	0.609	0.608	0.547	43.35	49.14	68.54	79.53	63.03	40.91
Chile	**1990**	**1994**	**2000**	**2003**	**2006**	**2009**	**1990**	**1994**	**2000**	**2003**	**2006**	**2009**
Ancud	--	--	0.461	0.437	0.480	0.413	--	--	17.59	17.74	17.45	11.84
Angol	0.556	0.465	0.487	0.454	0.481	0.489	39.82	19.77	30.40	18.34	23.97	40.07
Antofagasta	0.510	0.494	0.543	0.422	0.384	0.376	27.61	21.08	35.88	15.37	12.29	10.85
Arauco	--	0.455	0.548	0.463	0.436	0.551	--	28.66	31.48	21.17	23.09	28.08
Arica	0.469	0.524	0.566	0.484	0.378	0.421	19.78	29.09	29.20	20.55	11.88	19.70
Buin	0.424	0.365	0.490	0.502	0.399	0.354	14.06	9.46	24.82	20.63	12.71	12.42
Calama	0.538	0.501	0.414	0.469	0.431	0.403	35.28	28.69	14.91	23.17	16.93	14.43
Castro	0.484	0.501	0.353	0.422	0.393	0.394	20.88	29.21	8.18	15.11	14.08	12.53
Cauquenes	0.478	0.537	0.520	0.436	0.477	0.538	29.17	30.69	26.53	14.87	24.48	25.12
Chañaral	0.516	0.375	0.472	0.430	0.454	0.469	28.52	14.41	22.47	26.04	21.84	47.25
Chillán	0.573	0.479	0.212	0.496	0.513	0.391	37.13	18.54	--	25.16	28.80	13.75
Coihaique	0.525	0.511	0.468	0.534	0.422	0.557	26.16	29.90	19.31	33.33	18.00	41.59
Colina	0.368	0.395	0.443	0.383	0.486	0.345	9.72	13.37	21.12	10.99	23.15	12.33
Concepción (Metropolitan Area)	0.534	0.521	0.440	0.529	0.505	0.469	31.99	28.43	19.88	34.41	24.44	22.12
Constitución	--	0.402	0.412	0.345	--	0.468	--	23.83	16.75	8.08	--	19.92
Copiapó	0.510	0.448	0.476	0.433	0.438	0.412	25.83	20.09	25.66	21.02	17.96	22.10
Coronel	0.374	0.455	0.428	0.419	0.404	0.425	10.89	25.16	20.43	17.04	12.83	20.89
Curanilahue	0.460	0.447	0.407	0.401	--	0.341	24.97	23.56	15.80	17.77	--	7.84
Curicó	0.678	0.703	0.647	0.496	0.441	0.548	60.08	92.42	50.99	19.86	18.16	30.66
El Monte	0.475	0.414	0.425	0.478	0.388	0.426	23.78	19.00	15.89	26.09	15.12	14.73
Graneros	--	--	0.417	0.426	0.391	0.360	--	--	18.21	15.03	12.30	11.60
Illapel	0.362	0.480	0.389	0.405	0.392	0.359	10.05	20.48	12.56	11.91	12.65	8.54
Iquique	0.561	0.458	0.470	0.461	0.429	0.423	35.86	19.25	22.37	18.17	13.09	16.75
La Calera	0.593	0.421	0.453	0.411	0.454	0.389	49.47	16.53	24.74	21.77	16.65	14.66
La Ligua	--	0.486	0.498	0.454	0.477	0.354	--	20.04	23.63	17.63	21.19	10.16
Lampa	0.418	0.415	0.401	0.407	0.523	0.390	13.7	17.3	18.1	15.2	26.5	16.2
La Unión	0.588	0.514	0.553	0.465	0.421	0.439	43.24	69.19	39.52	17.50	13.14	19.86
Lautaro	--	--	0.557	0.453	0.532	0.406	--	--	45.80	22.44	35.84	14.59
La Serena (Metropolitan Area)	0.546	0.508	0.531	0.607	0.448	0.472	35.56	24.87	25.96	57.10	17.12	22.33

Table 2: Gini coefficient and income per capita ratio (D^{10}/D^{1}) of cities in Latin America and the Caribbean (p. 3 of 7)

Country/City*	Gini						Income per capita (Ratio D^{10}/D^{1})					
Lebu	0.400	0.439	0.473	0.477	0.455	0.344	13.59	16.83	21.76	30.86	19.29	8.73
Linares	0.519	0.521	0.530	0.501	0.499	0.423	21.68	27.74	37.38	30.06	25.88	17.77
Los Andes	0.465	0.459	0.516	0.517	--	0.421	40.28	22.35	28.41	25.24	--	18.65
Los Ángeles	0.514	0.518	--	0.477	0.426	0.495	30.53	35.73	--	20.17	20.38	26.01
Los Vilos	0.412	0.481	0.544	0.432	0.336	0.407	13.59	18.60	38.01	14.23	7.54	15.53
Lota	0.396	0.373	0.364	0.383	--	0.379	12.36	17.50	13.49	12.96	--	11.65
Machalí	--	--	0.446	0.441	0.386	0.433	--	--	16.34	19.51	11.21	26.39
Mejillones	0.405	0.444	0.511	0.419	0.375	0.338	19.36	31.60	25.76	18.48	12.60	8.35
Melipilla	0.467	0.403	0.522	0.583	0.438	0.447	16.43	13.33	29.70	37.21	13.99	17.02
Molina	--	0.479	0.414	0.414	0.470	0.496	--	17.50	15.29	13.99	18.74	36.69
Mulchén	0.370	0.360	0.480	0.455	--	0.379	9.85	10.44	25.45	24.74	--	13.48
Nacimiento	--	0.535	0.462	0.394	--	0.361	--	92.72	22.40	15.52	--	11.11
Osorno	0.631	0.526	0.585	0.519	0.476	0.418	43.92	25.45	36.15	25.15	23.04	13.55
Ovalle	0.506	0.427	0.621	0.529	0.404	0.381	24.33	14.88	43.54	25.58	13.26	11.07
Padre Hurtado	--	0.380	0.334	0.501	0.417	0.413	--	11.04	8.37	26.79	15.71	14.91
Paine	0.357	0.430	0.445	0.499	0.468	0.373	12.21	23.14	16.97	20.67	20.63	16.60
Parral	0.551	0.520	0.507	0.490	0.359	0.477	30.05	30.35	21.24	27.96	14.07	24.85
Peñaflor	0.515	0.419	0.480	0.448	0.432	0.470	23.01	19.75	28.42	19.23	15.23	22.00
Puerto Montt	0.481	0.532	0.458	0.479	0.494	0.483	24.44	29.11	22.73	22.75	25.02	23.00
Puerto Varas	0.722	0.652	0.619	0.476	0.466	0.550	76.09	81.04	47.97	23.42	17.11	32.47
Punta Arenas	0.506	0.404	0.565	0.484	0.393	0.465	27.73	13.53	44.12	24.77	12.39	22.61
Quillota	--	0.461	0.530	0.446	0.440	0.430	--	17.10	35.47	17.61	18.29	15.62
Rancagua	0.523	0.481	0.456	0.448	0.449	0.474	37.0	22.22	21.29	19.54	17.07	23.91
Rengo	--	0.480	0.502	0.417	0.449	0.403	--	32.31	19.25	23.77	15.77	12.88
San Antonio	0.455	0.439	0.476	0.429	0.441	0.363	20.22	18.74	25.06	17.51	20.49	9.88
San Carlos	--	0.466	0.471	0.525	0.423	0.468	--	17.90	21.17	31.98	16.89	19.75
San Felipe	0.553	0.507	0.483	0.454	0.462	0.417	31.59	26.29	26.31	18.51	17.54	14.54
San Fernando	0.400	0.416	0.465	0.468	0.473	0.505	19.20	11.71	20.17	22.19	23.72	45.18
San Javier	--	0.427	0.508	0.437	0.374	0.411	--	20.0	25.0	18.3	14.3	47.9
Santiago	0.542	0.561	0.573	0.570	0.541	0.558	33.10	36.91	40.96	37.15	32.10	35.08
San Vicente	--	--	0.453	0.424	0.357	0.337	--	--	18.6	12.4	13.4	8.0
Talagante	0.418	0.395	0.401	0.444	0.405	0.394	12.29	11.74	13.66	19.53	13.74	14.00
Talca	0.510	0.464	0.497	0.572	0.398	0.506	33.50	19.80	25.71	40.44	13.93	26.89
Temuco	0.546	0.524	0.596	0.543	0.519	0.558	34.64	28.54	60.66	33.11	31.53	36.75
Tocopilla	0.449	0.458	0.429	0.409	0.444	0.439	27.09	19.32	18.55	19.52	17.07	19.30
Tome	0.595	0.354	0.424	0.471	0.509	0.499	38.07	11.93	16.94	30.02	45.11	24.43
Valdivia	0.464	0.515	0.515	0.576	0.452	0.457	19.94	34.10	28.78	36.19	22.70	23.19
Vallenar	0.517	0.491	0.428	0.476	0.444	0.452	21.28	30.28	19.74	23.14	16.48	34.82
Valparaíso (Metropolitan Area)	0.524	0.483	0.471	0.455	0.435	0.501	34.79	24.89	24.46	20.85	15.91	26.40
Victoria	--	--	0.537	0.622	0.436	0.403	--	--	31.36	54.68	18.25	13.12
Villarrica	0.422	0.517	0.421	0.504	0.357	0.435	14.64	24.68	13.34	27.68	11.33	26.92

Table 2: Gini coefficient and income per capita ratio (D^{10}/D^{1}) of cities in Latin America and the Caribbean (p. 4 of 7)

Country/City*	Gini						Income per capita (Ratio D^{10}/D^{1})					
Colombia	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
Barranquilla	0.487	--	--	0.545	0.521	0.493	20.43	--	--	33.00	29.48	26.60
Bogotá	0.492	0.564	0.611	0.596	0.583	0.544	27.82	43.76	83.07	61.90	46.32	35.13
Bucaramanga	0.446	--	--	0.489	0.520	0.460	17.70	--	--	26.14	30.88	19.31
Cali	0.484	--	--	0.536	0.553	0.547	22.91	--	--	36.90	39.76	50.26
Cartagena	--	--	--	0.480	0.468	0.493	--	--	--	22.57	19.34	26.08
Cúcuta	0.429	--	--	0.500	0.480	0.509	16.34	--	--	28.00	23.98	35.51
Ibagué	0.441	--	--	0.509	0.530	0.525	22.66	--	--	34.84	36.69	31.13
Manizales	0.479	--	--	0.530	0.529	0.520	22.58	--	--	40.98	38.89	35.08
Medellín	0.469	--	--	0.543	0.548	0.564	21.01	--	--	44.77	38.53	55.74
Montería	0.469	--	--	0.542	0.534	0.547	20.28	--	--	35.79	32.93	35.05
Pasto	0.464	--	--	0.538	0.539	0.534	21.54	--	--	33.31	34.01	33.93
Pereira	0.458	--	--	0.517	0.500	0.479	19.55	--	--	27.75	25.58	24.09
Villavicencio	--	--	--	0.507	0.512	0.496	--	--	--	33.79	33.90	31.87
Costa Rica	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Alajuela	--	--	--	--	0.441	0.487	--	--	--	--	27.97	25.14
Cartago	--	--	--	--	0.449	0.473	--	--	--	--	--	23.24
Heredia	--	--	--	--	0.449	0.489	--	--	--	--	--	23.03
Limón	--	--	--	--	0.457	0.534	--	--	--	--	--	25.2
San José	0.421	0.440	0.470	0.485	0.497	0.472	18.76	19.74	38.26	59.00	64.14	23.59
Dominican Republic	**1990**	**1994**	**1997**	**2002**	**2005**	**2010**	**1990**	**1994**	**1997**	**2002**	**2005**	**2010**
Bonao	--	--	--	--	0.487	0.522	--	--	--	--	32.61	36.60
Higuey	--	--	--	--	0.442	0.593	--	--	--	--	24.67	52.78
La Romana	--	--	--	--	0.506	0.618	--	--	--	--	41.20	54.56
San Cristóbal	--	--	--	--	0.511	0.427	--	--	--	--	33.86	19.57
San Felipe de Puerto Plata	--	--	--	--	0.526	0.471	--	--	--	--	34.55	25.95
San Francisco de Macorís	--	--	--	--	0.471	0.499	--	--	--	--	30.20	32.55
San Pedro de Marcorís	--	--	--	--	0.586	0.468	--	--	--	--	49.39	28.50
Santa Cruz de Barahona	--	--	--	--	0.446	0.552	--	--	--	--	23.49	43.57
Santiago de los Caballeros	--	--	--	--	0.550	0.588	--	--	--	--	48.33	58.26
Santo Domingo	--	--	--	--	0.612	0.579	--	--	--	--	81.41	63.97

Table 2: Gini coefficient and income per capita ratio (D^{10}/D^{1}) of cities in Latin America and the Caribbean (p. 5 of 7)

Country/City*	Gini						Income per capita (Ratio D^{10}/D^{1})					
Ecuador	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Ambato	--	--	--	0.419	0.495	0.440	--	--	--	18.52	29.09	17.59
Azogues	--	--	--	--	0.514	0.553	--	--	--	--	58.45	35.64
Babahoyo	--	--	--	--	0.455	0.589	--	--	--	--	17.21	35.82
Cuenca	--	--	0.493	0.535	0.447	0.388	--	--	29.75	33.44	21.97	12.32
Eloy Alfaro (Durán)	--	--	--	0.369	0.435	0.460	--	--	--	12.81	18.89	20.41
Esmeraldas	--	--	--	--	0.544	0.517	--	--	--	--	42.10	33.91
Guaranda	--	--	--	--	0.483	0.459	--	--	--	--	29.71	21.00
Guayaquil	--	--	0.514	0.524	0.495	0.414	--	--	29.32	29.36	25.96	13.31
Ibarra	--	--	--	--	0.479	0.435	--	--	--	--	23.17	26.67
La Maná	--	--	--	--	0.453	0.371	--	--	--	--	27.28	15.45
La Troncal	--	--	--	--	0.431	0.397	--	--	--	--	47.35	13.20
Latacunga	--	--	--	--	0.522	0.451	--	--	--	--	35.62	21.02
Loja	--	--	--	0.517	0.448	0.431	--	--	--	33.43	21.68	20.29
Machala	--	--	0.413	0.477	0.447	0.447	--	--	18.51	20.07	18.22	18.17
Manta	--	--	--	0.450	0.442	0.430	--	--	--	18.95	17.23	20.82
Nueva Loja	--	--	--	0.50	0.46	0.45	--	--	--	38.82	27.15	25.58
Portoviejo	--	--	--	0.468	0.503	0.453	--	--	--	28.94	24.46	16.80
Quevedo	--	--	--	--	0.449	0.356	--	--	--	--	21.66	9.69
Quito	0.498	0.477	0.539	0.510	0.540	0.507	26.09	24.01	37.61	29.08	33.47	31.55
Riobamba	--	--	--	0.446	0.475	0.470	--	--	--	27.01	23.17	21.09
Tulcán	--	--	--	--	0.457	0.517	--	--	--	--	17.30	35.20
Vuelta Larga	--	--	--	--	0.455	0.492	--	--	--	--	19.14	34.90
El Salvador	**1990**	**1997**	**1999**	**2002**	**2004**	**2010**	**1990**	**1997**	**1999**	**2002**	**2004**	**2010**
San Salvador	--	0.457	0.450	--	0.449	0.409	--	18.68	19.36	--	19.45	14.05
Guatemala	**1989**	**1994**	**1998**	**2002**	**2006**	**2010**	**1989**	**1994**	**1998**	**2002**	**2006**	**2010**
Guatemala City	0.545	--	0.529	0.521	0.514	--	34.26	--	24.13	36.21	23.92	--
Honduras	**1990**	**1994**	**1999**	**2002**	**2006**	**2010**	**1990**	**1994**	**1999**	**2002**	**2006**	**2010**
San Pedro Sula	0.528	0.531	0.489	0.523	0.468	0.477	34.43	34.98	26.94	28.39	24.79	54.63
Tegucigalpa	0.558	0.554	0.511	0.544	0.526	0.510	41.63	41.48	34.45	35.18	36.99	51.76

Table 2: Gini coefficient and income per capita ratio (D^{10}/D^{1}) of cities in Latin America and the Caribbean (p. 6 of 7)

Country/City*	Gini					Income per capita (Ratio D^{10}/D^{1})				
Mexico	**1989**	**1994**	**2002**	**2005**	**2010**	**1989**	**1994**	**2002**	**2005**	**2010**
Acapulco	--	--	0.490	0.487	0.406	--	--	17.9	20.6	14.7
Aguascalientes	--	0.456	0.446	0.453	0.383	--	15.5	15.2	16.3	12.4
Cancún	--	--	0.415	0.398	0.432	--	--	14.0	12.8	15.2
Chetumal	--	0.461	--	0.428	0.499	--	27.1	--	23.4	23.1
Chihuahua	--	--	0.453	0.433	0.465	--	--	17.3	15.5	20.3
Ciudad Juárez	--	--	0.420	0.506	0.467	--	--	12.6	23.5	18.3
Colima	--	0.406	0.444	0.438	0.392	--	8.8	14.9	13.8	14.1
Cuernavaca	--	--	0.445	0.463	0.423	--	--	14.7	15.2	13.7
Culiacán Rosales	--	--	0.401	0.475	0.371	--	--	18.7	19.6	12.2
Durango	--	0.440	0.482	0.413	0.401	--	17.7	17.9	12.4	11.5
Guadalajara	0.522	--	0.446	0.399	0.421	23.9	--	15.2	12.2	13.6
Hermosillo	--	--	0.440	0.570	0.410	--	--	13.6	33.5	14.2
Irapuato	--	--	--	0.428	0.457	--	--	--	13.3	17.7
León	--	--	0.344	0.459	0.407	--	--	8.6	16.0	14.6
Mérida	--	--	0.356	0.503	0.439	--	--	9.4	22.3	15.1
Mexicali	0.438	--	0.431	0.365	0.461	14.0	--	14.8	8.8	20.4
Mexico City	0.550	0.553	0.497	0.559	0.488	27.7	27.9	20.1	29.3	20.4
Monterrey	0.504	0.482	0.499	0.425	0.395	19.5	17.8	19.2	13.4	11.6
Morelia	--	--	--	0.520	0.418	--	--	--	24.21	15.77
Oaxaca de Juárez	--	--	0.363	0.438	0.365	--	--	9.283	15.37	9.532
Puebla	--	--	0.439	--	0.407	--	--	17.28	--	10.79
Saltillo	--	0.519	0.376	0.463	0.490	--	25.88	10.28	17.31	17.02
San Francisco de Campeche	--	0.307	0.437	0.522	--	--	6.09	16.75	23.79	--
San Luis Potosí	0.404	--	--	--	0.401	16.48	--	--	--	12.47
Santiago de Querétaro	--	--	0.419	0.489	0.466	--	--	13.86	21.44	16.75
Tampico	--	--	--	0.456	0.402	--	--	--	16.87	12.99
Tepic	0.453	--	0.428	0.395	0.376	17.81	--	20.10	11.35	8.45
Tijuana	0.407	--	0.380	0.483	0.501	13.10	--	11.71	20.55	21.33
Toluca de Lerdo	--	0.440	0.530	0.525	--	--	15.95	22.81	24.12	--
Torreón	--	0.384	0.383	0.533	0.389	--	11.31	10.63	28.72	11.77
Tuxtla Gutiérrez	--	--	0.436	0.474	0.456	--	--	16.43	20.43	18.16
Veracruz	--	0.414	0.450	0.385	0.414	--	14.90	17.84	12.65	12.43
Villahermosa	0.465	--	0.559	0.501	0.372	17.87	--	34.20	27.46	10.67
Zacatecas	--	--	0.519	0.447	0.479	--	--	25.85	17.19	17.50
Nicaragua	**1993**	**1998**	**2001**	**2005**		**1993**	**1998**	**2001**	**2005**	
Chinandega	--	0.379	0.491	0.407		--	13.61	23.31	12.37	
Estelí	0.582	0.442	0.485	0.491		--	19.25	30.35	20.86	
Granada	0.439	0.509	0.522	0.505		50.0	20.7	26.4	25.6	
León	0.492	0.428	0.384	0.534		50.424	24.413	9.315	23.99	
Managua	0.530	0.572	0.589	0.513		51.821	56.432	53.333	26.62	
Masaya	--	0.464	0.515	0.490		--	25.759	51.44	24.61	
Nueva Guinea	--	0.609	0.545	0.547		--	--	40.094	34.30	

Table 2: Gini coefficient and income per capita ratio (D^{10}/D^{1}) of cities in Latin America and the Caribbean (p. 7 of 7)

Country/City*	Gini						Income per capita (Ratio D^{10}/D^{1})					
Panama	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
Chitre	--	--	--	--	0.469	0.429	--	--	--	--	21.46	15.73
Colón	--	--	--	--	0.456	0.438	--	--	--	--	24.55	22.82
David	--	--	--	--	0.462	0.449	--	--	--	--	20.07	18.40
Panama City	0.552	0.550	0.515	0.516	0.476	0.460	60.27	42.13	34.40	35.17	25.43	20.33
Paraguay	**1990**	**1994**	**2000**	**2005**	**2010**		**1990**	**1994**	**2000**	**2005**	**2010**	
Asunción	0.445	0.504	0.515	0.482	0.500		16.70	23.17	31.02	24.89	31.84	
Peru	**1999**	**2003**	**2006**	**2010**			**1999**	**2003**	**2006**	**2010**		
Arequipa	--	0.436	0.399	0.369			--	21.29	13.25	12.19		
Ayacucho	--	0.345	0.407	0.374			--	8.63	12.87	12.63		
Bagua Grande	--	0.459	0.423	0.430			--	14.56	15.41	15.49		
Cajamarca	0.360	0.407	0.496	0.445			11.73	12.27	22.77	16.42		
Cerro de Pasco	--	0.382	0.448	0.361			--	11.17	18.66	12.86		
Chiclayo	--	0.405	0.395	0.380			--	12.92	12.51	11.24		
Chimbote	--	0.302	0.322	0.335			--	6.80	7.65	8.64		
Cusco	--	0.372	0.419	0.422			--	12.87	15.89	15.23		
Huancavelica	--	0.465	0.400	--			--	22.99	13.74	--		
Huancayo	--	0.375	0.403	0.329			--	10.72	13.07	8.52		
Huanuco	--	0.360	0.442	--			--	9.03	15.20	--		
Ica	--	0.319	0.319	0.317			--	6.90	7.01	6.90		
Ilo	--	0.377	0.440	0.387			--	12.19	19.24	11.35		
Iquitos	--	0.407	0.434	0.461			--	11.20	15.54	16.76		
Juliaca	--	0.432	0.351	0.378			--	18.67	9.11	11.09		
Lapeca	--	--	0.385	0.403			--	--	12.35	13.49		
Lima	0.528	0.490	0.407	0.401			26.95	24.09	13.27	12.83		
Moquegua	--	0.422	0.417	0.379			--	17.09	16.94	12.22		
Moyobamba	--	--	0.464	0.392			--	--	16.41	12.22		
Piura	--	0.434	0.395	0.400			--	16.68	12.21	12.38		
Pucallpa	--	0.378	0.358	0.318			--	11.49	9.50	7.37		
Sullana	--	0.385	0.344	0.318			--	13.30	8.72	7.31		
Tacna	--	0.406	0.390	0.348			--	20.08	12.30	10.31		
Tambo Pata	--	0.342	0.366	0.337			--	9.12	11.32	8.65		
Tarapoto	--	0.372	0.424	0.419			--	11.54	16.82	13.79		
Trujillo	--	0.400	0.385	0.382			--	13.53	12.23	11.87		
Tumbes	--	0.366	0.315	0.321			--	8.76	7.70	7.21		
Uruguay	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Montevideo	0.509	0.403	0.437	0.451	0.459	0.429	24.27	14.82	19.01	19.58	22.49	17.38
(Bolivarian Republic of) **Venezuela**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Caracas	0.415	0.453	0.466	0.452	0.467	0.377	16.14	17.79	24.85	27.06	27.84	15.25

Source: UN-Habitat, Global Urban Observatory, 2013. / Note: -- = Not available. / *Cities with only one value are not shown in the sample.

Table 3: National-level Gini Coefficient

Country	Year / Gini					
(Plurinational State of) Bolivia	**1989**	**1994**	**1999**	**2004**	**2007**	
	--	--	0.586	0.561	0.570	
Brazil	**1990**	**1993**	**1999**	**2003**	**2005**	**2009**
	0.627	0.621	0.640	0.621	0.613	0.576
Chile	**1990**	**1994**	**2000**	**2003**	**2006**	**2009**
	0.554	0.553	0.564	0.552	0.522	0.524
Colombia	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.535	0.601	0.572	0.594	0.580	0.578
Costa Rica	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.439	0.462	0.489	0.508	0.491	0.495
Dominican Republic	**1990**	**1994**	**1997**	**2002**	**2005**	**2010**
	--	--	0.523	0.544	0.569	0.554
Ecuador	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	--	--	--	--	0.531	0.495
El Salvador	**1990**	**1997**	**1999**	**2002**	**2004**	**2010**
	--	0.510	0.518	--	0.493	0.454
Guatemala	**1989**	**1994**	**1998**	**2002**	**2006**	**2010**
	0.519	--	0.560	0.542	0.585	--
Honduras	**1990**	**1994**	**1999**	**2002**	**2006**	**2010**
	0.615	0.560	0.564	0.588	0.605	0.567
Mexico	**1989**	**1994**	**2002**	**2005**	**2010**	
	0.536	0.539	0.514	0.528	0.481	
Nicaragua	**1993**	**1998**	**2001**	**2005**		
	0.582	0.583	0.579	0.532		
Panama	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.560	0.569	0.538	0.561	0.528	0.518
Paraguay	**1990**	**1994**	**2000**	**2005**	**2010**	
	--	--	0.560	0.528	0.533	
Peru	**1999**	**2003**	**2006**	**2010**		
	0.553	0.523	0.476	0.458		
Uruguay	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	--	--	--	--	--	0.422
(Bolivarian Republic of) Venezuela	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
	0.471	0.484	0.498	0.500	0.490	0.394

Source: UN-Habitat Global Urban Observatory, 2013. / Note: -- = Cities with only one value are not shown in the sample. / National-level data is not available for Argentina.

Table 4: Gini coefficient and income per capita (D^{10}/D^{1}) of capital cities in Latin America and the Caribbean

Country/ Capital city	Gini						Income per capita (D^{1}/D^{1})					
Argentina	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Buenos Aires	0.502	0.508	0.542	0.590	0.559	0.506	25.79	27.16	33.41	56.10	51.49	32.07
(Plurinational State of) Bolivia	**1989**	**1994**	**1999**	**2004**	**2007**		**1989**	**1994**	**1999**	**2004**	**2007**	
La Paz*	0.557	0.531	0.555	0.559	0.569		46.22	26.55	58.46	29.61	34.08	
Brazil	**1990**	**1993**	**1999**	**2003**	**2005**	**2009**	**1990**	**1993**	**1999**	**2003**	**2005**	**2009**
Brasilia	0.610	0.629	0.659	0.666	0.640	0.672	62.85	81.45	88.86	121.7	85.79	88.62
Chile	**1990**	**1994**	**2000**	**2003**	**2006**	**2009**	**1990**	**1994**	**2000**	**2003**	**2006**	**2009**
Santiago	0.542	0.561	0.573	0.570	0.541	0.558	33.10	36.91	40.96	37.15	32.10	35.08
Colombia	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
Bogotá	0.492	0.564	0.611	0.596	0.583	0.544	27.82	43.76	83.07	61.90	46.32	35.13
Costa Rica	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
San José	0.421	0.440	0.470	0.485	0.497	0.472	18.76	19.74	38.26	59.00	64.14	23.59
Dominican Republic	**1990**	**1994**	**1997**	**2002**	**2005**	**2010**	**1990**	**1994**	**1997**	**2002**	**2005**	**2010**
Sto. Domingo	--	--	--	--	0.612	0.579	--	--	--	--	81.41	63.97
Ecuador	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Quito	0.498	0.477	0.539	0.510	0.540	0.507	26.09	24.01	37.61	29.08	33.47	31.55
El Salvador	**1990**	**1997**	**1999**	**2002**	**2004**	**2010**	**1990**	**1997**	**1999**	**2002**	**2004**	**2010**
San Salvador	--	0.457	0.450	--	0.449	0.409	--	18.68	19.36	--	19.45	14.05
Guatemala	**1989**	**1994**	**1998**	**2002**	**2006**	**2010**	**1989**	**1994**	**1998**	**2002**	**2006**	**2010**
Guatemala City	0.545	--	0.529	0.521	0.514	--	34.26	--	24.13	36.21	23.92	--
Honduras	**1990**	**1994**	**1999**	**2002**	**2006**	**2010**	**1990**	**1994**	**1999**	**2002**	**2006**	**2010**
Tegucigalpa	0.558	0.554	0.511	0.544	0.526	0.510	41.63	41.48	34.45	35.18	36.99	51.76
Mexico	**1989**	**1994**	**2002**	**2005**	**2010**		**1989**	**1994**	**2002**	**2005**	**2010**	
Mexico City	0.550	0.553	0.497	0.559	0.488		27.70	27.92	20.09	29.27	20.39	
Nicaragua	**1993**	**1998**	**2001**	**2005**			**1993**	**1998**	**2001**	**2005**		
Managua	0.530	0.572	0.589	0.513			51.82	56.43	53.33	26.62		
Panama	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**	**1991**	**1994**	**1999**	**2002**	**2005**	**2010**
Panama City	0.552	0.550	0.515	0.516	0.476	0.460	60.27	42.13	34.40	35.17	25.43	20.33
Paraguay	**1990**	**1994**	**2000**	**2005**	**2010**		**1990**	**1994**	**2000**	**2005**	**2010**	
Asunción	0.445	0.504	0.515	0.482	0.500		16.70	23.17	31.02	24.89	31.84	
Peru	**1999**	**2003**	**2006**	**2010**			**1999**	**2003**	**2006**	**2010**		
Lima	0.528	0.490	0.407	0.401			26.95	24.09	13.27	12.83		
Uruguay	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Montevideo	0.509	0.403	0.437	0.451	0.459	0.429	24.27	14.82	19.01	19.58	22.49	17.38
(Bolivarian Republic of) Venezuela	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**	**1990**	**1994**	**1999**	**2002**	**2005**	**2010**
Caracas	0.415	0.453	0.466	0.452	0.467	0.377	16.14	17.79	24.85	27.06	27.84	15.25

Source: UN-Habitat Global Urban Observatory, 2013. / Note: -- = Cities with only one value are not shown in the sample. / *Refers to the administrative capital.

Table 5: Cities with the largest increase and reduction in inequality

Largest increase				Largest reduction			
Country	**City**	**Variation**	**%**	**Country**	**City**	**Variation**	**%**
Dominican Republic	Higuey	0.151	34%	Chile	La Calera	-0.204	-34%
Ecuador	Babahoyo	0.134	29%	Bolivia	Oruro	-0.198	-34%
Chile	San Fernando	0.106	26%	Chile	Osorno	-0.213	-34%
Ecuador	Eloy Alfaro (Durán)	0.091	25%	Chile	Nacimiento	-0.173	-32%
Dominican Republic	Santa Cruz de Barahona	0.106	24%	Chile	Chillán	-0.182	-32%
Peru	Cajamarca	0.085	24%	Bolivia	Trinidad	-0.180	-31%
Mexico	Mérida	0.083	23%	Chile	La Ligua	-0.132	-27%
Mexico	Tijuana	0.095	23%	Chile	Lautaro	-0.151	-27%
Peru	Huanuco	0.082	23%	Chile	Antofagasta	-0.134	-26%
Dominican Republic	La Romana	0.112	22%	Chile	Curanilahue	-0.120	-26%
Chile	Arauco	0.096	21%	Chile	San Vicente	-0.116	-26%
Colombia	Medellín	0.095	20%	Chile	La Unión	-0.149	-25%
Brazil	Curitiba	0.112	20%	Chile	Calama	-0.135	-25%
Mexico	Toluca de Lerdo	0.084	19%	Chile	Victoria	-0.134	-25%
Colombia	Ibagué	0.084	19%	Chile	Iquique	-0.138	-25%
Colombia	Cúcuta	0.080	19%	Chile	Ovalle	-0.124	-25%
Mexico	León	0.064	19%	Chile	San Felipe	-0.136	-25%
Costa Rica	Limón	0.076	17%	Peru	Lima	-0.127	-24%
Colombia	Montería	0.078	17%	Chile	Puerto Varas	-0.172	-24%
Chile	Constitución	0.066	17%	Chile	Copiapó	-0.098	-22%
Colombia	Pasto	0.070	15%	Mexico	Monterrey	-0.109	-22%
Argentina	Río Gallegos	0.066	15%	Ecuador	Cuenca	-0.105	-21%
Nicaragua	Granada	0.066	15%	Ecuador	Quevedo	-0.092	-21%
Chile	Coronel	0.051	14%	Dominican Republic	San Pedro de Marcorís	-0.118	-20%
Peru	Cusco	0.050	13%	Chile	San Antonio	-0.092	-20%
Peru	Iquitos	0.054	13%	Bolivia	Cobija	-0.091	-20%
Ecuador	Tulcán	0.060	13%	Mexico	Villahermosa	-0.092	-20%
Colombia	Cali	0.063	13%	Mexico	Morelia	-0.101	-19%
Argentina	Neuquén	0.070	13%	Mexico	Guadalajara	-0.101	-19%
Argentina	Río Cuarto	0.062	13%	Ecuador	Guayaquil	-0.099	-19%
Chile	Cauquenes	0.060	13%	Chile	Curicó	-0.130	-19%
Peru	Tarapoto	0.047	13%	Chile	Linares	-0.097	-19%
Paraguay	Asunción	0.055	12%	Chile	Castro	-0.089	-18%
Costa Rica	San José	0.051	12%	Ecuador	La Maná	-0.081	-18%
Mexico	Santiago de Querétaro	0.047	11%	Peru	Sullana	-0.067	-17%
Mexico	Ciudad Juárez	0.047	11%	Mexico	Acapulco	-0.084	-17%
Peru	Chimbote	0.033	11%	Mexico	Tepic	-0.078	-17%
Colombia	Bogotá	0.051	10%	Chile	Buin	-0.071	-17%

Source: UN-Habitat Global Urban Observatory, 2013. / Note: Calculations produced using the oldest and most recent values available in the database.

Table 6: Income streams, average contribution to total income and to the composition of the national urban Gini (p. 1 of 3)

Country	Year	% Contribution to total income					% Contribution to Gini				
		Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
Argentina	**1994**	40.07	36.63	5.82	7.19	10.30	28.55	48.34	10.90	2.99	9.23
	1999	41.75	29.86	9.03	10.57	8.79	30.85	37.45	16.33	8.32	7.05
	2002	37.96	32.19	8.59	10.18	11.08	28.40	40.43	14.40	7.75	9.02
	2005	44.14	30.86	8.27	10.24	6.49	33.96	39.42	14.18	5.83	6.61
	2010	48.08	26.61	7.85	11.17	6.30	38.71	34.99	14.90	5.07	6.33
(Plurinational State of) **Bolivia**	**1994**	41.72	42.96	4.18	3.31	7.84	35.31	46.80	6.43	2.87	8.60
	1999	49.15	32.58	6.50	5.32	6.45	48.53	27.37	11.03	7.13	5.94
	2004	46.71	27.87	2.88	5.38	17.15	47.61	22.55	4.42	6.44	18.98
	2007	53.0	27.3	3.8	6.6	9.3	53.6	23.2	5.7	6.4	11.1
Brazil	**1990**	46.98	26.88	8.67	12.76	4.71	40.23	28.81	12.41	13.67	4.89
	1993	45.99	24.26	7.88	12.51	9.36	40.03	25.82	11.78	12.76	9.60
	1996	36.63	23.09	11.39	10.94	17.95	28.47	24.41	17.11	11.39	18.62
	1999	34.29	20.38	12.56	12.81	19.96	26.40	20.33	18.88	13.52	20.87
	2001	36.14	20.02	11.79	13.47	18.58	28.55	20.68	17.58	13.89	19.30
	2003	37.91	20.13	11.11	15.16	15.70	30.31	21.15	16.61	15.67	16.26
	2005	38.18	19.18	12.67	15.05	14.91	30.12	20.14	18.65	15.58	15.51
	2009	41.54	18.46	9.55	15.41	15.05	33.57	19.91	13.84	16.65	16.02
Chile	**1990**	43.51	27.66	6.72	11.03	11.08	36.18	35.15	9.99	8.37	10.30
	1994	46.03	30.83	3.40	10.37	9.38	37.49	41.06	5.05	7.93	8.47
	2000	45.41	27.80	3.17	10.22	13.40	39.04	36.01	4.63	7.68	12.65
	2003	46.49	31.73	1.64	8.97	11.17	38.65	42.80	2.45	5.86	10.25
	2006	49.61	29.90	1.97	9.14	9.38	42.04	40.91	3.05	5.42	8.58
	2009	50.30	27.93	1.85	9.05	10.87	43.93	38.65	2.87	4.32	10.23
Colombia	**1991**	47.51	27.72	4.90	0.00	19.87	38.75	27.41	7.96	0.00	25.89
	1994	43.42	29.91	5.67	6.49	14.51	36.95	32.70	8.11	5.89	16.35
	1999	44.58	26.20	11.06	9.06	9.10	39.94	23.03	16.86	9.82	10.35
	2002	40.62	37.18	3.61	11.87	6.72	37.18	38.11	4.20	13.40	7.11
	2005	40.08	37.53	2.98	13.33	6.08	35.81	38.38	3.63	15.68	6.50
	2010	40.78	36.15	3.46	14.00	5.61	38.67	34.83	4.42	15.82	6.27
Costa Rica	**1990**	65.08	13.15	3.06	9.17	9.54	66.23	10.56	4.84	9.98	8.39
	1994	60.13	16.63	3.55	11.82	7.87	54.2	18.3	5.5	13.2	8.9
	1999	65.26	17.66	2.62	0.00	14.45	62.24	19.44	3.77	0.00	14.55
	2002	69.91	18.90	1.82	0.00	9.37	70.16	18.46	2.57	0.00	8.80
	2005	74.60	18.47	1.89	0.00	5.04	76.35	16.27	2.65	0.00	4.74
	2010	63.23	15.30	4.74	11.60	5.14	60.24	16.84	7.34	11.80	3.78
Dominican Republic	**1997**	40.76	35.37	8.11	3.53	12.24	34.66	36.89	13.76	4.95	9.74
	2002	42.42	40.82	7.25	1.80	7.71	36.03	45.24	11.55	1.41	5.77
	2005	29.69	49.99	4.96	4.33	11.03	21.11	58.21	7.40	3.15	10.13
	2010	27.84	54.59	3.92	4.20	9.44	17.45	66.59	5.66	1.89	8.42

Source: UN-Habitat Global Urban Observatory, 2013.

Table 6: Income streams, average contribution to total income and to the composition of the national urban Gini (p. 2 of 3)

Country	Year	% Contribution to total income					% Contribution to Gini				
		Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
Ecuador	**1990**	61.12	29.99	2.81	1.82	4.26	64.46	23.50	4.57	1.90	5.58
	1994	52.40	41.83	2.82	2.49	0.46	46.79	46.15	4.31	2.42	0.34
	1999	51.22	38.99	2.23	2.26	5.31	47.38	43.63	2.91	2.29	3.79
	2002	50.17	37.29	4.29	5.81	2.44	44.29	40.50	6.95	5.45	2.81
	2005	52.99	33.32	4.33	6.62	2.73	48.17	35.75	6.95	6.20	2.93
	2010	54.22	30.75	2.80	10.42	1.81	49.87	34.25	4.06	9.91	1.91
El Salvador	**1997**	58.85	30.06	1.07	3.29	6.74	59.88	30.12	1.64	3.48	4.88
	1999	63.53	25.87	1.23	3.23	6.13	62.47	24.34	1.87	3.17	8.16
	2004	56.89	31.18	1.18	5.23	5.52	52.85	27.99	1.99	6.35	10.82
	2010	57.49	25.97	0.65	4.57	11.31	59.44	27.68	0.78	6.63	5.46
Guatemala	**1989**	44.07	35.97	6.76	1.66	11.53	35.32	41.73	9.05	1.73	12.16
	1998	46.65	40.05	3.37	2.26	7.67	39.14	47.39	4.63	2.35	6.49
	2002	45.63	40.63	2.72	3.84	7.17	41.78	46.87	3.95	3.01	4.39
	2006	34.08	40.73	2.06	1.99	21.13	23.92	50.79	2.92	2.32	20.04
Honduras	**1990**	61.43	24.85	4.68	0.00	9.04	61.38	24.20	6.34	0.00	8.07
	1994	54.04	31.71	4.23	1.28	8.74	49.57	33.05	7.23	1.46	8.68
	1999	50.81	30.39	5.42	0.96	12.42	46.66	30.31	9.10	1.12	12.80
	2002	51.26	23.27	2.06	1.54	21.88	50.32	18.03	2.88	2.02	26.75
	2006	53.09	21.20	3.34	2.46	19.91	53.47	17.37	5.04	3.26	20.87
	2010	54.19	21.85	0.00	0.00	23.97	57.49	18.17	0.00	0.00	24.34
Mexico	**1989**	41.44	28.38	0.00	1.97	28.22	28.34	37.95	0.00	1.93	31.78
	1994	46.21	24.61	1.85	2.16	25.18	40.41	31.32	1.83	2.04	24.40
	2002	48.43	26.93	2.04	3.34	19.25	38.91	36.29	2.72	3.65	18.44
	2005	48.13	27.56	1.49	3.49	19.34	36.48	38.89	1.58	3.65	19.40
	2010	51.27	11.91	1.41	6.88	28.53	46.63	13.16	1.53	7.91	30.76
Nicaragua	**1993**	49.78	36.50	1.43	1.08	11.22	43.35	42.62	1.69	0.20	12.13
	1998	53.27	33.86	2.22	0.98	9.67	48.78	37.25	3.75	0.93	9.29
	2001	50.97	40.45	1.41	1.49	5.69	43.48	49.20	1.94	0.87	4.51
	2005	47.68	32.74	1.07	2.02	16.49	41.30	35.77	1.70	2.14	19.09
Panama	**1991**	58.77	14.63	4.90	14.32	7.38	58.41	12.24	8.31	13.92	7.13
	1994	51.60	15.91	8.38	10.36	13.75	48.64	14.67	14.76	9.27	12.68
	1999	62.60	14.25	1.20	14.08	7.87	65.07	11.10	1.75	14.19	7.88
	2002	66.29	14.14	2.11	15.38	2.08	69.50	12.59	3.15	13.26	1.50
	2005	57.95	14.13	1.36	12.09	14.47	54.82	16.03	1.88	13.20	14.07
	2010	56.94	25.27	1.88	11.96	3.95	49.71	32.00	3.18	12.61	2.50
Paraguay	**1994**	43.80	41.89	2.79	4.40	7.12	34.62	49.27	4.27	5.59	6.25
	2000	44.98	32.08	3.95	6.40	12.59	39.26	35.95	5.96	9.02	9.81
	2005	47.11	32.05	2.76	4.93	13.16	41.93	36.94	4.42	6.37	10.34
	2010	53.09	33.31	2.99	5.67	4.93	42.77	41.72	4.62	8.40	2.49

Source: UN-Habitat Global Urban Observatory, 2013.

Table 6: Income streams, average contribution to total income and to the composition of the national urban Gini (p. 3 of 3)

Country	Year	% Contribution to total income					% Contribution to Gini				
		Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
Perú	**1999**	42.41	24.61	2.81	4.80	25.37	45.09	20.20	3.90	5.71	25.10
	2003	43.97	27.41	3.23	6.21	19.19	49.91	24.61	4.97	7.75	12.77
	2006	44.24	28.08	2.94	4.98	19.75	46.75	27.73	4.88	6.16	14.47
	2010	44.83	27.38	3.14	4.90	19.76	48.35	25.15	5.19	6.15	15.16
Uruguay	**1990**	35.42	27.41	4.42	15.63	17.12	22.38	41.84	7.56	12.27	15.94
	1994	40.77	18.68	3.60	18.92	18.03	34.02	23.83	6.96	16.59	18.60
	1999	42.36	16.99	4.67	20.93	15.06	37.53	19.47	9.15	17.74	16.10
	2002	39.74	15.38	4.61	24.20	16.07	36.20	17.09	9.07	17.91	19.72
	2005	40.90	15.39	5.17	30.53	8.00	36.90	18.01	10.29	9.58	25.21
	2010	43.96	16.01	0.00	17.01	23.03	40.99	19.78	0.00	16.87	22.36
(Bolivarian Republic of) **Venezuela**	**1990**	45.96	33.75	4.76	0.00	15.52	36.31	44.59	8.29	0.00	10.81
	1994	44.63	37.82	5.84	0.02	11.69	37.84	44.39	9.70	0.02	8.05

Source: UN-Habitat Global Urban Observatory, 2013.

Table 7: Income streams, average contribution to total income and to the Gini coefficient in capital cities (p. 1 of 3)

Country	Capital city	Year	% Contribution to total income					% Contribution to Gini				
			Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
Argentina	**Buenos Aires**	**1990**	39.48	39.08	5.27	6.63	9.54	26.93	52.49	10.35	1.74	8.49
		1994	41.08	36.87	5.02	6.72	10.31	29.16	49.59	9.53	2.27	9.45
		1999	42.67	29.96	9.77	9.17	8.43	31.34	37.64	17.66	6.39	6.98
		2002	37.84	33.08	9.72	8.62	10.74	28.19	41.04	15.94	5.84	8.99
		2005	44.73	31.87	7.58	9.20	6.62	33.91	41.24	12.94	5.09	6.82
		2010	48.81	27.38	7.39	9.97	6.45	38.14	36.99	14.13	4.17	6.57
(Plurinational State of)	**La Paz**	**1994**	41.25	40.99	4.62	4.25	8.90	36.17	43.63	6.78	3.85	9.56
Bolivia		**1999**	54.74	25.35	1.52	12.33	6.05	58.13	17.81	1.99	16.54	5.53
		2004	50.13	19.31	4.58	7.89	18.09	50.98	10.84	7.03	10.06	21.09
		2007	56.96	21.27	6.31	10.38	5.08	61.68	15.23	8.64	8.49	5.96
Brazil	**Brasilia**	**1990**	56.57	16.25	11.21	11.98	3.99	51.12	14.34	15.89	14.39	4.27
		1993	62.75	14.16	3.99	10.87	8.24	59.38	12.89	5.45	13.12	9.16
		1996	46.72	14.76	9.08	11.80	17.64	38.23	14.96	12.48	14.46	19.87
		1999	42.87	14.55	8.42	14.10	20.07	35.34	14.70	10.85	16.63	22.47
		2001	46.01	12.07	12.38	12.68	16.85	39.79	11.20	16.73	14.09	18.20
		2003	46.52	14.44	11.66	13.14	14.24	39.87	14.47	16.26	14.18	15.22
		2005	50.44	11.46	11.57	12.92	13.61	44.91	10.41	15.76	14.16	14.76
		2009	46.80	10.07	16.38	12.94	13.81	39.98	8.34	22.50	14.26	14.93
Chile	**Santiago**	**1999**	45.85	26.96	7.09	9.54	10.57	38.46	33.40	10.28	7.87	9.99
		1994	44.97	35.06	3.79	7.85	8.32	34.91	46.82	5.33	5.75	7.17
		2000	47.17	28.35	3.43	8.02	13.03	40.72	35.70	4.80	6.03	12.75
		2003	46.13	34.82	1.82	7.01	10.22	36.85	46.70	2.57	4.86	9.03
		2006	49.18	32.42	2.21	7.42	8.76	40.97	43.21	3.21	4.80	7.81
		2009	48.72	31.17	2.12	7.40	10.59	41.35	41.46	3.03	3.88	10.28
Colombía	**Bogotá**	**1991**	49.66	24.29	5.58	0.00	20.47	40.92	23.49	8.42	0.00	27.17
		1994	47.36	26.58	6.01	5.41	14.65	40.80	28.34	8.47	5.05	17.34
		1999	45.44	20.84	17.54	7.78	8.40	38.29	18.73	25.22	8.36	9.40
		2002	43.37	34.08	4.14	12.22	6.18	37.32	38.18	4.08	13.48	6.94
		2005	45.25	33.11	3.79	12.58	5.27	39.24	37.00	4.09	13.83	5.84
		2010	44.31	33.17	4.47	12.78	5.27	39.09	34.21	5.37	15.02	6.31
Costa Rica	**San José**	**1990**	65.16	12.45	3.25	10.00	9.15	66.02	9.47	4.98	11.39	8.14
		1994	65.16	12.45	3.25	10.00	9.15	66.02	9.47	4.98	11.39	8.14
		1999	68.70	14.98	2.66	0.00	13.66	66.75	15.68	3.80	0.00	13.78
		2002	69.22	18.31	1.87	0.00	10.61	69.76	16.92	2.63	0.00	10.69
		2005	74.51	18.61	1.99	0.00	4.89	75.39	17.09	2.72	0.00	4.80
		2010	61.71	15.34	5.47	11.95	5.53	57.80	16.34	8.52	12.90	4.45
Dominican Republic	**Santo Domingo**	**2005**	33.08	43.89	7.50	6.10	9.43	26.54	48.17	10.19	6.70	8.40
		2010	29.30	48.51	7.33	5.16	9.70	19.19	59.52	10.10	2.79	8.41
Ecuador	**Quito**	**1990**	66.10	20.27	4.32	2.72	6.58	66.82	14.76	6.61	2.28	9.53
		1994	56.42	34.54	4.59	3.72	0.73	50.37	40.54	6.00	2.44	0.65
		1999	58.36	31.41	2.50	3.34	4.38	56.50	34.06	2.90	2.88	3.66
		2002	49.97	36.18	5.27	5.72	2.86	39.60	43.92	8.19	5.08	3.22
		2005	52.81	31.91	7.79	5.89	1.59	46.36	35.81	11.87	4.99	0.96
		2010	52.88	30.38	3.37	12.15	1.22	43.60	40.25	3.62	11.02	1.51

Table 7: Income streams, average contribution to total income and to the Gini coefficient in capital cities (p. 2 of 3)

Country	Capital city	Year	% Contribution to total income					% Contribution to Gini				
			Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
El Salvador	**San Salvador**	**1997**	62.45	26.90	1.20	3.90	5.60	60.84	28.29	1.94	3.53	5.40
		1999	68.89	20.80	1.40	3.60	5.30	66.55	20.06	2.20	3.33	7.87
		2004	60.88	27.20	1.40	6.40	4.10	56.04	21.71	2.59	7.47	12.19
		2010	61.38	24.30	0.60	5.80	7.90	63.22	24.17	0.90	8.49	3.22
Guatemala	**Guatemala City**	**1989**	46.11	32.05	7.54	2.16	12.13	34.40	41.44	9.62	1.97	12.57
		1998	50.46	37.31	3.82	2.26	6.15	39.67	47.46	5.09	2.12	5.66
		2002	49.91	39.02	2.84	3.90	4.32	43.16	48.48	3.87	2.66	1.82
		2006	35.97	36.18	2.49	2.23	23.12	22.58	47.66	3.54	2.36	23.87
Honduras	**Tegucigalpa**	**1990**	64.68	22.01	5.10	0.00	8.21	62.46	22.64	6.53	0.00	8.37
		1994	60.33	26.63	4.56	1.37	7.10	55.68	27.88	7.73	1.37	7.34
		1999	53.63	27.71	7.53	1.59	9.55	51.03	24.89	13.14	1.89	9.04
		2002	53.66	18.88	2.38	2.11	22.96	50.03	13.22	3.17	2.52	31.05
		2006	54.28	19.37	4.96	3.15	18.23	51.89	15.77	7.79	3.90	20.64
		2010	71.42	22.12	0.00	0.00	6.46	76.89	17.24	0.00	0.00	5.87
Mexico	**Mexico City**	**1989**	43.74	20.11	0.00	2.29	33.85	32.05	23.69	0.00	2.51	41.75
		1994	48.27	24.02	1.71	1.57	24.42	44.33	29.27	1.81	1.61	22.97
		2002	49.64	26.68	1.64	3.25	18.78	42.07	35.66	1.73	3.37	17.18
		2005	42.22	32.89	1.11	3.10	20.69	30.57	44.64	0.91	2.79	21.09
		2010	53.00	10.78	1.08	6.32	28.82	50.20	10.35	1.09	6.49	31.86
Nicaragua	**Managua**	**1993**	54.92	33.54	1.47	1.26	8.82	50.19	39.96	1.98	0.27	7.59
		1998	55.60	32.97	3.52	1.19	6.71	50.32	37.21	5.91	1.12	5.44
		2001	50.06	42.54	2.12	1.34	3.94	39.61	54.69	2.63	0.58	2.48
		2005	55.71	26.24	1.14	2.46	14.46	51.08	28.33	1.67	2.92	16.00
Panama	**Panama City**	**1991**	59.82	14.22	4.62	14.24	7.11	59.34	12.26	7.68	13.84	6.89
		1994	52.89	14.69	9.66	9.57	13.20	49.28	13.12	17.01	8.58	12.02
		1999	64.41	13.49	1.01	13.31	7.76	66.66	10.52	1.49	13.49	7.85
		2002	68.25	13.29	1.88	14.58	2.01	71.16	11.85	2.78	12.87	1.33
		2005	59.61	13.60	1.25	11.51	14.03	55.11	15.68	1.80	13.10	14.30
		2010	58.88	24.02	1.62	11.74	3.74	50.97	30.19	2.72	13.29	2.83
Paraguay	**Asunción**	**1990**	39.72	47.77	4.81	4.84	2.86	17.66	67.32	8.57	4.32	2.14
		1994	42.45	38.66	4.99	6.73	7.17	30.11	46.25	7.47	7.72	8.46
		2000	44.44	26.67	7.20	9.99	11.70	35.55	30.63	10.47	12.68	10.67
		2005	48.70	25.41	5.11	8.72	12.07	43.89	28.08	8.15	10.05	9.83
		2010	49.83	26.16	6.09	13.26	4.65	38.64	27.88	9.22	19.10	5.16
Peru	**Lima**	**1999**	44.06	22.55	2.61	5.08	25.71	44.00	20.39	3.48	5.60	26.53
		2003	47.26	26.06	3.67	6.24	16.77	52.04	25.05	6.00	7.58	9.34
		2006	46.92	26.34	3.20	4.99	18.54	46.48	28.37	5.67	6.27	13.21
		2010	48.76	23.30	3.26	4.81	19.87	51.95	20.95	5.52	6.25	15.33
Uruguay	**Montevideo**	**1990**	33.08	32.12	4.85	13.21	16.74	17.60	49.81	7.93	9.28	15.39
		1994	41.81	18.74	4.19	17.16	18.10	32.14	25.00	8.23	15.62	19.02
		1999	42.84	16.72	5.77	19.08	15.60	36.50	19.70	11.23	17.15	15.42
		2002	40.32	15.37	5.48	21.59	17.24	35.90	17.71	10.69	17.43	18.27
		2005	41.05	15.13	6.24	25.18	12.41	35.93	17.80	12.05	13.39	20.84
		2010	43.63	15.76	0.00	16.62	23.99	38.35	19.93	0.00	17.40	24.33

Table 7: Income streams, average contribution to total income and to the Gini coefficient in capital cities (p. 3 of 3)

Country	Capital city	Year	% Contribution to total income					% Contribution to Gini				
			Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
(Bolivarian Republic of) Venezuela	**Caracas**	**1990**	60.26	27.11	5.47	0.00	7.16	50.27	37.19	9.68	0.00	2.86
		1994	52.19	30.66	6.93	0.02	10.20	44.35	37.63	10.94	0.00	7.08
		1999	50.88	33.83	6.69	1.02	7.58	42.88	40.25	10.65	0.54	5.68
		2002	47.17	31.34	6.79	2.72	11.98	36.28	38.88	11.15	3.34	10.36
		2005	48.29	31.27	6.87	2.39	11.17	37.85	39.28	11.26	2.40	9.20
		2010	58.02	19.11	7.04	4.27	11.56	54.63	17.95	11.91	5.31	10.06

Source: UN-Habitat, Global Urban Observatory, 2013.

Table 8: Income streams, average contribution to total income and to the Gini coefficient. Cities with the greatest reduction in inequality. (p. 1 of 2)

			% Contribution to total income					% Contribution to Gini				
Country	**City**	**Year**	**Salaries**	**Profits**	**Capital**	**Transfers**	**Other**	**Salaries**	**Profits**	**Capital**	**Transfers**	**Other**
Nicaragua	**Managua**	**1993**	54.92	33.54	1.47	1.26	8.82	50.19	39.96	1.98	0.27	7.59
		1998	55.60	32.97	3.52	1.19	6.71	50.32	37.21	5.91	1.12	5.44
		2001	50.06	42.54	2.12	1.34	3.94	39.61	54.69	2.63	0.58	2.48
		2005	55.71	26.24	1.14	2.46	14.46	51.08	28.33	1.67	2.92	16.00
Costa Rica	**San José**	**1990**	65.16	12.45	3.25	10.00	9.15	66.02	9.47	4.98	11.39	8.14
		1994	65.16	12.45	3.25	10.00	9.15	66.02	9.47	4.98	11.39	8.14
		1999	68.70	14.98	2.66	0.00	13.66	66.75	15.68	3.80	0.00	13.78
		2002	69.22	18.31	1.87	0.00	10.61	69.76	16.92	2.63	0.00	10.69
		2005	74.51	18.61	1.99	0.00	4.89	75.39	17.09	2.72	0.00	4.80
		2010	61.71	15.34	5.47	11.95	5.53	57.80	16.34	8.52	12.90	4.45
Brazil	**Belo Horizonte**	**1990**	47.02	23.77	10.45	13.86	4.91	39.29	25.64	14.70	15.29	5.08
		1993	47.46	20.72	9.84	12.70	9.29	40.64	21.81	14.45	13.50	9.59
		1996	37.27	19.40	12.48	11.98	18.88	27.54	20.49	18.49	13.25	20.23
		1999	34.43	17.64	13.80	13.60	20.53	24.93	17.98	20.24	15.07	21.78
		2001	38.15	18.28	9.11	15.01	19.45	29.47	19.40	13.91	16.42	20.79
		2003	38.88	17.61	10.54	16.60	16.37	30.16	18.58	15.78	18.16	17.33
		2005	37.83	17.81	14.63	15.06	14.69	28.00	18.93	22.15	15.76	15.16
		2009	42.93	17.50	8.84	15.47	15.26	33.47	19.06	13.34	17.46	16.68
Argentina	**Mendoza**	**1994**	34.53	34.31	12.78	8.27	10.12	19.60	41.74	23.31	5.96	9.40
		1999	37.28	30.69	12.31	11.03	8.69	23.23	37.22	22.44	9.15	7.97
		2002	40.19	29.43	7.29	11.67	11.41	31.22	35.84	13.29	10.38	9.28
		2005	43.93	31.53	7.68	10.66	6.20	33.13	41.05	14.17	5.38	6.27
		2010	48.93	29.73	4.85	10.72	5.76	40.33	41.05	9.74	3.23	5.65
Argentina	**Resistencia**	**1994**	40.37	32.19	4.81	12.04	10.58	30.66	40.79	9.08	10.86	8.62
		1999	40.05	30.19	7.13	12.33	10.30	31.01	36.56	12.15	12.08	8.19
		2002	40.58	34.47	0.15	12.69	12.11	31.82	46.69	0.19	11.29	10.01
		2005	45.80	29.83	5.14	12.81	6.42	36.25	38.98	9.09	9.51	6.16
		2010	50.27	25.52	1.06	16.72	6.43	48.17	32.48	2.09	11.17	6.09
Dominican Republic	**San Cristóbal**	**2005**	35.77	50.32	0.67	4.27	8.97	25.51	62.83	0.61	3.68	7.37
		2010	27.47	50.53	4.15	4.48	13.36	13.18	61.53	8.62	2.79	13.88
Brazil	**Belém**	**1990**	41.17	31.98	9.26	12.52	5.07	34.48	34.64	12.66	13.10	5.12
		1993	39.83	28.64	9.91	12.49	9.13	33.08	31.10	14.28	12.61	8.93
		1996	37.53	23.35	8.31	11.78	19.04	32.90	22.50	12.35	12.64	19.62
		1999	33.60	21.16	8.76	14.72	21.76	27.27	19.93	13.03	16.66	23.11
		2001	38.68	21.41	5.67	14.66	19.58	33.33	20.64	8.74	16.80	20.49
		2003	39.43	19.93	7.42	16.66	16.57	34.14	18.14	11.07	19.35	17.31
		2005	39.35	18.47	10.48	16.11	15.60	32.82	16.26	15.44	18.91	16.56
		2009	41.61	19.83	8.38	14.86	15.33	35.19	18.81	11.38	18.15	16.48
Peru	**Sullana**	**2003**	27.75	39.58	1.64	3.97	27.06	22.70	48.69	2.22	6.64	19.75
		2006	40.93	28.95	2.11	4.18	23.83	46.21	28.72	4.59	6.41	14.07
		2010	39.72	29.64	1.06	3.38	26.20	52.71	20.36	0.77	4.54	21.63
Peru	**Lima**	**1999**	44.06	22.55	2.61	5.08	25.71	44.00	20.39	3.48	5.60	26.53
		2003	47.26	26.06	3.67	6.24	16.77	52.04	25.05	6.00	7.58	9.34
		2006	46.92	26.34	3.20	4.99	18.54	46.48	28.37	5.67	6.27	13.21
		2010	48.76	23.30	3.26	4.81	19.87	51.95	20.95	5.52	6.25	15.33

Table 8: Income streams, average contribution to total income and to the Gini coefficient. Cities with the greatest reduction in inequality. (p. 2 of 2)

Country	City	Year	% Contribution to total income					% Contribution to Gini				
			Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
Mexico	**Villahermosa**	**1989**	52.31	24.09	0.00	0.84	0.2.75	242.83	31.11	0.00	0.67	25.39
		2002	46.38	27.83	1.28	2.71	21.81	38.91	38.15	1.84	1.93	19.17
		2005	58.50	18.01	1.35	3.93	18.21	53.04	24.98	1.56	3.36	17.06
		2010	52.49	11.62	0.96	4.48	30.44	54.05	10.10	0.52	4.07	31.26
Ecuador	**Quevedo**	**2005**	60.46	30.70	0.58	4.66	3.60	55.04	36.50	0.78	3.34	4.34
		2010	58.30	30.14	0.85	8.26	2.45	59.85	33.62	1.05	3.48	2.01
Mexico	**Monterrey**	**1989**	45.18	27.89	0.00	2.01	24.91	27.02	43.41	0.00	1.61	27.95
		1994	48.60	21.66	1.87	1.74	26.13	42.52	29.57	1.95	0.59	25.36
		2005	48.29	25.91	0.91	3.03	21.86	24.79	46.66	1.03	4.15	23.37
		2010	53.09	9.07	0.19	8.85	31.91	48.69	10.05	0.06	10.87	29.63
(Plurinational State of)	**Trinidad**	**1994**	44.09	42.05	2.89	2.33	8.64	27.82	52.27	5.58	3.13	11.19
Bolivia		**1999**	61.86	29.17	1.84	3.89	3.23	67.69	20.79	3.13	5.85	2.54
		2004	55.18	20.14	1.93	4.72	18.03	51.16	18.94	3.40	4.92	21.57
		2007	54.00	31.14	2.03	1.58	11.26	53.30	33.19	3.38	0.09	10.04
Chile	**Chillán**	**1990**	29.18	34.81	6.17	15.26	14.59	14.17	44.87	9.64	15.80	15.53
		1994	40.91	29.49	2.47	13.79	13.34	33.05	35.16	4.25	12.55	14.99
		2000	49.64	21.11	2.18	12.23	14.84	48.50	18.86	3.59	14.40	14.65
		2003	41.88	31.93	1.40	14.00	10.78	35.98	42.54	2.26	11.22	8.00
		2006	47.86	29.53	1.95	9.57	11.10	40.05	41.97	2.96	5.81	9.21
		2009	50.33	22.00	1.18	14.62	11.87	49.3	28.0	2.3	9.2	11.2
Chile	**Osorno**	**1990**	36.10	37.94	7.56	10.20	8.20	30.47	45.10	10.38	6.47	7.57
		1994	36.18	32.31	3.04	12.37	16.10	22.10	44.80	4.78	9.54	18.77
		2000	39.83	32.69	3.09	8.20	16.19	35.70	41.52	4.50	4.57	13.72
		2003	46.87	31.64	1.54	8.57	11.38	39.78	42.74	2.40	3.85	11.23
		2006	49.28	33.75	1.72	8.48	6.76	41.41	47.11	2.93	4.26	4.29
		2009	51.59	21.88	1.31	11.13	14.09	46.70	29.07	2.44	7.08	14.71
Bolivia	**Oruro**	**1994**	52.75	34.35	3.12	4.81	4.96	53.23	32.90	5.54	3.45	4.87
		1999	55.30	32.94	1.28	5.61	4.86	58.28	32.41	2.65	6.04	0.62
		2004	46.28	33.87	2.47	6.31	11.07	51.83	25.93	3.74	8.30	10.20
Nicaragua	**Managua**	**2002**	44.62	30.09	1.53	8.09	15.77	40.30	35.70	2.43	6.70	14.85

Source: UN-Habitat, Global Urban Observatory, 2013.

Table 9: Income streams, average contribution to total income and to the Gini coefficient. Cities with the greatest increase in inequality. (p. 1 of 2)

Country	City	Year	% Contribution to total income					% Contribution to Gini				
			Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
(Plurinational State of)	**Sucre**	**1994**	42.90	35.45	3.48	5.14	13.03	42.91	32.82	5.77	4.64	13.86
Bolivia		**1999**	43.99	31.08	4.37	5.57	14.99	53.17	22.14	7.57	4.82	12.29
		2004	42.94	24.36	3.03	7.15	22.52	40.46	19.30	4.65	9.57	26.03
		2007	46.28	29.72	6.19	6.47	11.34	34.52	31.99	9.54	7.76	16.19
(Plurinational State of)	**El Alto**	**1994**	43.18	47.21	2.65	2.86	4.11	33.17	55.82	5.05	2.19	3.76
Bolivia		**1999**	45.34	34.64	13.33	3.07	3.62	39.00	27.87	26.87	4.07	2.19
		2004	45.20	36.26	0.61	4.38	13.55	45.06	29.86	0.93	7.24	16.91
		2007	52.49	34.41	3.78	4.98	4.35	51.62	33.64	6.34	3.47	4.93
Nicaragua	**León**	**1998**	48.40	39.04	0.18	0.62	11.75	45.43	40.24	0.29	0.52	13.51
		2001	47.93	38.40	0.20	1.80	11.67	40.04	44.45	0.39	1.83	13.29
		2005	34.61	46.93	0.04	1.23	17.19	20.46	62.18	0.03	0.40	16.94
Brazil	**Brasilia**	**1990**	56.57	16.25	11.21	11.98	3.99	51.12	14.34	15.89	14.39	4.27
		1993	62.75	14.16	3.99	10.87	8.24	59.38	12.89	5.45	13.12	9.16
		1996	46.72	14.76	9.08	11.80	17.64	38.23	14.96	12.48	14.46	19.87
		1999	42.87	14.55	8.42	14.10	20.07	35.34	14.70	10.85	16.63	22.47
		2001	46.01	12.07	12.38	12.68	16.85	39.79	11.20	16.73	14.09	18.20
		2003	46.52	14.44	11.66	13.14	14.24	39.87	14.47	16.26	14.18	15.22
		2005	50.44	11.46	11.57	12.92	13.61	44.91	10.41	15.76	14.16	14.76
		2009	46.80	10.07	16.38	12.94	13.81	39.98	8.34	22.50	14.26	14.93
Paraguay	**Asunción**	**1990**	39.72	47.77	4.81	4.84	2.86	17.66	67.32	8.57	4.32	2.14
		1994	42.45	38.66	4.99	6.73	7.17	30.11	46.25	7.47	7.72	8.46
		2000	44.44	26.67	7.20	9.99	11.70	35.55	30.63	10.47	12.68	10.67
		2005	48.70	25.41	5.11	8.72	12.07	43.89	28.08	8.15	10.05	9.83
		2010	49.83	26.16	6.09	13.26	4.65	38.64	27.88	9.22	19.10	5.16
Peru	**Iquitos**	**2003**	40.45	30.69	2.13	7.91	18.83	50.80	27.95	3.39	9.43	8.43
		2006	44.78	28.56	2.24	3.88	20.54	51.43	28.26	3.96	4.66	11.69
		2010	39.24	37.68	1.58	4.68	16.82	41.67	40.29	1.66	6.52	9.86
Peru	**Cusco**	**2003**	36.91	25.51	3.49	10.07	24.02	49.31	9.27	5.24	14.35	21.83
		2006	39.41	29.80	3.97	6.31	20.51	47.00	23.29	5.98	8.32	15.40
		2010	44.63	26.55	5.64	6.13	17.04	49.32	22.08	8.36	7.00	13.23
Ecuador	**Tulcán**	**2005**	52.19	39.76	1.84	6.10	0.12	50.09	41.32	1.84	6.74	0.02
		2010	52.11	37.97	1.78	8.01	0.13	48.50	42.64	1.40	7.42	0.04
Chile	**Coronel**	**1990**	50.20	20.87	2.76	17.48	8.69	42.90	37.24	6.52	8.68	4.68
		1994	49.91	19.55	2.31	17.49	10.73	46.96	25.03	4.06	11.82	12.13
		2000	45.77	14.07	1.88	23.84	14.44	41.46	19.62	3.52	23.60	11.80
		2003	47.67	22.56	0.79	18.87	10.11	46.26	28.48	1.63	13.49	10.15
		2006	48.27	21.36	0.74	19.55	10.07	43.74	42.29	1.66	5.01	7.30
		2009	54.80	15.25	0.93	17.31	11.71	53.04	23.30	1.83	12.39	9.44
Argentina	**Neuquén**	**1994**	44.41	28.30	12.66	4.50	10.13	33.65	32.48	22.75	3.02	8.11
		1999	47.01	25.25	11.14	8.43	8.18	37.25	28.64	20.01	7.89	6.20
		2002	47.18	22.51	10.69	8.17	11.45	37.11	28.23	18.62	7.26	8.77
		2005	51.39	25.56	6.98	10.15	5.93	41.88	34.01	12.23	6.21	5.66
		2010	38.69	16.02	30.73	8.06	6.51	24.94	14.68	49.72	3.96	6.70

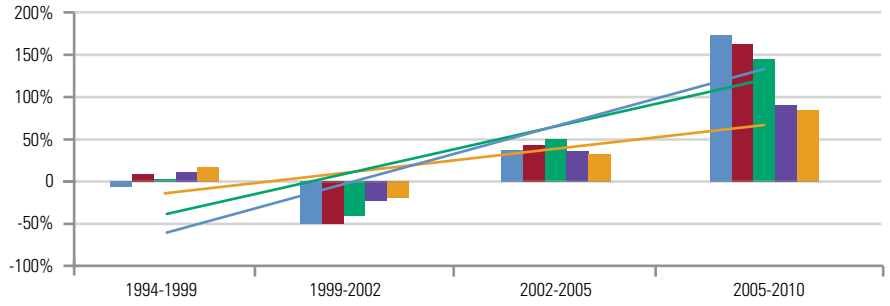
Table 9: Income streams, average contribution to total income and to the Gini coefficient. Cities with the greatest increase in inequality. (p. 2 of 2)

			% Contribution to total income					% Contribution to Gini				
Country	City	Year	Salaries	Profits	Capital	Transfers	Other	Salaries	Profits	Capital	Transfers	Other
Nicaragua	**Granada**	**1998**	56.85	22.91	1.70	0.87	17.67	57.12	26.67	3.11	1.12	11.98
		2001	55.49	24.36	0.34	2.18	17.63	59.23	26.37	0.53	1.73	12.14
		2005	37.18	34.96	0.61	0.53	26.72	23.02	43.16	1.08	0.22	32.53
Argentina	**Río Gallegos**	**1994**	54.39	22.88	5.60	7.83	9.30	41.47	31.77	12.27	5.99	8.49
		1999	57.52	18.04	4.20	13.35	6.88	44.70	26.49	8.81	14.03	5.97
		2002	54.77	19.48	1.37	16.40	7.97	43.51	27.80	2.47	19.68	6.54
		2005	50.41	20.70	14.58	8.87	5.43	30.47	30.12	27.62	6.19	5.59
		2010	51.85	14.30	18.31	10.50	5.03	34.87	16.72	34.09	8.75	5.57
Colombia	**Ibagué**	**1991**	49.65	27.16	4.19	0.00	18.99	41.40	26.40	7.25	0.00	24.94
		2002	37.12	36.72	4.36	15.71	6.08	31.15	38.37	5.15	18.48	6.85
		2005	34.58	38.42	3.42	18.16	5.42	25.80	42.51	3.90	21.70	6.09
		2010	35.81	35.00	3.52	20.82	4.85	30.25	35.60	4.39	24.03	5.72
Colombia	**Medellín**	**1991**	50.30	23.30	4.84	0.00	21.56	37.96	26.94	8.06	0.00	27.04
		2002	44.80	31.53	4.59	12.25	6.82	39.35	34.76	5.77	12.49	7.63
		2005	40.93	33.58	3.51	15.33	6.65	31.65	39.53	4.54	16.74	7.55
		2010	43.88	31.80	3.88	14.51	5.93	38.24	35.05	4.98	14.98	6.75
Brazil	**Curitiba**	**1990**	47.61	26.81	8.55	12.14	4.89	38.19	29.26	13.28	14.15	5.12
		1993	46.91	28.47	4.81	10.56	9.25	38.15	33.57	7.01	11.47	9.80
		1996	34.86	22.56	14.44	10.14	18.01	23.42	23.11	21.70	12.03	19.75
		1999	32.61	19.70	19.90	9.76	18.03	22.97	18.54	29.22	10.48	18.79
		2001	33.99	19.27	16.18	11.99	18.57	25.18	18.05	24.11	13.02	19.65
		2003	38.39	22.10	10.41	13.59	15.50	28.37	23.98	16.40	14.77	16.48
		2005	36.51	21.29	14.65	12.89	14.66	26.43	22.57	22.62	13.10	15.27
		2009	39.93	18.48	13.48	13.48	14.63	28.88	19.55	22.11	14.05	15.41
Mexico	**Tijuana**	**1989**	49.15	26.31	0.00	1.64	22.90	34.93	38.59	0.00	2.67	23.81
		2002	48.65	29.90	1.69	2.31	17.45	33.30	43.62	2.65	4.37	16.05
		2010	58.58	7.31	0.48	5.89	27.74	55.14	7.30	0.21	7.08	30.27
Chile	**San Fernando**	**1990**	50.79	19.58	3.27	14.36	12.00	45.36	23.97	6.50	13.80	10.36
		1994	50.11	28.80	2.82	9.79	8.48	40.80	36.85	4.86	10.72	6.77
		2000	35.18	34.57	2.60	14.32	13.33	18.00	53.21	4.55	9.30	14.93
		2003	41.44	28.70	1.38	11.26	17.23	31.42	39.94	2.26	5.80	20.58
		2006	26.40	45.07	1.66	12.34	14.53	17.77	62.89	2.88	2.68	13.78
		2009	57.73	22.89	1.92	10.97	6.49	62.06	25.70	2.93	5.30	4.00
Ecuador	**Babahoyo**	**2005**	56.78	32.29	3.54	7.16	0.23	58.07	30.08	5.08	6.43	0.34
		2010	40.73	53.76	1.78	3.39	0.35	28.11	68.63	2.05	1.14	0.06

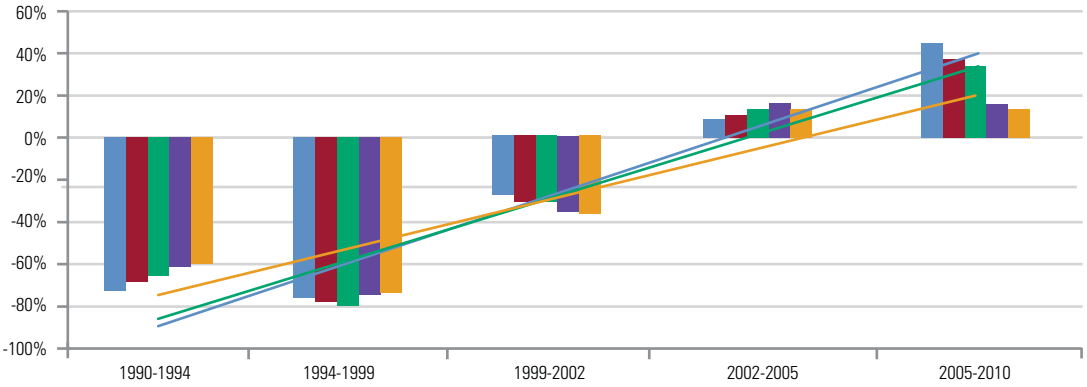
Source: UN-Habitat, Global Urban Observatory, 2013.

Table 10: Variations in income by decile. National urban average.

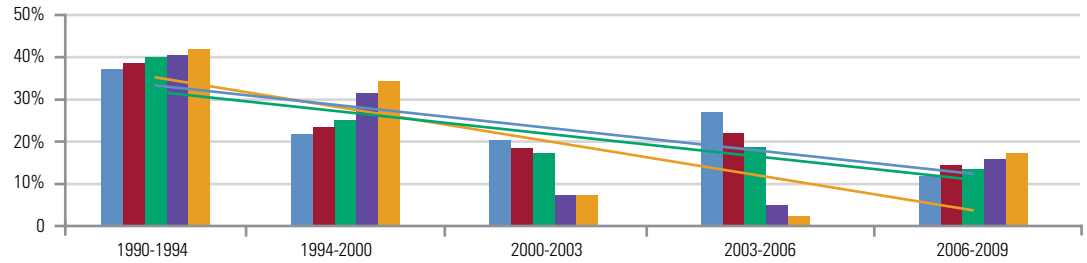
Argentina



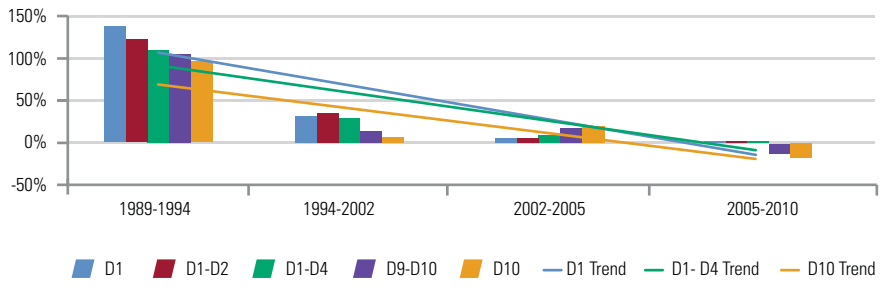
Ecuador



Chile



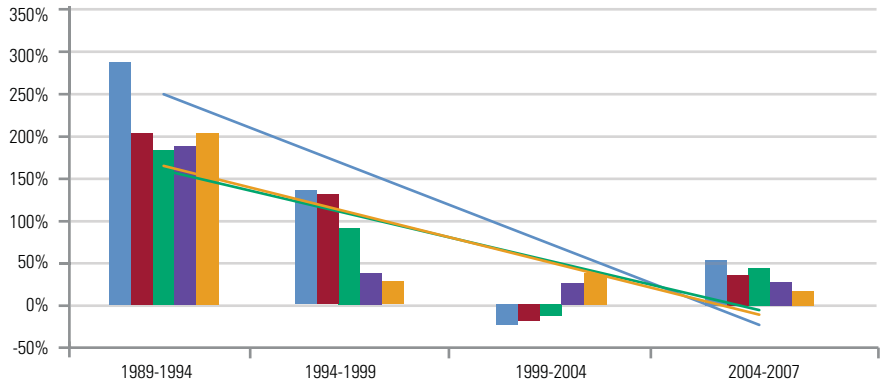
Mexico



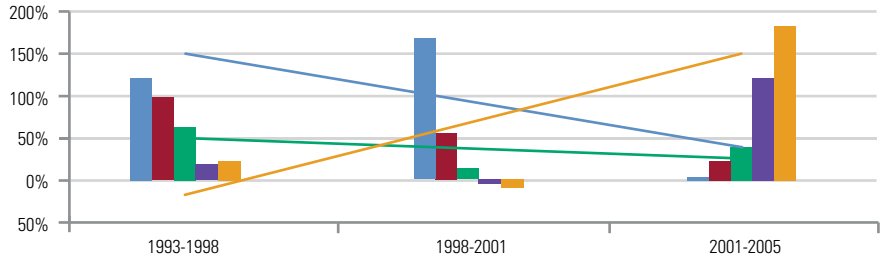
Source: UN-Habitat, Global Urban Observatory, 2013.

Table 11: Variations in income by decile. Cities with the greatest increase in inequality.

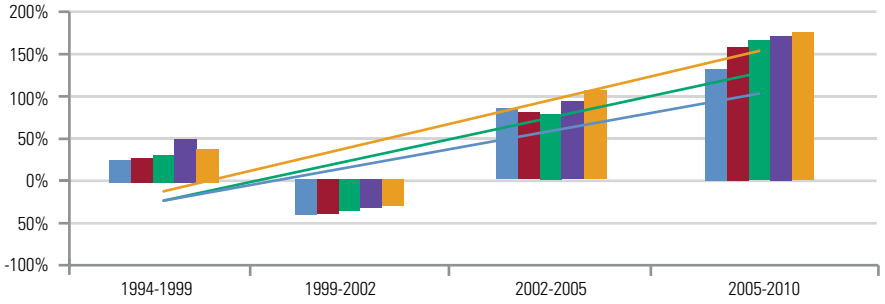
Sucre - Bolivia



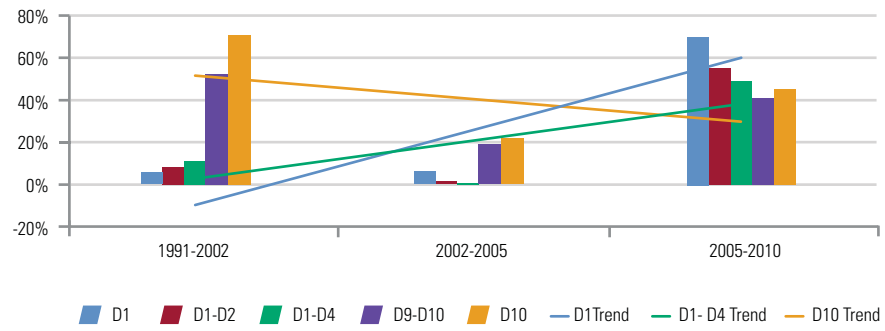
León - Nicaragua



Río Gallegos - Argentina



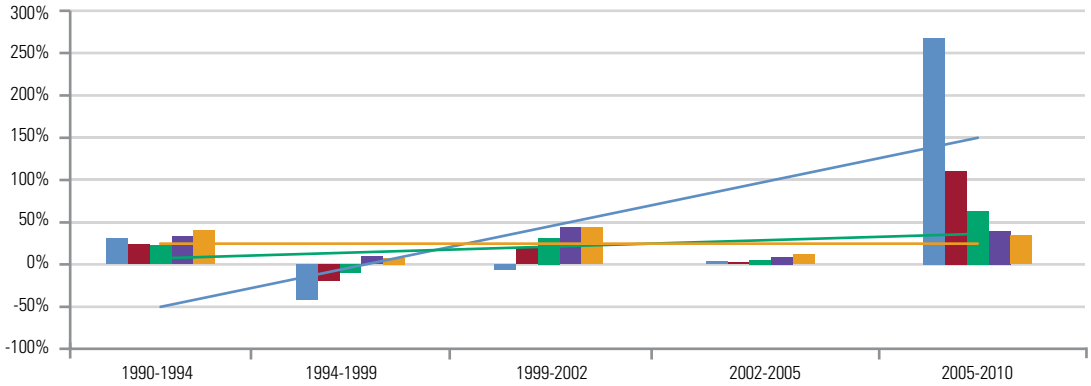
Ibagué - Colombia



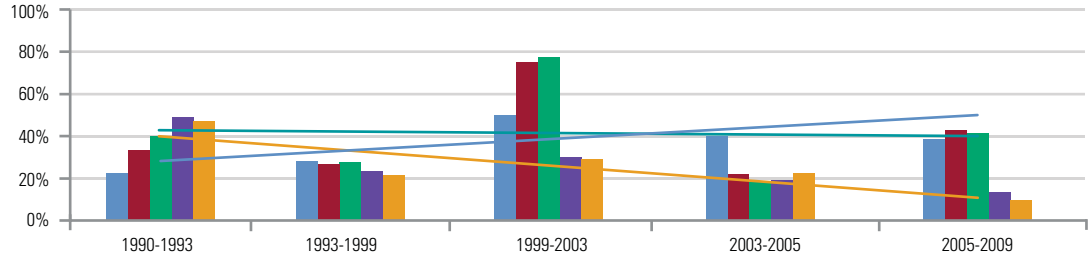
Source: UN-Habitat, Global Urban Observatory, 2013.

Table 12: Variations in income by decile. Cities with the greatest reduction in inequality.

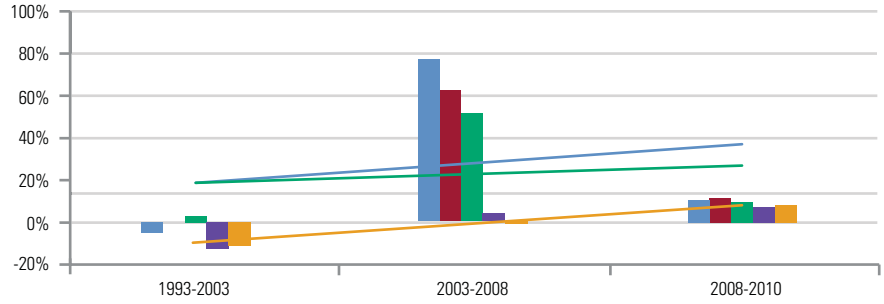
San José -Costa Rica



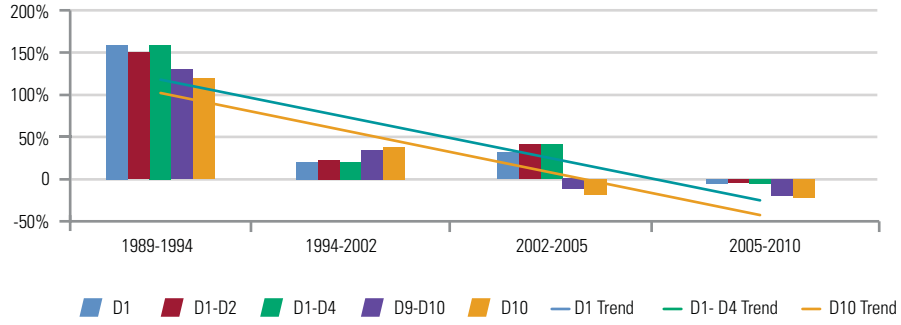
Belém - Brazil



Lima -Peru



Monterrey - Mexico



Source: UN-Habitat, Global Urban Observatory, 2013.

Table 13: Distribution of consumption per capita per household (p. 1 of 12)

BOLIVIA, 2007 Continuous Household Survey – MECOVI (CHS)	**Measure**	**Deciles**										**Gini**	
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**with 0**	**w/out 0**
Bolivia													
Total consumption													
Per capita monthly expenditure (in $)	2,779.8	612.5	1,026.9	1,347.3	1,679.9	2,004.5	2,348.8	2,773.1	3,394.7	4,379.8	8,151.0	0.3898	0.3898
Distribution per decile	100.0	2.2	3.7	4.8	6.0	7.2	8.4	10.0	12.2	15.5	29.9		
Consumption per component													
Food	1,492.1	71.3	70.4	66.5	64.7	64.0	61.4	60.7	56.8	50.9	39.2	0.3185	0.3183
Non-Food	549.0	11.2	12.0	14.2	14.9	14.6	15.7	15.6	17.3	19.3	28.3	0.5971	0.5957
Expenditure on housing and housing services	539.0	13.6	13.0	14.4	15.4	16.3	17.4	17.8	19.4	21.8	22.8	0.5471	0.5471
Education	199.8	4.0	4.6	5.0	5.0	5.1	5.5	6.0	6.5	8.0	9.7	0.6906	0.6149
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
La Paz (Department)													
Total consumption													
Per capita monthly expenditure (in $)	2,754.2	552.6	990.8	1,314.9	1,628.3	1,885.3	2,228.0	2,642.0	3,207.8	4,270.3	8,741.8	0.4093	0.4093
Distribution per decile	100.0	2.0	3.6	4.8	5.9	6.8	8.2	9.5	11.6	15.4	32.1		
Consumption per component													
Food	1,436.0	72.7	70.3	67.4	67.7	64.9	65.6	59.3	57.6	47.2	35.8	0.3109	0.3109
Non-Food	527.5	8.7	11.9	12.7	13.6	13.7	13.3	16.5	14.8	18.9	27.8	0.6243	0.6218
Expenditure on housing and housing services	528.6	12.5	11.8	14.3	12.9	14.0	14.8	16.7	18.9	23.2	23.5	0.5856	0.5856
Education	262.0	6.1	6.1	5.7	5.9	7.3	6.3	7.5	8.6	10.8	12.9	0.6960	0.6089
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Santa Cruz (Department)													
Total consumption													
Per capita monthly expenditure (in $)	3,111.7	876.7	1,352.6	1,720.9	2,030.4	2,313.6	2,685.2	3,126.5	3,773.0	4,879.3	8,299.0	0.3462	0.3462
Distribution per decile	100.0	2.7	4.4	5.6	6.5	7.4	8.7	10.0	12.1	15.7	26.8		
Consumption per component													
Food	1,679.2	67.1	64.3	62.5	63.0	62.9	60.2	57.6	52.8	52.1	42.8	0.3038	0.3033
Non-Food	551.5	11.5	16.4	13.8	15.2	14.7	15.9	15.7	19.9	18.2	20.9	0.5031	0.5029
Expenditure on housing and housing services	677.9	18.9	16.5	18.6	18.2	18.4	18.6	21.5	23.1	22.8	25.4	0.4888	0.4888
Education	203.0	2.6	2.8	5.1	3.5	4.0	5.4	5.1	4.1	6.9	11.0	0.7020	0.6324
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Survey: HS- 2007.

Table 13: Distribution of consumption per capita per household (p. 2 of 12)

CHILE 2006-2007 Family Budget Survey (FBS)	Measure	Deciles										Gini	
		1	2	3	4	5	6	7	8	9	10	with 0	w/out 0
Chile													
Total consumption													
Per capita monthly expenditure (in $)	191,894.7	31,925.8	53,661.5	70,828.5	87,118.9	105,484.2	129,106.1	160,871.3	212,916.0	310,992.3	755,860.6	0.4971	0.4971
Distribution per decile	100.0	1.7	2.8	3.7	4.5	5.5	6.7	8.4	11.1	16.2	39.4		
Consumption per component													
Food	43,101.7		44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	0.3551	0.3551
Clothing and footwear	10,036.0		3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	0.7255	0.6192
Housing, water and fuel	28,140.8	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	0.5999	0.5967
Equipment	14,638.4	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	0.6816	0.6621
Healthcare	10,375.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	0.8228	0.7379
Transport and communications	43,642.2	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	0.6543	0.6483
Recreation	7,821.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	0.7338	0.6647
Education	11,306.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	0.8049	0.7093
Others	22,831.9	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	0.7057	0.6912
Total		52.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Greater Santiago													
Total consumption													
Per capita monthly expenditure (in $)	208,913.1	34,823.0	57,441.6	75,290.8	92,017.4	112,363.8	137,746.0	172,216.2	230,059.0	345,869.7	830,633.1	0.5030	0.5030
Distribution per decile	100.0	1.7	2.8	3.6	4.4	5.4	6.6	8.3	11.0	16.5	39.8		
Consumption per component													
Food	46,125.8	45.2	41.4	37.8	36.0	33.9	31.3	29.1	24.7	19.5	12.6	0.3549	0.3549
Clothing and footwear	10,931.9	3.0	4.6	5.1	5.6	5.8	6.3	6.0	6.1	5.3	4.7	0.7225	0.6198
Housing, water and fuel	30,185.6	20.0	16.4	15.5	15.3	14.3	14.5	14.1	14.1	14.2	14.2	0.5951	0.5921
Equipment	15,868.3	4.7	5.4	6.1	5.7	6.4	6.3	7.0	7.3	8.4	8.5	0.6893	0.6715
Healthcare	11,788.4	1.4	2.4	3.0	2.6	3.5	4.7	4.2	5.7	7.0	6.8	0.8269	0.7473
Transport and communications	46,704.8	14.2	15.3	16.2	17.1	17.7	17.7	18.2	19.7	21.0	27.9	0.6586	0.6505
Recreation	8,568.3	2.2	3.5	3.2	3.9	3.4	4.2	4.1	4.2	4.2	4.3	0.7385	0.6715
Education	12,906.7	3.4	3.7	4.6	4.0	5.2	5.0	6.3	7.7	8.4	5.8	0.8037	0.7118
Others	25,833.3	5.8	7.5	8.4	9.7	9.8	10.0	10.9	10.4	12.0	15.3	0.7049	0.6905
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Survey: FBS – 2006/2007.

Table 13: Distribution of consumption per capita per household (p. 3 of 12)

COLOMBIA. 2006 - 2007 National Income and Expenditure Survey (NIES)	**Measure**	**Deciles**										**Gini**	
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**with 0**	**w/out 0**
Colombia													
Total consumption													
Per capita monthly expenditure (in $)	1,743,246	274,688	610,858	831,335	1,046,416	1,256,711	1,491,050	1,769,769	2,164,060	2,804,610	5,173,697	0.4026	0.4026
Distribution per decile	100	1.6	3.5	4.8	6.0	7.2	8.5	10.2	12.4	16.1	29.7		
Consumption per component													
Food. drink and tobacco	873,899	51.5	58.7	60.8	59.4	58.3	58.8	55.7	51.9	49.3	38.7	0.4303	0.4093
Clothing and footwear	68,119	5.2	3.6	3.4	3.7	3.7	3.4	3.9	4.0	4.1	4.1	0.7205	0.5840
Housing and basic services	77,979	11.5	7.8	6.3	5.6	5.4	4.7	4.4	4.2	4.0	3.3	0.4962	0.4426
Equipment and housing maintenance	38,429	4.4	2.5	2.1	2.2	1.9	1.8	1.7	2.1	2.1	2.5	0.5975	0.5945
Healthcare	25,187	1.8	1.4	1.6	1.3	1.3	1.5	1.4	1.2	1.5	1.6	0.7994	0.6984
Transport and communications	213,042	7.8	9.3	8.8	9.4	10.3	10.4	11.3	11.9	12.7	15.1	0.6605	0.5946
Recreation	37,479	2.1	1.9	1.8	1.9	1.8	1.9	2.0	2.0	2.3	2.5	0.7400	0.6433
Education	44,295	1.6	1.4	1.2	1.4	1.3	1.4	2.0	2.5	2.3	4.1	0.8523	0.7650
Restaurants and hotels	205,373	5.6	7.7	8.7	9.8	10.1	10.5	11.4	12.8	13.1	13.3	0.7198	0.5934
Others	159,445	8.6	5.8	5.4	5.4	5.9	5.7	6.2	7.3	8.7	14.8	0.7234	0.7208
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Bogotá													
Total consumption													
Per capita monthly expenditure (in $)	2,412,262	521,771	890,447	1,193,282	1,423,875	1,684,669	1,991,838	2,378,468	2,922,044	3,877,976	7,188,343	0.3944	0.3944
Distribution per decile	100	2.2	3.7	4.9	5.9	7.0	8.2	9.8	12.2	16.0	30.1		
Consumption per component													
Food. drink and tobacco	859,468	45.3	45.1	46.6	46.1	48.5	38.4	40.0	38.3	35.4	23.8	0.4135	0.4003
Clothing and footwear	108,269	3.7	3.6	4.7	4.3	5.6	3.9	5.6	3.6	5.2	4.2	0.6783	0.5630
Housing and basic services	112,380	10.4	7.5	6.9	5.7	4.9	3.6	6.0	4.6	3.9	3.5	0.4361	0.4092
Equipment and housing maintenance	60,021	2.5	3.4	2.4	2.3	1.6	2.1	2.2	2.5	3.1	2.5	0.5904	0.5849
Healthcare	43,460	1.7	2.3	1.3	1.8	2.6	0.9	1.3	1.9	2.2	1.8	0.7752	0.6925
Transport and communications	352,128	13.9	12.8	13.1	14.2	13.3	14.9	15.1	13.8	13.9	15.9	0.5517	0.5353
Recreation	60,040	1.5	2.8	1.9	2.5	1.7	2.1	2.0	2.5	3.1	2.7	0.6796	0.5982
Education	105,910	2.2	2.3	1.9	2.2	1.8	4.5	4.6	3.0	4.7	6.6	0.7959	0.6995
Restaurants and hotels	371,885	12.7	12.1	15.3	11.8	13.8	19.5	15.8	16.7	16.7	14.7	0.6065	0.5384
Others	338,701	6.1	8.1	5.9	9.0	6.3	9.9	7.4	13.0	11.8	24.4	0.7214	0.7184
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Table 13: Distribution of consumption per capita per household (p. 4 of 12)

COLOMBIA, 2006 - 2007 National Income and Expenditure Survey (NIES)	**Measure**	**Deciles**										**Gini**	
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**with 0**	**w/out 0**
Medellín Metropolitan Area													
Total consumption													
Per capita monthly expenditure (in $)	1,755,510	181,932	426,334	651,803	860,722	1,103,173	1,364,415	1,658,633	2,151,880	3,040,568	6,039,052	0.4778	0.4778
Distribution per decile	100	1.0	2.4	3.7	4.9	6.2	7.8	9.5	12.3	17.3	34.4		
Consumption per component													
Food, drink and tobacco	911,186	37.9	50.8	54.6	53.7	54.7	53.6	50.5	52.1	51.4	51.0	0.5477	0.5252
Clothing and footwear	67,972	10.8	5.8	4.9	5.8	4.2	4.3	4.1	3.7	4.0	3.0	0.7097	0.5562
Housing and basic services	94,447	20.0	13.0	9.9	9.6	7.3	6.6	6.3	5.5	4.2	3.1	0.4344	0.3900
Equipment and housing maintenance	37,371	5.9	3.3	2.7	2.5	2.0	2.4	1.8	2.1	2.1	1.9	0.6093	0.6050
Healthcare	23,963	2.0	1.3	1.1	1.4	1.7	1.4	1.1	1.5	1.3	1.4	0.8201	0.7193
Transport and communications	244,480	7.1	10.3	10.3	11.7	12.6	13.0	14.3	14.8	14.6	14.9	0.6908	0.6216
Recreation	30,899	2.0	2.2	1.7	1.5	1.8	1.7	1.9	1.8	1.4	1.9	0.7340	0.6251
Education	38,764	2.0	1.8	1.2	1.4	1.2	1.7	1.9	2.1	2.4	2.8	0.8569	0.7568
Restaurants and hotels	151,190	1.4	4.2	7.4	5.8	7.9	8.7	10.7	9.1	10.0	8.4	0.7458	0.5892
Others	155,239	10.8	7.4	6.1	6.6	6.6	6.6	7.3	7.4	8.7	11.5	0.7271	0.7243
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Cali Metropolitan Area													
Total consumption													
Per capita monthly expenditure (in $)	1,953,078	482,167	850,592	1,099,064	1,285,891	1,461,384	1,668,747	1,938,115	2,359,628	2,994,424	5,218,820	0.3541	0.3540
Distribution per decile	100	2.5	4.3	5.6	6.5	7.3	8.9	9.9	12.0	15.2	27.8		
Consumption per component													
Food, drink and tobacco	881,108	46.4	45.1	50.0	43.6	52.9	53.6	50.8	48.3	43.7	35.4	0.4308	0.4179
Clothing and footwear	83,199	4.1	4.8	3.8	4.1	3.8	4.0	3.9	4.0	4.2	4.9	0.6663	0.5679
Housing and basic services	92,607	10.3	8.9	5.8	7.0	5.1	4.9	4.3	4.7	4.8	`	0.4382	0.3718
Equipment and housing maintenance	43,583	2.6	2.1	2.1	1.7	1.6	1.7	1.8	2.2	2.8	2.6	0.5959	0.5914
Healthcare	27,081	1.6	1.9	1.3	1.5	1.6	1.8	1.2	1.1	1.4	1.3	0.7367	0.6406
Transport and communications	270,527	10.3	12.3	12.2	14.3	11.7	11.2	12.4	12.5	14.5	17.2	0.6067	0.5705
Recreation	50,188	1.8	2.0	2.2	3.2	3.6	1.9	2.1	2.7	2.7	2.7	0.6203	0.5598
Education	45,958	2.4	1.3	1.8	1.4	1.5	2.3	1.4	2.8	2.3	3.4	0.7951	0.6953
Restaurants and hotels	281,973	14.7	15.6	13.3	15.7	13.1	12.5	15.2	14.9	14.4	15.0	0.5895	0.5341
Others	176,854	5.8	6.1	7.5	7.6	5.1	6.0	7.0	6.9	9.1	14.5	0.6641	0.6615
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Survey: NIES – 2006/2007.													

Table 13: Distribution of consumption per capita per household (p. 5 of 12)

ECUADOR, 2006-2007 Living Standards Survey (LSS)	Measure	Deciles										Gini	
		1	2	3	4	5	6	7	8	9	10	with 0	w/out 0
Ecuador													
Total consumption													
Per capita monthly expenditure (in $)	557.5	131.3	208.6	264.1	317.7	373.9	436.2	516.1	630.8	832.5	1,862.0	0.4153	0.4153
Distribution per decile	100.0	2.4	3.7	4.7	5.7	6.7	7.8	9.2	11.3	14.9	33.4		
Consumption per component													
Food	203.3	56.2	56.5	54.7	52.1	51.6	49.2	46.0	41.6	35.4	17.7	0.2905	0.2901
Clothing and footwear	26.6	3.5	3.6	3.8	3.9	4.2	4.7	5.0	5.3	6.0	4.6	0.6507	0.5994
Housing and housing services	168.4	25.6	23.7	24.6	25.1	25.1	25.7	26.8	29.1	30.7	36.1	0.5473	0.5473
Energy	3.8	2.0	1.6	1.2	1.2	0.9	0.9	0.8	0.7	0.6	0.3	0.4331	0.4035
Healthcare	39.2	4.5	5.0	5.5	5.4	5.8	6.6	6.6	6.9	7.2	8.4	0.6992	0.6833
Education	22.6	1.6	1.6	1.5	1.8	1.7	1.6	1.9	1.9	2.1	8.5	0.8574	0.8195
Recreation	16.4	0.9	1.6	1.8	2.3	2.1	2.4	2.7	2.7	3.3	3.8	0.8363	0.7260
Others	77.2	5.7	6.3	6.9	8.3	8.6	8.9	10.3	11.7	14.7	20.7	0.6890	0.6855
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Guayaquil													
Total consumption													
Per capita monthly expenditure (in $)	619.8	206.9	301.8	357.9	407.4	455.1	522.1	608.7	725.8	937.2	1,645.6	0.3327	0.3327
Distribution per decile	100.0	3.3	4.9	5.8	6.5	7.4	8.3	9.9	11.8	15.2	26.4		
Consumption per component													
Food	234.3	52.7	51.8	51.0	53.2	47.1	47.9	43.1	38.8	34.8	20.9	0.2526	0.2523
Clothing and footwear	33.6	3.6	3.5	3.7	5.1	4.9	4.8	4.9	6.2	6.2	6.3	0.6212	0.5788
Housing and housing services	187.1	29.3	27.9	27.2	24.7	27.9	25.4	32.1	30.9	31.6	33.1	0.4295	0.4295
Energy	2.8	0.9	0.7	0.8	0.6	0.6	0.6	0.4	0.5	0.3	0.2	0.3298	0.2884
Healthcare	47.5	4.0	4.4	5.2	5.3	5.9	7.5	6.5	7.0	8.3	10.8	0.6610	0.6553
Education	13.9	1.4	2.0	1.6	1.4	1.8	1.7	1.4	1.9	2.1	3.6	0.7189	0.6490
Recreation	16.4	1.5	1.9	2.4	1.7	2.4	2.7	2.3	2.5	3.7	2.9	0.7745	0.6713
Others	84.1	6.7	7.8	8.0	8.1	9.4	9.4	9.3	12.3	13.0	22.2	0.6258	0.6255
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Survey: LSS – 2006

Table 13: Distribution of consumption per capita per household (p. 6 of 12)

EL SALVADOR, 2010 Multi-Purpose Household Survey (MPHS)	Measure	Deciles										Gini	
		1	2	3	4	5	6	7	8	9	10	with 0	w/out 0
El Salvador													
Total consumption													
Per capita monthly expenditure (in $)	85.3	22.7	33.4	41.7	49.9	59.3	70.5	84.4	103.8	135.2	251.6	0.3840	0.3840
Distribution per decile	100.0	2.7	3.9	4.9	5.9	7.0	8.3	9.9	12.2	15.9	29.5		
Consumption per component													
Food	35.8	58.2	55.6	54.2	52.4	50.3	47.9	45.8	42.8	39.9	30.7	0.3239	0.3239
Employment	9.1	1.8	3.8	5.9	7.1	8.3	10.0	11.6	12.7	12.6	12.4	0.7516	0.5040
Goods and services	9.6	12.6	12.1	11.9	11.0	11.0	10.7	10.5	10.8	10.7	11.9	0.4606	0.4604
Housing	16.6	8.7	9.5	10.4	12.3	14.1	15.4	16.4	18.5	20.6	28.0	0.6190	0.6177
Healthcare	1.3	0.7	0.7	0.9	1.0	1.0	1.1	1.4	1.3	1.3	2.2	0.9530	0.7201
Education	12.9	18.0	18.2	16.7	16.2	15.3	14.8	14.2	13.9	14.8	14.8	0.5987	0.4596
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
San Salvador (Department)													
Total consumption													
Per capita monthly expenditure (in $)	113.3	35.2	51.0	62.2	72.9	84.2	97.3	114.3	134.6	171.4	309.6	0.3438	0.3438
Distribution per decile	100.0	3.1	4.5	5.5	6.4	7.5	8.6	10.1	11.9	15.1	27.4		
Consumption per component													
Food	42.1	51.2	49.3	47.6	43.7	43.0	40.9	39.6	38.8	34.0	27.3	0.2940	0.2940
Employment	14.0	7.9	9.4	11.2	14.2	12.4	11.5	14.2	13.6	14.8	10.8	0.6209	0.4837
Goods and services	13.0	11.7	10.8	10.1	10.6	10.4	11.3	11.2	11.1	10.9	12.9	0.4604	0.4604
Housing	26.2	13.2	16.1	17.2	16.5	18.6	20.9	20.0	21.1	24.0	31.6	0.5396	0.5392
Healthcare	0.9	0.4	0.4	0.6	0.7	0.9	0.7	0.7	0.6	0.6	1.4	0.9533	0.6417
Education	17.1	15.7	14.1	13.5	14.3	14.6	14.7	14.3	14.8	15.6	16.1	0.5924	0.4568
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Survey: MPHS- 2010.

Table 13: Distribution of consumption per capita per household (p. 7 of 12)

GUATEMALA, 2011 National Living Standards Survey (ENCOVI)	**Measure**	**Deciles**										**Gini**	
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**with 0**	**w/out 0**
Guatemala													
Total consumption													
Per capita monthly expenditure (in $)	5,893	1,745	2,524	3,008	3,485	3,962	4,504	5,147	6,058	7,696	20,740	0.4034	0.4034
Distribution per decile	100.0	3.0	4.3	5.1	5.9	6.8	7.6	8.7	10.3	13.1	35.3		
Consumption per component													
Food	2,454	58.6	60.5	59.7	59.8	58.4	56.6	56.2	51.5	44.8	18.2	0.2578	0.2558
Housing and housing services	1.831	15.1	13.1	13.0	13.1	13.6	13.7	14.3	16.2	20.0	59.8	0.7630	0.7629
Energy	357	12.3	10.2	10.2	8.9	8.4	8.1	7.5	6.8	6.1	2.5	0.2910	0.2880
Education	61	0.5	0.6	0.7	0.8	1.0	1.0	1.0	1.3	1.6	1.0	0.7705	0.6985
Healthcare	50	0.8	0.8	0.9	0.7	0.8	0.9	0.9	1.1	1.1	0.7	0.8549	0.7440
Others	1.141	12.7	14.8	15.6	16.8	17.8	19.7	20.0	23.1	26.4	17.8	0.5160	0.4969
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Guatemala (Department)													
Total consumption													
Per capita monthly expenditure (in $)	7,702	2,416	3,340	3,978	4,639	5,270	5,994	6,869	8,238	10,707	25,395	0.3871	0.3871
Distribution per decile	100	3	4	5	6	7	8	9	11	14	33		
Consumption per component													
Food	2,501	51	49	48	47	47	43	42	36	31	15	0.2426	0.2409
Housing and housing services	2,642	19	20	21	20	20	21	21	24	28	58	0.6550	0.6550
Energy	373	9	8	7	7	6	6	5	6	5	2	0.2836	0.2827
Education	134	1	1	2	2	2	2	2	2	2	1	0.6755	0.5810
Healthcare	67	1	1	1	1	2	1	1	1	1	1	0.8191	0.7048
Others	1,985	19	21	21	23	24	27	28	31	34	23	0.4728	0.4626
Total		100	100	100	100	100	100	100	100	100	100		

Survey: ENCOVI – 2011.

Table 13: Distribution of consumption per capita per household (p. 8 of 12)

Mexico, 2010 National Household Income and Expenditure Survey (NHIES)	Measure	Deciles										Gini	
		1	2	3	4	5	6	7	8	9	10	with 0	w/out 0
Mexico													
Total consumption													
Per capita monthly expenditure (in $)	2,412.2	462.0	781.1	1,018.3	1,250.6	1,503.4	1,810.9	2,200.6	2,770.9	3,767.3	8,544.6	0.4507	0.4506
Distribution per decile	100.0	1.9	3.2	4.2	5.2	6.2	7.5	9.1	11.5	15.6	35.4		
Consumption per component													
Food, drink and tobacco	673.2	40.7	39.1	37.8	37.0	35.7	33.5	31.9	30.0	27.1	19.8	0.3936	0.3906
Clothing and footwear	114.1	5.1	4.8	4.8	4.7	4.8	4.8	4.7	5.0	5.0	4.5	0.6366	0.5669
Housing, fuel and energy	590.1	24.8	24.7	24.4	24.3	24.1	24.5	24.8	23.8	23.9	24.9	0.5198	0.5190
Cleaning and household goods	127.4	5.8	5.1	4.7	4.7	4.4	4.4	4.4	4.6	4.6	6.5	0.6188	0.6140
Healthcare	55.2	1.2	1.5	1.5	1.3	1.5	1.6	1.7	2.2	2.3	3.1	0.8856	0.7761
Transport and communications	381.2	6.8	9.7	11.7	13.0	13.9	15.2	15.7	16.4	17.3	17.4	0.6054	0.5664
Education and recreation	280.3	5.3	6.2	6.8	6.8	8.1	8.6	9.4	10.6	12.0	15.7	0.7590	0.6757
Personal care and other expenditure	168.0	7.6	7.4	7.0	7.0	6.7	6.4	6.1	6.3	6.7	7.6	0.5645	0.5612
Self-supply	22.7	2.8	1.5	1.2	1.1	0.9	1.1	1.2	1.2	1.0	0.6	0.9544	0.6307
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Mexico Valley Metropolitan Area (includes F.D)													
Total consumption													
Per capita monthly expenditure (in $)	3,465	795	1,177	1,444	1,705	2,025	2,392	2,925	3,722	5,255	13,199	0.4629	0.4629
Distribution per decile	100.0	2.3	3.4	4.2	4.9	5.8	6.9	8.5	10.7	15.2	38.1		
Consumption per component													
Food, drink and tobacco	943	40.6	40.3	37.8	35.4	35.3	34.1	32.4	29.5	26.9	18.9	0.3795	0.3779
Clothing and footwear	142	3.1	3.0	4.3	3.8	4.3	4.5	4.3	4.6	4.1	4.0	0.6680	0.5883
Housing, fuel and energy	984	29.3	27.2	25.9	27.8	27.3	26.7	27.5	27.2	28.8	29.6	0.5339	0.5338
Cleaning and household goods	168	3.5	3.8	3.5	3.2	3.1	3.4	3.2	3.7	4.2	6.9	0.6913	0.6885
Healthcare	87	1.2	0.9	1.0	1.3	1.5	1.6	1.9	1.7	1.6	4.1	0.9013	0.8201
Transport and communications	491	10.9	12.9	14.7	15.2	15.0	15.7	15.9	15.8	14.8	12.8	0.5286	0.5130
Education and recreation	413	5.1	5.8	6.5	7.2	7.7	7.6	8.6	10.2	12.3	16.6	0.7752	0.7090
Personal care and other expenditure	224	6.1	5.9	5.9	5.7	5.4	5.8	5.4	6.4	6.9	7.1	0.5962	0.5938
Self-supply	14	0.2	0.2	0.6	0.3	0.4	0.5	0.8	0.9	0.5	0.1	0.9791	0.6646
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Guadalajara Metropolitan Area													
Total consumption													
Per capita monthly expenditure (in $)	3,000.5	772.0	1,100.8	1,335.3	1,625.3	2,003.3	2,337.1	2,943.8	3,650.1	4,884.2	9,075.2	0.4028	0.4028
Distribution per decile	100.0	2.5	3.5	4.4	5.8	6.4	7.9	10.1	11.6	16.5	31.2		
Consumption per component													
Food, drink and tobacco	756.4	37.6	36.7	33.0	37.0	27.2	34.6	29.8	24.2	25.8	15.5	0.3432	0.3350
Clothing and footwear	138.2	1.0	2.9	3.6	4.1	4.0	4.9	5.7	3.9	5.0	5.0	0.6303	0.5728
Housing, fuel and energy	731.8	26.6	28.1	22.7	26.7	29.8	21.7	24.3	25.6	23.2	23.3	0.4500	0.4500
Cleaning and household goods	144.6	4.9	3.9	3.9	4.2	3.3	3.4	5.5	4.6	3.9	6.2	0.6130	0.6033
Healthcare	61.5	0.4	1.6	0.8	1.3	1.4	1.2	1.3	3.2	2.2	2.6	0.8214	0.7292
Transport and communications	519.8	13.4	8.3	17.1	13.8	17.9	13.8	13.2	17.8	16.1	21.9	0.5612	0.5433

Table 13: Distribution of consumption per capita per household (p. 9 of 12)

Mexico, 2010 National Household Income and Expenditure Survey (NHIES)	Measure	Deciles										Gini	
		1	2	3	4	5	6	7	8	9	10	with 0	w/out 0
Guadalajara Metropolitan Area (Cont.)													
Education and recreation	397.0	6.0	9.3	5.8	6.0	9.5	12.8	11.4	13.7	15.4	16.8	0.6909	0.6179
Personal care and other expenditure	232.6	8.6	8.2	10.7	5.6	7.0	5.9	6.9	6.9	8.2	8.6	0.5393	0.5375
Self-supply	18.5	1.5	1.0	2.5	1.2	0.0	1.6	1.8	0.0	0.2	0.1	0.9281	0.5639
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Monterrey Metropolitan Area													
Per capita monthly expenditure (in $)	3,586	962	1,500	1,775	2,017	2,219	2,513	3,150	3,897	5,165	12,246	0.4141	0.4141
Distribution per decile	100.0	2.6	4.3	4.9	5.3	6.3	6.9	9.2	10.9	13.9	35.7		
Consumption per component													
Food. drink and tobacco	767	32.7	26.4	24.9	26.4	28.4	23.1	22.8	23.7	19.8	16.7	0.4137	0.4130
Clothing and footwear	167	3.2	4.6	3.8	3.9	4.0	4.0	4.2	5.3	4.5	5.2	0.6453	0.5768
Housing. fuel and energy	1,011	26.7	28.2	27.9	26.6	28.1	33.3	25.1	24.1	31.0	28.5	0.4840	0.4834
Cleaning and household goods	217	4.4	5.0	4.9	4.3	4.7	6.5	5.0	4.8	4.8	8.0	0.6132	0.6096
Healthcare	85	1.9	1.6	1.9	0.7	0.3	2.1	2.3	3.4	0.5	3.7	0.9031	0.7857
Transport and communications	577	14.6	15.4	21.8	15.2	16.6	15.8	20.0	20.0	16.2	13.3	0.4663	0.4469
Education and recreation	448	7.1	9.7	6.5	14.9	7.9	8.1	11.1	11.2	15.0	15.1	0.6958	0.6432
Personal care and other expenditure	298	9.3	7.4	8.2	7.5	8.4	7.1	8.4	7.4	7.0	9.5	0.5420	0.5376
Self-supply	17	0.0	1.7	0.0	0.4	1.6	0.0	1.0	0.1	1.2	0.1	0.9708	0.6626
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Puebla-Tlaxcala													
Total consumption													
Per capita monthly expenditure (in $)	2,350	712	953	1,156	1,343	1,561	1,839	2,259	2,730	3,728	7,075	0.3837	0.3837
Distribution per decile	100.0	3.0	4.0	4.9	5.9	6.3	8.2	9.5	11.5	16.3	30.5		
Consumption per component													
Food. drink and tobacco	690	38.0	33.9	35.6	34.7	37.4	34.1	30.9	27.3	30.1	22.9	0.3463	0.3444
Clothing and footwear	143	5.8	8.1	5.9	5.4	4.3	6.5	4.5	7.0	8.4	5.2	0.5638	0.5194
Housing. fuel and energy	527	25.6	26.1	25.8	24.8	22.0	23.3	22.7	21.1	20.0	22.3	0.4079	0.4079
Cleaning and household goods	114	4.5	3.8	4.0	3.6	2.9	4.2	5.2	3.8	5.4	6.0	0.5856	0.5856
Healthcare	43	0.7	1.5	1.7	0.6	1.7	1.2	1.8	1.6	2.3	2.3	0.8424	0.7241
Transport and communications	336	11.8	7.1	12.1	13.9	14.4	15.7	18.6	16.2	15.5	12.7	0.4994	0.4913
Education and recreation	330	7.3	14.1	7.9	9.5	10.7	7.7	10.2	14.5	12.2	20.9	0.7043	0.6170
Personal care and other expenditure	146	6.1	4.9	6.3	7.1	6.1	6.0	5.6	5.7	4.8	7.5	0.5013	0.5004
Self-supply	21	0.3	0.5	0.8	0.3	0.5	1.4	0.5	3.0	1.3	0.2	0.9303	0.4491
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Survey: NHIES – 2010.

Table 13: Distribution of consumption per capita per household (p. 10 of 12)

NICARAGUA, 2009 National Household Survey for the Measurement of Living Standards (EMNV)	**Measure**	**Deciles**										**Gini**	
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**with 0**	**w/out 0**
Nicaragua													
Total consumption													
Per capita monthly expenditure (in $)	1,409	385	578	715	861	1,015	1,186	1,393	1,685	2,222	4,043	0.3711	0.3711
Distribution per decile	100.0	2.7	4.1	5.1	6.1	7.2	8.4	9.9	11.9	15.8	28.7		
Consumption per component													
Food	635.8	60.4	59.3	56.9	56.9	57.2	53.1	50.5	48.3	41.8	30.4	0.2888	0.2888
Housing	225.6	13.0	11.7	12.7	12.2	11.3	12.9	13.9	13.9	16.6	21.7	0.5662	0.5662
Household services	134.3	8.2	7.1	7.7	7.6	8.0	8.5	8.7	9.3	10.2	11.5	0.5267	0.5267
Healthcare	73.9	3.2	5.2	4.7	4.4	4.6	4.9	5.2	5.1	5.3	6.1	0.7432	0.6682
Education	75.6	3.5	3.9	3.9	4.4	4.1	4.9	5.0	5.3	6.3	6.3	0.6907	0.6078
Transport	69.4	1.9	2.6	3.2	3.0	3.4	4.0	4.5	4.8	5.6	6.7	0.7382	0.5838
Equipment	49.6	1.0	1.0	1.5	1.7	1.6	2.1	2.5	3.2	4.1	5.9	0.7421	0.7351
Transfers	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.9955	0.6979
Others	144.1	8.9	9.3	9.5	9.8	9.8	9.5	9.7	10.1	10.0	11.4	0.4827	0.4811
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Managua (Department)													
Total consumption													
Per capita monthly expenditure (in $)	1,901	588	835	1,022	1,202	1,395	1,620	1,903	2,269	2,898	5,232	0.3509	0.3509
Distribution per decile	100.0	3.1	4.4	5.4	6.3	7.4	8.5	10.0	11.9	15.2	27.6		
Consumption per component													
Food	743	52.2	52.4	52.0	49.4	47.5	45.8	43.1	40.3	37.0	25.8	0.2730	0.2730
Housing	379	15.1	14.2	13.9	15.0	16.1	16.7	17.8	19.7	20.5	26.2	0.5383	0.5383
Household services	212	11.6	11.0	10.7	10.3	10.5	10.4	10.7	10.3	10.9	12.5	0.4387	0.4387
Healthcare	84	3.4	3.1	3.4	4.1	3.9	4.2	4.5	4.5	4.8	5.1	0.7363	0.6727
Education	109	4.6	4.6	4.6	4.9	5.5	5.8	6.1	6.3	6.5	5.8	0.6431	0.5554
Transport	109	3.4	4.2	4.4	4.4	4.8	4.8	4.9	5.8	5.9	7.5	0.6524	0.5931
Equipment	79	1.5	1.8	2.2	2.6	2.7	3.0	3.9	4.1	4.7	6.2	0.6582	0.6540
Transfers	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.9941	0.6883
Others	184	8.2	8.8	8.9	9.2	9.0	9.4	8.9	8.9	9.8	11.0	0.4763	0.4752
Total		100.0	100.0	100.0	100.0	100.0	100.0		100.0	100.0	100.0		

Survey: EMNV – 2006.

Table 13: Distribution of consumption per capita per household (p. 11 of 12)

PANAMA, 2008 Living Standards Survey (LSS)	Measure	Deciles										Gini	
		1	2	3	4	5	6	7	8	9	10	with 0	w/out 0
Panama													
Total consumption													
Per capita monthly expenditure (in $)	199.9	24.8	53.0	75.2	98.1	122.9	149.6	182.8	233.0	332.0	724.5	0.4794	0.4794
Distribution per decile	100.0	1.2	2.7	3.8	4.9	6.1	7.5	9.1	11.7	16.6	36.2		
Consumption per component													
Food	59.5	56.0	49.8	47.4	43.6	42.0	38.2	35.9	32.3	27.0	18.9	0.3629	0.3629
Goods and services	33.2	12.1	12.4	12.8	14.3	14.9	15.1	16.7	16.2	16.8	18.3	0.5830	0.5821
Durable goods	11.4	0.9	1.3	1.6	2.4	2.4	2.9	3.7	4.8	6.0	8.9	0.7868	0.7816
Housing	34.9	14.0	14.2	14.7	14.7	16.1	16.4	16.2	16.7	16.9	19.7	0.5946	0.5946
Healthcare	4.0	0.3	0.6	0.6	0.7	0.7	1.0	0.9	1.4	1.6	3.6	0.8695	0.8200
Transport	27.3	4.3	7.2	8.0	9.9	9.6	11.3	11.8	13.4	16.0	16.2	0.6760	0.6232
Education	11.7	8.1	8.6	7.8	6.7	6.2	6.9	6.6	6.4	6.8	4.3	0.6986	0.5879
Basic services	17.8	4.4	5.9	7.1	7.7	8.0	8.2	8.4	8.7	9.0	10.1	0.6000	0.5976
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Panama (Province)													
Total consumption													
Per capita monthly expenditure (in $)	257.8	52.4	82.0	107.8	132.5	156.3	187.8	230.2	301.9	432.4	894.1	0.4496	0.4496
Distribution per decile	100.0	2.0	3.2	4.2	5.1	6.1	7.3	8.9	11.7	16.8	34.7		
Consumption per component													
Food	68.9	46.9	45.7	41.9	38.4	37.3	34.2	31.5	27.4	22.9	17.2	0.3312	0.3312
Goods and services	42.8	12.4	12.8	14.0	14.7	15.1	16.6	15.8	15.8	15.6	19.0	0.5581	0.5575
Durable goods	15.3	1.2	1.3	2.2	2.3	2.3	3.5	4.3	4.9	7.1	9.0	0.7608	0.7594
Housing	48.4	14.9	15.0	16.6	17.2	17.5	16.7	17.1	17.4	19.4	21.1	0.5673	0.5673
Healthcare	6.0	0.6	0.6	0.8	0.8	1.0	0.8	1.5	1.5	2.5	4.0	0.8470	0.8176
Transport	37.4	9.0	9.6	11.0	11.8	12.0	12.5	14.3	16.4	15.6	15.8	0.6103	0.5929
Education	14.3	8.2	7.3	5.4	5.9	6.4	7.1	6.5	7.3	6.7	3.4	0.6800	0.5569
Basic services	24.6	6.8	7.7	8.0	8.8	8.3	8.7	8.9	9.3	10.2	10.5	0.5609	0.5598
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Survey: LSS – 2008.

Table 13: Distribution of consumption per capita per household (p. 12 of 12)

PERU, 2010 National Household Survey (ENAHO)	Measure	Deciles										Gini	
		1	2	3	4	5	6	7	8	9	10	with 0	w/out 0
Peru													
Total consumption													
Per capita monthly expenditure (in $)	375.8	87.2	132.1	171.2	211.7	255.8	307.6	370.5	456.4	598.1	1,167.3	0.4073	0.4073
Distribution per decile	100.0	2.3	3.5	4.6	5.6	6.8	8.2	9.9	12.1	15.9	31.1		
Consumption per component													
Food	135.5	57.3	55.3	52.7	48.6	46.2	43.1	40.7	37.6	33.7	22.6	0.3159	0.3142
Clothing and footwear	20.1	6.6	6.8	6.6	6.1	6.2	5.8	5.9	5.5	5.2	4.3	0.5478	0.5185
Housing and fuel	78.8	11.5	12.2	13.9	16.2	16.9	18.7	19.7	20.8	21.8	26.1	0.5801	0.5801
Furniture, household goods and housing maintenance	17.4	4.4	4.3	4.0	4.0	3.8	3.6	3.8	3.7	4.1	6.2	0.5999	0.5894
Healthcare	39.8	6.6	6.7	7.6	8.7	8.8	10.2	10.0	10.7	11.3	12.4	0.6510	0.6380
Transport and communications	28.4	4.0	4.3	4.8	5.1	5.7	6.0	6.4	7.2	7.9	10.2	0.6547	0.6246
Education and recreation	35.9	6.3	6.4	6.1	6.7	7.1	7.4	8.2	9.0	10.4	12.5	0.6719	0.6542
Others	20.0	3.2	3.9	4.3	4.7	5.3	5.2	5.5	5.5	5.6	5.7	0.5945	0.5839
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Area Metropolitana de Lima													
Total consumption													
Per capita monthly expenditure (in $)	570.6	182.9	257.8	308.6	356.3	409.5	471.0	543.2	653.4	854.6	1,664.8	0.3572	0.3572
Distribution per decile	100.0	3.2	4.5	5.4	6.2	7.2	8.3	9.5	11.4	15.0	29.3		
Consumption per component													
Food	176.7	41.5	42.4	42.3	40.7	39.1	37.9	35.1	34.0	28.5	18.6	0.2864	0.2854
Clothing and footwear	25.4	4.9	4.5	4.9	5.0	4.9	5.5	4.9	4.4	3.7	4.0	0.5766	0.5371
Housing and fuel	139.1	24.4	22.8	22.2	22.5	22.1	22.9	22.7	23.3	26.0	26.5	0.4636	0.4636
Furniture, household goods and housing maintenance	26.4	3.1	3.1	2.9	3.1	3.3	3.2	3.2	3.7	4.3	7.4	0.6570	0.6290
Healthcare	64.0	9.7	9.7	10.5	9.9	10.3	10.2	11.9	10.6	11.5	12.5	0.5852	0.5778
Transport and communications	45.1	4.2	4.8	5.1	5.1	6.1	6.1	6.6	7.6	8.4	11.1	0.6149	0.6054
Education and recreation	65.7	7.8	7.7	7.8	9.0	9.4	9.3	10.8	11.6	12.3	14.6	0.6387	0.6215
Others	28.3	4.4	4.9	4.4	4.7	4.8	5.0	4.7	4.7	5.3	5.2	0.5536	0.5249
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Survey: ENAHO - 2010.

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