



HABITAT III REGIONAL REPORT

**LATIN AMERICA AND  
THE CARIBBEAN**





HABITAT III  
REGIONAL REPORT  
**LATIN AMERICA AND  
THE CARIBBEAN**

Sustainable Cities  
with Equality

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# Foreword

Latin America and the Caribbean is currently the most urbanized developing region of the world. The sustainable future of the region depends upon the future of its cities. After the second United Nations Human Settlements Conference (Habitat II), held in 1996, the regional economic model which revolved around exporting goods with little added value caused increased urbanization, which has left a legacy of challenges for this new post-Habitat III phase. One of the key challenges facing the region today is the need to close the gap in access to quality goods and services in cities.

Capitalizing on the advantages and opportunities of urbanization is crucial for sustainable development and equality in Latin America and the Caribbean. Considering the significant population and economic weight of cities in the region -- with metropolises such as Sao Paulo, which in 2010 represented 13.9% of the GDP of the region as a whole, or Buenos Aires, Santiago and Lima, which constituted 23%, 48% and 50% of the total national GDP of Argentina, Chile and Peru respectively -- the improvement of the quality of life and economic productivity in cities has crucial impacts on the national development of countries in the region.

Despite important achievements in terms of reducing urban poverty and improvements in the housing deficit, the cities of Latin America and the Caribbean are characterized by the persistence of inequality, with marked differences in access to the benefits of urbanization, such as quality goods and services as well as economic opportunities. This is the product, among other factors, of an urbanization process which took place without an adequate management framework and without an integrated and multi-sectoral strategy. This process has been unable to facilitate a quality urbanization process to bring the necessary level of social development. The resulting inequality and segregation have deepened the risks associated with climate change and the environmental vulnerabilities caused by environmental degradation.

In this context of high inequalities and inequities, countries in the region have promoted the right to the city, considered a macro-public good, in a bid to improve institutional and governance capacities. In pursuit of the same goal, the United Nations continues to promote the need for structural changes and reforms of urban public policies for the achievement of multidimensional equality and economic development. In the future, it will be increasingly vital to promote more equal, fair, and inclusive cities and urban processes that work towards environmentally sustainable urban economies.

The New Urban Agenda that will emerge from Habitat III will be an important instrument for the management and planning of cities. It promotes a transformation of planning and design systems, as well as changes in institutions and governance, and promotes the strategic alliances between different actors for its implementation and financing. The New Urban Agenda also recognizes and articulates the commitments of the Sustainable Development Goals and the Paris Agreement on climate change.

Urban policies committed to sustainable development which integrates equality are fundamental elements of this process and are similarly recognized in Sustainable Development Goal 11. The Habitat III process and the New Urban Agenda makes possible to position urban development as a necessary condition for the achievement of sustainability in Latin America and the Caribbean.

In this context, national and subnational actors in the region have committed to the design and implementation of a Regional Action Plan, developed through an intergovernmental process, to fulfill regional commitments in Latin America and the Caribbean made in Quito.

This report serves a dual purpose: on one hand, it was conceived as a technical input to the Habitat III process, while addressing the main emerging trends in urban development, as well as analyzing urban policies implemented from Habitat II; and on the other hand, it develops a contextualized analysis and identifies key implications for future urban public policies in the region.



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This report covers the Latin America and the Caribbean region as defined by the United Nations. The member countries, as well as the territories of the Regional Economic Commission of Latin America and the Caribbean considered in the study are listed in the Report.

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*Panoramic view at the cell phone towers and colorful houses of Guayaquil's Cerro Santa Ana neighborhood, Ecuador © Shutterstock*



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# Acronyms

APUS	Productive and Sustainable Urban Settlements	MDGs	Millennium Development Goals
BNDES	National Economic and Social Development Bank	MGI	McKinsey Global Institute
CAD	Development Assistance Committee	MIDUVI	Ministry of Urban Development and Housing (Ecuador)
CAF	Andean Development Corporation	MINURVI	Ministers and High-level Authorities of the Housing and Urban Development Sector in Latin America and the Caribbean
CARICOM	Caribbean Community	OAS	Organization of American States
CELADE	Latin American and Caribbean Demographic Centre - Population Division	OECD	Organization for Economic Cooperation and Development
CEPAC	Certificates of Potential Additional Construction	OECS	The Organisation of Eastern Caribbean States
CNJUR	National Association of Urban Jurisprudence	OHCHR	Office of the United Nations High Commissioner for Human Rights
CNULM	Caribbean Network for Urban and Land Management	PAC	Growth Acceleration Programme
COFIDE	Development Finance Corporation	PAHO	Pan American Health Organization
COTED	Council for Trade and Economic Development	PILaR	Participatory and Inclusive Land Readjustment
CRECE	Culture, Recreation, Education, Growth, Entrepreneurship	PM	Particulate Material
CUA	Caribbean Urban Agenda	PSUP	Participatory Slum Upgrading Programme
CUF	Caribbean Urban Forum	SIDS	Small Island Developing States
DESA	Department of Economic and Social Affairs	UN	United Nations
ECLAC	Economic Commission for Latin America and the Caribbean	UNCTAD	United Nations Conference on Trade and Development
FAO	Food and Agriculture Organisation of the United Nations	UNDP	United Nations Development Programme
FLACSO	Latin American Faculty of Social Science	UNEP	United Nations Environment Programme
FuPROVI	Housing Action Foundation	UNESCO	United Nations Educational, Scientific and Cultural Organisation
GDP	Gross Domestic Product	UNFCCC	United Nations Framework Convention on Climate Change
IBGE	Brazilian Geographical and Statistical Institute	UN-Habitat	United Nations Human Settlements Programme
ICTs	Information and Communication Technologies	UNIAPRAVI	Inter-American Housing Union
IDB	Inter-american Development Bank	UNICEF	United Nations Children's Fund
IIED	International Institute for Environment and Development	UNODC	United Nations Office on Drugs and Crime
ILO	International Labour Organization	WHO	World Health Organization
ISDR	International Strategy for Disaster Reduction	ZEIS	Special Zones of Social Interest

# Executive Summary

**A new agenda for sustainable urban development in Latin America and the Caribbean is essential for the national development of countries and the sustainable future of the region.**

Latin American and Caribbean countries are characterized by consolidated urbanization, where the main challenge is not so much to solve the problems of a rapid transition from rural to urban, but rather to improve quality of life, close inequality gaps and achieve sustainability in cities. The great economic and population weight of cities, associated with urban consolidation, has two significant implications: firstly, urbanization and urban development generate value and should be central themes in the national development of countries; and secondly, urban development and urban policies that enhance the benefits of urbanization are essential for the sustainable future of the region.

**Latin America and the Caribbean and the double urban-demographic transition.**

Today, the region is characterized by a double transition: urban (significant decrease in the rate of rural-urban migration) and demographic (decrease in population growth rates and population ageing).

High economic, population and administrative concentrations have been observed in few and large urban centres. However, intermediate cities are also gaining prominence, although they are often located in large metropolitan areas and systems. The negative externalities of large urban centres affect economic growth and quality of life, so to enhance the region's development it is essential to consider city systems and the interaction between cities of different sizes, mainly in economic terms and with regard to interurban migration.

Latin American and Caribbean urban areas have grown with a medium density pattern, which has posed environmental and economic challenges and heightened the cost of providing inclusive access to urban goods and services. Caribbean island countries have a particular lowdensity pattern characterized by a mixed and continuous succession of urban and rural areas. Territorial and population growth in urban peripheral areas is often associated with a population drop in city centres. However, there are exceptions to this pattern, with repopulation, regeneration and densification taking place in certain urban centres.

**New patterns of production, distribution and consumption alongside old structural challenges in urban economies that hinder economic inclusion and universal access to the benefits of urban development.**

Despite the significant role in the regional economy of activities that are not typically urban (export of commodities and tourism in the Caribbean), the contribution of cities and, in particular, of large metropolises to the regional gross domestic product (GDP) is significant and characterized by a strong services and trade sector. However, negative externalities that are partly associated with urbanization and weak planning, in addition to the region's traditional structural challenges (low productivity, informality and an absence of investment in infrastructure and knowledge), limit the benefits that cities can offer to urban development (economies of agglomeration and scale, proximity of production factors, exchange of ideas and innovation).

Despite the positive achievements made in the past decade, there is still a high rate of informal employment in urban economies, which limits opportunities for accessing better working conditions, especially for women and young people, and illustrates the importance of inclusive local development and the creation of quality jobs.

Although some countries and cities are leaders in the creation and implementation of innovative instruments for capturing and distributing revenues generated by changes in urban land value, the region is still facing a highly uneven distribution of income from urbanization. The lack of inclusive urban land management determines the key urban challenges of the region: socioeconomic segregation, urban informality, access to housing, speculation and inefficient real estate taxation systems.

**Significant achievements have been made in poverty reduction and access to housing, but inequality, socio-spatial segregation and public safety remain central themes on the regional agenda.**

Inequality is one of the main structural features in the region's countries and cities in that it determines conditions of high vulnerability for lower income sectors, is spatially expressed in the form of socioeconomic segregation and is associated with high levels of violence and criminality. Increasing inclusion in urban areas is a key challenge in Latin America and the Caribbean.

Despite the significant efforts and partial achievements of governments in reducing poverty and, to a lesser extent, inequality, countries and cities in Latin America and the Caribbean remain among the most unequal in the world. Inequality is manifested in new ways as a result of sociodemographic changes, among other factors, with four main components: population ageing; vulnerability of young people; persistent challenges to gender equality; and intraregional migration and a greater recognition of ethnic diversity and inequality.

Inequality has a significant impact on cities, as demonstrated in socioeconomic residential segregation, informal settlements and unequal access to housing and urban land. However, countries in the region have made important progress in reducing the quantitative deficit in housing and informality, and are focused on addressing the remaining challenges of overcoming the qualitative deficit in housing and neighbourhoods, and providing public goods and services. Improving access to housing is essential to ensure inclusion in urban areas. Similarly, the emphasis on promoting a region of homeowners has sometimes neglected connectivity of housing with urban facilities and services, and has tended to ignore policy alternatives.

In recent decades, the Latin America and the Caribbean region has transitioned from scenes of collective violence (in the context of dictatorships and guerrillas) to one of interpersonal violence, with very high violence and crime rates. Violence is related to inequality in three ways: in many cities, violence levels fall when inequality drops (and vice versa); victimization rates reproduce forms of inequality (gender, youth, ethnicity); and violence is unevenly distributed in line with levels of economic vulnerability and provision of services, including security and infrastructure. Combating inequality and segregation and promoting community-based interventions are therefore important steps towards building safer cities.

**Vulnerability to the effects of climate change increases, with an uneven socio-territorial impact, and the ecological footprint grows as a result of pressure from consumption.**

The growth of cities in Latin America and the Caribbean has led to environmental pressures on cities and their ecological environment, generating vulnerabilities that are unevenly distributed in urban areas. However, unsustainable patterns of production, distribution and consumption, rather than urbanization, have been the main cause of environmental deterioration. In particular, the high increase in private consumption, including private car ownership, generates pollution and inefficiency. Far from being incompatible with environmental sustainability, well-managed cities represent an opportunity to address the region's environmental challenges.

Urban environmental management cannot consider the city as an isolated system: impacts on water resources and watersheds, green areas, the maritime environment, consumption of energy and material resources, as

well as pollution in the air and from surrounding urban areas, demonstrate the importance of systemic interventions that recognize the links between the city, its ecosystem services and the territory to which it belongs.

The region, in particular Central America and the small island developing States of the Caribbean, is highly vulnerable to the effects of climate change, including extreme hydrometeorological events, and such vulnerability has been deepened by urbanization, characterized by poor planning and increased inequality and segregation. Sustainable and inclusive urban management thus plays an integral role in building resilient cities. In addition to threatening human life and well-being, extreme climate events in Latin America and the Caribbean have a direct bearing on the economy, infrastructure and social development, creating an urgent need for climate change adaptation policies and measures, risk management, and urban climate financing at the international, national and subnational levels.

**Major advances have been made in recognizing cities as a macro public good, while institutional weaknesses persist in the management of sustainable urban development and the full realization of the right to the city.**

The rapid expansion of large urban areas has created a complex governance situation, in which the urban fabric and the management of public services do not always coincide with administrative divisions and are often dealt with by various levels of government. This situation creates challenges linked to the coordination and assignment of responsibilities. In addition, there are management capacity asymmetries between different-sized cities, with fewer economic and human resources available in smaller cities. In Caribbean countries, although urban settlements are smaller, sectoral institutions, a lack of land policies, and in some cases an absence of the municipal level of government pose similar challenges in terms of coordination and comprehensive interventions. A pending challenge is the ability to collect and monitor data at the local level, with particular weaknesses being found in medium-sized and small cities and in Caribbean small island developing States, which highlights the need for comprehensive cooperation programmes at the national and international levels.

One of the main contributions of Latin America and the Caribbean to the global debate on equality in urban development is the promotion of the right to the city, a collective right that is based on democratic management of the urban development process. The concept that sees the city as a common good has materialized in the region in two specific ways: firstly, through citizen participation, with important implications for transparency and accountability; and secondly, through urban regulations that promote instruments for inclusive urban development. However, the deepening and regional dissemination of participatory processes and the wider application of policies based on the right to the city are still pending.

If the region is to address the structural challenge of historically low tax revenues and low investment in infrastructure, urban financing must be strengthened to ensure sustainable urban development. Urban financing is based on two main sources that will require institutional strengthening: firstly, on self-financing through higher taxing power and instruments to recover value generated by urban development; and secondly, on external sources through public-private partnerships (although contract renegotiation can pose major challenges), models based on regulated assets, private investment and international cooperation, among others. Given the high regional vulnerability,

the various sources of climate finance are an additional focus and emphasize the need to strengthen capacities to generate quality projects, particularly in the most vulnerable subregions.

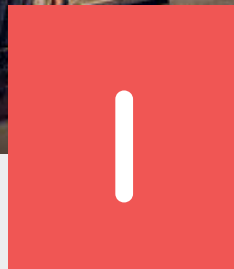
The sustainable future of the Latin America and the Caribbean region is closely linked to sustainable urbanization. To create sustainable cities, it is therefore essential to follow an institutional and political path based on the New Urban Agenda and a regional implementation plan that addresses the challenges arising from the new stage of urban development in the region.



Boys play on a soccer field near the Community Center of Pirajá, in the suburbs of Salvador, Bahia, Brazil © World Bank/Mariana Ceratti



An aerial view of Mexico City and the Palace of Fine Arts © Shutterstock



# INTRODUCTION



Socioeconomic development and urbanization are two closely related processes. Urbanization, with its economic, social and environmental implications derived from a transformation of production, distribution and consumption systems, has transitioned from a model based on primary activities to one based on secondary activities that, in their advanced stages, rely on financial capital and services and are framed in a global economic context.

Latin America and the Caribbean is the most urbanized developing region in the world, with approximately 80 per cent of its population residing in cities. There are differences between countries, however, and the region presents some cases of consolidated urbanization and others in which a significant proportion of the population is still linked to rural and agricultural production. Development indicators in Latin America and the Caribbean have generally benefited from the urbanization process, showing a favourable correlation between indicators such as GDP and the human development index, and an increase in the urbanization process. Urban economies contribute to higher productivity resulting from the greater proximity of factors of production, higher specialization and larger markets. Moreover, cities mobilize human and technological resources more efficiently, resulting in productivity, competitiveness and innovation gains.

There have been many advances associated with urban development in cities in Latin America and the Caribbean in recent decades. Although challenges remain, in many cases linked to inequality – one of the main structural features of the region – there has been a significant drop in urban poverty rates and, to a lesser extent, in income gaps. Although cities in Latin America and the Caribbean remain among the most unequal in the world, positive changes point to the importance of implementing urban and social inclusion policies, while protecting and consolidating their achievements in the region's current economic and social climate.

The region is also characterized by positive developments in the provision of public goods and the drop in urban informality, i.e., the percentage of urban dwellers residing in informal settlements. In this context it is worth noting the efforts made by public institutions to improve access to housing for the poorest segments and to introduce comprehensive neighbourhood recovery policies. However, the focus on promoting a region of homeowners has led to the neglect of alternatives such as rental policies.

Among the social changes that are under way, progress has been made in gender equality, in particular in the rates of schooling and political participation of women, although parity at the national and subnational public management levels remains a challenge. The slow change in economic autonomy, the unequal participation of women in the labour market, the salary and informal employment gaps and the persistent barriers to the safety of women in cities, among many other issues, underline the continuing need for policies on gender equality in the region's human settlements.

In several countries in Latin America and the Caribbean there is a growing recognition of the city as a common good, supported by legislative changes linked to the right to the city and to decent housing. Promoting the right to the city, in concrete forms of citizen participation and urban policies, constitutes a central contribution to the global debate on sustainable urban development as it places inclusive and democratic urban development at the centre of discussions.

In the context of democratic consolidation of recent decades, there has been an increase in citizen participation initiatives on the one hand, and a development and strengthening of subnational governments on the other. Although the level of decentralization is lower than that observed in countries belonging to the Organization for Economic Cooperation and Development (OECD) and gaps remain in institutional resources and capacity across cities of various sizes, at the local level forms of governance and democracy have been strengthened.

A relevant change in recent decades has been the greater demographic and economic importance of medium-sized cities and the improved quality of life of their inhabitants. Although the region continues to be characterized by considerable territorial inequalities and a concentration of income in few urban centres, a transformation is under way towards more equitable urban systems.

Improving the performance and efficiency of urban economies remains a challenge in the region. Though cities constitute an important part of the regional economy, the negative externalities of urbanization, high economic informality and poor public recovery of value generated by urban development mean that the region's cities could take better advantage of the benefits of urbanization and achieve more dynamic and inclusive economies.

Despite the region's social achievements, socioeconomic segregation continues to characterize its cities, leading to highly unequal access to urban goods and services. Segregation is the result of various dynamics, including inequalities in access to urban land. The lack of effective land policies and deepening socio-spatial inequalities also contribute to the expansion of uncontrolled urban sprawl, the effects of which are both economic (infrastructure and equipment costs) and environmental (environmental deterioration, pressures on ecosystem services, increased energy consumption and greenhouse gas emissions, etc.).

Making cities safer continues to be a key challenge in Latin America and the Caribbean, as urban violence rates remain very high and in many cases are on the rise. The problem is compounded by the links between violence and the various manifestations of inequality (income, groups, location), not only as a matter of governance, but also of urban social inclusion.

Although the region has improved coverage of basic sanitation and drinking water supply, significant quality and efficiency problems still need to be addressed to achieve well-managed cities that have universal access to

basic services. The significant growth in private consumption, rather than an absolute increase in population numbers, is largely to blame for the greater ecological footprint and pollution levels. Although there is a growing awareness and political will with regard to environmental issues, effective policy implementation to reduce the environmental degradation of cities and their surrounding areas is still lacking. When it comes to urban public policies, framed in the new sustainable urban agenda, it is essential to “decouple” economic growth from environmental impact.

Meanwhile, the heightened effects of climate change in an already highly vulnerable region pose new challenges for the urban future of the region. Rapid and inequitable urbanization is largely to blame for such vulnerability, and has an uneven impact. The adaptation measures needed to address the increase in associated risks are supported by strengthened stakeholder coordination (local and national governments, international institutions, private actors and civil society) and the mobilization of climate funds.

Major complexities have been observed in the region in terms of coordination between municipalities in metropolitan areas and urban systems and there are disparities in the capacity to drive sustainable urban development to scale. In this context, it is worth emphasizing the capacity gaps that exist for monitoring urban development using quality information.

Experience in the region suggests that Latin America and the Caribbean countries have many contributions to make with regards to the consideration and implementation of the New Urban Agenda. In addition to enhancing the achievements made in recent decades, the New Urban Agenda should support local, subnational, national and regional actions aimed at addressing pending challenges. In the context of the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) and the implementation of a new post-2016 regional urban agenda, the region is already preparing the groundwork for an action plan that, based on universal consensus and agreements, will implement a new paradigm of urban development under the 2030 Agenda for Sustainable Development and Sustainable Development Goals, in particular with reference to Goal 11 (“make cities inclusive, safe, resilient and sustainable”).



Men playing chess in the street flea-market, Medellin, Colombia © Shutterstock



*Group in local costume performing ecuadorian traditional dance - Quito, Ecuador © Shutterstock*

# WHERE ARE WE GOING? URBANIZATION AND DEVELOPMENT: **TRENDS AND PROJECTIONS**

The Latin America and the Caribbean region underwent a rapid transition from rural to urban in less than 40 years (1950–1990) and has reached a phase of urban consolidation, in which the main challenge is no longer to manage the rapid rural-to-urban transition, but rather to ensure quality of life and sustainability in cities. Likewise, the region is undergoing a demographic transition that has two characteristics: a favourable demographic environment with a larger economically active population and a relative decline in the dependent population; and an ageing population, which makes it essential to adopt measures to adapt cities to the needs of an increasingly dependent population.

There is also a high concentration of wealth, poverty, income and socioeconomic, administrative and political functions in few and large urban centres. Although they have lost relative importance owing to negative externalities and the emergence and development of medium-sized cities, large cities, with their growth dynamics, will continue to contribute a considerable share of aggregate production to the development of the region.

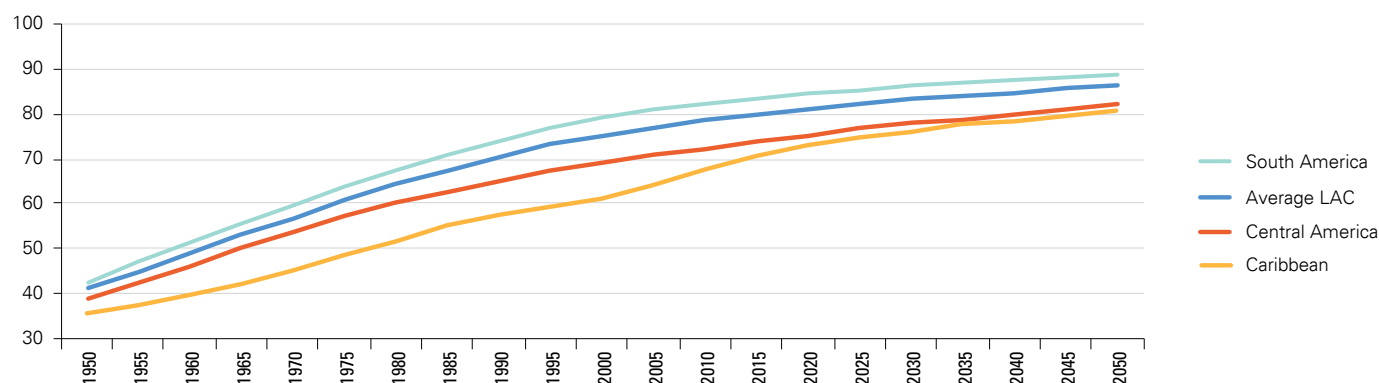
Urban areas have grown substantially, but there has also been a declining population density in the region. Such growth results in higher public service provision costs and more complex governance, among others, and although the phenomenon has varying degrees of intensity, urban sprawl is expected to increase. In several Caribbean countries, this trend has resulted in an urban pattern that mixes urban and rural areas, to the point that the distinction between the two has become blurred.

## A. Urban-demographic transition in Latin America and the Caribbean and the region's new challenges

Latin America and the Caribbean is one of the most urbanized regions in the world, with 79.5 per cent of its population living in cities, just under North America with 81 per cent. Although urbanization is already a consolidated phenomenon in the region, it is estimated that the urban population will grow to 86.2 per cent by 2050. This average hides different national and subregional realities, South America being the most consolidated (83 per cent urban), followed by Central America (73 per cent) and the Caribbean (70 per cent), although the islands in the latter subregion have highly diverse urbanization rates (DESA, 2015).

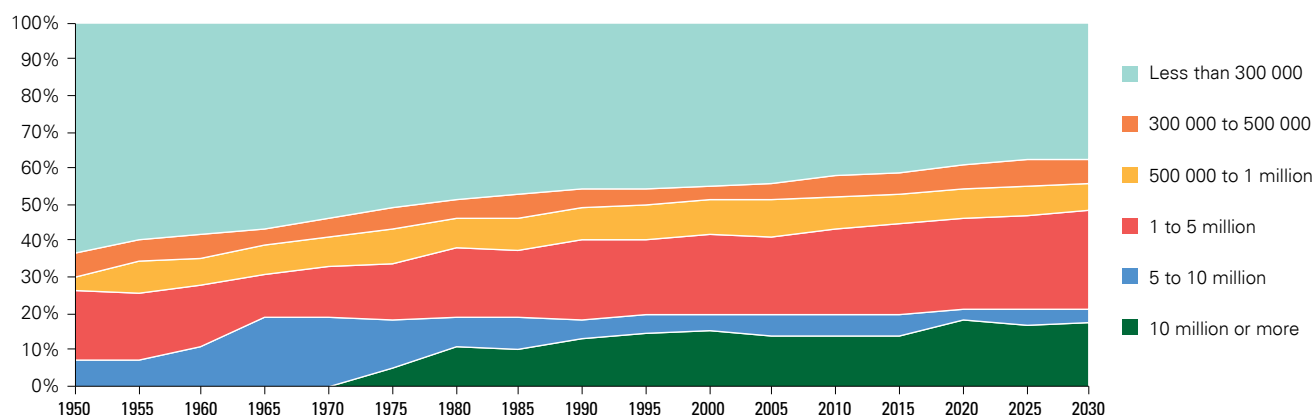
The urbanization process in Latin America and the Caribbean has resulted in a strong increase in city numbers and changes to the relative importance of city sizes. Populations living in cities with fewer than 300,000 inhabitants have dropped, while those living in cities of 300,000 to 1 million inhabitants have on average remained stable. However, in the past 20 years the number of cities with 300,000 to 500,000 inhabitants has doubled and those of 1 to 5 million have increased by 50 per cent, revealing the increase in the relative importance of medium-sized cities, many of which have grown in territories belonging to metropolitan areas and large cities. Meanwhile, cities of more than 5 million inhabitants, historically the main poles of development, have experienced relative stagnation in the past two decades. It is estimated that cities with fewer than 300,000 inhabitants (small) and 1 to 5 million inhabitants (medium-sized) will grow the most in the coming years (DESA, 2015) within the context of a continuous but low rate of urban population growth.

FIGURE 1: LATIN AMERICA AND THE CARIBBEAN: URBAN POPULATION, 1950–2050 (PERCENTAGE)



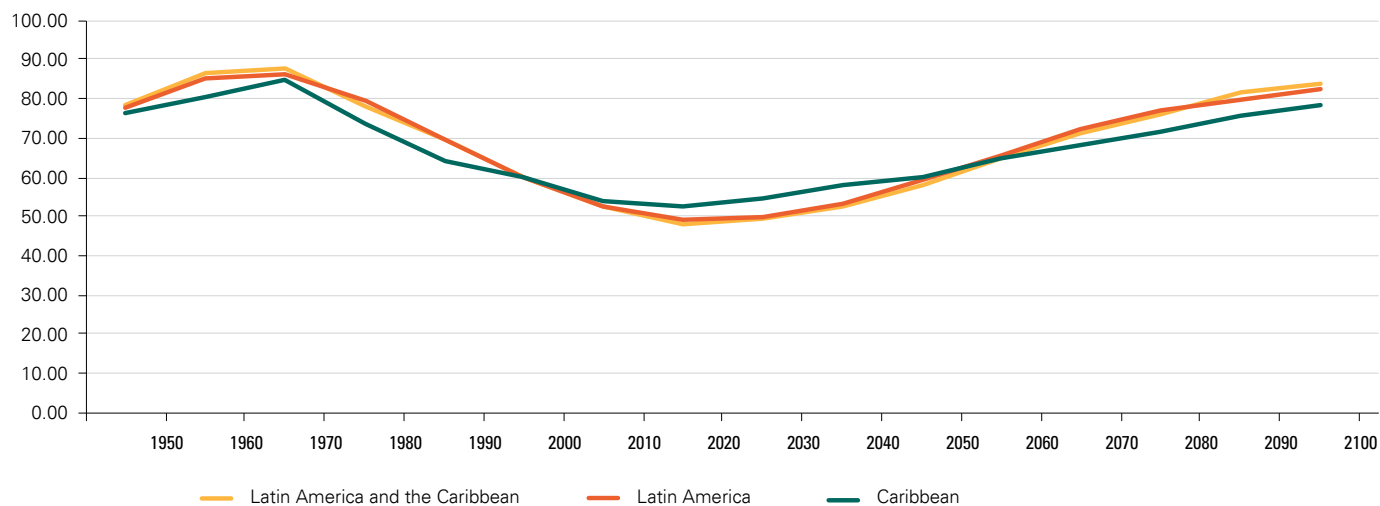
Source: Prepared by ECLAC based on UN DESA (2015).

FIGURE 2: LATIN AMERICA AND THE CARIBBEAN: POPULATION DISTRIBUTION BY CITY TYPE (PERCENTAGE)



Source: Prepared by ECLAC based on UN DESA (2015).

FIGURE 3: LATIN AMERICA AND THE CARIBBEAN DEMOGRAPHIC DEPENDENCY RATIO BY SUBREGION



Source: Prepared by ECLAC based on data from the Latin American and Caribbean Demographic Centre and UN DESA (in CEPALSTAT, 2016).

The new urbanization phase in the region, characterized by a slowdown of urban population growth and a “window of opportunity” for a favourable demographic environment, reflects the importance of directing efforts towards spatial and land-use planning policies and processes that promote more inclusive, economically dynamic and sustainable cities.

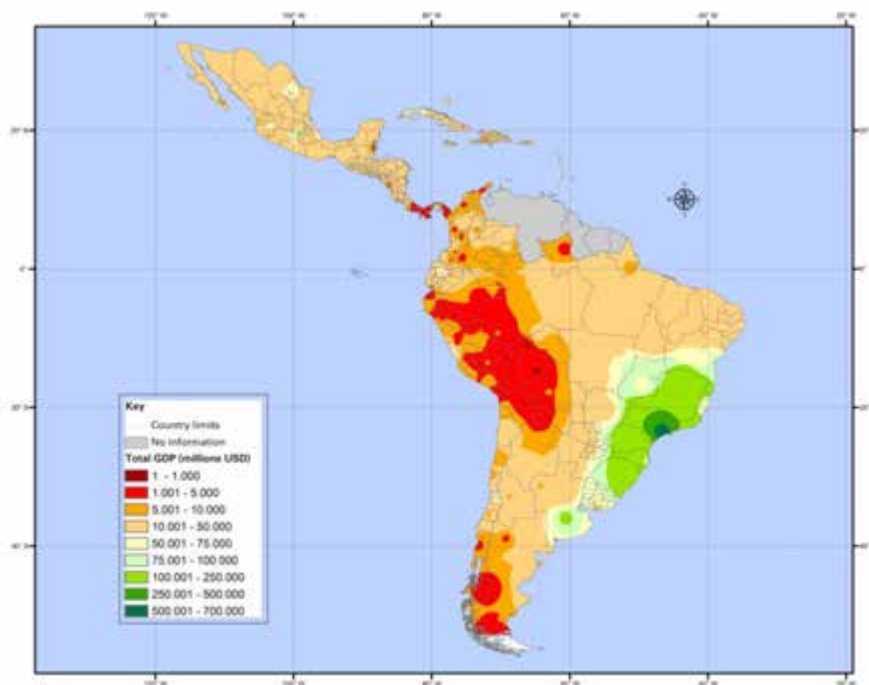
## B. Growth of cities in Latin America and the Caribbean

The urbanization process in Latin America and the Caribbean led to a surge in large cities (and megacities), which have concentrated urban population and economic growth.<sup>1</sup> Between 60 and 70 per cent of regional GDP arises in cities (UN-Habitat, 2012). The McKinsey Global Institute (MGI, 2011) estimates that Latin America’s 198 large cities<sup>2</sup> will contribute 65 per cent of the region’s GDP growth between 2007 and 2025, which is equivalent to 6 per cent of projected

1 Large cities: 5 to 10 million inhabitants; megacities: more than 10 million inhabitants.

2 With a population of 200,000 or more inhabitants.

FIGURE 4: LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT, 2010 (IN MILLIONS OF CURRENT DOLLARS)



Source: ECLAC (2015b), based on official country figures.

global GDP growth, more than 1.5 times the contribution to economic activity expected from large cities in Western Europe and similar to the contribution anticipated from India's large cities.

The region has high levels of geographic concentration of production (GDP) and population, particularly in Brazil, Chile, Peru and Uruguay.<sup>3</sup> Geographic GDP concentration levels in Latin American countries are generally higher than in OECD countries (ECLAC, 2015b). Economic activity in Latin America and the Caribbean is particularly concentrated in cities and their metropolitan areas, with concentration levels that are higher than in any other developing region (MGI, 2011; UN-Habitat, 2012). The Province and City of Buenos Aires, the State of Mexico with Mexico City and the State of São Paulo contributed almost a quarter of the regional GDP in 2010 (ECLAC, 2015b). In many countries, economic concentration coincides with a centralization of socioeconomic, administrative and political functions in one or few cities. Major urban conurbations have also emerged, and urban territorial expansion has meant that large cities overrun the administrative boundaries of their municipalities and end up connecting physically with other urban centres, forming metropolitan areas and complex urban systems.

Large cities continue to drive growth and economic and social development in the region, but the city network appears to have become more complex and an economic and demographic deconcentration is under way (UN-Habitat, 2012). Latin America and the Caribbean is the only region in the developing world in which the city system configuration has improved and the number of medium-sized cities has grown (Roberts, 2015). The geographic concentration of GDP in Argentina, Brazil, Colombia and Mexico fell significantly between 2000 and 2012,<sup>4</sup> while GDP concentration in the Plurinational State of Bolivia, Chile, Panama and Peru (ECLAC, 2015b) increased. Successful economies show that a balanced development of regional and city systems would increase the efficiency of medium-sized cities.

A significant change is the growing economic and demographic relevance of medium-sized cities and their improved competitiveness and quality of life (Roberts, 2015). About 24 per cent of the urban population in the region currently resides in medium-sized cities (1 to 5 million inhabitants), which can offer more competitive conditions than megacities. The latter show signs of diseconomies of agglomeration (congestion, pollution, precariousness and vulnerability) that cancel out the benefits of scale and agglomeration, reducing quality of life and inhibiting economic dynamism (UN-Habitat, 2012). Meanwhile, medium-sized cities have the potential to grow and the opportunity to adopt strategies aimed at avoiding negative externalities.

<sup>3</sup> In all Latin American countries, with the exception of the Plurinational State of Bolivia and Ecuador, the concentration of GDP exceeds the concentration of the population.

<sup>4</sup> In Brazil, this process is explained by a sharp fall in geographic concentration of GDP owing to the relative decrease in total GDP participation in Brazil of Rio de Janeiro, Rio Grande do Sul and São Paulo (ECLAC, 2015b).

FIGURE 5: LATIN AMERICA AND THE CARIBBEAN<sup>5</sup>: NUMBER OF CITIES BY SIZE CLASS OF URBAN SETTLEMENT, 1950–2030

Source: ECLAC (2015b).

The emergence of medium-sized cities in Latin America and the Caribbean often occurs within large metropolitan areas and systems, such as submetropolitan cities, but may also correspond to centres with manufacturing, primary or natural resource industries. There has been a rise in new city categories and types, such as border cities, resulting from a growth in international trade (UN-Habitat, 2012), and cities driven by natural resource extraction activities or, as in the Caribbean, by tourism, which act as new poles of migration.<sup>6</sup> This urban growth pattern has contributed to economic deconcentration and accounts for a growing urban–urban migration, which demonstrates the importance of paying more attention to migration dynamics between cities (Rodríguez, 2011).

To strengthen regional development, it is essential to consider existing city systems and the interaction between cities of various sizes, functions and roles. In fact, today it is accepted that it is not only size, but also functionality and connections to national, regional and global networks of trade, knowledge, competitiveness and investment that characterize the functioning of cities within national and global urban systems. Performance of medium-sized cities is determined by the level, quality and global orientation of their supply chains and logistic systems in the region, which serve as a basis for the development of the regional economy, as well as by the trade and services supplied to other cities at the national or international levels (Roberts, 2015). In that regard, new strategies need to be developed to support endogenous growth in medium-sized cities in disadvantaged areas (through policies that encourage decentralization, transfer of skills and local economic development) in order to turn them into spaces for opportunity and facilitate an equitable and exogenous growth that enhances development. Brazil's experience illustrates the importance of improving linkages and connectivity in the management of urban systems to achieve greater governance, economic development and investment in strategic infrastructure, which in turn encourage domestic and

foreign investment in local economies. The experience of Colombia reveals the benefits of increasing competition for resources, so that capital can contribute to increasing the efficiency of local governments (Roberts, 2015).

Latin American and Caribbean cities and their growth dynamics are decisive for the development of the region. Thus, policies that focus on promoting fairer and more competitive cities are crucial for creating more developed nations through national policies and regulations that have a bearing on economic performance, physical environment management, local land use and infrastructure of cities.

### C. Explosion of urban sprawl: a reality shared by cities in Latin America and the Caribbean

Urban sprawl in Latin America and the Caribbean has grown substantially with varying degrees of intensity, owing among other factors to demographic and income growth; transformation and territorialization of the productive structure; a drop in average household size; public space privatization; higher housing costs; speculation; the desire to live in closed condominiums to protect oneself from real or perceived violence; and poor urban and spatial planning.

The growth of the city's surface area has led to an increase in management costs, including in the per-capita cost of providing basic public services in increasingly remote and least populated areas. Latin American and Caribbean cities are now fairly dense compared to other urban areas around the world (UN-Habitat, 2012) and, according to estimates of the New York University Urban Expansion Program, per-capita land use at the regional level declined between 1990 and 2015. However, in many large cities in the region (Buenos Aires, Mexico City, Santiago) per-capita land use continues to grow. According to urban expansion estimates of the Lincoln Institute<sup>7</sup> of Land Policy, urban sprawl will continue to grow in a scenario of constant population density and a population density decline of 2 per cent per annum.

<sup>5</sup> Countries are considered according to the United Nations nomenclature (26 countries in the Caribbean, 8 in Central America and 14 in South America).

<sup>6</sup> In 1950 there were 320 cities with more than 20,000 inhabitants; half a century later there were 2,000 such cities (Rodríguez, 2011; UN-Habitat, 2012).

<sup>7</sup> Lincoln Institute of Land Policy, Atlas of Urban Expansion (2012).



### BOX 1: CENTRAL AMERICA: RAPID, UNEQUAL AND EXCLUSIVE URBANIZATION

Although Central American countries have not yet reached the average urbanization rate of Latin America (at around 80 per cent), Central America has ceased to be a predominantly rural region. In four decades it went from being 40 per cent urbanized in the early 1970s to 63.7 per cent urbanized by 2015. Although the urbanization process has been slow (it was only in the late 1990s that the region became largely urban), countries with a predominantly agrarian-based economy until recently have witnessed a rapid urbanization process.

Today, in the six Central American countries, more than half of the population is urban, Honduras being the least and Panama being the most urbanized country. The rapid urbanization process has resulted in a high deficit in social facilities and urban services, which is particularly visible in the outskirts of the largest cities. The process has been coupled with a high growth in urban vehicles, but without commensurate improvements being made to the road infrastructure, which has made mobility complicated, slow and costly.

Urbanization rates in Central America are expected to continue to grow, and given that its demographic weight within Latin America and the Caribbean will increase at an even greater rate than other regions (such as the Southern Cone), a set of policies must be implemented to meet the challenges imposed by this scenario. Public policies should thus be designed for a more populated, denser and more urbanized Central America.

As a result of several factors, such as the land and labour markets, insecurity, mobility challenges and income inequality, Central American cities have moved towards a socio-spatial segmentation of housing and cohabitation, reflected in the emergence of exclusive neighbourhoods (closed or open) that are in complete contrast to neighbourhoods of exclusion, the existence of which, even adjacent in some cities, enhances social segregation. This translates in social relations in urban areas that have become less horizontal and more segmented and hierarchical.

All cases have one thing in common: there is a strong correlation between territorial distribution of the population and distribution by income levels, resulting in diminished social cohesion in cities and high fragmentation between private and public consumption, thus enhancing vicious circles of poverty and manifestations of social and territorial inequality and of differentiated or even zero access to the right to the city.

*Authors: Pablo Yáñez, Humberto Soto and Hernán Gómez, ECLAC Mexico.*

TABLE 1: LATIN AMERICA AND THE CARIBBEAN (10 CITIES) URBAN EXTENSION, POPULATION, LAND USE PER CAPITA, IN 1990, 2000 AND 2015

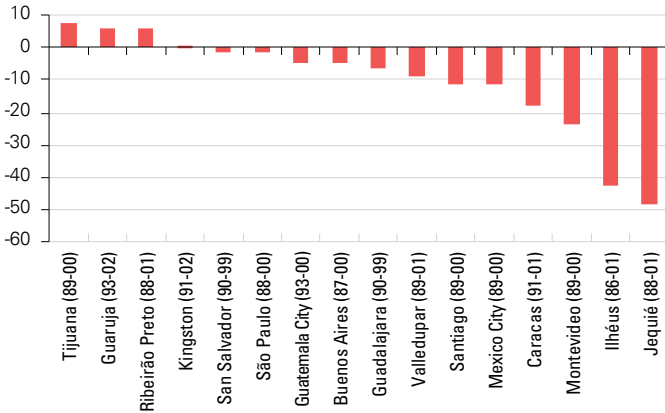
City	Urban area (hectares)			Population			Land use per capita (metres)		
	1990	2000	2015	1990	2000	2015	1990	2000	2015
Belo Horizonte	49,460	58,057	65,471	2,745,708	3,496,348	4,139,468	180	166	158
Bogota	32,155	36,966	41,550	4,450,735	6,508,251	8,854,881	72	57	47
Buenos Aires	134,033	159,265	196,446	10,615,361	11,839,083	14,065,924	126	135	140
Cochabamba	9,227	17,336	27,624	475,734	732,090	1,082,217	194	237	255
Culiacán	7,636	10,767	15,730	375,046	483,533	635,415	204	223	248
Holguin	2,667	3,274	3,385	206,665	241,028	266,021	129	136	127
Mexico City	102,982	136,823	214,867	9,741,580	12,540,064	18,111,506	106	109	119
Quito	9,965	16,750	42,894	906,139	1,405,938	2,317,510	110	119	185
Santiago de Chile	45,713	57,130	77,266	4,499,499	5,396,623	6,561,224	102	106	118
Tijuana	16,030	24,596	37,246	632,644	1,164,332	1,738,963	253	211	214

*Source: Urban Expansion Program, New York University 2016*

There is a positive link in Latin America between GDP per capita and density, which suggests that there are higher levels of economic activity in areas with a greater population density. This allows such areas to take better advantage of the benefits of agglomeration; in fact, regions where capital cities are located have high levels of GDP per capita and population density. Those regions

account for the highest share of regional GDP (61 per cent) and are home to 41 per cent of the population. There are also dense regions with low productivity, corresponding to 21 per cent of GDP and 32 per cent of the population. In total, around 82 per cent of GDP and 73 per cent of the population are located in dense regions (ECLAC, 2015b).

FIGURE 6: VARIATION IN DENSITY IN URBAN AREAS (PERCENTAGE) IN LATIN AMERICA AND THE CARIBBEAN (16 CITIES)

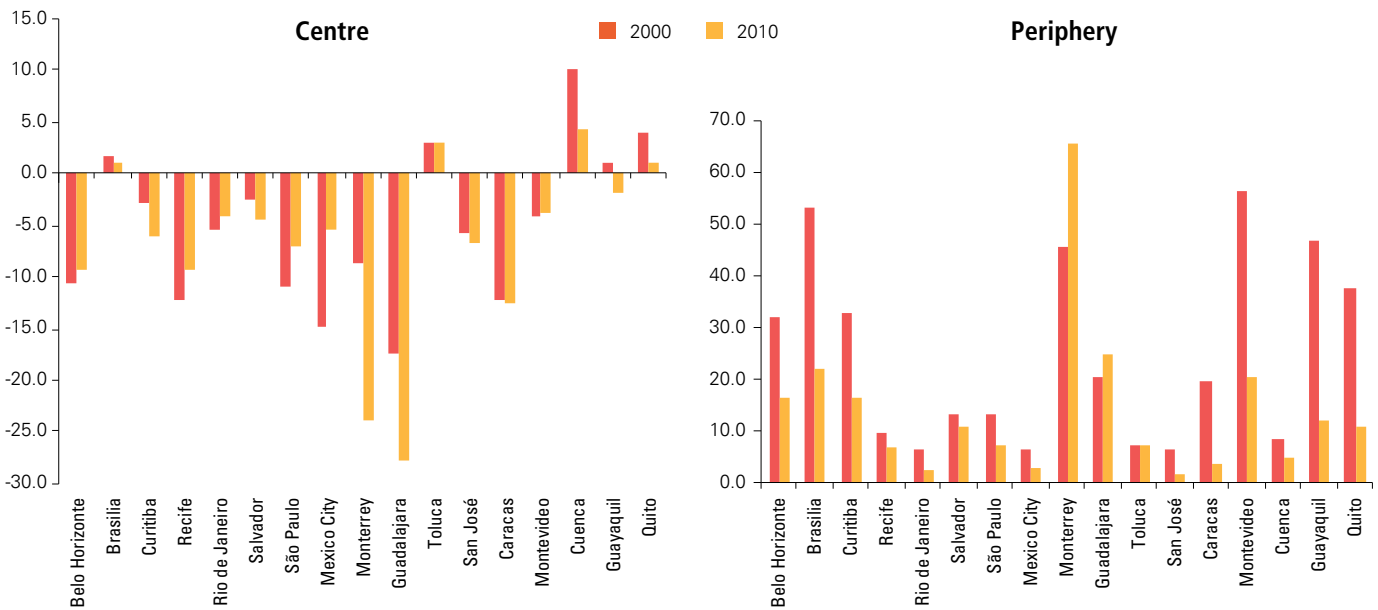


Source: Prepared on the basis of data from Angel (2012), Lincoln Institute of Land Policy.

Urban planning in recent decades has brought about a rise in closed and monofunctional spaces. A trend has been observed whereby many urban centres are becoming depopulated as a result of growing migratory processes from the centre to the outskirts of cities. Social housing policies and relatively low land costs have led to the development of residential neighbourhoods in the urban periphery, and contributed to socio-spatial segregation. There are some exceptions to the city centre depopulation pattern (e.g. Santiago), which demonstrates that repopulation and regeneration of urban centres is not a foreign process in Latin America and the Caribbean.

There has also been an increase in low-density urban sprawl in a number of Caribbean countries, resulting in many cases in a pattern that intersperses urban areas with rural areas, rendering the urban-rural distinction problematic. In some cases, this has led to a continuous, polycentric urban fabric that resembles a cityState (Verrest and others, 2013), such as Barbados. According to estimates by Angel (2010), in several Caribbean countries, including Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago, if current trends continue to 2050, urban areas could double or even quadruple, putting pressure on ecosystem services and arable land.

FIGURE 7: LATIN AMERICA (17 CITIES): NET MIGRATION RATES OF CITY CENTRES AND PERIPHERIES, FIVE-YEAR PERIODS PRIOR TO THE 2000 AND 2010 CENSUS ROUNDS (PER 1000 INHABITANTS)

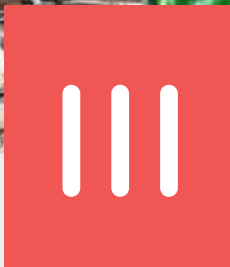


Source: ECLAC (2014a), based on special processing of census microdata. The “centre” category comprises several minor administrative divisions and is a single category whose definition can be found in annex V.A1.1 of ECLAC (2014a). In contrast, the “periphery” category, which also includes several minor administrative divisions, corresponds to the traditional periphery, unless otherwise indicated (such as in Montevideo and cities in Ecuador). Its definition can also be found in table V.A1.1 of ECLAC (2014a).

**BOX 2: SUSTAINABLE DEVELOPMENT GOAL 11****Make cities and human settlements inclusive, safe, resilient and sustainable**

- 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums;
- 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons;
- 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries;
- 11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage;
- 11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations;
- 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management;
- 11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities;
- 11.7a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning;
- 11.7b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015–2030, holistic disaster risk management at all levels;
- 11.7c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.

*Source:* United Nations General Assembly resolution A/69/L.85. 12 August 2015.



*A traditional market selling fruits and hand crafts, Chiapas region, Mexico © Shutterstock*

# URBANIZATION AND ECONOMY

Production, distribution and consumption of goods and services have made a strong urban mark in Latin America and the Caribbean. Much of the boost in productivity and universal access to quality goods and services is reliant on levels of public and private investment in urban areas. Since investment in urban infrastructure is generally made with public funds and has tended to be loss-making in recent decades, in many cities in the region it has been considered restrictive on growth, economic development and inclusion. However, greater investment in infrastructure, the strengthening of agglomeration economies and a drop in urban diseconomies caused by unplanned urban expansion can have a major effect on economic dynamism and sustainable urban development.

Cities in Latin America and the Caribbean have gone from having an industrial economic base to a mixed base in which service sectors have grown substantially in the past 20 years. Indeed, there is now a clear predominance in the urban economy of Latin America and the Caribbean of service sectors, which employ 70 per cent of the urban population (ILO, 2010) and is expected to generate more than 60 million new jobs by 2025 (MGI, 2011) as a result of direct foreign investment (UNEP, 2010). However, the sector has low productivity levels and a high informal employment rate.

The current demographic process provides a major opportunity to carry out a second urban transition, this time through a more organized, efficient and sustainable system that takes into account the specific challenges of the region (UN-Habitat, 2012). It is possible to take advantage of the deceleration in population growth and direct efforts towards spatial planning and sustainable urban consolidation. This situation will last no longer than 30 years<sup>8</sup> and offers the opportunity to make large investments in preparing countries for future challenges, while building on the dynamism of the active population (UN-Habitat, 2012). The Latin America and the Caribbean region thus has the possibility to leave behind the cycle of underdevelopment, inequity and environmental unsustainability, and begin a new urban transition that will lead to a major improvement in quality of urban life (ECLAC, 2013).

<sup>8</sup> The number of dependents will eventually rise, turning this situation into a challenge for sustainability.

Informal employment, unemployment and job insecurity remain significant challenges. However, informal employment has also played a key role in the region's urban economic development, although it has had a negative impact on employment conditions and economic productivity.

Latin American and Caribbean cities and their growth dynamics are decisive for the region's development. Understanding urban planning and management as a tool for the economic sustainability of cities is of the utmost importance in creating effective and sustainable public policies and managing economic challenges associated with the second urban transition, understood as the consolidation of cities as a "platform" for universal access to quality goods and services and economic and production development.

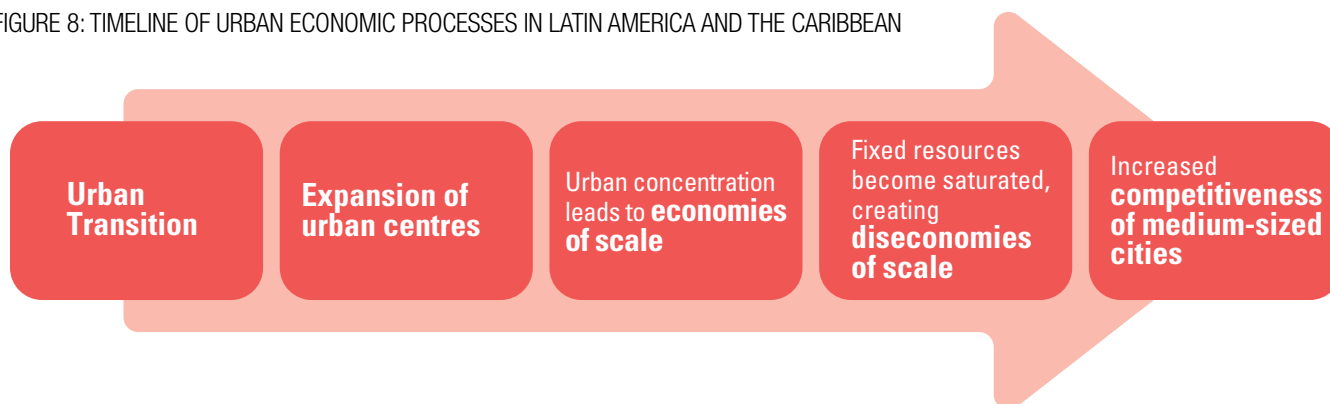
### A. Transition of the production base, employment, consumption and urban distribution

Cities are the engine and node of the region's economies, and thus the challenge is to sustainably boost their economic performance (ECLAC, 2014e). Large cities implement policies and strategies to enhance and take advantage of the benefits derived from economies of scale and agglomeration, while avoiding the emergence of diseconomies that negatively affect economic performance.

The increasing returns to scale observed in cities are a result of the urban activity diversification, concentration of public goods and fixed social capital, high density of contacts, conditions for innovation and reduced transaction costs. However, such benefits can become a source of negative externalities, such as higher transportation costs and land prices, traffic congestion and pollution.

The competitiveness of the urban production base depends on economic variables that characterize production in local businesses, the most relevant factors of which are the quality of production factors (including labour

FIGURE 8: TIMELINE OF URBAN ECONOMIC PROCESSES IN LATIN AMERICA AND THE CARIBBEAN



force), availability of natural resources and technology, entry barriers to new investments and substitutes for local products, and the dynamism of production target markets.

Improving the production base is a key public policy intervention area. In the region, such policies focus on improving the competitiveness of urban economies and enhancing the development of economies of agglomeration and scale, which may manifest as economies of location and urbanization. Thus, the challenge for the growth of urban economy production in Latin America and the Caribbean is to strengthen knowledge areas and make an adequate diagnosis of other production areas with a view to optimizing the use of economies of agglomeration and scale.

Competitiveness has also been promoted through local economic development processes focused on participatory development that encourages partnership agreements between stakeholders from all sectors in a given urban centre. The goal of local economic development is to provide a road map for a region's leading private and public entities, and thus enable joint development and implementation of strategies for urban and territorial development

Urban problems can be better understood by subnational governments, where municipal authorities can generate policies that are better suited to the unique reality of each city or region. In the past two decades, decentralization processes have transferred powers in the region from the national to the subnational levels. However, urban sustainability is closely linked to the consolidation of the fiscal powers of subnational bodies and the strengthening of their institutions (IDB, 2011). In most countries in the region, the tax bases on which local governments are supported are weak and out-dated, preventing subnational governments from successfully fulfilling their growing social protection and urban management roles, which in some cases leads to recentralization in the region (IDB, 2011; UN-Habitat, 2012). Indeed, although the fiscal balance status of cities in Latin America and the Caribbean is generally satisfactory, public spending in cities has been relatively low, which has generated deficiencies in basic services such as education, health, infrastructure and facilities.

Subnational governments have three key responsibilities: to develop local capacities, skills and comparative advantages; to collect and maintain up-to-date high-quality local data (to identify problems and prioritize policies); and to improve connections between rural and urban areas with a view to improving employment rates and promoting exchanges, value chains and efficient capital transfers. Some of the most important policies that can be generated in this context involve strengthening local institutions and the regulatory framework; providing the necessary infrastructure for innovation and development of human capital; simplifying administrative procedures to create companies, generate patents and undertake general business operations;<sup>9</sup> coordinating land use and urban infrastructure planning;

facilitating, encouraging and promoting training for individuals and business incubators; and ensuring a climate of trust with regard to contracts and an efficient and secure legal system at the subnational level. Local institutional quality is a key factor for improving such processes, although it has been challenged by corruption and tax evasion, which has reduced the quality of urban management and posed serious problems (MGI, 2011).

The economic and social transformations associated with urbanization processes have generated political responses on an urban scale. However, a coordinated urban development strategy or policy has rarely been defined at the national level. Urbanization still has the potential to profoundly transform countries, in particular developing countries (Glaeser and Joshi-Ghani, 2014), which is how urban national policies can be imposed as development policies at the country level. National urban policies are viewed both as a “coherent set of decisions” and as a government-led process in which stakeholders come together to create a common vision for long-term urban development (UN-Habitat 2014b: 2); they also reaffirm the positive role of urbanization in the development of countries and seek to maximize the benefits of urbanization (UN-Habitat, 2014b).

## Productivity and urban economy in Latin America and the Caribbean

Improving productivity is central to the economic and social development of countries in Latin America and the Caribbean, so it is important to identify factors that allow sustainable productivity growth in an urban context and to design public policies that lead to more productive and equitable cities.

Urbanization processes can be viewed as structural changes with a positive effect on the productivity and equity of countries given the benefits of agglomeration and the scale of markets. However, the urbanization process did not always have a positive impact on productivity or economic growth in Latin America and the Caribbean, in contrast to Asian countries, as a result of the following three factors. Firstly, the economies of Latin America and the Caribbean are primarily based on raw material exports, so urban activities are not necessarily more productive than rural alternatives given the abundance of natural resources and the economic opportunities they provide; thus the larger the share of natural resources in total exports, the smaller the scope of structural change with positive effects on productivity (McMillan and Rodrik, 2011). Secondly, urban economic activity in the region is concentrated in the services sector, which has low levels of productivity, to some extent for structural reasons and because the sector is highly informal (Inter-American Development Bank, 2010). Thirdly, other urban activities in the region (e.g., manufacturing) pose performance challenges related to capital, logistics and transport costs.

<sup>9</sup> The promotion of human capital contributes to cultural and institutional development, social cohesion, greater environmental protection and improved health conditions, strengthens citizen participation and reduces crime (OECD, 1999).

### BOX 3: NATIONAL URBAN POLICIES IN LATIN AMERICA AND THE CARIBBEAN

Latin America and the Caribbean has experience in implementing national urban policies, including specific policies in Brazil, Chile and Colombia, as well as in facilitating legislative and institutional developments to reconfigure new urban policy governing bodies, such as the Ministry of Cities in Brazil, the Ministry of Housing, Cities and Territorial Development in Colombia, the Ministry of Urban Development and Housing in Ecuador, and more recently the Secretariat of Agrarian, Territorial and Urban Development in Mexico. Legislative advances support such developments and in some cases, such as in El Salvador, progress has been made towards creating a comprehensive urban perspective through housing policies. National development plans also include urban policy components, as in Argentina, the Dominican Republic and Guatemala.

Given that such developments, and the challenges and opportunities they present, are contextually very different, responses vary from place to place. Although it cannot be said that there has been a single or universal national urban policy model, common traits are observed that can serve to inspire the creation of a new generation of policies in the region:

1. Institutional developments at the national level show that there is certain sensitivity with regard to the urban issue and the role of national Governments. There is also emerging awareness of the need for coordination between levels of government to pursue specific urban policies. In some cases the focus is on the role of the city system in growth. In others, the central argument is that urban policies should deal with alleviating poverty and covering basic needs, as in El Salvador.
2. There is emerging awareness of the need to create legal, financial and spatial planning instruments. In some cases, financial instruments depend on the existence of spatial planning instruments. There is also an awareness of two key aspects: on the one hand, the social function of property and, on the other, the need to involve the private sector in the process of financing sustainable urban development. Brazil, Colombia and Ecuador have made significant developments in land management instruments.
3. The backdrop, especially in Latin America, has been decentralization. National urban policies are connected to decentralization processes and in some cases the handling and management of land use are linked to fiscal decentralization, development of autonomy and spatial planning processes. The cases of Ecuador and to some extent Bolivia are good examples.
4. A nascent objective is to manage the peripheral expansion of cities to promote a more compact and inclusive urban growth. In the case of Mexico, recent housing policy instruments are moving in that direction.
5. The consolidation of the city system is an important part of national development. According to this logic, the processes of Argentina, the Dominican Republic and Guatemala are aimed at facilitating territorial connectivity and urban-rural integration.
6. The region has a high number of informal settlements that lack urban planning. In Brazil, for example, the Statute of the City and policies led by the City Council has aimed at solving the issue of favelas, recognizing their existence and trying to improve them in-situ. Recent projects in Colombia and Ecuador have had the same focus.

*Source:* Prepared by UN-Habitat on the basis of UN-Habitat and Cities Alliance (2014) and Gastelbondo (2015).

Increasing productivity in the services sector is therefore one of the most important factors behind the growth and development of Latin America and the Caribbean. This is achieved through technology creation, transmission and absorption; increased supply and efficient allocation of human capital and infrastructure; creation of institutions and integration; competition between private individuals; social development; and environmental awareness. There are also challenges related to internet penetration to boost sectoral and regional dynamism through the digital modernization of city management and innovation. A city that creates favourable conditions for generating and disseminating ideas and innovations will create more possibilities for its production base and greater social cohesion, economic growth and employment.

Another strategy for positively increasing the productivity of cities is the promotion of “clusters” in the urban economy, since they exploit the benefits of agglomeration economies in an urban context in a more specialized manner. This strategy can increase company productivity; improve innovation capacity; and stimulate the creation of specialized companies to support innovation. However, in the context of the urban economy of Latin America and the Caribbean, disadvantages include large production gaps and low levels of specialization and cooperation, and businesses tend to lack technological

innovation. These problems are partly the result of the production structure of Latin American economies, which are based on activities with production gaps, scarce technological innovation and low levels of specialization. They are also a consequence of the lack of local urban management and of initiatives aimed at generating economic and productive dynamism in those “clusters”. Therefore, by linking the management of clusters with the urban context, local urban governance can provide an opportunity to create a more efficient, innovative and competitive production management.

When there is physical and virtual connectivity, large cities can boost growth in medium-sized cities. In fact, development in a large city can have a positive impact on smaller peripheral cities with which they can exchange people and goods, creating a virtuous circle in the region between agglomeration, production, demand and yields. A developed urban infrastructure can result in reduced costs.

Generating investment in small companies and urban businesses by taking advantage of remittances is a real possibility since they make an important contribution to many regional economies, particularly in Central America and the Caribbean. In El Salvador, Guyana, Haiti, Honduras and Nicaragua,

#### BOX 4: INPUT FOR THE LATIN AMERICA AND THE CARIBBEAN REGIONAL REPORT IN PREPARATION FOR HABITAT III

Urbanization based on sustainable human development requires a reaffirmed global commitment. The MERCOCIUDADES network thus adheres to the political transformations that, on the basis of the achievements made in the past two decades, involve taking on global challenges, such as poverty, insecurity, climate change and the lack of respect for human rights.

Our main challenge today is to create an action plan that will bring about a change in the concept of development, measured in terms of quality of life rather than merely in the economic growth of cities and countries, while ensuring that the satisfaction of our present needs does not thwart the ability to satisfy future needs.

It is essential to recognize the representation and legitimacy of local governments at the international and regional levels and in the various spheres in which urban issues are discussed, given that they represent the will and needs of residents.

Our hope is that Habitat III will promote sustainable urban development and an inclusive urban planning that respects diversity and revitalizes accessible and appropriate public spaces for residents. The development of smart cities requires smart, informed and creative citizens and a participatory political culture based on civic responsibility, tolerance and on citizens being aware of their rights and role in the community.

MERCOCIUDADES believes that this right can be implemented by creating cities that are:

- Democratic, participatory and decentralized;
- Respectful of natural resources, based on responsible consumption;
- Compact, agile, polycentric and with integrated and innovative urban planning;
- Inclusive, safe and prosperous, based on the idea that the right to the city is a human right;
- Creative, smart and connected, and promote universal access to fundamental rights.

Source: Prepared by MERCOCIUDADES

remittances contribute more than 15 per cent of national GDP. In Haiti, they increased significantly following the earthquake of 2010 and made a major contribution to the country's reconstruction (IDB, 2015).

### Creative economy: economy, quality of life and sustainable development

Culture is an axis of development, led by the growth of the creative economy in general, and of the cultural and creative industries in particular.<sup>10</sup> The creative economy is acknowledged for its economic value and role in the production of new technologies and ideas and for its nonmonetary social benefits, including participation, cohesion, and creation of social capital and strengthening of culture and belonging (UNDP-UNESCO, 2014).<sup>11</sup>

Latin America and the Caribbean is a net importer of creative products, which is a reflection of the lack of development in the local industry. There is also a shortage of initiatives that effectively connect the role of the city with the concept of local economic development and the right to the city with a creative economy. Urban management can promote such initiatives by strengthening and incentivizing creative clusters in cities. In spite of the challenges described, some such initiatives are being launched in the region to stimulate the creative economy. In 2015, Chile implemented a national strategic programme to support the creative economy with a view to increasing its contribution to GDP from 1.6 to 4 per cent by 2025 and

<sup>10</sup> Industries based on creativity, talent and individual and group skills that have the potential to generate wealth and employment through the development of intellectual property.

<sup>11</sup> Comprises the arts, science and technology industries (UNDP, UNESCO, 2014).

reaching the average for the region (CORFO, 2014). The tourism sector can also benefit from the creative economy, which is underutilized in Caribbean countries, where tourism makes a significant contribution to GDP.

### Efficiency and infrastructure

The entire urban logistics chain must operate efficiently for trade and services to remain competitive. However, experience shows that the distribution of goods is inefficient in the region's cities and significantly contributes to air pollution and traffic congestion. There is a deficit in infrastructure investment, leading to large variances between supply and demand for infrastructure services (ECLAC-FAL, 2014). Low levels of investment in infrastructure, urban logistics and fixed capital are an obstacle to economic growth in the region and affect the quality of life of urban dwellers by increasing travel times and reducing leisure time, among others. In addition, the considerable increase in vehicle numbers reveals a disproportionate growth in means of distribution, but without sufficient investments being made in infrastructure.

There is a lack of adequate road maintenance in the region's cities, which leads to increased inefficiency. Despite the wide supply of roads in most metropolitan areas, quality is precarious owing to maintenance costs and budgetary constraints, which exacerbates traffic congestion problems.<sup>12</sup> Higher investment in infrastructure can generate greater economic dynamism, create employment, reduce negative externalities and increase efficiency in the distribution of goods.

<sup>12</sup> In Bogota, 19 per cent of arterial roads, 44 per cent of intermediate roads and 56 per cent of local roads are in poor condition (Chamber of Commerce, 2008).



## Consumption and digitization

Penetration of digital technologies in private consumption has become widespread in Latin America and the Caribbean. Internet penetration, measured as the number of users with respect to the total population, more than doubled over an eight-year period, from 20.7 per cent in 2006 to 50.1 per cent in 2014 (average OECD: 81.8 per cent) (ECLAC, 2015d), although digital gaps remain between the most and least developed countries, as well as within them (UNEP, 2010).

Smartphones have become widespread, boosting digital connectivity across Latin America and the Caribbean to the extent that the region has the third fastest growing connection rate in the world (with 77 per cent annual growth between 2010 and 2013) (ECLAC, 2015d). Latin America and the Caribbean is also the region with the most intensive use of social networks, with 78.4 per cent of Internet users participating in social networks in 2013, a rate much higher than that of North America (64.6 per cent) and Western Europe (54.5 per cent), regions with a higher degree of Internet penetration (ECLAC, 2015d).

Key challenges remain with regard to internet penetration aimed at promoting a dynamic economy, supporting trade and modernizing cities. Digital services reduce business and trade transaction costs, which in turn leads to a better use of a city's agglomeration economies and contributes to the growth and economic development and modernization of local businesses.

Broadband connectivity and infrastructure remain a priority, as are the promotion of digital skills and capabilities, e-government, innovation and digital entrepreneurship, and the use of the internet in social settings (e.g., education and health). Public information, open government data and Internet governance models, based on participatory processes and citizen coordination in neighbourhoods, provide opportunities for digital innovation and more effective monitoring of local policies (ECLAC, 2015d).

## B. Persistence of the informal economy

Informal employment plays a key role in urban economies in Latin America and the Caribbean, but its potential impact on the quality and vulnerability of employment in the region is a cause for concern. Indeed, informal employment may affect the potential for greater economic productivity in the region, but it could also be precisely the result of the lower productivity of local companies (e.g., due to a lack of access to credit and other public goods, which are hindering business development), so causality is not unidirectional. Data for 2012 reveal that out of the total number of workers in informal employment (47.8 per cent), 31 per cent were employed in the informal sector, 11.7 per cent were in the formal sector and 5.1 per cent were domestic workers (ILO, 2013). Informal employment and labour inequalities have a significant impact on urban areas and are associated with the challenges of urban economies.

Recent efforts have been made to formalize employment in the region through public policies and programmes, improved economic conditions and public-private initiatives framed in business development programmes (Argentina in 2004, Brazil in 2006, Colombia in 2010 and Mexico in 2013), resulting in lower informal employment rates. However, in 2012, the adverse global economic context and its effects on the labour market brought greater formalization efforts to a standstill (ILO, 2013).

Central government policies (fiscal or monetary) have a central role in tackling the informal economy. Nevertheless, it is important to consider employment policies that link the urban context and its benefits for generating decent jobs. Latin America and the Caribbean does not have a history of subnational governments designing and implementing employment policies using the specific conditions of cities, which opens up opportunities for strengthening local economic development and creating jobs, with a particular focus on the most vulnerable groups.

## Urban employment and youth

Young people are the most severely affected by job insecurity and informal employment, and a significant number are not in education, employment or training. Even in the formal sector, working conditions for young people are inadequate since 6 out of 10 are not covered by social security (UN-Habitat, 2012; ILO, 2011). The unemployment rate for young people aged 15 to 24 in the 18 countries in Latin America is between 2 and 4.3 times higher than the unemployment rate for adults aged 25 and over. While this may not be particularly critical in this group, lengthy and high levels of youth unemployment, as well as job insecurity, have a negative social and economic impact (ILO, 2013b). Socioeconomic gaps between young people largely determine their risk of unemployment and job insecurity, which is more likely in lower-income quintiles. Gaps between quintiles are even greater for women (ILO, 2013).

Many countries in the region are launching initiatives associated with youth employment policies, plans and programmes, which points to a regional consensus on the importance of the issue (ILO, 2013). In designing and implementing programmes to boost youth employment in cities, Governments may consider taking advantage of the specialized knowledge of city councils. To date, such programmes have been very limited in terms of coverage and strategic approaches, owing to the limitations inherent in local development and to the limitations of public youth policies. Moreover, poor jobsearch skills and the lack of labour market information make it difficult to strike a balance between the supply of and demand for young workers (ILO, 2013). Thus, labour market integration and training programmes launched by city councils have improved urban employment rates as they can be used to gain a deeper understanding of the specific causes of youth unemployment in the geographical areas where young people are located.

## Urban employment and gender

High employment inequality in terms of gender (salary, employment quality and positions of influence) is also reproduced in the urban context (ILO, 2013). Women are overrepresented in the group that falls outside the labour market and underrepresented among those people who are employed, the main reason being that they are largely responsible for domestic and care tasks (ILO, 2013).

Women receive lower wages for their work than men, a situation that worsens in Latin America and the Caribbean as they get older. The greatest gaps are observed among women who are self-employed, their income being only slightly more than half (57 per cent) that of men, while the average income of female wage earners in microenterprises is equivalent to 88 per cent of that of males (ECLAC, FAO, UN-Women, UNDP, ILO, 2013). This reveals the link that exists between employment, informal economy and gender inequality. In recent decades, the gap has narrowed in most of the region's countries: on average, women's income in 1990 was 59 per cent that of men, while rates rose to 67 per cent in 2000, and to 78 per cent in 2010. However, even at that rate, it would take more than 75 years to close the gap (ILO, 2011). Any progress has been the result of social protection policies and institutions, minimum wages and a higher number of women enrolling in secondary and higher education.

Young women (under the age of 30) have surpassed men in terms of educational achievements and school enrolment throughout the region, except in Bolivia, Guatemala and Haiti (ECLAC, FAO, UN-Women, UNDP, ILO, 2013). In this context, subnational governments can play a central role in designing and implementing social protection programmes and local services that promote gender equality.

## C. Economics of urban land and city production

Latin America and the Caribbean has a number of common urban land issues, including a history of high informality; poor planning; high prices; speculation and excessive land retention as a reserve for surplus value; intercity segregation and crime related to urban land management issues; low real estate taxation; poor value capture of publicly generated land; low dissemination of urban infrastructure and services; insufficient supply of housing alternatives for the urban poor; a strong culture of mortgage defaulting; and a lack of good land policies (Smolka and others, 2007).<sup>13</sup> One of the most important aspects of urban land management is that it basically has two types of interest – as use value and as a value for investment (ability to earn rental income) –

<sup>13</sup> For example, existence of costly and difficult-to-meet urban standards that raise land prices.

FIGURE 9: LATIN AMERICA (13 COUNTRIES): PERCENTAGE OF INFORMAL NON-AGRICULTURAL EMPLOYMENT BY SEX AND AGE FROM 2005 TO 2011 (IN PERCENTAGES)

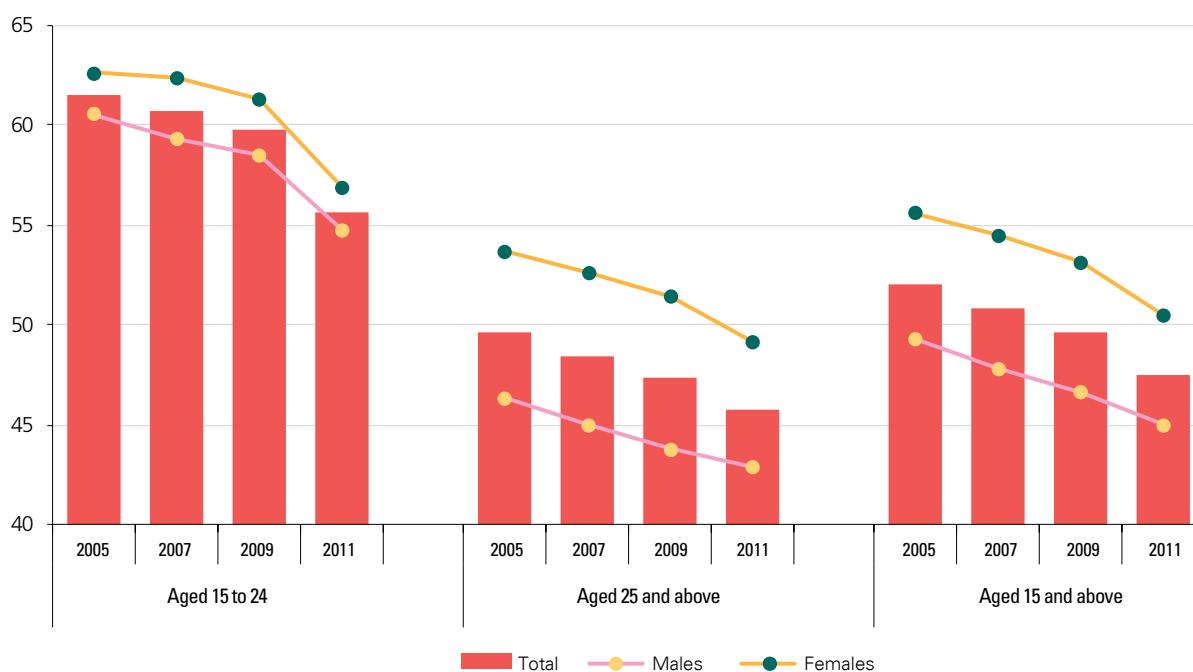
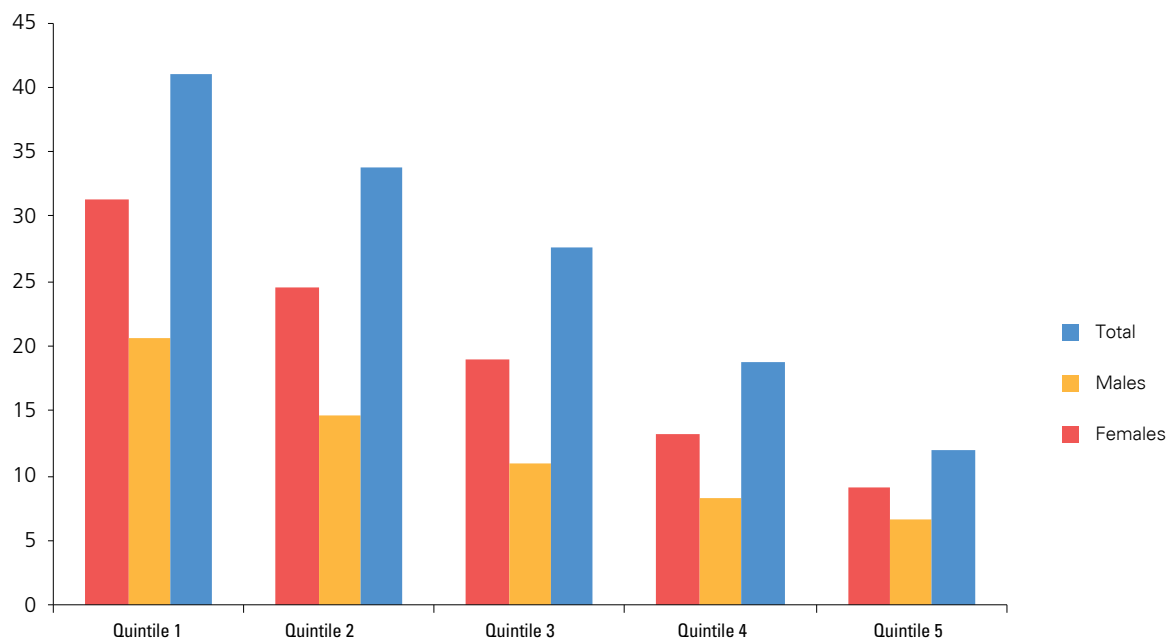


FIGURE 10: LATIN AMERICA (18 COUNTRIES): YOUTH WHO NEITHER STUDY NOR WORK PER QUINTILE OF FAMILY INCOME PER CAPITA (2011) (IN PERCENTAGES)



Source: ILO on the basis of official information from country household surveys.

which leads to speculation and artificial scarcity of a limited resource. At the same time, urbanization and urban development processes generate value, which points to the importance of understanding how surplus can be managed and distributed in cities.

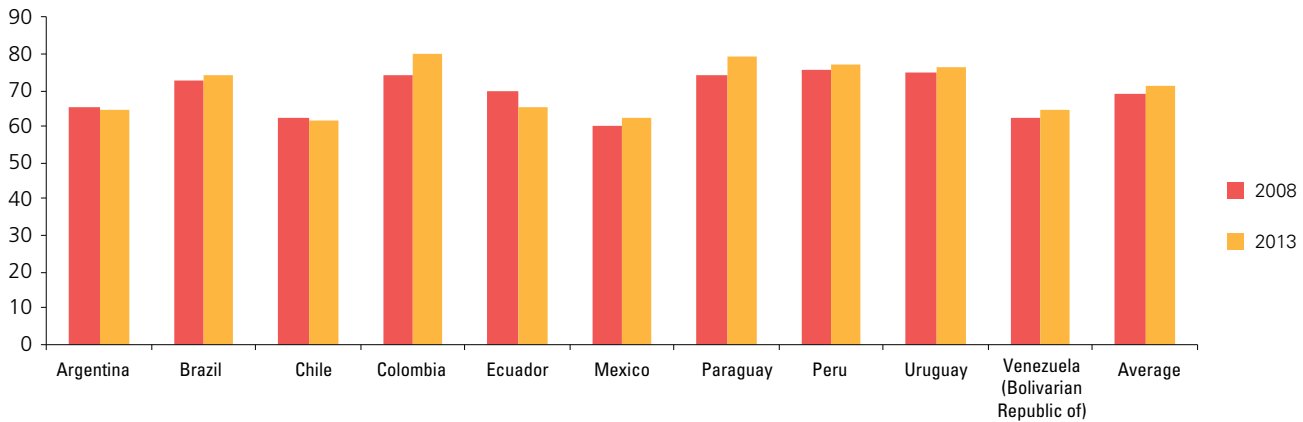
Challenges related to urban land management derive largely from institutional difficulties such as a lack of adequate and permanent programmes for improving and upgrading urban management mechanisms, resulting in the paralysis of projects, even when resources are available. This is compounded by low availability of information and/or lack of knowledge of how to use such information, in addition to poor horizontal and vertical coordination between institutional authorities, resulting in fragmented management and dispersed responsibilities. There is also a shortage of incentives for planners to economically evaluate urban projects, and more efficient projects are obstructed. In such a context, a lack of transparent and well-designed accountability mechanisms in Latin American and Caribbean public systems is key. Moreover, planners often neglect the means for financing projects and how the urban form affects the tax base, or the impact of tax collection practices on spatial planning. For example, the Puerto Madero urbanization project in Buenos Aires has not yet been assessed in terms of its contribution to the economic and fiscal base of the city as a whole. The region also faces frequent interruption and discontinuity of urban land policies, partly as a result of a lack of political will and initiative to conduct long-term urban planning (Smolka and others, 2007).

### Value capture in Latin America and the Caribbean

Urbanization in Latin America and the Caribbean is associated with strong pressure for the supply of serviced land, resulting in significant changes in land values that are unevenly distributed between landowners and other stakeholders, particularly in highly dense areas, allowing for real estate speculation, clientelism and other kinds of influence (including corruption) between public and private interests. This is why land ownership is such a relevant issue on the regional urban agenda, and why public investment is so vulnerable to abuse and favouritism by certain stakeholders (Smolka, 2013).

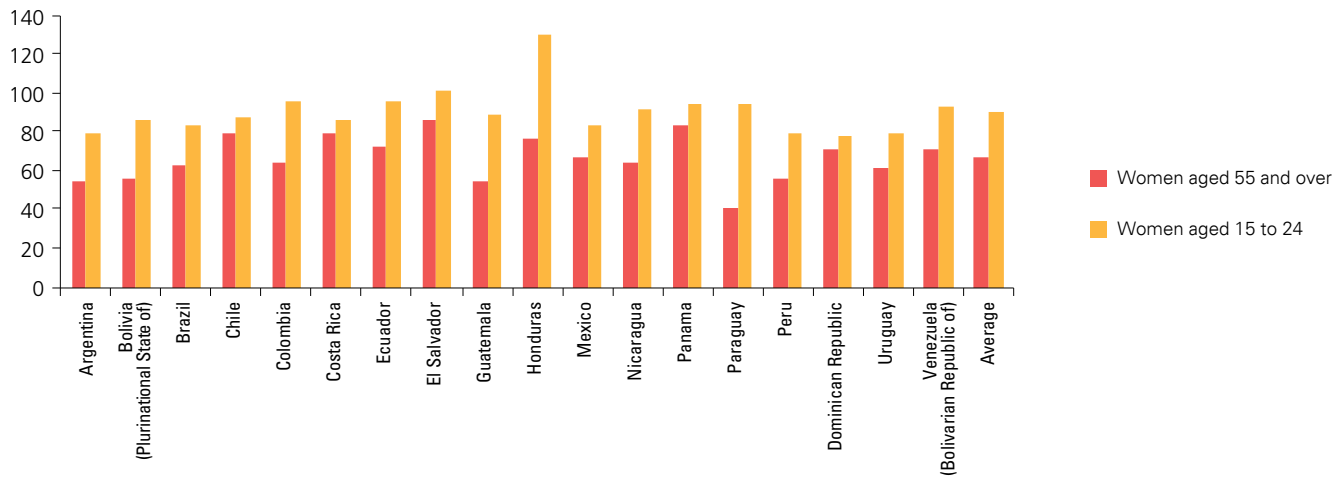
The appreciation of land in the region can be largely attributed to the rapid urbanization of recent decades, which has brought about significant public investment in urban infrastructure and services. Investment in urban infrastructure creates the conditions for three types of land use impacts: change of use; higher density and occupancy or more intensive construction; and zoning regulations, which generate significant sources of additional profit for well-located landowners. The effect of such investments is clearly visible in Brazil, where in 2001 a study of three cities (Brasilia, Curitiba and Recife) showed significant differences in land prices in relation to accessible services, taking into account distance from city centre (Serra and others, 2005).

FIGURE 11: LATIN AMERICA (10 COUNTRIES): PROPORTION OF FEMALE URBAN LABOUR PARTICIPATION COMPARED TO THAT OF MALES, 2008 AND 2013 (AVERAGE FOR THE THIRD QUARTER)



Source: ILO based on official information from country household surveys. Data for 2008 correspond to 2010.

FIGURE 12: LATIN AMERICA AND THE CARIBBEAN: AVERAGE MONTHLY WAGES OF WOMEN AS COMPARED TO MEN, BY AGE GROUPS (18 SELECTED COUNTRIES)



Source: ECLAC, 2016. Special tabulations based on household surveys of countries. Prepared by ILO. Argentina (2010), Bolivia (Plurinational State of) (2007), Brazil (2009), Chile (2009), Colombia (2010), Costa Rica (2010), Ecuador (2010), El Salvador (2010), Guatemala (2006), Honduras (2010), Mexico (2010), Nicaragua (2005), Panama (2010), Paraguay (2010), Peru (2010), Dominican Republic (2010), Uruguay (2010) and Venezuela (Bolivarian Republic of) (2010).

### BOX 5: THE CARE ECONOMY IN CITIES

Women and men have different needs and aspirations and different possibilities of accessing a city's assets and resources. This is a consequence, among other factors, of the different roles played in the private and public spheres, the sexual division of labour and an unequal distribution of care tasks. Evidence from the 18 countries that measure use of time shows that the higher participation of women in paid work has not brought about an equivalent movement of men to unpaid work and care, which has a direct impact on women's economic autonomy.

Today, 51 per cent of the population in cities in Latin America are women, and it is estimated that by 2050, a total of 86 per cent of all women in the region will live in urban areas. In the cohorts above the 60–80 age group, the percentage of women is even higher, and the vast majority have some degree of dependency or are carers. Urban population growth and ageing, together with the abovementioned trends, have placed on the public agenda the need for services and infrastructure to support families and, in particular, people with some degree of dependency.

Urban poverty has a distinctive gender dimension. The high cost of services and transport in cities, combined with urban economies that are increasingly monetized and therefore dependent on monetary income, makes it crucial to establish a link with the labour market. Although cities provide inhabitants with greater job opportunities, and despite progress in the incorporation of women into the labour market, in the region's urban areas only 49.7 per cent of women over the age of 15 are employed, compared with 72.8 per cent of men. Nearly one in three women (28 per cent) in urban areas in Latin America and the Caribbean do not have their own income, compared with 12.7 per cent of men in the same situation. This gap is observed, with national variations, in every country in the region. In addition, the socioeconomic and spatial segregation of cities places a disproportionate burden on caregivers, who are mainly women.

When women enter employment their integration occurs in worse conditions than for men, with lower wages, a high degree of informal employment, part-time contracts and job insecurity (partly as a result of the overload of work resulting from caregiving responsibilities). Such constraints are affecting their ability to generate income and attain financial autonomy, both now and in the future. Indeed, of those people over 70 years of age in urban areas who do not receive a pension, women are overrepresented in all countries with data, with more marked gaps in Bolivia and Mexico.

Urban development policies represent an opportunity to address caregiving comprehensively and with a gender perspective, building on the proximity and access of local governments with regard to the preferences and needs of their citizens. There is evidence that investment in care infrastructure has a major impact on more equitable development, transferring part of unpaid work to paid work, which generates more than double the number of jobs compared to investment in basic infrastructure.

*Authors: Ana Ferigra Stefanovic and Margarita Vega, Division for Gender Affairs, ECLAC*

Many countries in Latin America and the Caribbean have passed legislation that supports value capture policies as a means of recovering land value increments resulting from regulations or public investments. However, only a handful of countries have done so systematically and successfully (Smolka, 2012). Such value capture policies are divided into fiscal (tax and contribution) and regulatory instruments. Medellín and Buenos Aires have used temporary increases in property tax to finance large-scale investments, such as the construction of underground railways (Smolka and Amborski, 2013). Other regulations in Latin America have taken the form of land grants for urban facilities, parks, roads and others. One example is Brazilian Law 6766 of 1979, which requires real estate subdividers to hand over 35 per cent of land for public use (Smolka and Amborski, 2013). Meanwhile, the municipal government of Trenque Lauquen (province of Buenos Aires) implemented a management tool in 2009 to recover the cost of public investment in infrastructure and facilities. To do so, it applied a contribution for improvements to the administrative decisions that, by modifying land use and occupancy parameters, had led to a rise in land prices (Duarte and Baer, 2014).

Rather than legal or technical challenges, it is a lack of understanding of the potential of such instruments by public authorities with decision-making power that limit their use. Moreover, value capture is viewed as a tool to promote equity in cities, rather than as a means to improve municipal fiscal autonomy (Smolka, 2012). It is also difficult to apply these tools given the technical complexity involved in their implementation, in particular with regards to assessing land value increments resulting from public interventions. In addition, there is a lack of information on the tools available and their benefits, as well as political risk considerations (Smolka, 2012). It is therefore important to raise awareness of and provide training on value capture tools and to reinforce their legitimacy by recognizing that interests other than those of real estate property, have a legitimate participation in urban development and that property rights do not necessarily include the right to an intrinsic land value or to undeserved value increments (Smolka, 2013).

#### BOX 6: PILAR, PARTICIPATORY AND INCLUSIVE LAND READJUSTMENT GLOBAL PILOT PROJECT

The global participatory and inclusive land readjustment (PILaR) pilot project seeks solutions to contain patterns of unsustainable urban development. The city of Medellin, Colombia, with the support of UN-Habitat, implemented a land readjustment strategy in the La Candelaria neighbourhood, with 2,625 inhabitants, a low to low/low income rate and around 750 homes. La Candelaria is part of the Rio Norte Macro Project. The neighbourhood had high levels of exclusion and service deficits, as well as land tenure problems. The PILaR methodology has helped to channel the dialogue on efficient and equitable urban management. In this case, land-owning neighbours joined forces to re-think the provision of services, the subdivision of land and the best way to equitably distribute the costs and benefits of the urban intensification and redevelopment project, thus improving services, roads and public spaces. The PILaR methodology has facilitated an effective exchange between citizens and thematic experts within a legislative and financial framework that is aligned with local demands and allows for citizen participation in and governance of the project, achievement of inclusive urban management goals, an attractive offer for owners and the protection of residents, as well as inclusion in the macrovision of the city. Based on a participatory land economy, PILaR guarantees legal viability to the project and land ownership to each family, as well as sustainable funding of the project and generation of urban value.

*Source:* UN-Habitat Regional Office for Latin America and the Caribbean





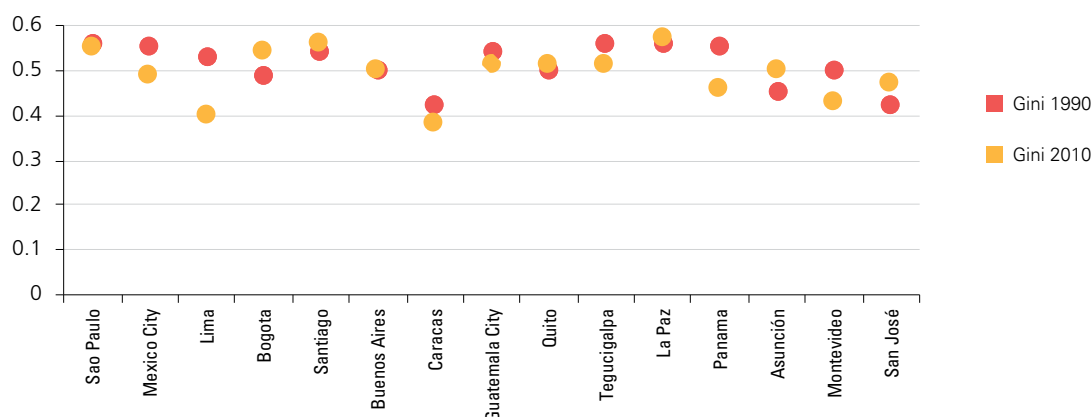
# IV

*People on the street Narciso de la Colina with some household supply stores at the market Mercado No. 1 de Surquillo, Lima, Peru © Shutterstock*

## URBANIZATION AND SOCIAL EQUALITY

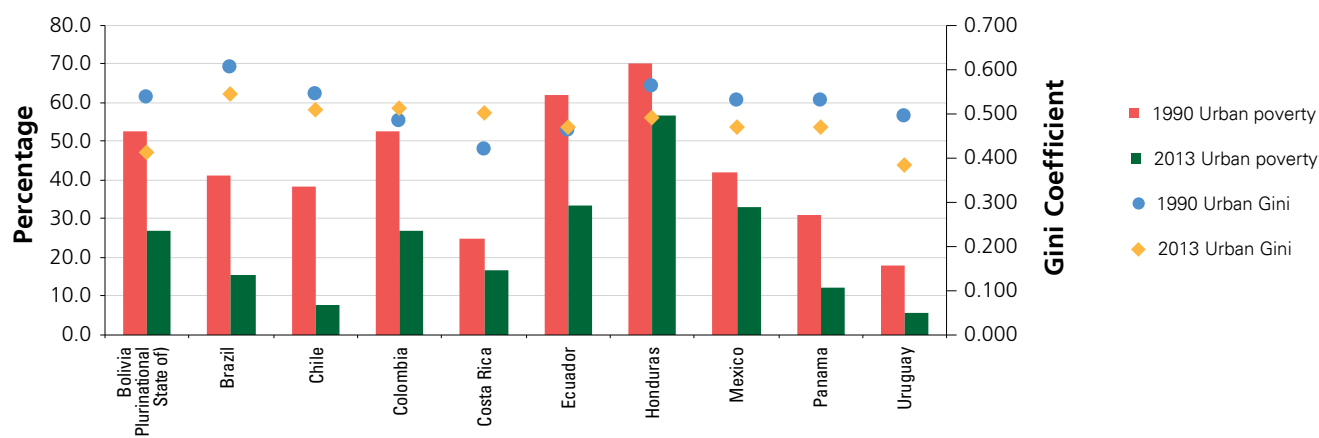


FIGURE 13: LATIN AMERICA (15 CITIES): INCOME INEQUALITY (GINI COEFFICIENT) 1990–2010



Source: Andean Development Corporation and UN-Habitat urban database. Tegucigalpa refers to the central district.

FIGURE 14: LATIN AMERICA (10 COUNTRIES): URBAN POPULATION IN POVERTY (PERCENTAGE OF THE TOTAL POPULATION) AND INCOME INEQUALITY IN URBAN AREAS (GINI COEFFICIENT) 1990–2013



Source: CEPALSTAT on the basis of special tabulations of the household surveys of the respective countries. Data for Bolivia (1989 and 2011), Colombia (1991 and Gini not strictly comparable with the value of 2013 owing to methodological changes), Honduras (2010), Mexico (1989 and 2012), Panama (1991).

Equality and social justice are essential for the development agenda and for a new urban agenda that recognizes the role of cities in facilitating social inclusion (Habitat III Secretariat, 2015). Sustainable Development Goal 10 (“reduce inequality within and among countries”) stresses the importance of equality on the global agenda, and Goal 11, on cities, sets two goals that are relevant to urban inclusion.<sup>14</sup> At the regional level, the Ministers and High-level Authorities of the Housing and Urban Development Sector in Latin America and the Caribbean (MINURVI) at their 33rd meeting agreed to redefine and deepen national legislation to achieve an inclusive, democratic and participatory society with comprehensive urban social policies (Mexico 2014). Inequality is particularly

relevant for the region, as it is a structural challenge and a daily feature of its cities, which illustrates the importance of adopting urban inclusion policies and ensuring a more equitable distribution of urban development benefits (MINURVI, 2015; ECLAC, 2014a). In addition, the region has had many innovative urban inclusion experiences in recent decades, partly because collective rights have been strongly promoted in the city.

Inequality can be addressed by observing three contradictions that represent the major trends of recent decades. Despite the significant efforts and partial achievements of Governments in reducing poverty and inequality, countries and cities in Latin America and the Caribbean remain among the most unequal in the world. Although national and urban inequality has also decreased, which

14 In particular, targets 11.1 and 11.2.

highlights the value of pro-equality policies in the region, inequality persists as an important factor in terms of income and spatial configurations of cities. The region is richer than in 1990, with GDP per capita rising from a regional average of \$4112 to \$6109 (a 48 per cent increase) between 1990 and 2013.<sup>15</sup> In addition, significant achievements have been made with regards to the Millennium Development Goals, to the extent that under Goal 1<sup>16</sup> by 2008 the region had halved extreme poverty relative to 1990 levels (ECLAC, 2015f), and the urban population living in poverty fell from 41.4 per cent in 1990 to 23.2 per cent in 2013.<sup>17</sup>

However, achievements in relation to poverty have not led to a comparable decline in income inequality. In some cities, such as Santiago de Chile, or El Alto in Bolivia, inequality has even risen despite the fall in total number of people living in poverty, which shows that there is not necessarily an automatic link between the two factors (CAF and UN-Habitat, 2014). In turn, vulnerability to poverty remains a major threat given the stagnation in the poverty reduction rate in recent years and the risks posed by the current economic slowdown (ECLAC, 2015e).

Although there have been significant achievements in reducing the housing deficit, challenges related to urban informality and unequal access to quality housing, services and facilities persist (ECLAC, 2014a; UN-Habitat, 2012). Residential socioeconomic segregation continues to characterize many cities in the region, albeit with changing patterns. In some cases, efforts to address the housing deficit have even reinforced the pattern of segregation as a result of the construction of large-scale housing in peripheral areas (ECLAC, 2014a).

The third contradiction arises in the context of violence and public safety. Despite the favourable environment for economic growth, socioeconomic improvement and democratic consolidation in recent decades, cities in Latin America and the Caribbean remain among the most violent in the world. The homicide rate in the region grew by 11 per cent between 2000 and 2010, while in most other regions it stabilized or even decreased (ECLAC, 2014a). Violence is listed as the main citizen concern in the region, over work or health issues, and has a negative impact on social cohesion and integration in cities (CAF, 2014).

Based on these considerations, the present section will examine three dimensions of urban inequality in Latin America and the Caribbean from a prospective viewpoint, focusing on social, housing and urban management policies, emerging challenges and proposals to promote more equitable and inclusive cities.

TABLE 2: LATIN AMERICA AND THE CARIBBEAN. URBAN POPULATION DISTRIBUTION BY AGE SEGMENTS (MILLIONS OF PERSONS AND PERCENTAGE)

Age groups	0-14	15-64	+65
1990	105 (34%)	188 (61%)	15 (5%)
2010	122 (26%)	308 (67%)	31 (7%)
2030	120 (20%)	400 (68%)	70 (12%)

Source: Prepared on the basis of the CELADE database (ECLAC, 2015e).

## A. New faces of urban inequality: the ageing process, urban youth, gender equality and ethnic diversity

Given the high urbanization rate in Latin America and the Caribbean, the main social and demographic trends that characterize the region inevitably leave important marks on cities. The context of persistent inequality, informal employment and job insecurity, low social protection coverage and inequitable access to quality services implies that, without adequate investment in public goods and services, social and demographic changes may give rise to urban precariousness. Likewise, such trends place particular demands on housing and use of urban services and spaces.

It is also important to emphasize the changes that have taken place in household structures as a result of social changes, including smaller urban households (4.4 members in 1990; 3.7 in 2010; and 3.2 persons in 2030) and an higher number of urban households (70 million in 1990; 119 million in 2010; 181 million by 2030).<sup>18</sup> On the one hand, the demographic and cultural process has an influence on urban lifestyle and affects housing demand (quantitative and qualitative), and on the other it creates new public service needs.

### Population ageing

Historical urban explosion estimates (according to which there would be 31 million inhabitants in Mexico City and 19 million inhabitants in Rio de Janeiro by 2000) did not materialize owing among other factors to the significant drop in fertility rates (from 5.8 children in 1950 to 2.09 in 2010 according to data from the Latin American and Caribbean Demographic Centre (CELADE, 2014). Along with higher life expectancy (from 51.4 to 74.5 years in the same period), this means that the average age of the population has risen, resulting in an ageing population (CELADE, 2014). Emigration of young people can accelerate the phenomenon, which has already occurred in the Caribbean and has led to even

<sup>15</sup> World Bank data in constant USD from 2005: <http://data.worldbank.org/indicator/NY.GDP.PCAP.KD>.

<sup>16</sup> Eradicate extreme poverty and hunger.

<sup>17</sup> CEPALSTAT on the basis of household survey tabulations. Data for Latin America only.

<sup>18</sup> Source: CEPALSTAT on the basis of special tabulations of household surveys in the respective countries.

## BOX 7: THE CRITICAL ROLE OF HEALTH IN THE FUTURE OF CITIES IN LATIN AMERICA AND THE CARIBBEAN

The Latin America and the Caribbean region is among the most urbanized regions in the world, and urban life has important implications for population health. The high population density that characterizes cities facilitates access to basic services such as drinking water, environmental sanitation and medical care, all of which can contribute to improved health. However, city life is often associated with overcrowding, exposure to environmental pollutants, consumption of processed foods, a sedentary lifestyle, hazardous work environments, and potential social conflicts and violence, all of which are clearly harmful to health.

Cities are also characterized by large disparities in resource distribution, often with spatial manifestations of inequality involving large differences in the physical and social environments of districts and neighbourhoods of different cities or within the same city, even those located very close to one another. Such differences also generate significant disparities in terms of frequency of death (mortality) and frequency of disease (morbidity) and quality of life in urban settlements.

The impact of urban life on health can be modified according to how cities are organized, developed and governed. The vast majority of decisions taken in cities in terms of policies related to urban development, transport, police surveillance, food production and distribution, work organization and education, among others, have significant effects on health. It is important that citizens and Governments maximize the healthy aspects and minimize the harmful aspects of cities.

In Latin America there are already examples of urban policies (such as bike lanes and improvements to urban transport) that can positively affect health. However, urban health improvements and health inequality reduction are lacking as priority issues in many initiatives on the future of cities in Latin America.

It is critical that academic institutions, civil society and authorities work together to provide more information on health conditions in the region's cities and identify their most important determinants; understand how the processes of urbanization in the region can impact health; identify urban policies that can be beneficial for improving health and reducing mortality and morbidity inequalities; assess the health impact of various existing or planned urban policies; and prioritize the reduction of health inequalities within cities. The New Urban Agenda must incorporate the need to improve health and reduce health inequities as essential components for the sustainable development of cities in the region.

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more rapid ageing. In some English-speaking countries in the Caribbean, the 65-and-above age group has already exceeded 10 per cent of the population and continues to rise (Rawlins, 2010).

Ageing signals the end of a favourable demographic environment in the long term, since the economically active population rate (15–64 years) eventually drops relative to the proportion of older adults.<sup>19</sup> In the medium term, a significant rise in the elderly population puts pressure on social protection systems. Although countries in the region have made significant progress in terms of pension system registrations, the persistence of informal employment and lack of social protection mean that coverage remains low (ECLAC, 2014f).<sup>20</sup> The demand for care services has also grown, and unequal access to such services has negative implications for women's economic autonomy (Box III.2).

The needs of older people must be taken into account when designing public spaces, transportation, road systems and even housing. The prevalence of disability also rises considerably among older people (up to 4 to 5 times more in the 60-and-over age group than in society as a whole), and disability is higher in countries where population ageing is more advanced (in particular visual and mobility disabilities) (ECLAC, 2012a).

Creating an inclusive city for people with disabilities, who make up 12 per cent of the region's population (ECLAC, 2012a), is a challenge related not only to ageing, but to all dimensions, in particular taking into account that the vast majority of countries in the region ratified the "Convention on the Rights of Persons with Disabilities" and its guidelines on personal mobility and inclusion in the community in 2006.<sup>21</sup> However, changes in age composition will put a greater emphasis on urban inclusion. In that regard, population ageing must be taken into account when analysing social inclusion given its effects on vulnerability and the implications regarding the fair and inclusive use of spaces and services in the urban environment.

### Urban youth

In the past two decades, progress has been made in increasing the number of years of schooling and in the proportion of young people who have completed an educational cycle (ECLAC, 2014a).<sup>22</sup> However, given the economic challenges mentioned above, urban vulnerability has a particular bearing on youth, as demonstrated in the high level of youth unemployment in the English-speaking Caribbean.

Thirty million (more than one-fifth of the total) young Latin Americans aged 15 to 29 are not in education or employment, 70 per cent of whom are women

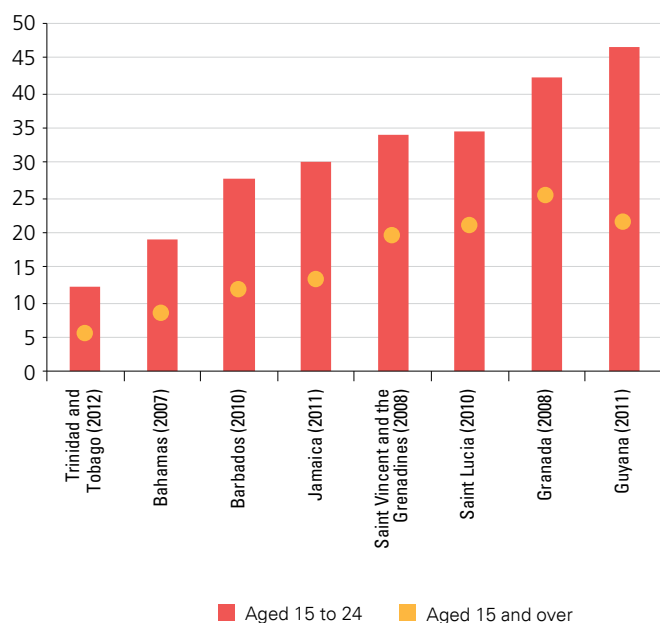
19 The phenomenon, known as demographic bonus, is not homogeneous: Cuba or Chile reached the end of the bonus period, while in countries such as Bolivia, Guatemala and Paraguay this will occur in around 2040 (CELADE, 2011).

20 The average percentage of contributors among employees in Latin America in 2011 was 36.8 per cent, varying between 72.9 per cent in Uruguay and 14.7 per cent in Bolivia (ECLAC, 2014f, p.165).

21 The Ministry of Urban Development of Ecuador has adopted a policy to facilitate access to housing that meets the needs of people with disabilities or improve the living conditions or accessibility of existing housing (MIDUVI, 2015).

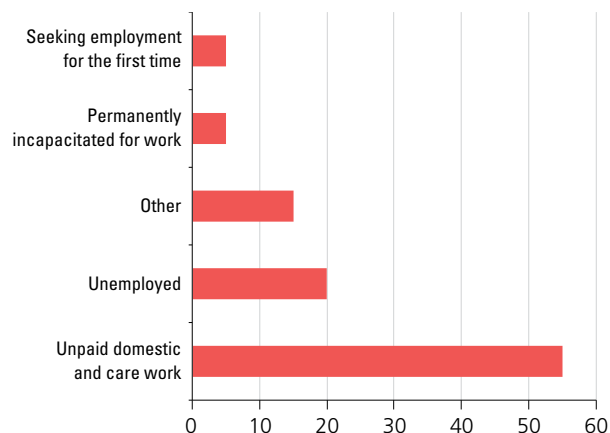
22 In Latin America, 94 per cent of young people aged 15 to 19 complete basic education and 59 per cent complete secondary education (ECLAC, 2014a).

FIGURE 15: CARIBBEAN (8 COUNTRIES): UNEMPLOYMENT RATES AMONG THOSE AGED 15 TO 24 AND THOSE AGED 15 YEARS AND OVER, AROUND 2010 (PERCENTAGES)



Source: ECLAC (2014a), with data from Mónica Parra-Torreda, "Youth Unemployment in the Caribbean", Caribbean Knowledge series, Washington, D.C., World Bank 2014.

FIGURE 16: LATIN AMERICA (18 COUNTRIES): ACTIVITY STATUS OF YOUNG PEOPLE AGED 15 TO 29 WHO ARE NEITHER STUDYING NOR IN PAID EMPLOYMENT, AROUND 2012 (PERCENTAGES)



Source: ECLAC (2014a) on the basis of special tabulations of data from household surveys conducted in the respective countries. Argentina (urban areas) 2012, Bolivia (Plurinational State of) 2011, Brazil 2012, Chile 2011, Colombia 2012, Costa Rica 2011, Ecuador 2012, El Salvador 2012, Guatemala 2006, Honduras 2010, Mexico 2012, Nicaragua 2009, Panama 2011, Paraguay 2011, Peru 2012, Dominican Republic 2012, Uruguay 2011 and Venezuela (Bolivarian Republic of) 2012.

located predominantly in urban areas. According to household surveys, 55 per cent are dedicated to care and unpaid domestic work, which is the main reason they drop out of school early in a context of unequal access to care services. Meanwhile, 15 per cent of young people are not in education or employment, for which surveys are unable to provide a clear explanation.<sup>23</sup> This group comprises young people with lower incomes who are particularly vulnerable to social exclusion and participation in gangs and other organized forms of urban violence, the incidence of which has risen in recent decades resulting from poor social inclusion of young people (ECLAC, 2014a).

### Gender equality in cities

Women contribute significantly to the development and growth of cities. However, they face persistent inequalities in terms of access to decent jobs, quality services, safety and representation in decision-making processes. Despite the increased urban employment rate for women, significant gaps remain in terms of their economic situation and vulnerability to poverty, partly as a result of unequal access to public services, including care (ECLAC, 2010; ECLAC, 2014c).

The economic vulnerability of women also has housing policy implications. The number of female heads of households rose in the region, from 20.2 to 33.7 per cent of urban households between 1990 and 2010, with Brazil registering the largest increase (20 to 38 per cent), followed by Southern Cone countries and Costa Rica. There is a higher prevalence of female heads of households in the lower income quintiles, a phenomenon also seen in the Caribbean (see Habitat III national reports for Barbados and Jamaica), which emphasizes the need to consider the issue in inclusion policies (ECLAC-UNICEF, 2014). It is also important to promote interventions that protect housing tenure for separated women, such as the Brazilian programme Minha Casa, Minha Vida [My House, My Life] (UN-Habitat, 2013a).<sup>24</sup>

The barriers that affect women's economic vulnerability draw attention to the importance of integrating a gender perspective in municipal plans, taking into account the design of services and public spaces and the high female participation in informal trade in public spaces, which often lack adequate services (IPEA, 2015). It is also important to emphasize the need for safe transport for women and public transport services that consider differentiated mobility patterns between men and women, given the diverse employment patterns and the greater dedication of women to domestic work (UN-Habitat, 2013b).

### Ethnic diversity and urban inequality

By definition, the city is a space of diversity, in particular given the cultural, ethnic and linguistic diversity of the region. At least 670 indigenous peoples, representing between 30 and 50 million people (ECLAC, 2006), and more than

<sup>23</sup> Possible explanations include seeking employment for the first time, being permanently incapacitated to work, or being in unpaid domestic work.

<sup>24</sup> According to the "Minha Casa, Minha Vida" programme, in divorce cases women maintain property titles without differentiating between official marriages and stable unions. In its first phase, 80 per cent of contracts have been granted to female-headed households (UN-Habitat, 2013).

## BOX 8: WOMEN IN THE CITY: OMISSIONS AND UNDERVALUING

Gender relations are reflected in urban spaces, which in turn mirror those relations (Falú, 2009).

- Women are absent in urban and housing decisions.
- Omission of gender reveals that women are undervalued.
- Policies have androcentric bias.

How do such omissions affect city planning?

The right of women to the city is a theoretical and political category that encompasses a series of rights and refers to the use and enjoyment of the city, its spaces and public goods. The inclusion of women requires making changes in logic, recognizing their demands and not diluting them in the concept of family.

- Urban goods are not equally accessible, and respond to inequalities.
- Women suffer discrimination and are not considered equal to men.
- Women face greater inequality and vulnerability; not by their “nature”, but because of the “causes” of their circumstances and the patriarchal culture.

We accept diversity, so equal opportunities appear to be insufficient as their adoption does not guarantee equality (Natanson, 2016). We have learned about the importance of instruments to promote gender equality.

In Latin America, a region of paradoxes (according to ECLAC (2012–2014), its GDP grew by 4.3 per cent), democratic processes are becoming consolidated, while inequality is deepening. Poverty has fallen in the past decade from 45.6 to 25.4 per cent, but risen among women, particularly those who are the sole breadwinners (38 per cent of poor households and 43 per cent of those living in extreme poverty). Poverty is not only economic: it also affects rights, education, health, services, security and accessibility. Economic participation of women rose from 42 to 52 per cent, but they still make up the majority of the unemployed and receive lower wages than men at every level. Domestic work accounts for 11.5 per cent of female employment (ECLAC, 2015e), 71 per cent of young women who do not work or study are engaged in unpaid domestic work (ILO 2013), and the poor have twice as many children as the rich. Differences are even more pronounced among the black and indigenous population.

The overburden of work for women is also paradoxical, given that they work more, devote more time to unpaid work and more hours to work in total (ECLAC, 2011a:44), and they are becoming poorer than men. They are the carers par excellence and the scarcest good in their lives is time. The sexual division of labour exacerbates the lack of time, starting with the stereotype of men as the sole breadwinners, which is not in line with reality for millions of Latin American women. According to the National Institute of Statistics and Geography of Mexico (INEGI, 2014), in 2010 women of working age worked 23 hours a week more than men, considering total working time (paid and unpaid).

To enable women's autonomy, inclusive public policies are needed to ensure proximity services, child care, transport services and less violence, prioritizing the collective rather than the individual and ensuring quality, safety and affordability. To avoid omitting women from planning, we need to know who they are, what they have, where they live and how much violence they fear or suffer simply because of their gender.

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133 million people of African descent live in Latin America and the Caribbean. Almost a quarter of the population of Latin America are Afrodescendants and Brazil has the second largest Afrodescendant population in the world, after Nigeria (PERLA, 2013).

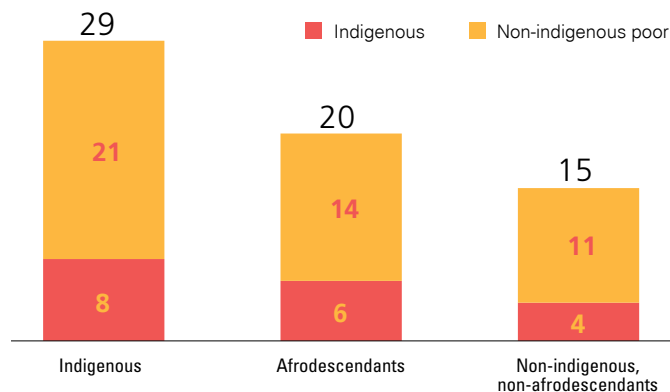
The presence of indigenous and Afrodescendant populations in cities is not a new phenomenon; in some countries, it even has an urban component. For example, 90.1 per cent of the Afro-Ecuadorian population lives in urban areas (MIDUVI, 2015). However, it is only in recent decades that Latin American countries have begun to collect ethnic data in censuses, thus allowing the analysis and growing recognition of the significant ethnic dimension of inequality (Telles, 2014). Considering only the Afrodescendant population (*pretos* [predominantly African in ancestry] and *pardos* [predominantly European, with African or Native American ancestries]), Brazil's Human Development Index would rank 103 in the world, while if only the white population were considered, the country would rank 66 (Federal University of Rio de Janeiro Laboratory of Economic, Historical, Social and Statistical Analysis of Race Relations, 2013).

Fifty per cent of the region's indigenous population lives in cities, in many cases in a context of segregation (ECLAC, 2014a). In addition, the urban indigenous population is between 20 and 30 per cent poorer than the rest of the urban population, and on average has four years of schooling. The urban indigenous population tends to live in worse housing conditions than the urban poor, with more overcrowding, poor housing conditions, insecure tenure and forced eviction, and reduced access to basic services (UN-Habitat, 2011a).

The recognition of autonomous regions of Nicaragua, the indigenous municipalities in Oaxaca (Mexico), and the Brazilian *quilombos*,<sup>25</sup> among others, are expressions of this recognition that often overlaps with or territorially delimits urban areas. The overlapping of rights, especially territorial rights (tenure of land and natural resources), is not a minor issue, especially in countries with high indigenous participation in small cities (Belize, Bolivia, Brazil, Ecuador, El Salvador, Guatemala, Honduras and Paraguay).

<sup>25</sup> Quilombos (South America, in particular Brazil) and Maroons (Caribbean) refer to independent settlements, made up of Afrodescendants who escaped from forms of slavery and formed communities.

FIGURE 17: LATIN AMERICA (8 COUNTRIES): INDIGENOUS, AFRODESCENDANT, NON-INDIGENOUS AND NON-AFRODESCENDANT POPULATION, BY POVERTY STATUS IN URBAN AREAS, AROUND 2011



Source: ECLAC (2015e), on the basis of special tabulations of country household surveys. Weighted average of Bolivia (Plurinational State of), Brazil (2011), Chile (2011), Ecuador (2011), Mexico (2010), Paraguay (2011), Peru (2011) and Uruguay (2011).

The dynamics of intraregional migration is a new source of diversity in cities. Between 2000 and 2014, foreign migration dropped, while intraregional migration grew. Most of the immigrant population (about 7.6 million people around 2010) comes from other countries in Latin America and the Caribbean (ECLAC, 2014d).<sup>26</sup> The main destination countries for intraregional migration are Argentina, Costa Rica, the Dominican Republic (where more than 80 per cent of immigrants are from Haiti) and Venezuela.<sup>27</sup> In the Caribbean, the main receiving countries are the Netherlands Antilles, Guadeloupe and Martinique (ECLAC, 2014d). In many cases a residential grouping is observed among intraregional migrants in central areas of cities, owing to their proximity to service sector jobs, which are usually located in these urban areas, and the creation of support networks. Despite the central location of such communities, living conditions are often precarious and they face a higher risk of labour exploitation; for example, São Paulo, Brazil, is a major destination of undocumented migrants in the region (Silveira, 2013).

## Conclusions

It is important to address urban inequality and its various facets with comprehensive solutions that involve multiple sectors and different levels of government and include sustainable financing. Links should be established with national social policies aimed at improving public services, increasing contributory pensions and strengthening care systems, and

<sup>26</sup> In many countries of the region, the population living outside their own country continues to make up a large proportion of the population. For example, 29.4 per cent of the population in Jamaica and 22.4 per cent in Trinidad and Tobago live outside their country of origin (ECLAC, 2014d).

<sup>27</sup> Destination countries include Argentina from Paraguay, Venezuela from Colombia, Costa Rica from Nicaragua and Dominican Republic from Haiti. A total of 76 per cent of migrants are young (15–65 years) (ECLAC, 2014d).

poverty reduction programmes such as conditional transfers.<sup>28</sup> However, it is also important to consider interventions that directly affect the urban environment, such as local employment development and creation, investment in facilities, inclusive land policies and housing policies as tools for social inclusion (CAF and UN-Habitat, 2014; Bonomo and others, 2015).

## B. From an unequal and segregated city to a fair and integrated city: access to quality housing, facilities and services

Despite the significant achievements made in reducing the housing deficit and in promoting the right to the city and the social function of property, there are still considerable barriers to accessing housing and urban land, thus contributing to the persistence of informality and the pattern of segregation in cities.

### Housing deficit

The rapid urban growth experienced by the region in the second half of the twentieth century has not been accompanied by a planning process that ensures equitable access to housing (Bonomo and others, 2015). Many households in the region still face significant barriers to accessing formal housing. In Latin America and the Caribbean, the relationship between real estate prices and income can be, on average, up to three times higher than that observed in the United States of America, while mortgage interest rates are much higher in the region than the average observed in OECD countries (Blanco and others 2014).<sup>29</sup> Formal market conditions and the prevalence of high vulnerability to poverty and informal employment (which limits access to mortgage loans) mean that the formal housing market is inaccessible to many households and does not encourage the private sector to participate in the provision of housing for the poorest sectors, and even less so in adequate locations.

Nearly 40 per cent of households in the region suffer from some degree of housing deficit (Bouillon, 2012). In turn, there is a great deal of heterogeneity between countries and the qualitative deficit is significantly higher than the quantitative deficit (UN-Habitat, 2015a; Bouillon, 2012),<sup>30</sup> which underlines the importance of diversifying housing policy instruments, including the

<sup>28</sup> Brasil-Bolsa de Familia, Chile Solidario, Ecuador-Bono de Desarrollo Humano, El Salvador-Comunidades Solidarias Rurales, México-Oportunidades, Panamá-Red de Oportunidades, Paraguay Abrazo, Perú Juntos, Argentina-Asignación Universal por Hijo.

<sup>29</sup> Nominal rates of 11.4 per cent and real rates of 8.1 per cent in the region, versus an average of 4.3 per cent nominal and 3.2 per cent real in OECD countries (Rebucci and others, 2012).

<sup>30</sup> Housing deficit refers to the gap between housing requirements and availability. ECLAC defines "housing deficit" as the difference between adequate housing, in relation to the needs of its population, and the quantitative deficit in consumer housing units that do not have a dwelling for their exclusive use and can be measured as the difference between the number of dwellings and the number of consumer housing units (ECLAC, 1996: 19). The qualitative dimension of the deficit is related to quality gaps in housing attributes (ECLAC, 1996), i.e. gaps in constructive features of housing and materials (roof, floors, walls, etc.), in living space (overcrowding) and in the quality of access to services (water, sanitation, electricity, etc.).

### BOX 9: LIVING IN LATIN AMERICA AND THE CARIBBEAN: HOW PRECARIOUS NEIGHBOURHOODS TURN INTO OPPORTUNITIES, AND HOUSING BECOMES A MAJOR CHALLENGE

Owing to rapid urbanization, precarious and informal settlements experienced unrestrained expansion that lacked maps, land registers and structured public policies, leading to serious social, environmental and economic problems as a result of inequality and segregation.

However, because some of the precarious housing and neighbourhoods in cities were located in central areas, they offered an opportunity to improve the quality of life of the poorest inhabitants. IDB (2013) has recognized the importance of urbanization for the development of Latin American societies, highlighting the reduction in poverty and destitution rates, as well as improvements in health and education rates, increased life expectancy and recognition of rights and citizenship. The rate of urbanization in Brazil, for example, rose from 45 to 84 per cent between 1960 and 2010, thus reducing inequalities in several areas, in particular health, education, gender, housing, employment and public services (Arretche 2015).

Several Governments in the region are developing highly social urban policies with a vision of an integrated city of neighbourhoods and homes and based on wealth redistribution, access to land and heritage, and natural disaster risk mitigation.

The “Quiero mi Barrio” programme was established in Chile in 2006 and an urban policy council was created in 2014 with interministerial representation from civil society, universities and the private sector, while in Mexico, subsidy targeting mechanisms are being developed that stimulate the production of housing in areas that are better located within the urban infrastructure network, based on a model of points and compensation for the provision of urban services.

From 2007 to 2009, Brazil implemented the Growth Acceleration Programme, known as “PAC Favelas”, and the “Minha Casa, Minha Vida” housing programme, two national neighbourhood development programmes based on income-focused subsidies and financing that cover approximately 6 million families (PAC, 2015). Colombia, with Medellín as a model, is in the process of designing and agreeing on an inclusive and structured national urban policy based on city systems, stimulating sustainable and equitable urban planning and development.

Municipal governments are proactively taking on a greater role in introducing inclusion and social and economic development variables, which is managing to reverse socio-spatial segregation by creating new housing and revitalizing existing stock through sectoral policies for the integrated development of cities. This has been achieved by adopting regulatory instruments, institutional measures and innovation, and primarily by strengthening governance that encourages all sectors to take part in urban policy implementation.

Such policies require subsidies, which represent an obstacle between the cost and the purchasing power of the lower income population, which has an impact on the fiscal capacity of Governments. Other challenges to policy implementation are the price of land and real estate market dynamics; macroeconomic fluctuations and their implications for employment, income and tax revenues; structural problems, such as obsolete legal and regulatory frameworks, and capacity gaps of the public and private sectors and non-governmental agencies; and expansion of studies and research aimed at innovation and cultural transformation that reflect a better understanding of housing opportunities as a key to achieving sustainable urban development focused on welfare and social development, which are considered pillars for equitable economic development.

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promotion of housing improvement, expansion and rehabilitation plans (UN-Habitat, 2015a). Meanwhile, informal settlements and houses outside urban centres are characterized by a qualitative deficit in services and transportation connections (Blanco and others, 2014).

The lack of maintenance of existing public and private housing and urban stock reveals a new form of housing instability.<sup>31</sup> Physical instability is partly the result of mismanagement of condominium dwellings in a context in which nearly 80,000 condominiums are being built per year (World Bank, 2015). Not all countries in the region have condominium acts that clearly define duties and rights of occupants and the State, resulting in a low awareness of

common space regulations, beyond the individual property of each owner.<sup>32</sup>

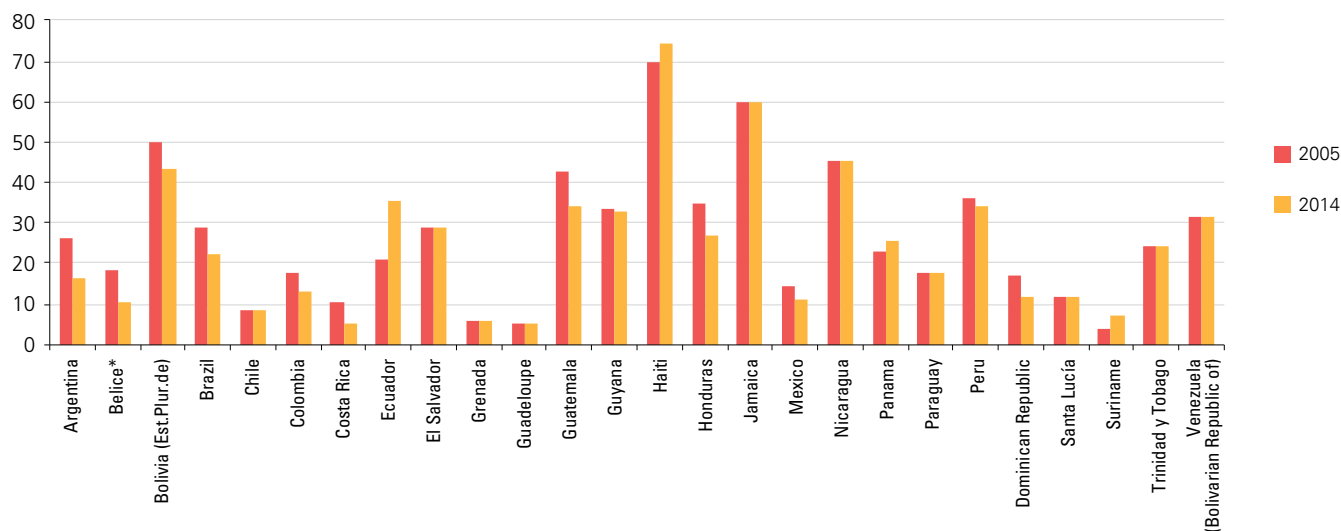
### Informal settlements

Many countries in the region have made significant progress in decreasing the proportion of the urban population living in slums, with a decline at the regional level from 25.5 to 21.1 per cent in the period 2005–2014 (UN-Habitat, 2014). Among the countries that achieved a significant decline in the

<sup>32</sup> In Colombia, Condominium Act 675 obliges the initial owner to form an interim administration, which culminates in the sale of 51 per cent of units. In Ecuador this process is not regulated. Mexican law, as concerns social condominiums, includes a chapter on the condominium culture. The Act stipulates that the PROSOC Federal District Prosecutor's Office must provide residents with “orientation and training on condominiums through courses and workshops, in coordination with housing agencies and other agencies and institutions” [Article 80] (Esquivel 2007). Chile's Co-ownership Act includes a special chapter on co-ownership of social housing, which simplifies the process of requesting subsidies for the improvement of common spaces. Many live in co-ownership without having internalized what it means, among other reasons because the owner registers the property in the Real Estate Registry individually, without knowing how the rest of the built space is regulated (a radical difference from the Apartment Sales Law of 1929, according to which owners simultaneously included the individual and shared property) (Bustos, 2015).

<sup>31</sup> A situation that was anticipated by Ana Sugranyes and Alfredo Rodríguez (2010).

FIGURE 18: LATIN AMERICA AND THE CARIBBEAN (26 COUNTRIES): URBAN POPULATION LIVING IN SLUMS 2005–2014 (PERCENTAGES)



Source: UN-Habitat Global Urban Indicators Database 2014, based on household surveys considering the characteristics of lack of adequate water and sanitation and sufficient space (more than three persons per room or durable housing) \* Belize: Data for 2005 is from 2007.

period are Argentina, Belize, Bolivia (Plurinational State of), Brazil, Colombia, Costa Rica, the Dominican Republic, Guatemala, Honduras and Mexico (UN-Habitat, 2014). However, some countries in the region are continuing to see an increase in the urban population living in slums continues. Data on urban informality are scarce for the Caribbean, but it is estimated that the rate of the urban population living in informal settlements is around 60 per cent in Jamaica and 25 per cent in Trinidad and Tobago (UN-Habitat, 2014). In Haiti there has been a steady and significant increase in the absolute number of people living in slums, a situation that undoubtedly worsened following the 2010 earthquake (UN-Habitat, 2012).<sup>33</sup> In the Caribbean, Barbados stands out positively as there are almost no informal settlements (DESA, 2004), partly as a result of the strict implementation of its Construction Code; the acquisitive prescription initiatives that become effective after 20 years of uncontested peaceful urban occupancy, led by the Ministry of Housing and Lands; and a programme to improve informal areas led by the National Housing Corporation.

Despite those efforts and achievements, it should not be forgotten that nearly 105 million urban dwellers continue to reside in slums (UN-Habitat, 2014). In addition, absolute declines in precarious settlements could reflect mass titling programmes, which solve only part of the problem, leaving qualitative issues at the housing and neighbourhood levels unresolved.<sup>34</sup>

The creation and persistence of precarious settlements is the result of a number of factors. First, high land prices limit access to lower income groups, reflecting the importance of urban and peri-urban land policies, among them the recognition of the public value of land, the definition of areas of social interest, and social investment of funds collected by land value capture mechanisms (Smolka and Furtado 2014). In many cases, as a result of insufficient supply of affordable land, irregular settlements have been established in risk areas.<sup>35</sup> Second, there are zoning rules and regulations that low-income households are unable to follow (Smolka, 2003), and procedures for obtaining building permits are very costly (Bouillon, 2012). Third, public interventions are reactive, partial and insufficient. For instance, the purpose of certain programmes may be merely to award titles or promote incremental building, with scarce technical and financial support, and there may be poor comprehensive intervention monitoring that result in a lack of common property management, in addition to an investment gap between existing deficit and improvements. Fourth, not all public housing policies are adequate in terms of quantity, diversity and access for the poorest segments of the population (some are developed in remote areas, with transport costs that low-income groups cannot afford). Fifth, in some cases, there has been a lack of respect for property rights and a lack of management of overlapping property regimes.

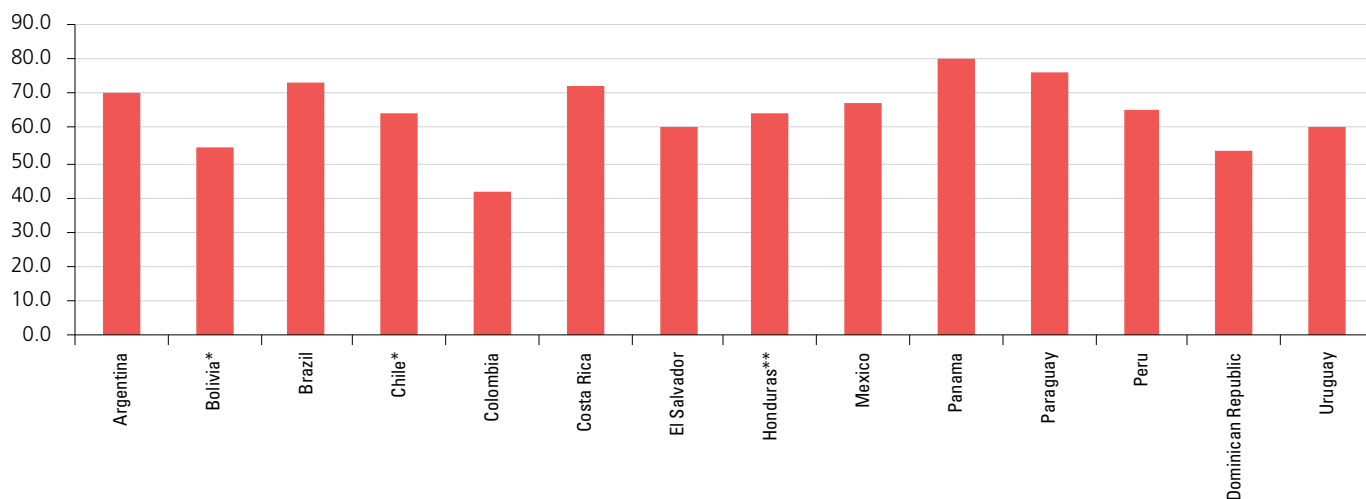
33 The interpretation of the above data must take into account the limitations of measurement, as it is highly dependent on the criteria used. The analysis of the housing situation may differ considerably depending on the indicator considered. See subchapter 6.1 on urban data and informality.

34 Peru through COFOPRI has granted over two million titles in the past 10 years. Dwellings are not included in informality/precariousness estimates after titling, and thus continue to be considered precarious.

35 In Mexico, at the national level, 11 per cent of households in urban areas are located near or on a riverbed, 2.3 per cent are in landfills, caves or mines and 9 per cent are on ravines (Government of the Republic of Mexico, 2015).



FIGURE 19: LATIN AMERICA AND THE CARIBBEAN (14 COUNTRIES): PROPORTION OF URBAN HOMEOWNERS IN 2014



Source: CEPALSTAT 2015 on the basis of special tabulations of the respective countries' household surveys.

\* Data for Bolivia and Chile are for 2013. \*\* Data for Honduras are for 2010.

Despite the housing deficit and informality, about 70 per cent of households in Latin America and the Caribbean currently own their homes, as a result of securitization, regularization and other property-oriented policies in the region.

### Socioeconomic residential segregation

A major feature of Latin American and Caribbean cities is their socio-spatial segregation, which is the result of various factors, such as land market dynamics (e.g. the speculative nature of real estate investment that fixes prices with the anticipation of best probable use), incentives to locate social housing in peripheral areas where land is cheaper, and informal land occupancy in areas where the risk of eradication is lower (Sabatini, 2003).

In general, there has been a concentration of populations of lower socioeconomic and educational levels in peripheral areas (ECLAC, 2014a). However, contradictory trends have been observed in the past decade in terms of residential segregation, particularly driven by social diversification and improved economic conditions in peripheral areas of cities.<sup>36</sup> This is partly because people with higher income levels have moved to these areas in a context of population growth in peripheral areas.<sup>37</sup> However, the movement

<sup>36</sup> For instance, the decline in segregation rates in Brazil is largely the result of socioeconomic improvements in peripheral areas (ECLAC, 2014a:224).

<sup>37</sup> See centre-to-periphery migration data in figure 7 of this report.

of higher income groups to peripheral areas does not automatically give rise to improved social integration. In the context of closed condominiums and the privatization of services, high-income communities can live segregated within low-income areas, partly driven by the perception of insecurity and reinforced by public space privatization (Caldeira, 2000).<sup>38</sup> In the Caribbean, data are not always available to analyse changes in socioeconomic residential patterns. However, in some cases a higher concentration of low incomes may be observed in central urban areas (Barbados, Draft Habitat III National Report, 2015).

In many cities in Latin America and the Caribbean, central areas continue to lose population (ECLAC, 2014a), although there are some exceptions such as Santiago de Chile, where urban density in the centre has risen (infilling) in recent years as a result of real estate investments (Poduje and others, 2015). Investment in central areas can foster more social diversity, but may also give way to gentrification and the expulsion of low-income residents (Janoschka and Sequera, 2013), which emphasizes the importance of considering equality in discussions on promoting investments and densification in central urban areas. The Neo-Cité project of the municipality of Santiago in Chile broke the pattern of locating social housing in the periphery, instead investing in social housing in the city centre and including the repair of historic social housing condominiums in the area.

<sup>38</sup> A worrying manifestation of the quest for exclusivity is the rise in income segregation between public and private schools, which threatens future distributive dynamics and social cohesion in the region (ECLAC, 2014f).

Segregation can result in disparities in local incomes and, without mechanisms for transferring resources between municipalities, there is a risk of polarizing urban infrastructure, equipment and services standards (ECLAC, 2014a). Such polarization is deepened given the lack of policies that regulate the location, coverage, access and continuity of infrastructure, equipment and services according to deficit and demand, users' payment capacity, and a lack of incentives for more substantial private investments (CAF, 2011; ECLAC, 2014a). Few studies at the city level describe and analyse polarity in urban standards within and among cities, and define equitable investment criteria. The initiatives of Medellín, through its social urbanism model, and the Strategic Development Plan of São Paulo are encouraging exceptions.

### Public management in housing and urban equity

The region has considerable experience of coming up with alternatives for increasing access to housing and land by lower-income segments. Recognition of the right to adequate shelter in the agenda of the second United Nations Conference on Human Settlements (Habitat II) has also deepened public policy efforts to widely improve access to housing (UN-Habitat 2015a). Many countries have learned from the weaknesses of the predominant models of recent decades, based on a concept of housing as a good provided by markets (the "saving, bonus and credit" model). Policies and programmes have been developed that recognize the right to the city and the social function of property and consider social housing to be a comprehensive social inclusion and protection mechanism (Bonomo and others, 2015), recognizing the impacts of access to housing for well-being, quality of life, adaptability to changing circumstances, access to economic opportunities and vulnerability to natural disasters, among others (Bouillon, 2012). Strategies begin to go beyond the production and financing of formal housing, encompassing regulations and instruments for the production of affordable land and more comprehensive solutions for public housing investments (Bonomo and others, 2015).

### Housing policy based on new housing, saving, bonus and credit schemes and private sector participation

In the past two decades, Governments have shown a preference towards the implementation of demand-driven subsidies, with a focus on the final purchase of new homes and with the participation of the private sector. Access to housing is based on the saving, bonus and credit model, which has grown in popularity since the 1990s, particularly in Brazil, Chile, Colombia, Ecuador, El Salvador and Peru. The result has been a high production of low-cost housing, generally located in the outskirts of cities, which has contributed to a drop in the quantitative housing deficit. Despite these achievements, however, the saving, bonus and credit model has not always been able to assist more vulnerable households that do not qualify for saving and credit components, which is a major challenge given the high level of informal employment in the region (Bonomo and others, 2015). The dynamics of land prices mean that such homes are often built in remote areas where land is cheap, but access to facilities and good connections is limited, thus deepening the socioeconomic segregation pattern (ECLAC, 2014a; Sabatini, 2003).

In some countries, developments have contributed to the abandonment of social housing. In Mexico, 5 million homes are abandoned, which corresponds to 14.2 per cent of the country's housing stock and up to 20 per cent if uninhabited temporary dwellings are considered (Sánchez and Salazar, 2011).<sup>39</sup> Housing abandonment is caused by a lack of services (38 per cent), distance from work (31 per cent), living space instability (10 per cent), financial reasons (10 per cent) and insecurity (3 per cent) (UN-Habitat, 2011b).<sup>40</sup>

<sup>39</sup> Brazil, Chile and Venezuela also report high rates of uninhabited houses (9.02, 9.6 and 7.7 per cent of total housing units, respectively) [not necessarily of social interest] (López Moreno, 2014).

<sup>40</sup> This mismatch results in the loss of the main assets of households as well as of the allocation of public expenditure, in addition to generating losses for construction and real estate companies (CIDOC and SHF, 2014).

#### BOX 10: PRODUCTIVE AND SUSTAINABLE HUMAN SETTLEMENTS (APUS) PROGRAMME

Shortcomings in planning and urbanism and deficient basic services can lead to social precariousness and, when tied to situations of inequality, generate coexistence and insecurity problems in Latin America and the Caribbean. In response, three United Nations agencies (UN-Habitat, United Nations Industrial Development Organization (UNIDO) and UNDP, 2013) developed an innovative programme within the framework of the Spanish Fund for the Millennium Development Goals. Through the Productive and Sustainable Human Settlements (APUS) programme, Central American cities sought effective responses to poverty and exclusion through a pioneering method of urban, economic and social integration within the framework of a project to solve the qualitative deficit in housing and neighbourhoods. The programme, developed in the municipalities of Santa Tecla and Apopan, El Salvador, sought to change conditions in precarious, historically segregated settlements using social, organizational and economic actions and measures to improve the conditions of homes and neighbourhoods. The aim of the programme was to fully integrate and restructure settlements within their surroundings, including land tenure and access to credit. Among the positive impacts achieved, 750 families benefited from land regularization and property tenure. A capillary effect on national policy was also achieved, with seven bills on territorial development, development banking, housing and construction regulations. Strategic alliances were also forged between public and private financial institutions, suppliers of inputs, goods and services, designers and builders. The programme has contributed to the expansion of the construction sector and social housing market, poverty reduction, more decent work and improved incomes.

Source: UN-Habitat Regional Office for Latin America and the Caribbean

### BOX 11: ACCESS TO HOUSING PROGRAMMES FOR VULNERABLE AND POOR POPULATIONS

Brazil: the Minha Casa Minha Vida programme made 2.4 million housing units available between 2009 and 2015, which benefited 9.2 million people. The programme will continue to invest in the housing needs of low- and middle-income people until 2023. The intervention has been conceived as a strategy to restore social liabilities related to the accumulated housing deficit and to meet future demands, in addition to being a source of economic stimulus (Ministry of Cities of Brazil, 2013 and 2015).

Chile: the Solidarity Fund for Housing and D.S. 49 is based on the assumption by the State that a significant segment of the population cannot afford to pay for and, therefore, cannot and should not access real estate credit. The State can charge up to 98 per cent of a housing unit. The programme supports the purchase of new or used housing, the construction of new homes, building densification and social integration projects for residents of various income quintiles (Sicliari, 2012).

Colombia: the 100,000 Free Housing Programme was launched in 2012, ending the accumulated quantitative deficit among the poorest segments of the population (preference being given to groups displaced by guerrillas or natural disasters). Projects are nominated by the real estate sector and assessed by the Ministry of Housing, Cities and Territories, and land is contributed by city councils (Bonomo and others, 2015).

Peru: in 2005, a proposal was made to significantly increase subsidies. The goal was to buy, build or improve up to 120,000 housing units annually. Through the Techo Propio Programme, the most vulnerable groups are allocated a subsidy (family housing bond) of 40 to 90 per cent of the house price. In addition to the improvement of subsidies to boost demand, a decree has been passed that promotes the allocation of lots urbanized by the Official Organization for the Registration of Informal Property (COFOPRI) to non-owner applicants in areas previously selected and urbanized by the State. This has brought the regularization of previously occupied lots to an end, and led to city expansion planning and the control of pirate housing developments and speculation (World Bank, 2015; El Peruano, 2015/23 September).

Source: Prepared ECLAC, 2016

### Improving access to housing for the poor and implementing social housing programmes

The goal of these interventions is to foster participation of the poorest segments in the formal housing market and improve the saving, bonus and credit models. Strategies include changing savings requirements, eliminating mortgage credit components and increasing subsidies or state bonds in financing schemes. In addition, many programmes have focused on vulnerable groups, such as the elderly, female heads of household, indigenous groups, displaced persons and people with disabilities (Bonomo and others, 2015).

As a counterpoint to policies that involve private developers in social housing provision, it is important to highlight policies that facilitate social habitat production, such as housing cooperatives. Cooperatives enable families to manage their own housing solutions and take on a more central role in project planning and collective construction of housing. In the past decade, several Latin American and Caribbean countries have developed strategies to help vulnerable sectors to access cooperative models, including through technical assistance, project and construction management, more subsidies and control over interest rates (Bonomo and others, 2015). Uruguay is the country with the most experience in that regard, since it has been applying the model for over 40 years, prioritizing the cooperative system in public resource allocations since 2010 (Nahoum, 2012). In addition, since the 2000s, several countries, including Argentina, Bolivia (Plurinational State of), Paraguay, Venezuela (Bolivarian Republic of) and, above all, Central American countries have adopted the model with the support of Uruguay, which has shared its knowledge and experience (Bonomo and others, 2015).

### Comprehensive neighbourhood recovery

Neighbourhood recovery programmes are mainly aimed at improving the quality of life of people living in slums and informal settlements, beyond granting property titles (Bonomo and others, 2015). Plans to improve existing settlements recognize that the urbanization process in Latin America and the Caribbean has been largely characterized by informal and social production of housing and habitat. Two lines of intervention stand out in the region: informal neighbourhood recovery programmes, and consolidated neighbourhood recovery programmes.

In the context of informal neighbourhood recovery programmes, comprehensive interventions are based on the recognition of the multidimensional nature of poverty, going beyond granting property titles or facilitating physical and infrastructural improvements by introducing community strengthening measures and training. In Brazil, the Growth Acceleration Programme - Urbanization of Precarious Settlements, or PAC-Favelas, is aimed at urbanizing informal settlements, and Morar Carioca is a continuation of the Favela Barrio programme, but with a stronger emphasis on comprehensive urbanization, spatial planning of favelas, public space works, etc. In the northeast, the Ribeira Azul programme stands out for its scale, community emphasis and expansion from focusing on local intervention to becoming a State-wide programme (Cities Alliance, 2008). Changes have also been made in urban legislation in Brazil whereby land regularization has become mandatory in housing policies, and sanitation must be included in regularization interventions in informal settlements (IPEA, 2015). The Government of Colombia, in the framework of the Comprehensive Neighbourhood Recovery Programme, gives technical assistance to territorial bodies to manage cooperation and credit resources with multilateral banks to provide financing. The Comprehensive Neighbourhood Recovery Programme

in Medellín and the mass land titling programme are aimed at dwellings in informal settlements with comprehensive recovery possibilities (Vergel, 2010). Programmes targeting consolidated and formal neighbourhoods suffering from physical and social deterioration include the Promeba II Programme in Argentina; Mora Melhor [Live Better] in Brazil; Mejorar lo Construido [Improve What's Been Built] in Colombia; the Housing Action Foundation (FuPROVI) in Costa Rica; the Housing Improvement Programme of Mexico City; the Neighbourhood Improvement Programme of Panama; and the Neighbourhood Programme of Chile (Bonomo and others, 2015).

### Land production strategies

Significant progress has been made in the region through strategies that go beyond the provision of housing or infrastructure and that, based on urban regulations that recognize the social function of property (Statute of the City of Brazil 2001 and the Urban Reform of Colombia 1989), apply urban planning and land management tools to facilitate urban inclusion. Three lines of action have been addressed: generation of urbanized land for precarious settlements, control of speculative practices and social real estate development.<sup>41</sup>

- a. Generation of urbanized land for precarious settlements: the National Housing Policy, adopted in Brazil in 2005, grants special concessions for housing use, known in Brazil as *posse, usucapião* (acquisitive prescription) and declares special areas of social interest in areas already occupied by informal settlements and in empty areas to which settlements at risk can be transferred (special zones of social interest) and that automatically grant residents of those areas special urbanization and tenure security privileges. Colombia has developed land banks (urbanized by the State and sold to private developers with social housing quotas), including Metrovivienda. In the framework of urban development investments, other instruments define mandatory land quotas for social housing.
- b. Control of speculative practices: Brazil has implemented obligatory use of vacant land, compulsory re-parcelling and construction, or compulsory construction alone; progressive tax for underutilization of well-located properties; and expropriation. Meanwhile, Colombia controls real estate speculation through partial plans for anticipated planning of city and deteriorated area expansions.
- c. Social real estate development: in general, all financial instruments capable of generating returns of public interest in exchange for special urban land use and occupancy privileges as in Brazil, with respect to construction rights (*Outorga Onerosa do Direito de Construir*), urban consorted operations (*Operação Urbana Consorciadas*) and potential additional construction certificates, constitute a method of using private funds to finance public investment through rezoning processes and building permit auctions.

### Investment in inclusive facilities and services

One of the main challenges of urban equity is differentiated access to equipment and services, including transport connectivity, considering that in many metropolitan areas lower-income citizens tend to have longer commutes from their homes, which are located outside centres of economic activity (IPEA, 2015). Significant investments have been made in the region, such as metrocabes in Caracas, El Alto, Medellín and Rio de Janeiro to improve connectivity within precarious neighbourhoods and with the rest of the city. However, it is important to invest in services and facilities within communities, rather than connecting them to better-served areas. In this context, it is worth emphasizing the social urban planning interventions focused on promoting social change through urban transformations and investments in vulnerable areas (see box 14] (UN-Habitat, IDB, ACI, 2011).

### Policy proposals

Many urban inclusion initiatives are under way in Latin America and the Caribbean that recognize the multidimensional nature of urban inequality, offering comprehensive solutions and instruments that focus on structural urban inequality issues. Some additional considerations on initiatives to address urban inequality are offered below.

### Diversifying housing supply and rental policies

The needs of various groups, such as the elderly, female heads of household and low-paid young workers should be considered in the design of housing supply. Some examples are rental programmes for young people, senior housing programmes, community houses for female heads of household, etc.

The focus on promoting home ownership is not always the best or only strategy for all groups. The low penetration of rental policies in the region in comparison with OECD countries is striking, given that the promotion of rental housing can help to prevent the over-indebtedness generated by home ownership, facilitates greater mobility and thus allows better adjustment of labour supply and demand (living in poorly connected areas limits employment options), and can provide a better response to the housing needs of young families or students (Blanco and others, 2014).

A well-designed rental policy that focuses on the target group, does not exclude other public housing programmes and has adequate regulation to protect landlords can reduce residential segregation, boost social integration and balance density within the city, as rental programmes can stimulate the construction of high-density complexes in a city's consolidated areas. The few initiatives in the region to promote access to rental housing include the *Subsidio Arriendo Joven* [Youth Rental Subsidy] programme in Chile, *Alquiler se Puede* [You Can Rent] in Buenos Aires and the National Rental Policy in Uruguay.

41 Or generation of normative regularization and in situ improvement conditions.

## BOX 12: INFORMAL SETTLEMENTS: THE NEED FOR LAND POLICIES FOR LOW-INCOME SECTORS AND RECOGNITION OF A HABITAT'S SOCIAL PRODUCTION

The region is home to 180 million poor people, of whom 125 million live in cities and 113.4 million live in informal settlements,<sup>2</sup> which leads to several human rights violations.<sup>3</sup> This has occurred despite the various housing policies that have been successively implemented since the beginning of the twentieth century and the investments of 2 to 8 per cent of GDP that countries have devoted to social housing programmes.

Policies that emerged from the Washington Consensus have had a significant impact on territorial, urban and housing issues. However, markets have been unable to serve the population below the poverty line, and poverty reduction programmes targeting the poorest segments of the population have not been applied to the housing sector.

Given the situation, low-income populations across the continent have come up with alternatives to accessing housing and habitat, even facing the criminalization of their individual and collective efforts. Between 50 and 75 per cent of living spaces in the world's South are the result of people's efforts. These processes, known as social production of habitat, typically generate living spaces, urban components and homes made under the control of self-producers and other non-profit social stakeholders.

### Recommendations

- States should provide well-located, legal and serviced land for the most disadvantaged sectors, and substantial progress should be made in recognizing land as a human right.
- Statistics should recognize organized social production of habitat, for which policies should provide appropriate instruments and technical support.
- Participatory, housing improvement and comprehensive neighbourhood policies should be implemented.

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## Mitigating and controlling the degradation of existing and future housing stock

In the context of current large-scale housing construction policies and the persistent qualitative housing deficit, it is worth considering the importance of social housing improvement policies and permanent neighbourhood maintenance programmes. Investments are needed to halt the obsolescence and deterioration process, as through the Family Property Protection Programme of Chile. Also required are interventions focused on maintaining and improving the infrastructure and social fabric of social condominiums through community support in their formalization and in the development of improvement and repair projects, as is the case with the social condominium improvement programme in Chile or the *Barrio Mío* [My Neighbourhood] programme in Lima. The latter provides residents with training to protect their buildings and to encourage construction and planning with the participation of the community (Lima Mayor's Office, 2015).

## Mitigating residential segregation and its effects on unequal access to services and facilities

Although segregation remains a central challenge in Latin America and the Caribbean, the following instruments have emerged to address it: generation of land banks with special privileges for social housing construction, especially within the city and in well-located areas; regulation and planning of occupancy in urban outskirts, with real estate developments, services, facilities and a road network designed for the physical extension of the city; creation of a housing supply in line with the possibilities of the poorest

groups, for example through cross subsidization and/or social housing quotas in expensive real estate developments, as in Colombia, and recently in São Paulo with the Solidarity Quota in Consorted Urban Operations, or the La Chimba project that included a social housing quota in the development of a major urban extension in Antofagasta, Chile; and densification of well-served areas with mixed uses (such as metro stations and intermodal connection points).

The effects of segregation can be mitigated by providing poor neighbourhoods with high-quality public facilities, services and spaces, such as the social urban planning investments in Medellín or the CRECE (culture, recreation, education, growth, entrepreneurship) comprehensive facilities projects of Caracas; generating employment and social opportunities in low-income neighbourhoods (CEDEZOS Antioqueños in Colombia); and facilitating access to and provision of services to poor people in rich areas, ensuring neighbourhood connectivity and reducing transportation times through investments in transportation systems, which is the goal of the investments made in the Panama City and Lima metro systems. In this context, a policy of urban redevelopment, based on clear criteria of compactness, connection, integration and social inclusion is highly relevant in national urban policies.

## C. Urban violence and insecurity

### Violence and insecurity in figures

In recent decades, Latin America and the Caribbean has shifted from a scenario of collective violence (in the context of dictatorships and civil wars) to a situation of interpersonal violence, with very high rates of violence at the international

level, which threatens public safety and heightens the perception of insecurity, to the extent that it has become the first public concern in the region (ECLAC, 2014a; UNDP, 2013; CAF, 2014). Over the past 25 years, robberies in the region have tripled (ECLAC 2014<sup>a</sup>, p.142) and Latin America and the Caribbean is the region with the highest homicide rate in the world (more than 21 per 100,000 inhabitants), well above the world average (7 per 100,000 inhabitants) (CAF, 2014). According to the Mexican Citizens' Council for Public Security and Criminal Justice (CCSPJP), 42 of the 50 most violent cities in the world are in Latin America and the Caribbean (CCSPJP, 2016).

There are clear subregional differences. The highest homicide rate is concentrated in Central America, and Mexico has experienced a marked rise in violence in the past decade. In El Salvador, Guatemala and Honduras, urban violence has also reached dramatic proportions and is causing a death toll that is higher than that of conventional armed conflicts (CAF, 2014). There was also a significant rise in homicides in countries with traditionally low levels of crime such as Costa Rica (from 6.3 to 11.3 deaths per 100,000 inhabitants between 2000 and 2010) and Panama (from 9.8 to 20.6 in the same period) (United Nations Office on Drugs and Crime (UNODC)). Many Caribbean countries are also experiencing an alarming rise in violence. In Jamaica in 2009 there were more than 60 homicides per 100,000 inhabitants, and in Trinidad and Tobago the rate rose from 9.5 to 35.6 between 2000 and 2010 (UNODC). As a result, several

countries in the subregion have seen a significant increase in public national security spending (ECLAC, 2008).

Meanwhile, Colombia, a country with traditionally high levels of crime, has seen a significant drop in homicide rates (from 66.5 to 32.3 per 100,000 inhabitants between 2000 and 2010, according to UNODC). In Brazil, the homicide rate remained relatively stable, although national figures hide significant differences in subnational trends (UNODC, 2013).<sup>42</sup> Lethal violence in both countries is still very high in comparison with that of developed countries (less than 3 homicides per 100,000 inhabitants) and other developing regions (CAF, 2014). The Southern Cone is the only subregion where, since the 1990s, homicide rates have dropped (from 10 to 7 homicides per 100,000 inhabitants (UNODC, 2015)). Subregional differences in the incidence of violence are also reflected at the city level, with cities in Central America and the Caribbean registering the highest homicide rates.

Violence and its various manifestations have complex social, economic and institutional roots (e.g., functioning of the judicial system). Violence has an impact on public safety, because it is a particular form of social relationship and mechanism for coexistence (and survival). The contextual factors

<sup>42</sup> Highly divergent subnational trends are observed in Brazil. Between 2007 and 2011, homicide rates fell (29 per cent in the state of Rio de Janeiro and 11 per cent in the state of São Paulo) but rose significantly in the north and northeast (150 per cent in Paraíba and 50 per cent in Bahia) (UNODC, 2013).

## BOX 13: COMPREHENSIVE POLICY ON SUSTAINABLE HOUSING AND URBAN DEVELOPMENT

### Diagnosis

Because of rapid urban expansion, cities in Latin America and the Caribbean are currently facing a number of problems related to housing deficits, transportation, poverty and inequality, insecurity, informality, environmental deterioration, etc. To achieve a comprehensive housing and urban development policy in the region, it is necessary to work with public and private sectors and entities on a comprehensive vision of the city, with supporting plans and programmes.

### Current status

The region's urban development and housing policies are highly diverse, with a large number of sectoral entities that are constantly adapting to political, technological, economic, social and cultural changes, which makes comprehensive planning of cities even more difficult.

In most countries in the region, national housing and urban planning policies are the responsibility of a ministry or secretariat, but links must also be established to transport, infrastructure, communications, environment, education and health, among others. Certain sectors have been partially integrated in some countries, such as the Secretariat for Agrarian, Territorial and Urban Development in Mexico; the Ministry of Housing, City and Territory in Colombia; the Ministry of Communications, Infrastructure and Housing in Guatemala; and the Ministry of Cities of Brazil, the most emblematic, which integrates housing, sanitation, transport and urbanism sectors.

Also recognized is the need to involve private actors and the community, two examples being the Council of Cities in Brazil, and the National Council for Urban Development in Chile.

### Recommendations

Create national, regional or State governing bodies that manage the development of sustainable cities, from the social, economic and environmental spheres. Cities with decent housing, equipped with adequate infrastructure and facilities, access and transportation, commercial areas, industry, education, health, sports and cultural activities, among others.

Create national councils for housing and urban development, with the participation of the business sector, related public entities, non-governmental organizations, professional associations and universities, trade unions and civil associations, etc.

Author: Ramón Santelices. Inter-American Housing Union (UNIAPRAVI)

of violence in the region include drug trafficking routes to rich consumer markets (North America and Europe), the violent impact of which can be seen in border and production areas (FLACSO, 2015).<sup>43</sup> Microtrafficking for local consumption is also on the rise (UNODC, 2015), and there is an increasing prevalence of cheap and highly addictive substances (crack, paco) that have an impact on urban areas where they are consumed (Rigacci and others, 2014).<sup>44</sup> Another phenomenon linked to drug trafficking and other crimes is gang-related violence, with a particularly alarming presence in Central American countries. According to UNODC (2013), 30 per cent of homicides in the Americas are associated with gang violence, which contrasts with the rate of 1 per cent observed on other continents. Gangs constitute a public safety threat, and in the most severe areas can end up controlling most aspects of life. Added to this are other illegal forms of wealth redistribution and the capturing of the local public administration by illegal actors (De Leon Beltrán and others, 2010).

### Violence and the faces of inequality

It is important to note the links between violence and inequality, as several cities in the region recorded a decrease in their rates of violence in parallel with a reduction in inequality; a phenomenon that is not observed when only

<sup>43</sup> In contrast with the downward trend in cocaine abuse seen in other parts of the world, South America recorded a rise in consumption (from 1.84 million to 3.34 million users) between 2010 and 2012 that accounted for three times the global average consumption level (UNODC, 2015).

<sup>44</sup> Crackland in São Paulo is an example of the increase in crack users in Brazil, which has the highest number of crack cocaine users after the United States of America (Rigacci, 2014).

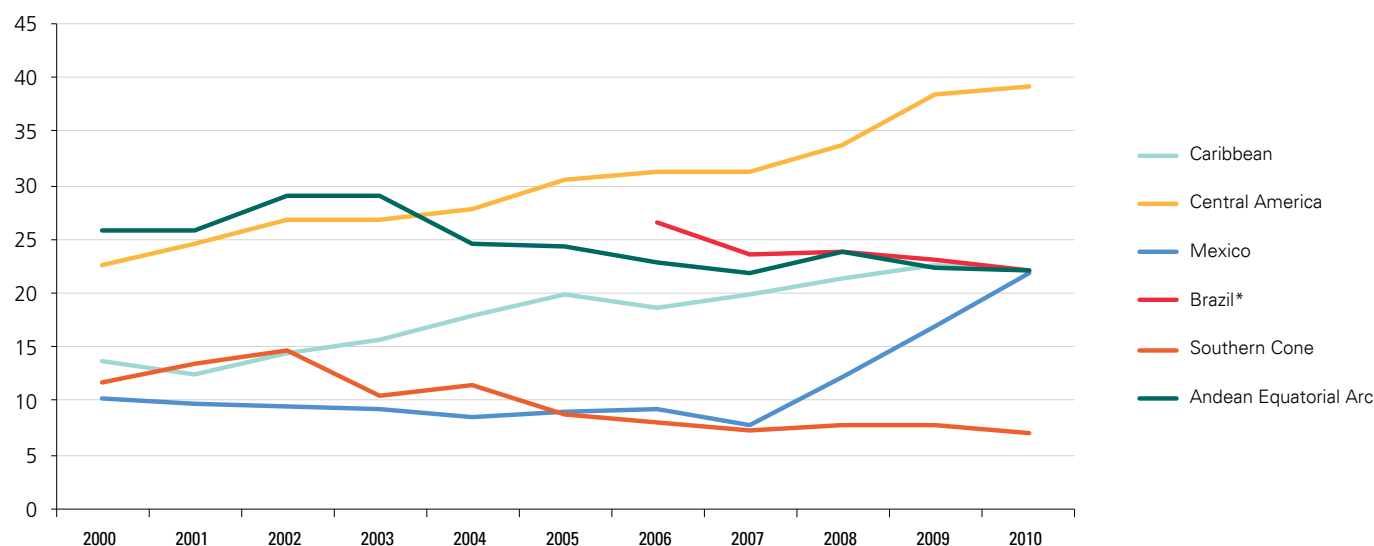
poverty is reduced. For cities like Belo Horizonte, Bogota, Recife and São Paulo inequality declines (according to income) in line with homicide rates. Similarly, in Brasilia and Curitiba, when inequality rises, so do crime levels (UN-Habitat and CAF, 2014).

Violence has a variety of impacts on urban inequality. Victimization rates reproduce patterns of ethnic inequality; for example, in Brazil the homicide rate for Afrodescendant victims is much higher than that of the population as a whole (IPEA, 2015)<sup>45</sup> and Afrodescendant crime victims are less likely to report such crimes to the police (IPEA, 2012). This points to an ethnic differentiation in the perception of and trust in public security agencies, a racial discrimination challenge that was recently highlighted by the United Nations Special Rapporteur on Human Rights in the framework of the International Decade for People of African Descent (2015–2024) (OHCHR, 2016). Young people are the most affected by violence: the death rate in the region from interpersonal violence is highest in the 15–29 age group and intentional and unintentional violence is the leading cause of death in the population aged 15–50 (ECLAC, 2014a).

In the region, homicide victimization rates of men are higher than those of women. However, women experience higher rates of domestic violence and

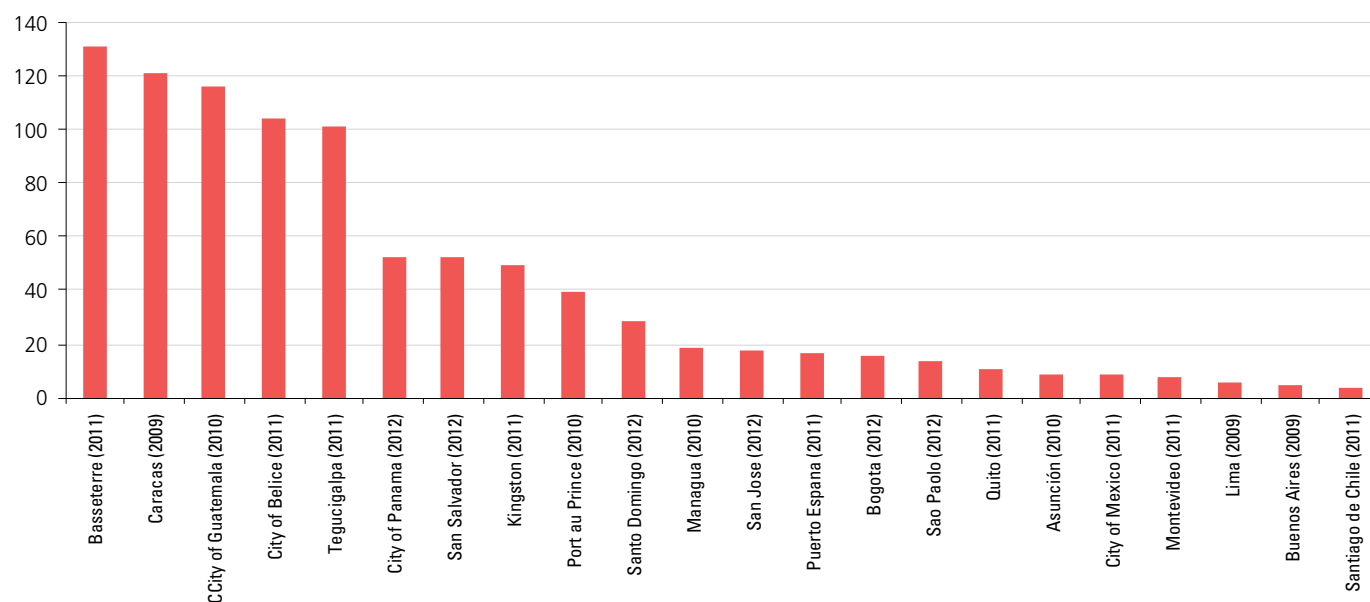
<sup>45</sup> In São Paulo, the homicide rate for young black and pardo people (aged 15–24) was 31.59 per 100,000 inhabitants, whereas the rate for young white people was 17.23 per 100,000 inhabitants (Prefeitura de São Paulo ObservaSampa, 2010). The national homicide rate for afrodescendants (black and pardo) rose between 2002 and 2010, but declined for white people (IPEA, 2015).

FIGURE 20: LATIN AMERICA AND THE CARIBBEAN (6 SUBREGIONS): EVOLUTION OF THE HOMICIDE RATE BY SUBREGION (PER 100,000 INHABITANTS) BETWEEN 2000 AND 2010



Source: Prepared by ECLAC on the basis of the UNODC database for 2016. For Brazil, comparable data are available from 2006. Southern Cone: Argentina, Chile, Paraguay and Uruguay. Andean Equatorial Arc: Bolivia, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela. Central America: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Caribbean: Antigua and Barbuda, Cuba, Dominican Republic, Haiti, Jamaica, Trinidad and Tobago, and small islands.

FIGURE 21: LATIN AMERICA AND THE CARIBBEAN (22 CITIES): HIGHEST HOMICIDE RATES IN CITIES PER 100,000 INHABITANTS (AROUND 2011)



Source: UNODC database (2016).

various types of violence, from psychological (verbal assaults) to property and physical, most cases of which occur within couple relationships caused by unequal power dynamics, the exclusion of women from the labour market, reduced rights to own land, housing or other property, and the exclusion of their partners from the workplace and public sphere. And yet, there is a tendency to naturalize and hide domestic violence because it is considered a private matter, even by women (Pérez and Sáinz, 2015; UNDP, 2012; UNDP, 2013).

### Spatial inequality of violence

The impact of violence can be unevenly distributed in cities as there are wide discrepancies in the prevalence of crime and it is most likely to affect the most vulnerable groups in areas with the fewest public security services (Muggah, 2012; CAF, 2014). The trend towards security privatization in the region reinforces differential access to security, which goes from being a public good to a commodity (Carrión, 2014). In many countries in Latin America and the Caribbean, the rate of private security guards is higher than that of police officers per 100,000 inhabitants (at present there are 3.8 million private security guards and 2.6 million police officers in the region). There are about 900 private security guards per 100,000 inhabitants in Brazil, Guatemala, Honduras and Panama; 500 in Chile, Costa Rica and Mexico; and 400 in Colombia, the Dominican Republic, Ecuador and El Salvador (UNDP, 2013). In addition to granting unequal access to security, this distorts the democratically established governance system. Of equal concern is the impact on personal and institutional trust, which is a key development

variable (De León Beltrán and Velásquez, 2012).

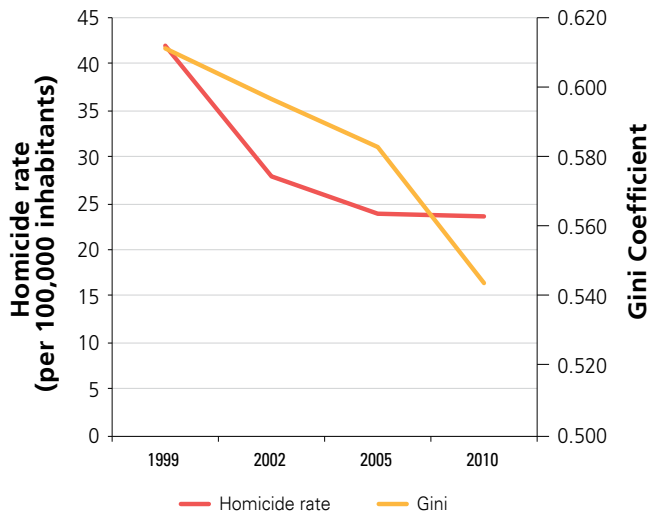
Cities in the region have certain “hot spots”, that is, streets and corners with a higher incidence of crime that is more likely to occur at specific times of the day and in neighbourhoods where micro-trafficking crimes are committed (CAF, 2014). For instance, thefts and robberies typically occur on working days in central neighbourhoods and during the day; burglaries are more common on public holidays in residential neighbourhoods and at night; and homicides are more prevalent outside bars and nightclubs late at night and on public holidays (CAF, 2014).

In addition, there is a “geography of opportunity” that facilitates this type of crime and is fuelled by physical-social disorganization. As noted in the Habitat III Issue Paper 11, on public space, at the global level 15 per cent of crimes recorded between 1980 and 2000 have a public space design and management component. “Geographic” components include the presence of potential aggressors, little informal and police control, and configuration/spatial characteristics such as abandoned or poor-quality public spaces. Social components include belonging to a middle-to-low income household and a lack of social cohesion and collective effectiveness that lessens informal surveillance (CAF, 2014).

City analysis and intervention can be carried out using a “geography of opportunity” approach, improving physical and environmental infrastructure, police patrols, transport facilities and lighting systems in open public spaces,



FIGURE 22: GINI COEFFICIENT AND HOMICIDE RATE IN BOGOTA (1999–2010)



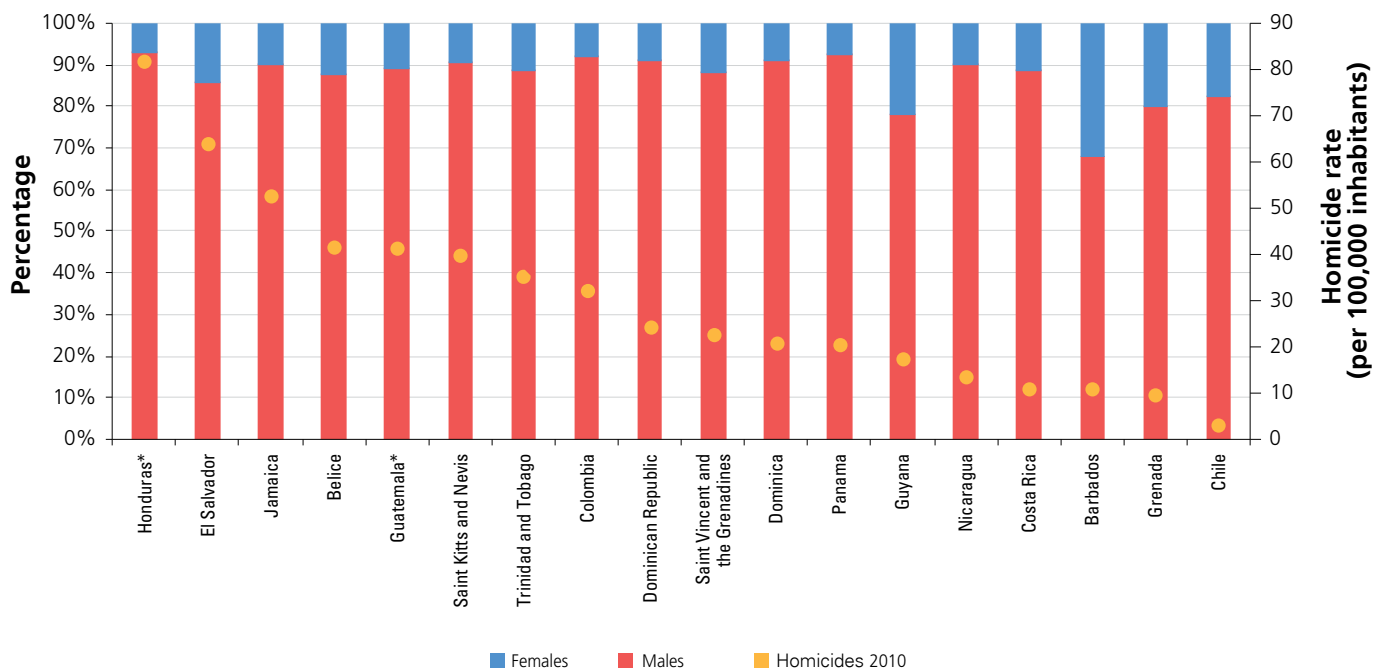
Source: CAF and UN-Habitat, 2014, with data from UN-Habitat World Urban Observatory 2013. Homicide rate: National Institute of Forensic Medicine and Forensic Sciences, Colombia.

and creating safe public spaces and parks. Such interventions are aimed at addressing inequalities in infrastructure and services associated with segregation in cities. In that regard, the perspective of “safe cities” applied in comprehensive neighbourhood upgrading programmes (UN-Habitat, 2011c) offers an important contribution.

**Public management to address violence and insecurity**

A key challenge related to urban violence is that although it has an impact on cities, many of its determinants do not fall within the scope of urban authorities. Violence as a multifaceted issue requires comprehensive interventions, from strengthened judicial systems, international cooperation on security matters, investment in social protection, and pro-equality and community work policies. Diverse public safety policies have begun to emerge in Latin America and the Caribbean, such as a project to create a regional criminal court in the framework of the Union of South American Nations (UNASUR), aimed at addressing offences related to transnational organized crime, and multisectoral policies that are firmly established in local areas and involve local communities. That said, the empowerment of local authorities, public safety

FIGURE 23: LATIN AMERICA AND THE CARIBBEAN (18 COUNTRIES): HOMICIDE RATE AND PERCENTAGE OF HOMICIDES BY SEX, 2010A



Source: UNODC, 2015.\* Data for Honduras and Guatemala are from 2009.

governance and the development of local prevention policies are instrumental (UN-Habitat and Alberto Hurtado University, 2009) and are precisely the areas in which local policies can make the most significant contribution.

The issue of urban violence as an object of study is gaining momentum (Imbusch and others, 2011), leading to the creation of more than 200 violence observatories in the region that are housed in academic institutions, councils and non-governmental organizations, among others. An interesting example given its community outreach potential is the Public Safety and Social Cohesion Observatory based at the Autonomous University of the State of Morelos in Mexico and managed by the local community. The observatory develops spatial database management systems that enable citizens to report crimes on their mobile devices, which allows for hot spot analysis by identifying criminal acts by location. The observatory also organizes workshops entitled “networks of trust”, aimed at teaching young people under the age of 20 in situations of risk how to build skills relating to self-confidence, safety, assertiveness and self-esteem. The use of georeferenced data to determine areas of risk and community participation have also been fundamental for the Fico Vivo Programme of the Government of the State of Minas Gerais in Brazil. Interventions in six favelas in Belo Horizonte included workshops with local leaders and dialogues with gang members, which led to a significant drop in homicides and other forms of violence (UNDP, 2013). In that regard, the programme has been a positive example of collaboration between police and the community aimed at fostering dialogue and detecting, reducing and preventing crime.

In the context of territorial interventions in cities, it is important to mention the Pacifying Police Unit of the State of Rio de Janeiro, which since 2008 has managed to reduce homicides and other malicious acts in the favelas of Rio de Janeiro by working with the community in the framework of a law enforcement and social services programme. Today, Rio de Janeiro has units in 38 communities that benefit more than 1.5 million people and comprise 9,500 trained police officers. Although there has been a drop in the homicide rate since 2008 as a result of police action in local communities,<sup>46</sup> persistent cases of police violence have contributed to tensions, worsened community perceptions of police officers and lowered satisfaction with their work (CESEC, 2014), thus threatening the effectiveness of moving from a model of military occupation to one of community patrols with more conventional police functions. This illustrates the importance of training police, including in community engagement issues.

Efforts have also been made in the region to promote civic culture and community engagement with a view to reducing crime. Building a civic culture based on the idea that violence can be cut by promoting respect

and peaceful interactions between citizens has been intensively developed in Bogota since 1995, as an initiative of former Mayor Antanas Mockus and others who adopted three lines of action: self-regulation; mutual regulation between citizens, in many cases using playful methods; and the regulatory justice system. These initiatives spurred the creation of the Public Space Office and led to civic occupancy and improvement of public spaces, including pavements, lighting, traffic signals and landscaping. The change in civic culture led to a significant drop in crime and road traffic deaths (CAF, 2014).<sup>47</sup>

### Policy proposals

The region's experience in urban violence and public safety reveals that they cannot be addressed separately from the effects of inequality, which are expressed in social, spatial and community processes. Therefore, interventions based on repression, militarization of civil justice conflicts and acts of police populism (such as longer prison sentences or lowering the age of criminal responsibility) fail to tackle the high violence rates in the region (Carrión, 2015; UNDP, 2013).

At the urban level, the unequal spatial distribution of violence reveals the need to adopt measures to address the effects of segregation and unequal access to facilities and services. Interventions include investment in police action in those communities that are most in need, which calls for police training and social projects that foster citizen cooperation, with the understanding that urban security is a participatory process. Regarding investment in facilities, it is worth noting the achievements of Medellín's social urbanism and substantial investments in facilities to promote economic integration, citizen participation and social coexistence (UN-Habitat, 2015b). The spatial distribution of violence also illustrates the value of collecting georeferenced data and information on the kinds of crimes experienced by communities. Exchanging experiences linked to georeferenced information management, among other experiences related to public safety, are good opportunities for promoting South-South cooperation among countries in the region.

Finally, the recovery of public spaces and citizen coexistence are key tools for promoting public safety. Experience in the region in recent decades shows that the perception of insecurity drives isolation and segregation due to privatization of public spaces and changes to modes of social coexistence (Caldeira, 2000). In addition to recovering public spaces, it is important for urban planning and legislation to take into account an urban design that encourages pedestrian activity and other forms of citizen and community use of public spaces (Netto, 2015).

<sup>46</sup> According to figures from the Public Security Institute of the Rio de Janeiro state government (ISP, 2015), between 2008 and 2014 there was an 85 per cent drop in deaths due to police intervention in areas with pacifying police units (from 136 to 20 victims).

<sup>47</sup> The homicide rate fell from 88 to 22 per 100,000 inhabitants in a decade (gun prohibitions also had a significant impact) and there was a 20 per cent drop in road traffic deaths (ADC, 2014).

**BOX 14: FROM SOCIAL URBANISM TO PEDAGOGICAL URBANISM: URBANISM THAT HAS TRANSFORMED MEDELLIN**

Social urbanism, now referred to as pedagogical urbanism, is a city-building approach developed in Medellin from 2000 onwards as part of the “Medellin Model”. The goal has been to trigger social transformations based on urban interventions that facilitate peaceful coexistence (in the late 1990s, Medellin became the most insecure city in the world, with 6,800 homicides per year). Today, pedagogical urbanism, acknowledging the teachings of social urbanism, seeks to strengthen processes and tools for building citizenship, establishing roots, consolidating neighbourhood synergies and giving continuity to urbanism and to the process of social, economic, environmental and governance transformation (EDU, 2010).

With that aim in mind, the Urban Development Company was created in Medellin in 2002 as a public company with its own assets and autonomous management. Under Law 388/1997 and the Organic Law of Spatial Planning, the company has developed planning and intervention programmes, including the Partial Plans and Integral Urban Projects. Some programmes are based on public-private partnerships, such as the Park Libraries Programme, through which five urban libraries have been set up in deteriorated areas of the city; the Security and Coexistence Programme, under which government and justice houses have been built in hot spots at the police “super-station” of Fuerte de Carabineros; the South American Games Programme 2010, focused on the constructions of several high standard sports facilities; the Quality Schools Programme, which seeks to improve the physical infrastructure and quality of education in the community; the Nursery Schools Programme; and the Mobility Programme. These projects, which aim to offer comprehensive and inclusive services and in which the community is invited to play a key role, have changed the image and lifestyle of the city.

Source: CEPAL, 2016



Delmas 32, a neighborhood in Haiti which many residence are beneficiaries of the PRODEPUR - Habitat project © World Bank/Dominic Chavez



Colourful La Boca area - Buenos Aires, Argentina © Shutterstock

# URBANIZATION AND THE ENVIRONMENT

The urbanization process and growth of cities in Latin America and the Caribbean over the past 20 years have generated negative externalities for cities.<sup>48</sup> However, a development model based on the intensive use of energy and natural resources, rather than urbanization, has been the main cause of environmental deterioration, as reflected in the pattern of unsustainable production, distribution and consumption. Such deterioration affects the economy and urban society, has economic and financial costs,<sup>49</sup> decreases productivity, deepens the effects of inequality and segregation and creates conflicts. The importance of optimal environmental management of cities, focusing on negative environmental impacts, green spaces, disaster management and the linkages of cities with their surrounding areas is also recognized in the targets of Sustainable Development Goal 11.<sup>50</sup>

Given the pattern of segregation, environmental impacts are unevenly distributed in urban areas in Latin America and the Caribbean and there is evidence of unequal resilience to impacts by different socioeconomic groups. Moreover, those who have less intensive consumption patterns and are therefore less responsible for environmental deterioration are precisely the ones who suffer the greatest consequences, which gives rise to environmental justice problems and challenges.

Unplanned growth and the scarce inclusion of environmental issues in urban policies have led to greater vulnerability in the region. A steady rise in the income of individuals and families over the past 20 years has significantly increased the pressure on energy and material resources, thus worsening the depletion of watersheds and surrounding areas. As a result, urban governments in Latin America and the Caribbean have developed policies and programmes to achieve sustainable urban development in the region.

Latin America and the Caribbean is highly vulnerable to extreme events, particularly in the subregions of Central America and the Caribbean. The increase in extreme events related to climate change has caused risk conditions to rise in recent decades. Unequal access to urban land and housing brings about a largely unequal vulnerability to disasters, which highlights the need to implement policies aimed at creating resilient and sustainable cities.

## A. Urban ecosystems and decreased environmental services

Significant growth of urban sprawl (Angel, 2012) raises management costs as it increases the need to extend the infrastructure network to more remote areas, leading to higher per capita costs as population density decreases and

major impacts on ecosystems that provide essential services. Cities and their natural environment are closely interdependent, relying on natural resources such as clean air, wind, soil stability and resources, water quantity and quality, and diversity and vitality of fauna and flora. However, the conversion from a natural ecological system to an urban one has effects on the environment and generates pollution, in particular when there is a lack of urban growth regulation. By destroying ecosystems, natural capital, cultural wealth, environmental services, recreational areas, visual components of the urban landscape, public health and food security are diminished. With few exceptions, protection of urban ecosystems has not been a political priority in the region and, in many cases, cities have grown to the detriment of spaces of high environmental and biological value (wetlands, forests, streams, etc.) or, in the case of the Caribbean islands, of its maritime environment.

However, it is becoming increasingly clear that to guarantee urban sustainability and the wellbeing of citizens in the region, it is necessary to analyse the city and its surroundings as a unique ecosystem to be protected. Urban development policies, which integrate the ecosystem services of the region to which a city belongs, are also gaining ground, thus minimizing negative externalities and the ecological footprint of cities.

## Water and watershed management

Ensuring universal access to water is particularly important in the region given its growing scarcity. Conflicts have arisen around the use of water, which must be shared between human consumption, agricultural and industrial use, and energy generation. Several factors have put increasingly acute pressure on water resources in the region in the past two decades: rising demand owing to an increase in population and consumption per capita; more cases of contamination and depletion of underground water courses and bodies linked to the above; degradation of vegetation in water catchment and deforestation basins, which has led to reduced groundwater recharge and the destruction of water bodies; rise in wastewater discharges without proper treatment systems in bodies of water near urban areas; generalized construction on river banks, which renders them impermeable and deteriorates their functionality; drainage of marshlands and wetlands and subsequent occupancy; channelling of almost all bodies of water; insufficient investment in water infrastructure (e.g. to minimize losses in the distribution network); unbalanced private capital and public supply of water sources; lack of investment in water reuse; ignorance or lack of accurate mapping of the possibilities of water use in large cities; breakdown of hydrological cycle phases in cities, mainly from evaporation and recharge; and climate change and global warming that accelerate the melting of glaciers in the region (a major water source for large cities in Latin America and the Caribbean).

48 Air pollution, traffic congestion and accidents, inequality related to urban mobility and spatial segregation, accumulation of urban waste, degradation, space deterioration and unsanitary conditions, among others.

49 In Mexico, the economic cost of environmental damage reached 6.3 per cent of GDP in 2013 (National Institute of Statistics and Geography).

50 Targets 11.5, 11.6, 11.7, 11.a, 11.b.

## Access to Safe Water and Sanitation

With some exceptions, most countries in the region have already achieved the Millennium Development Goals with respect to access to safe water, but significant local disparities persist (Jouravlev, 2012). Although access to safe drinking water in the region exceeds 90 per cent, in poor peri-urban areas of certain metropolises it may be as low as 16.5 per cent,<sup>51</sup> with intermittent supply problems that affect family economies as water tanks are needed in homes, which reduces the possibility of accessing safe or disinfected water (UN-Habitat, 2012). Caribbean island States require public measures to manage domestic water resources due to a scarcity of freshwater resources, the size of those countries, their economic development model and their environmental vulnerability to the effects of climate change and natural disasters (UN-Habitat, 2012).

Achieving the Millennium Development Goals related to sanitation has been more difficult. Despite the doubling of coverage in collected water treatment in less than a decade (from 14 to 28 per cent), on average only 20 to 30 per cent of water collected in the region is treated. Many wastewater treatment plants are out of operation (because of a lack of resources and operational capacity), resulting in the contamination of bodies of water and thus restricting its use for human consumption. If we consider “safe and adequate” access to water, drinking water and particularly sanitation coverage is even lower (McGranahan and Lloyd Owen, 2006).

Non-revenue water often exceeds 40 per cent in most countries in the region because of physical losses from deficient networks and poor commercial practices (cutoffs and meter tampering). On average, 38 per cent of water production in the region is lost in the network,<sup>52</sup> with a maximum of 49 per cent in Uruguay and a minimum of 30 per cent in Quito (ECLAC, 2013). With regards to the inadequate use of aquifers and water sources in general, more than 500 wells that supplied drinking water to the Federal Capital and the urban area of Buenos Aires are known to have been decommissioned in the past 30 years due to poor water quality. In Peru, more than 51 per cent of microbiological contamination in the Rímac river – Lima’s main source of water supply – comes from the city itself (Winchester, 2008). It has been estimated that Colombia and Mexico, as a whole, generate 92.767 tonnes of organic pollutants per year, which are dumped into the Pacific Northwest. Colombia alone is thought to generate some 4.5 million cubic metres of wastewater, of which 90 per cent comes from households and industries (Winchester, 2008).

One of the challenges for urban environmental policies, including those concerned with water and sanitation, is that there is a concentration of funding for national/federal programmes in the region, but a lack of institutional support and poor coordination between central and subnational levels of government. In addition,

51 World Health Organization/United Nations Children’s Fund Joint Monitoring Programme for Water Supply and Sanitation.

52 The regional situation analysis is based on a group of 15 selected suppliers in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Panama, Paraguay, Peru and Uruguay serving drinking water to nearly 26 million clients (over 100 million people) and sewerage systems to about 20 million clients.

### BOX 15: INTEGRATING OCEANS INTO URBAN PLANNING: BLUE URBANISM IN SMALL ISLAND DEVELOPING STATES

#### Urbanization in small island developing States

Small island developing States (SIDS) are characterized by vast marine areas, which may be several times larger than the land areas under their jurisdiction. Urbanization in SIDS is characterized by coastal-based economies and populations. If coastal zones are defined as the “interface between the two macro ecosystems of the land and sea excluding land above the one-thousand-foot contour and sea past the boundary of the island’s maritime contiguous zone”, then countries like Saint Lucia would be regarded as having “exclusively coastal economies”, accounting for their entire GDP in a given year (Murray, 2010). In 2014, the GDP contribution was in excess of EC\$3,000,000 (World Bank 2015).

The concentration of economic activity on the coast of SIDS attracts a large percentage of the population to the urban centre, in addition to city dwellers. This situation highlights the uniqueness of urbanization in SIDS and the importance of coastal areas for their development. This highly valued area is also the bedrock of infrastructural development in these States. According to World Bank data, countries such as Antigua and Barbuda have approximately 32 per cent of their population living below 5 m above sea level (OECS, 2013). Therefore, any form of planning must consider SIDS within the context of the “ocean in an urban landscape”. Further, the intense coastal activities are some of the drivers of resource degradation in the marine environment but they are also the conduit that supports economic activities.

#### The need for a paradigm shift for small island developing States

Oceans can support the development agenda with the potential of harnessing resources for blue growth. They currently support many of the activities in the terrestrial environment. While planning is undertaken in the terrestrial environment and influences the way our coastal and urban settlements and centres are built, it is not done in an integrated or holistic manner that considers the oceans. This results in impacts on the marine environment. Therefore, as we look to the oceans for their support for economic development, we must consider them in our planning of the terrestrial environment.

This requires a realignment of our thinking in the region to one of “Blue Urbanism”, which is better suited for SIDs as large ocean States. This will require re-imagining SIDS people and their development pathways in a blue space and foster and promote urban planning that considers the marine environment as an integral plan of our landscape. The uniqueness of SIDS offers an immense potential for such a planning revolution.

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there are significant challenges involved in coordinating stakeholders that operate on a sectoral basis in areas that do not necessarily coincide with basin limits (ECLAC, 2014b). Furthermore, residential occupancy of urban peripheries in many cases affects strategic water production areas, which exacerbates the water conflicts that have become more acute in basins where large populations settle and in mining and industrial cities. In Brazil (especially São Paulo), this phenomenon contributed to the 2014–2015 water crises. In addition, the increasing costs of capturing new water sources to supply cities<sup>53</sup> have had consequences for the industry, agriculture and economic growth of urban areas.

53 In Mexico City, despite the subsidies, water costs quadrupled in the period 2008–2013. National Agricultural Research System-Mexico, Conagua.

## City and ocean

Climate change may have a significant impact on urban areas given that 50 per cent of Latin American cities with populations in excess of 5 million are located in low-lying coastal areas.<sup>54</sup> Average sea levels are expected to rise 24 to 30 cm by the middle of the twenty-first century and 40 to 63 cm by 2100. This will lead to a loss in operability and security in ports, destruction of infrastructure, salinization in coastal aquifers, reduced freshwater resources, more sediments and other problems associated with coastal habitat conservation (Bonet and others, 2011). Coastal flooding can affect towns, cargo terminals and storage areas and disrupt supply chains and transportation. The potential impact on international trade and the economies of affected countries is considerable given that over 80 per cent of world trade in high-volume goods is undertaken by sea (UNCTAD, 2009 in Intergovernmental Panel on Climate Change, 2012). In the Caribbean, more than half of the population lives less than 1.5 km away from the coast, where a great deal of infrastructure is located (tourism facilities, fishing villages, public services, hospitals, international airports and major road networks). If sea levels rise as projected, and the coastal erosion observed on many islands continues, much of this infrastructure will be at risk.

## Parks, green areas, forests and biodiversity

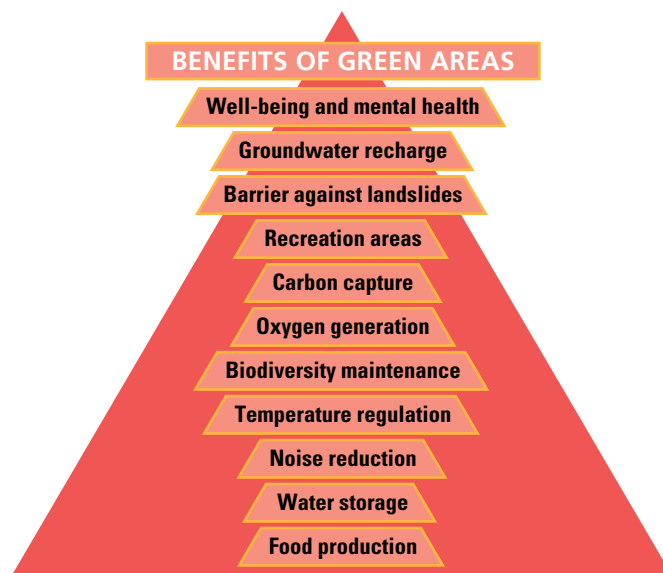
The quantity and quality of green areas, which contribute to well-being and quality of life (figure 24), have improved in the region's metropolises. However, given their irregular distribution, true access by citizens differs considerably.

In some cities, zones that are hard to reach or located in the outskirts have been turned into green areas and, in some cases, into the "lungs of the city". Despite not being part of the cityscape for most inhabitants, such zones provide important environmental services to more central urban areas. They should therefore be protected and efforts should be made to raise awareness of their value among citizens. In some cases, informal settlements have been established in vulnerable areas that are not suitable for formal housing and in which natural disasters pose a serious threat to residents.

## Flora and fauna

The city is still the habitat of many animal and plant species that provide multiple environmental benefits and services that contribute to the city's health and ecosystem balance. Abrupt urbanization in the region has resulted in unbalanced biodiversity, altering the model of ecological proportionality, and leading to less variety and fewer individuals per species, in addition to a substantial increase in exotic and invasive species. Despite the existence of green areas, these are not sufficient to supply the food network and improve the microclimate. However, some local initiatives, such as designating protected

FIGURE 24: BENEFITS OF GREEN AREAS



Source: ECLAC, 2016

areas or creating bioparks, are being developed with the aim of conserving the urban environment.

## Atmospheric pollution

Air pollution, generated primarily by combustion processes from industries, cars and residential heating, is one of the greatest threats to human health in the region's metropolises. The Pan American Health Organization (PAHO) states that in Latin America at least 100 million people are exposed to levels of air pollution above those recommended by the World Health Organization (WHO), which per year results in 93,000 deaths from cardiopulmonary diseases, 13,000 deaths from lung cancer and 58,000 years of life lost due to acute respiratory infections in children under the age of four, in addition to the loss of 560,000 years of life adjusted for disability in the region (PAHO and WHO, 2010). The death rate from pollution rose in most countries in the region between 2004 and 2008 (with the exception of Argentina and Uruguay). The economy of urban centres and, therefore, the economy of the countries of the region, is thus directly affected by air pollution.

## Solid waste

The rise in consumption in cities means that the amount of waste generated will continue to experience a sharp increase in the coming years, presenting a greater challenge for urban management. Ensuring the universality of urban waste management systems in cities, particularly in large metropolitan areas, remains a major challenge. The current rate of urban waste management ranges from 74 to 100 per cent, although it varies among countries. In some

<sup>54</sup> In accordance with Dasgupta and others (2007), if the sea level rises by one metre, the damage caused in Latin America and the Caribbean would be approximately 0.54 per cent of regional GDP; if it rose by three metres, it would reach 1.35 per cent of the regional GDP.

neighbourhoods, collection continues to be done “door-to-door”, owing to the relief or lack of space between dwellings, which results in a high collection cost (UN-Habitat, 2012).

Despite improvements being made to waste disposal systems, approximately 45 per cent of urban waste is disposed of improperly (IDB, 2010), which raises the challenge of increasing the proportion of recycled waste. Despite greater awareness, recycling plants remain almost non-existent in the region, and it is the informal sector that continues to lead recycling activities. In some cases, informal sector workers have been hired to undertake waste management tasks, such as in the framework of the Brazilian Pró-Catador Programme (IPEA, 2015). Energy generated by urban waste is scarce and, despite some successful experiences (São Paulo), there is still a lack of commitment on the part of companies to treat their own waste.<sup>55</sup> The lack of billing capacity of some of the region’s cities also threatens the financial sustainability of their systems.

### Energy consumption

Energy consumption is crucial for environmental sustainability in the region, as the energy matrix is mainly based on the consumption of fossil fuels, which emit pollutants that are highly detrimental to health, as well as large amounts of greenhouse gases.<sup>56</sup> In the region there is a clear correlation between income levels and energy consumption, and with higher incomes it is estimated that energy consumption and pollution will rise. While most countries around the world have decreased their energy intensity, resulting in a global drop, Latin America and the Caribbean tended to remain stable between 1990 and 2010 (Enerdata, 2012). However, Bolivia, Brazil, Mexico and Uruguay reported that they had managed to decrease their energy intensity, albeit very little. In addition, the incentives and subsidies for gasoline consumption in many countries<sup>57</sup> are often regressive and have significant negative environmental externalities. The two highest income quintiles in the region are responsible for most of the total energy expenditure, while the relative expenditure weight in the poorest quintiles is higher (ECLAC, 2014b).

The capacity of urban authorities to move towards more sustainable energy consumption patterns, including the use of renewable energies, is limited with respect to energy production, which depends on policies promoted by central Governments. However, they can have an influence in promoting more efficient energy consumption.

### Food security

Poor urban households spend up to 40 per cent of their income on food, making them highly vulnerable to food price and income fluctuations. City

<sup>55</sup> Producer’s Extended Responsibility Law in Chile currently under discussion in Congress.

<sup>56</sup> Regional greenhouse gas emissions per million dollars of GDP were higher than those of OECD countries until 2005, but are still below the global average (including landuse change) (UNEP-ECLAC, 2010).

<sup>57</sup> For example, Ecuador and Venezuela.

### BOX 16: ENVIRONMENTAL SERVICES AND URBAN PROSPERITY, ZAPOPAN

The City Prosperity Index applied to the Mexican city of Zapopan (1,450,000 inhabitants and a surface area of 110,000 hectares) revealed a low level of environmental sustainability. Rapid population and territorial growth generated an urban expansion that consumed agricultural soils and natural reserves. The Index applied yielded values of 37.60 and 42.20 points out of 100 in its basic and extended analysis, respectively. According to the global scale of UN-Habitat, the cause of the medium/low value in the city is the deterioration of environmental goods and services in urban and peri-urban land. Analysis showed that quality of life and productivity had also suffered. In other words, environmental sustainability problems affect other urban prosperity dimensions. To address the situation, the Territorial Strategy for Urban Prosperity in Zapopan 2030 (ETZ2030) (UN-Habitat, 2015) includes a section on sustainable management of natural capital and its productive ecosystems. The goals of the urban environmental management strategy are to identify the territorial and socio-environmental diversity of Zapopan and establish comprehensive water and subsoil management, natural ecosystem integration, conditioning of urban expansion and the adoption of solutions to inefficient land use.

Source: UN-Habitat Regional Office for Latin America and the Caribbean

expansion results in the loss of previously cultivated land, which affects arable land and has become a major challenge in many Caribbean small island States. Areas previously intended for horticulture in the peri-urban and rural sectors are now frequently used for single crops for export and their strategic location often coincides with areas that provide environmental services.

In this context, “green” urban and peri-urban agriculture should be encouraged that promotes the sustainable use of natural resources, provides necessary nutrients to a population with limited resources and reduces poverty and food insecurity. In addition, such initiatives help to halt urban sprawl and strengthen the ability to adapt to climate change. Some countries in the region have already integrated specific legislation and regulation for urban and peri-urban agriculture, such as Brazil in the framework of a national “zero hunger” policy. Other countries, despite having a great deal of experience in urban agriculture, have yet to develop a regulatory framework (Argentina, Bolivia, Colombia, Ecuador and Peru) (FAO, 2014).

## B. Natural disasters and climate change: risk and vulnerability

The Latin America and the Caribbean region is highly vulnerable to extreme events, particularly Central America and the Caribbean. Climate change heightens its vulnerability and the frequency and intensity of related extreme natural events, which are defined as catastrophes or natural disasters when they affect the population.

Inequality and spatial segregation in cities make certain sectors particularly vulnerable to natural disasters and environmental risks. In poor sectors, the



rapid and disorderly pace of urbanization is aggravated by the occupancy of high-risk land (hillsides, ravines, banks of rivers and canals, unstable land, etc.) and the use of hazardous materials (Simioni, 2003). These sectors are the most affected by extreme hydro-meteorological events and they generally suffer the greatest losses (e.g., housing), with no formal insurance. In many cases, there is also a lack of awareness regarding such risks (Simioni, 2003).

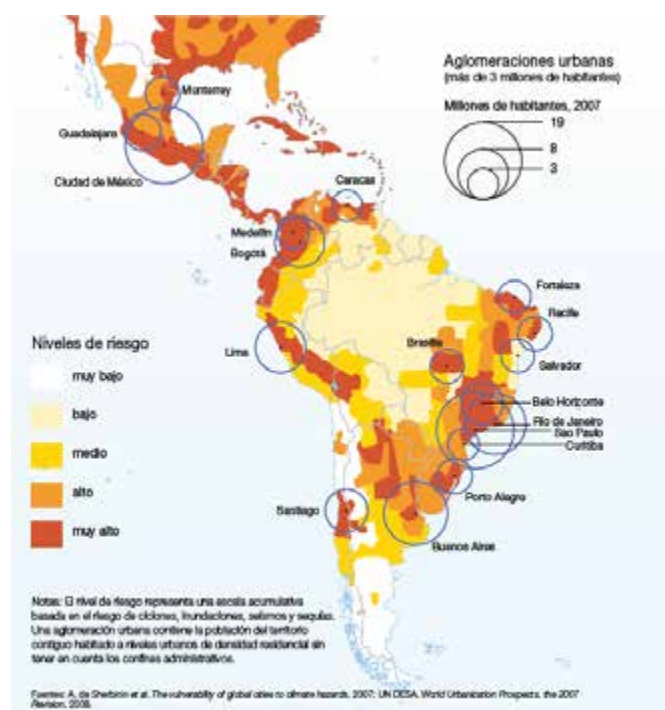
There is a strong correlation in the region between more densely populated areas and high-risk zones, and cities are extremely vulnerable to climate change given the high structural heterogeneity, elevated inequality and poverty levels, and a lack of resources to develop adequate infrastructures (figure 27). As climate-related hydro-meteorological phenomena are expected to become more frequent and extreme, cities must design and implement measures to mitigate and adapt to natural hazards.

The degree of vulnerability and risk exposure of cities and countries is dynamic and depends on physical, environmental, social, economic, demographic, cultural, institutional and governance factors that are site-specific (UN-Habitat, 2012). Poor urban planning and management, an absence of environmental awareness, government failures and a lack of livelihoods are also significant risk factors for environmental disasters in the region. In Latin America, more than 80 per cent of losses caused by environmental disasters occur in urban centres, and between 40 and 70 per cent in cities with fewer than 100,000 inhabitants, which is likely to be related to weak risk management capacity and lower investments in smaller cities (ISDR, 2011; UN-Habitat, 2012).

Cities in Latin America and the Caribbean are particularly exposed to global warming, despite their low levels of global greenhouse gas emissions<sup>58</sup> Climate change alters precipitation patterns and soil moisture levels, and affects runoff from glaciers and accelerates their melting, which in turn has a bearing on the drinking water supply and economic activities such as agriculture and manufacturing, although effects vary from zone to zone. Changes in hydrological conditions are already evident in Latin America and the Caribbean. In Argentina, flow volume has risen in several parts of the River Plate basin as a result of increased rainfall and decreased evapotranspiration from changes in land use. In addition, water levels in the main canals of the Magdalena and Cauca rivers in Colombia are declining and Central American rivers have tended to dry up (ECLAC, 2015a). This is how extreme climatic events cause harm to humans and affect the economy and infrastructure of the region (ECLAC, 2014b). To address such effects, political institutions have adopted climate change adaptation and risk management measures at the municipal, federal and international levels.

In addition to the effects of rising sea levels, phenomena associated with climate change include droughts, extreme temperatures, floods, landslides, storms and fires. Figures 27 and 28 show that the number of extreme events

FIGURE 25: VULNERABILITY OF LARGE CITIES TO CLIMATE HAZARDS



Source: A. de Sherbinin and others, 2007. The vulnerability of global cities to climate hazards and DESA, 2008. World Urbanization Prospects: The 2007 Revision.

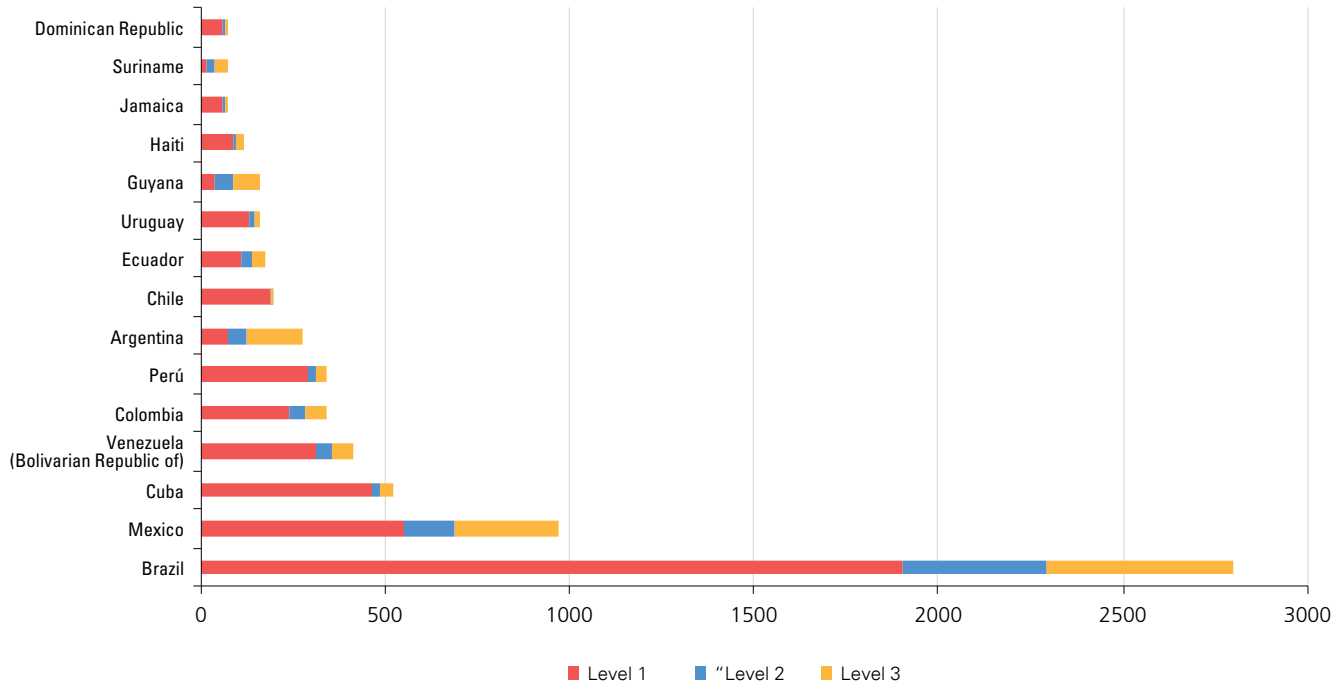
and damage costs related to climate change have risen significantly since the second half of the twentieth century.

Floods are of major concern in the three subregions and are the events that represent the greatest threat to human life in Latin America and the Caribbean. Vulnerability to floods has grown with the paving and decline of green spaces, which has led to greater surface and rainfall run-off speed and diminished soil water retention capacity. However, it is droughts that proportionately affect more people in the region. Urban drought translates into heat island phenomena, whereby temperatures rise by several degrees in certain sectors of cities when pollutants are concentrated in the air. Meanwhile, the predominance of storms in countries in Central America and the Caribbean is partly explained by their geographic and climatic location.

The number of people affected by natural disasters is higher in South America than in Central America or the Caribbean owing to the greater population density. Disasters related to climate change are on average more fatal in South America, with an average of 89.7 deaths per event, compared with 75.7 in Central America and 33.8 in the Caribbean (Simioni, 2003).

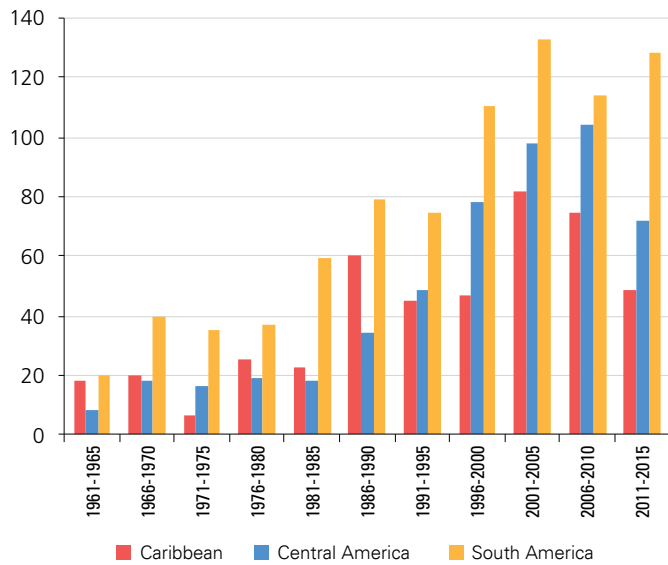
58 The region produces only 5 per cent of global greenhouse gas emissions (Ruiz-Tagle, 2013).

FIGURE 26: LATIN AMERICA AND THE CARIBBEAN (15 COUNTRIES): DISTRIBUTION OF COASTAL POPULATION IN COUNTRIES AT 0 TO 3 M ABOVE SEA LEVEL ('000 INHABITANTS)



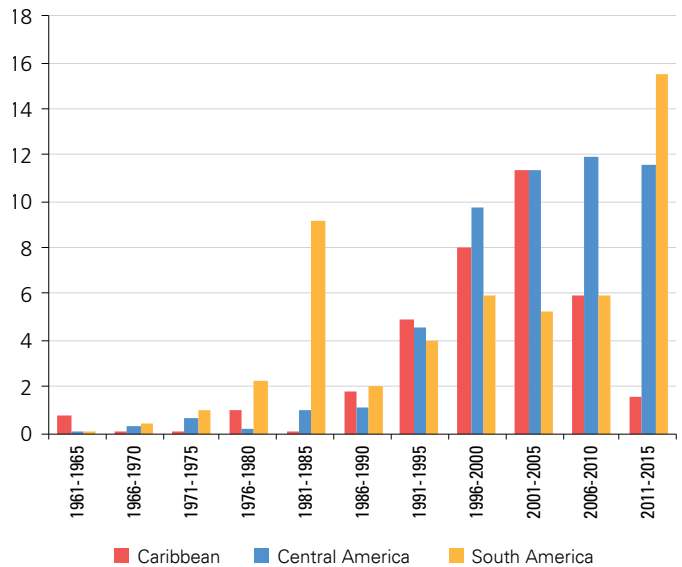
Source: ECLAC (2012b) based on data of the Global Rural-Urban Mapping Project-Consortium for International Earth Science Information Network.

FIGURE 27: NUMBER OF EXTREME EVENTS RELATED TO CLIMATE CHANGE<sup>59</sup> IN LATIN AMERICA AND THE CARIBBEAN<sup>60</sup>



Source: Prepared by ECLAC based on the EM-DAT International Disaster Database.

FIGURE 28: COST IN BILLIONS OF DOLLARS (TIME VALUE) OF EXTREME EVENTS RELATED TO CLIMATE CHANGE IN LATIN AMERICA AND THE CARIBBEAN



Source: Prepared by ECLAC based on the EM-DAT International Disaster Database.

59 Sequías, temperaturas extremas, inundaciones, deslizamiento, tormentas y fuegos.

60 No se reportó ningún caso de temperaturas extremas entre 1995 y 2015 en el Caribe.

In terms of cost, storms have the strongest impact in Central America and the Caribbean. For example, the 2005 hurricanes in Mexico cost more than five billion dollars (Yucatan Peninsula and Monterrey). Climate warming continues and given the projections of increasing urban population and greater vulnerability, the frequency and magnitude of extreme events<sup>61</sup> will continue to rise significantly in the region (IPCC, 2012). Given the uncertainty of such diagnostics, States are beginning to develop climate adaptation and mitigation policies to create resilient cities that are able to adapt to climate change. Strengthening powers at the local level is becoming increasingly important in such a context.

### Public management diagnosis

#### International level

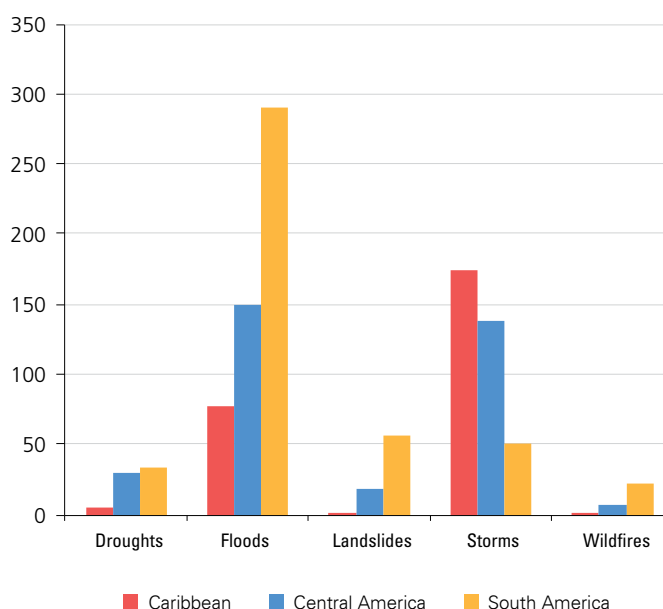
Most risk management cooperation takes place within the framework of programmes and the creation of institutions for adaptation to the effects of climate change. Initiatives are often subregional, to which regional programmes are added that involve other countries in Latin America and the Caribbean. There is also direct cooperation between cities, such as through the Local Governments for Sustainability network – the main global association of local governments – and its Regional Executive Committee for Latin America and the Caribbean, aimed at achieving urban planning resilience.

#### National level

The vast majority of countries in the region have at least one public institution at the national level devoted to climate change mitigation and adaptation initiatives and natural risk management in urban areas. Recognizing the achievements of the Hyogo Framework for Action (2005), which promoted

<sup>61</sup> It is expected that there will be an increase in the frequency and magnitude of daily extreme heat; duration, frequency and intensity of heat waves; frequency and importance of intense rainfall, increasing the frequency and intensity of floods and landslides; maximum wind speed of cyclones; and intensity of droughts and rising sea levels.

FIGURE 29: NUMBER AND TYPE OF EVENTS RELATED TO CLIMATE CHANGE IN EACH REGION, 1995–2015



Source: Prepared by ECLAC based on the EM-DAT International Disaster Database.

national implementation platforms in several countries in the region, and that vulnerability to disasters remains a central challenge, the Sendai Framework for Disaster Risk Reduction was adopted in March 2015 with a scope for action until 2030. The Framework proposes a comprehensive, people-centred approach to disaster prevention, with seven global targets related to reducing the impact of disasters, adopting national risk reduction strategies, implementing early warning systems and fostering international cooperation. In addition, its guiding principles include recognizing the role of local authorities and communities in reducing disaster risk (ISDR, 2015).

TABLE 3: IMPACT OF EXTREME EVENTS IN LATIN AMERICA AND THE CARIBBEAN (1995–2015)

Event type	South America		Central America		Caribbean	
	Average number of deaths	Average number of people reported affected per event	Average number of deaths per event	Average number of people reported affected per event	Average number of deaths per event	Average number of people reported affected per event
Drought	0.5	1 321 994	1.3	415 926	0	170 545
Extreme temperatures	52.6	135 358	38.9	8 290	/	/
Floods	127.61*	100 121	17.2	49 060	49.7	12 866
Landslides	41.2	4 225	56.7	3 075	1	688
Storms	17.2	20 846	162.2	92 166	28.5	81 467
Fires	3.6	6 827	6.3	2 180	0	0

Source: Prepared by ECLAC based on the EM-DAT International Disaster Database.

\* Considering the 30,000 deaths of the "Vargas Tragedy" in Venezuela in 1999

## Subnational level

Local governments play a central role in resilience-building public policies, and cities offer economies of scale that facilitate adaptation and mitigation measures. There are public policies aimed at improving housing and infrastructure, and new dwelling options have been developed for families living in informal settlements (and who are highly vulnerable to extreme events). There are also public policies aimed at improving access to and management of basic services (water, sewage, solid waste, etc.) and thus avoiding epidemics in the event of floods or other disasters. In such a scenario, it is crucial to involve affected communities in local risk management.

The development of risk management measures requires close cooperation between national and local governments. In fact, most strategies incorporate territorial and urban planning measures that require cooperation between the State and cities (IPCC, 2012), since problems of institutional alignment and organization are major challenges for disaster risk management.

## Financing

The diversity of stakeholders allows for multiple forms of investment and financing of natural risk management policies and infrastructure. National Governments have the authority to manage actions to remedy natural hazards in the region and have tended to take more preventive and adaptive action than in the past (IDB, 2002). However, the role of the private sector and international agencies in financing such policies has become more prominent, which has led to the signing of multiple agreements between national and municipal governments and international organizations in areas such as financing (plans, infrastructure, etc.), technical support, planning cooperation, etc. Public-private partnerships have also been developed, through which private partners fund a part of post-disaster reconstruction under established conditions, procedures and protocols.

## Policy proposals

Climate change and its impacts will remain central to urban policies and land planning. Long-term planning and human and financial resource needs related to climate change may appear to contradict the current social and welfare deficit in the region. In fact, development can be closely linked to adaptation and mitigation, and more sustainable and inclusive production styles can be adopted. Vulnerability to current climate change risks should also be addressed, bearing in mind that they are greater and more frequent in urban spaces. The paradigm shift from a “reactive” response-centred approach to a “proactive” approach focused on disaster risk prevention and reduction is an appropriate regulatory framework option.

The capacity of local governments to act is paramount for the development of efficient resilience-building policies. Cities may appear to be the

recommended spaces for climate change adaptation, but the relationship between ecosystems and the regions in which they are located should also be examined as it is not always taken into account for institutional and administrative reasons. To enhance urban resilience, it is important to consider climate change-related problems that arise from imbalances in relations between cities and their regions.

The ability to integrate disaster risk into planning processes and link them to national risk management systems has a strong bearing on resilience. Even when a country has a sound legal framework for disaster risk management, strategy implementation can become a challenge. The availability of financial and human capacity and enforcement systems is key to implementing legal frameworks. Similarly, the lack of information and vertical and horizontal coordination between sectors and levels of government hinders disaster risk reduction activities at the implementation stage. Strengthening the capacity of specialized bodies and improving the position of specialized central agencies within organizational structures has proven effective, as it has been shown to dramatically improve an organization’s decisionmaking and coordination skills. At the same time, the private sector, civil society and the communities concerned also have a central role in effective risk management.

## C. Production, distribution and consumption pollute and degrade quality of life in cities

An understanding of the production, distribution and consumption of urban goods and services facilitates the creation of cities that can become “engines” of productive and efficient economic growth while still being sustainable and enhancing environmental and social equity, both within the city and in the surrounding areas.

Despite having a positive effect on the well-being of the population, the urbanization process in Latin America and the Caribbean has also caused environmental sustainability problems, which, rather than being caused by production, are the result of the distribution and consumption of goods in urban centres (Simioni, 2003). Consumption in Latin America and the Caribbean, which has grown substantially over the past two decades, has had an environmental impact on cities owing to the greater use of fossil fuels, more air pollution, increased generation of waste, more environmental destruction and an excessive use of renewable and non-renewable resources (ECLAC, 2015a). A study of Santiago de Chile, Mexico City and São Paulo reveals that the main source of urban pollution in recent times is exhaust gas emissions, for which residents themselves and their “consumption patterns” are responsible. This form of pollution differs significantly from that which affected developed countries in the 1960s and 1970s and which came from factories and industries in urban centres. In fact, in the Metropolitan Region of Santiago de Chile, mobile sources account for 40.7 per cent of the PM10

concentration in the region, while industries contribute 25 per cent (University of Chile, 2013). This change in pollution patterns requires environmental policy development and implementation methods to be reconsidered.

## Production

In recent decades, the region's urban economies have been characterized by changes in the production base, which has meant that industrial activities are no longer the main sources of urban pollution. For example, industries account for 17 per cent of greenhouse gas emissions in urban areas, compared to 38 per cent from fossil fuel combustion emissions from vehicles (UN-Habitat 2012). Heavy industries have been relocated to peripheral and peri-urban areas in response to spatial planning and zoning regulations,<sup>62</sup> so goods and services are consumed in the city but produced outside of it.

Meanwhile, production development opportunities are being analysed and discussions on industrial policies are under way. The "cleaner production" concept arises in the context of growing awareness of the environmental impacts of industrial activities. Although there is still room for cleaner production in the region, barriers to the development of such actions have been identified (CETESB and UNEP, 2002), including a lack of interest and limited participation in the implementation of such actions by entrepreneurs; difficulty in maintaining and setting up research centres devoted to knowledge of clean technology and alternative materials; and a lack of coordination and synergy among stakeholders (government, industry, and society).

## Distribution

The entire urban logistics chain must operate efficiently for trade to remain competitive. However, the distribution of goods in Latin American and Caribbean cities shows signs of inefficiency and contributes significantly to air pollution and traffic congestion. Problems related to insufficient infrastructure<sup>63</sup> and urban logistics not only negatively affect economic growth, but also pollute and diminish citizens' quality of life (e.g., by increasing travel times and reducing leisure time).

The considerable growth in vehicle numbers in the region over the past 20 years shows disproportionate growth in terms of means of distribution, but infrastructure investments have been lacking. Although the urban road network is broad in most metropolitan areas, quality and maintenance tend to be poor due to limited public funds (Perrotti and Sanchez, 2011). The rise in private vehicle numbers has also generated a great deal of congestion and had a negative impact on road and pedestrian safety (average congestion per day in São Paulo is 180 km, with a record of 344 km in May 2014) (BBC, 2012).<sup>64</sup>

62 In Chile, this process began in the 1990s (Congress of Chile 1990).

63 An inadequate design or maintenance of roads is a cause of traffic congestion.

64 Data of the São Paulo Traffic Engineering Company, 2014.

Although most metropolitan trips are made by public transport (CAF, 2011), there is an evident growth in car ownership rates and private vehicle use (ECLAC, 2015a). Land transport is responsible for about 85 per cent of emissions of harmful local pollutants,<sup>65</sup> private vehicle use being a major contributor (CAF, 2011). In addition, most roads are occupied largely by private vehicles and this has a negative impact on public transport and reveals other regressive traits. Car ownership is concentrated among the highest income quintiles, as is total expenditure on petrol (50 per cent is concentrated in the richest quintile in Latin America, the figure rising to 80 per cent in the case of Colombia) (ECLAC, 2015a). In comparison with OECD countries, petrol demand is relatively inelastic to price changes in Latin America and the Caribbean, in particular among high-income groups, which points to a lack of adequate substitutes to private transport and an aversion to public transport once a private vehicle has been purchased (ECLAC, 2015a).

Despite its drawbacks, private transport receives more public funding than public transport (CAF, 2011). The quality of public transport in cities in Latin America and the Caribbean is poor, and often reveals weak coordination between government levels or even a lack of specific public transport management bodies. There has also been an increase in the informal urban transport sector and a lack of access to various types of public transport systems for either monetary or geographical reasons (CAF 2011). There are clear advantages in having high-quality public transport systems that are widely used by the urban population (reduced travel times, less inequality, less pollution, etc.). Consequently, policies, measures and infrastructure have been developed in the region to improve public passenger transport services. One such measure has been the implementation of bus rapid transit systems in several cities in the region, including Curitiba (1972), Quito (1995), Bogota (2000) and Santiago de Chile (2007). Meanwhile, São Paulo has a new mobility plan for 2015–2030 that seeks to improve infrastructure for nonmotorized and public modes of transport, including that aimed at ensuring pedestrian safety, and has introduced new regulations to reduce the incidence of road traffic accidents and deaths (CETSP, 2015). The Commune of Santiago in Chile is also experimenting with a green transport zone and plans are under way to expand it to the entire metropolitan area.

## Consumption

Consumption in Latin America and the Caribbean has experienced a high rate of growth over the past two decades. In Latin America and the Caribbean, private household consumption accounts for an average of 70 per cent of the total, while in OECD countries it accounts for 53 per cent (ECLAC, 2014e). In the absence of a sufficient provision of public services, private consumption will remain high. Moreover, private savings in the region are low compared with other regions, and a large percentage of domestic income is being spent

65 Eight cities in the region had an average level of PM10 higher than the WHO recommendation (UNEP, 2010). The high concentration of PM10 is associated with respiratory and cardiovascular diseases.

on consumption. Easier access to credit supports high levels of consumption, which raises the risk of unsustainable consumption for many households. The region's cities have insufficient social and productive infrastructure for this new relative affluence, which causes three types of problems: the road system is generally deficient; the waste collection and treatment system is not proportional to the volume of waste generated; and the sanitation infrastructure has poor capacity.

Between 1980 and 2005, all subregions in Latin America and the Caribbean tripled their energy consumption (UNEP, 2010). Controlling or reducing consumption and indirectly the greenhouse gas emissions it generates<sup>66</sup> requires encouraging technological upgrading programmes, renewable energy, efficiency incentives and even behavioural changes (UN-Habitat, 2012). Promoting the urban transport system also plays a central role in energy sustainability. Designing more sustainable buildings and optimizing the use of natural light and solar heat (passive solar criteria) through the proper orientation of buildings and design of windows and ventilation systems, among others, will also contribute to reducing energy consumption in cities (UN-Habitat, 2012). In addition, in contrast to the current urban development processes that are under way, promoting densification and tackling socio-spatial segregation can contribute to the efficient provision of services and infrastructure.

### Policy proposals

Making urban patterns of production, distribution and consumption more sustainable is a key challenge for the region to improve environmental performance and create more productive economies and inclusive societies. A move is proposed towards clean, competitive and equitable production facilities. In that regard, sustainable development appears to be an opportunity at the urban level to promote the development and efficient use of new technologies and knowledge economies that facilitate greener production, while increasing productivity, economic growth and employment.

In terms of distribution, it is important to promote more inclusive, efficient and secure mobility systems, which requires improving public transport and infrastructure for non-motorized means of transport, raising awareness of the negative externalities of private vehicle use, encouraging the transition towards public transport use, and adjusting the accessibility conditions of public transport for lower income users and vulnerable groups.

It is necessary to promote a new consumption pattern with environmental considerations, but the effect on the production structure is yet unclear. Such patterns have imitated the responses of advanced economies to the evidence of growing environmental constraints (ECLAC, 2013). Citizens should thus be encouraged to participate in sustainable consumption actions and decision-making processes, which in turn would encourage authorities to effectively perform their duties. This can be done by promoting the use of information and communication technologies (ICTs) by local and central governments and regulatory bodies, since they have shown great potential in generating efficient public policies in the region (UNEP, 2010).

#### BOX 17: INTEGRATED URBAN MOBILITY POLICIES FOR LATIN AMERICA AND THE CARIBBEAN

The efficient transfer of people and goods in cities is a complex issue to address, particularly in Latin America where territorial growth and segregation, together with an urban infrastructure deficit and low quality of transport services create a complex scenario in which to attain efficient and sustainable mobility that improves quality of life.

Over the past 20 years, the region has launched major reforms and investments to create public transport systems capable of operating with higher frequency, greater coverage, more safety and lower cost structures. In this context, efforts have been made to diversify public transport (including bus rapid transit systems, metros and more recently cable cars to enhance urban mobility), as well as to redefine the role of the State in developing and financing the sector (subsidies). However, despite significant milestones and the considerable rise in investments, mobility problems in cities have worsened. A lack of coordinated and coherent action from different stakeholders and levels of government has hindered the efficient resolution of mobility problems in Latin American cities.

ECLAC has thus raised the need to change the way in which mobility policies are conceived, implemented and regulated, with an emphasis on efficiently solving citizens' transport needs rather than solely on transport services. To that end, it promotes a sustainable urban mobility policy that integrates the different visions of cities and seeks to efficiently respond to the growing transport service demands, for both people (urban mobility) and goods (urban logistics), establishing a long-term and participatory vision that promotes solutions that are consistent with the city's development model. It therefore supports financing mechanisms (including subsidies and incentives) to boost the presence of public transport in the travel modal share and the adoption of measures to reduce congestion (including actions related to land use, parking policies and loading/unloading in urban commercial centres), and encourages mobility through non-motorized means of transport, among other measures that seek to reduce and mitigate negative externalities.

This change in concept also seeks to give due attention to the special needs of different groups of users, including needs related to gender, reduced mobility or disabilities, and favours actions to promote intra-ministerial and intergovernmental coordination based on a shared vision of the kind of city and mobility that is desired for the region.

*Author:* Natural Resources and Infrastructure Division, ECLAC

<sup>66</sup> On average, private cars accounted for 72 per cent of CO<sub>2</sub> emissions from the transport sector in the region in 2007, while public vehicles accounted for 28 per cent (UN-Habitat, 2012).

## BOX 18: TOWARDS A CARIBBEAN URBAN AGENDA

The Caribbean Urban Agenda (CUA) was adopted at the thirty-ninth meeting of the Council for Trade and Economic Development (COTED) of the Caribbean Community (CARICOM). The decision mandated that further consultation on the CUA be undertaken with critical stakeholders and supported the movement towards a meeting of Ministers responsible for planning and urban affairs. While little progress has been made in its implementation at national levels, the Habitat III process and implementation of the Sustainable Development Goals provide useful tools for its review, adoption and implementation.

The CUA had been developed during a series of regional meetings called the Caribbean Urban Forum (CUF) run by the Caribbean Network for Urban and Land Management (blueSpace), the Sustainable Development Unit of CARICOM and national organizing committees in various Caribbean countries. It had been identified at these meetings that few Caribbean countries had urban policies or agendas and what existed in the region was largely driven by the actions of multilateral agencies operating in the region. In addition, while the Caribbean had relatively high rates of urbanization similar to Latin America, this urbanization was low density and sprawling, with little differentiation between urban and rural population densities (UN-Habitat, 2012). It was felt that there was a need to retool this largely international and Latin American policy agenda to suit the conditions, needs and resources of the largely small island (and country) developing States of the Caribbean (SIDS).

At CUF 2010 a draft urban agenda was discussed and reviewed. The draft reviewed five recent programmes implemented by multilaterals in the region (UMP, Safer Cities, LA21/SCP, Localizing the MDGs and the PSUP) and the existing regional policies of CARICOM agencies, and established five areas of policy emphasis and two enabling mechanisms. The policy areas were physical living conditions, inequality, contributions to climate change, vulnerability to climate change and local economic development. The enabling mechanisms were governance and sustainable planning. The meeting revised and updated this into a set of five highpriority areas: local economic development; enabling mechanisms for government and professionals; natural hazards and disasters; informal sector; and physical human security. Three lower priority areas were inequality, climate change and sustainable planning.

While climate change and disaster management has been at the top of the international agenda for the region, local economic development and poverty alleviation were still at the top of the agenda of regional agencies and professionals. During discussions, representatives of national technical agencies of 13 of CARICOM's 15 members participated, including Suriname and Haiti as well as the four regional universities with planning and built environment programmes, regional planning professional associations and municipal authorities.

The final version of the CUA agreed at CUF 2011 in Jamaica and supported by COTED at its thirty-ninth meeting is shown below. The order of the priorities changed slightly, with governance replacing physical human security as a high priority and this replacing sustainable planning in the lower priorities. However, sustainable planning and vulnerability to climate change became crosscutting issues. The version of the CUA also identified a second level of detailed issues with the broader thematic areas.

PRIORITIES FOR A CARIBBEAN URBAN AGENDA		
	THEMATIC AREAS	ISSUES
Cross-cutting themes: Vulnerability to climate change LECD, adaption at local community level Sustainable urban planning Coastal zone settlement planning, land management/use, rural/urban integrated planning	HIGH PRIORITIES	
	Local economic development and poverty alleviation	<ul style="list-style-type: none"> <li>• Unemployment</li> <li>• Strengthening diversified local populations</li> <li>• Opportunities for economic development</li> <li>• Provision for housing and basic services</li> </ul>
	Enabling mechanisms for government and professionals	<ul style="list-style-type: none"> <li>• Research, communications, training, education, financing, etc.</li> </ul>
	Governance	<ul style="list-style-type: none"> <li>• Implementation, communication and legislation</li> <li>• Municipal co-governance</li> <li>• Inclusive</li> <li>• Partnership coordination</li> </ul>
	Informal Sector	<ul style="list-style-type: none"> <li>• Tenure security</li> <li>• Informal settlements</li> <li>• Informal economy</li> </ul>
	Natural hazards and disaster management	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Environmental resilience</li> <li>• Response capacity</li> </ul>
	LOWER PRIORITIES	
	Physical human security	<ul style="list-style-type: none"> <li>• Crime, safety, freedom from fear</li> </ul>
	Physical living conditions	<ul style="list-style-type: none"> <li>• Housing</li> <li>• Basic services (water, sanitation, energy use, transportation, etc.)</li> </ul>
	Inequality	<ul style="list-style-type: none"> <li>• Social, economic inequality based on age, gender</li> </ul>
	Contribution to climate change	<ul style="list-style-type: none"> <li>• Energy, emission, transportation, green economy</li> </ul>







*The famous waterfront of Copacabana, Rio de Janeiro, Brazil © Shutterstock*



*Municipal workers lay asphalt in Guatemala City, Guatemala © World Bank/Maria Fleischmann*

# URBANIZATION, GOVERNANCE AND INSTITUTIONAL CAPACITIES

Urban governance is a key component for sustainable urban development, and governance quality is a determining factor in the implementation of policies to promote inclusion, resource efficiency and resilience.<sup>67</sup> As noted by the Habitat III Secretariat (2015), urban regulations, planning and financing and a coherent national urban policy framework are essential tools for urban development and the adoption of a New Urban Agenda. The implementation of those instruments depends on the effectiveness of institutional frameworks, inclusion of a variety of stakeholders and financing capacities. In Latin America and the Caribbean, challenges are faced with rich innovative experiences and institutional difficulties. A deregulation process began in the 1990s, when States lost relative power and markets boosted operations. The region's urban centres experienced a similar situation, with a decrease in urban planning as a management mechanism and thus weakened capacity to intervene.

The major challenge in recent decades has been to govern cities and metropolitan systems with millions of inhabitants who face major environmental problems. This has determined the need for complex urban governance that can coordinate the different government levels of large cities and their relationship with civil society and the private sector. In such a challenging context, it is imperative to strengthen public management and increase administrative capacity. The Caribbean is distinctive in that administrative units do not always coincide with urban areas, and the municipal level is sometimes lacking in the governance structure.

Another challenge in the region is the scarcity of urban data, which constitutes a barrier to the analysis and mobilization of urban policies, resulting in urban planning that is not necessarily being carried out on the basis of data analysis and posing a risk of inefficient resource investments. There is a clear need for greater collaboration within and between countries in the region so as to develop institutions and capacity to manage urban data.

Cities in the region have made great progress in terms of collective rights, which have materialized in the "right to the city", which promotes, among other things, access to high-quality public spaces, urban land, housing, services and facilities. Through the strengthening of social movements, the right to the city has also led to greater citizen participation and more transparent public governance. In some countries, urban policies have been implemented that conceive the city as a common good, recognize the social function of property and introduce urban inclusion instruments, which is a contribution of the region to the global discussion on the "right to the city" and its role in creating more equitable cities.

Urban financing has become another major challenge, with the expansion of urban sprawl making the provision of public services much more costly and complex. It is becoming increasingly important to generate funding through value capture or public-private partnerships and promote investments in resilience and recovery efforts to mitigate the effects of climate change. To

gain access to climate financing from various sources, it is also necessary to improve the ability of businesses and institutions to produce quality projects.

## A. Weaknesses and asymmetries in institutional capacity weaken public action

Rapid urban growth in Latin America and the Caribbean has generated complex city systems and large metropolitan areas with administrative entities that are subdivided into territories with their own political and budgetary autonomy, and that may cover several areas outside the central municipality. In addition, metropolitan areas can be spread over various local and State government bodies. This situation generates the typical challenges seen in multilevel governance structures and administrations with power shared between different levels of government and with different levels of autonomy.

In a metropolitan context, governments do not have all the resources and capacities to meet the needs of millions of people. Similarly, urban governance requires a clear assignment of responsibilities that enhances the performance and collaboration of local administrative units and societal capacities. Increasing environmental challenges, including climate change, the effects of which clearly do not respect the boundaries of administrative subdivisions, emphasize the need for collaboration and coordination among various territorial, governmental and institutional levels. Although cities in the region have developed institutional models to meet those needs, existing legal and institutional frameworks and insufficient financial capacity have not always allowed for effective urban governance to address these complex issues.

In some countries, the constitutional context and governance structures in place allow for an advanced degree of decentralization. However, the regional level of decentralization is below the OECD average, and a strong municipal governance structure has not yet been fully established in the region. Municipal spending accounts for 9.5 per cent of GDP in Latin America and the Caribbean, while in OECD countries it accounts for 20.6 per cent. In addition, municipal revenues in the region account for only around a third of municipal revenues in OECD countries. This reveals the imbalances that exist between levels, and between the large federal countries (Argentina, Brazil and Mexico) and the smaller unitary States (OECD and ECLAC, 2011).

The value of administrative deconcentration has been recognized in decentralization processes within large metropolises, but discussions on intramunicipal decentralization are ongoing as it would entail the transfer of autonomous decisionmaking capacities and resources to the various urban districts. This would lead to a loss and distribution of power, which is currently concentrated in the mayors of large cities, while raising the decision-making capacity of participatory mechanisms. In turn, the process reveals the need to expand and improve the coordination capacity of municipal governments so that they can coherently govern their cities as a

67 See Sustainable Development Goals 11.3 and 11.b.

whole. In cities that are made up of a network of districts, each with their own autonomy (Caracas, Lima and Santiago), the need for coordination is such that metropolitan structures have been sought to carry out this function (as in Caracas and Lima) or the central Government has exerted a strong influence on the cross-cutting issues of the city (as in the Chilean capital).

The need to strengthen public management and expand administrative capacity in Latin American and Caribbean cities is widely accepted. In this context, it is worth noting the asymmetry that exists in resources and capacity between large cities that hold financial and human resources and small and medium-sized cities. The need to strengthen public management is also becoming increasingly important for the administrative subdivisions of large cities, which are sometimes as large as medium-sized cities in terms of both population and budget. The strengthening of local management is in turn coupled with the need for institutional restructuring to provide services, coordinate metropolitan actions and boost citizen engagement. It is in this process that the experiences of intramunicipal decentralization and metropolitan coordination are being used in major Latin American cities, in their own way and according to their own circumstances, to address new challenges. Several factors determine the mechanisms that each city will adopt, and they are related to each country's legal system, political and territorial organization and the level of local budgetary and management autonomy of cities or local governments.

Women's level of representation in decision-making positions remains very low in cities, which is a major challenge that is faced by local governments. According to ECLAC data, in 2014 only 12.5 per cent of the mayors at the regional level were women, and although there has been a slow rise in female representation (from a rate of women mayors of 6.6 per cent in 2004), most countries are far from achieving gender parity in local governments. This situation contrasts with the progress made in representation at the national level, largely as a result of gender quota systems that are in place for national legislative elections in 13 countries in the region.<sup>68</sup> A positive case is that of Nicaragua, with 40.1 per cent of female mayors, which is the result of a system of quotas at the local level [the Municipalities Act mandates that 50 per cent of candidates in municipal elections be women] (National Assembly of Nicaragua, 2013).

### Institutional frameworks and typology in large cities in Latin America

In Latin America and the Caribbean, urban management has diverse institutional models, with different mechanisms in place to coordinate the actions of several governmental bodies at multiple levels of government. Based on a review of 14

68 Argentina, Bolivia (Plurinational State of), Brazil, Costa Rica, Ecuador, Guyana, Honduras, Mexico, Panama, Paraguay, Peru, Philippines, Uruguay (Htun and Piscopo, 2010).

#### BOX 19: NEW GOVERNANCE AND MANAGEMENT PARADIGM OF LOCAL GOVERNMENTS FOR THE NEW URBAN AGENDA 2030.

Local governments have an opportunity to fulfil the New Urban Agenda, as well as the other global agendas (2030 Agenda for Sustainable Development and the Paris Agreement). They are governments of proximity and intermediaries between the space in which life takes place, the full exercise of citizenship and the development and implementation of public policies that respond to local demands and global agendas. There is a consensus that sustainable development is a multidimensional challenge that requires holistic, coordinated and integrated intervention and governance that horizontally involves citizens and technical teams, and vertically involves other territorial levels of government. It is on this territorial scale, and from the bottom up, that good practices can be adopted that generate inputs, instruments and pertinent, democratic and legitimate action.

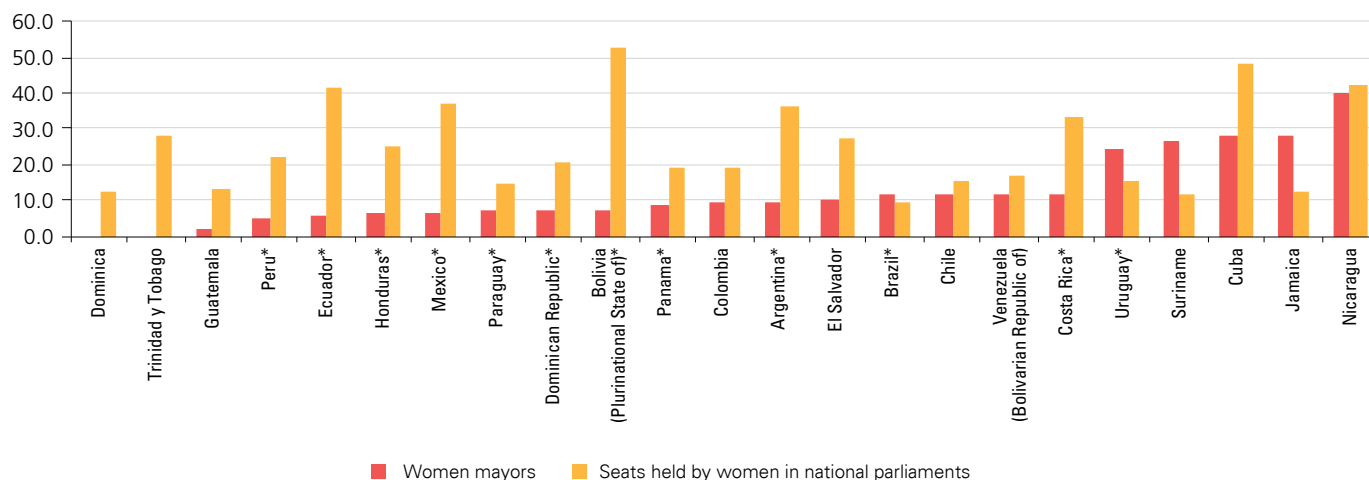
However, the process would require a paradigm shift in municipal management and the adoption of the following measures and tools:

- Promoting citizen participation in the review, planning, preparation and implementation of public policies that assist in generating an identity and culture of inclusion and engagement;
- Fostering proactive management with a territorial rather than sectorial approach;
- Establishing participatory democracy cycles that boost representative democracy;
- Ensuring coordinated planning in the short, medium and long term to avoid dispersion and duplication of efforts;
- Managing with a focus on rights (right to the city);
- Use of ICTs in the creation and democratic use of information and data that are mostly open [and can be shared with the databases of other levels of government];
- Implementing horizontal governance that is inclusive and cross-cutting in collaboration with other levels of government, accountable and publicly monitored;
- Initializing decentralization processes based on information, management and governance from the bottom up;
- Building partnerships, networks, cooperation and continuing training.

Finally, to foster a production and consumption system based on a qualitative logic of caring (for people, social bonds and biosphere), placing the quality of common social and ecological goods at the heart of human and political activities: restraint in quantity, prosperity in quality, putting a focus on non-polluting technologies and tackling inequality. To implement this type of management in local governments, it is essential for cooperation and financing to assist in implementing these tools.

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FIGURE 30: LATIN AMERICA AND THE CARIBBEAN (23 COUNTRIES): PERCENTAGE OF FEMALE ELECTED MAYORS AND PERCENTAGE OF SEATS HELD BY WOMEN IN NATIONAL PARLIAMENTS, 2014



Source: CEPALSTAT (2015) Notes: \* Countries with quota system in national elections. The law was applied in Uruguay in 2014. Mexico: municipal elections are not conducted simultaneously in the country because each federal entity has its own electoral calendar. Uruguay: as of 2010, calculations are based on the 89 municipalities of the country and not on the 19 intendencias as before. Argentina: municipal election data is from 2013. Suriname: district commissioners are appointed, not elected.

#### BOX 20: MUNICIPAL DECONCENTRATION: SAO PAULO, BRAZIL

The government system of São Paulo is based on an executive body in charge of the Prefect (mayor), with several sectoral secretaries, and a legislative body in the form of a House of Councillors (council). The city council is divided into 31 subprefectures, distinctly administrative divisions whose leaders are designated by the central council, but with administrative capacity and responsibility for the coordination and formulation of municipal actions. Driven by the city's rapid and uneven growth, an attempt was made to bring the administration closer to the city itself so that municipal efforts could solve the serious problems related to public service provision. Coordination tables were thus set up for each subprefecture (known as local governments) (Carbonari, Salerno and Marx, 2004).

The case of São Paulo is unique. During its deconcentration process, efforts were made to define powers and structure citizen participation and participatory budget mechanisms, while establishing a coordinated bureaucracy and direct participation mechanisms (Grin 2011). The creation of the Citizen Participation Council (a direct system for electing representatives to work with the subprefectures in decisionmaking processes) reveals the efforts that are under way to democratize decisionmaking in the city (Lima, Desenzi and Penteadó, 2014), without the need to create a new level of government and maintaining the legitimacy of the municipal prefect.

Source: Compiled on the basis of Hernández-Bonivento, 2015

large cities in the region, three types of government were established: municipal deconcentration, municipal decentralization and supramunicipal.

The municipal deconcentration model establishes one government for an entire city, with one governmental structure and administrative subdivisions. It is the most widely used in the region, and is in place in Asunción, Bogotá, Guadalajara, Guatemala, La Paz, Quito, Rio de Janeiro and São Paulo. The most visible advantages are the unity of command for decision-making at the metropolitan level, and service provision that involves the city as a whole. Its challenges are the distance between citizens and decision-making bodies, the low relevance of territorial subdivisions, which depend on the metropolitan government, and the prevalence of hierarchical and vertical relationships.

The municipal decentralization model considers the election of leaders of territorial subdivisions by popular vote (e.g., Mexico D.F., Buenos Aires, Santiago and Montevideo). The main advantage is increased representation, which defines an intramunicipal government and creates a space for political and administrative bodies. The challenges are the greater complexity of the institutional structure; sui generis creation of subdivisions (without necessarily representing a city council given its dependence on the metropolitan government); and administrative and political complexity, since different political parties govern their own areas of jurisdiction.

The supramunicipal model has only been adopted by Lima and Caracas, and is linked to the creation of an intermediate level of government that covers the

### BOX 21: MUNICIPAL DECENTRALIZATION MODEL: MEXICO CITY

Although until 1993 the government of Mexico City was directly dependant on the Presidency of the Republic, since 1996 the largest Mexican city has been decentralized. At present, its 16 delegations have representatives who are elected by popular vote, although they are all largely dependent on the head of government of Mexico City, who acts as mayor for the following reasons: a lack of fiscal autonomy and, consequently, a high dependence on public expenditure vis-à-vis the Government of Mexico City; a lack of attributed powers, which are far removed from those of other municipalities of Mexico, and a lack of accountability mechanisms; and the absence of a sense of territorial belonging of citizens with regards to their delegations, as they have a stronger sense of belonging towards Mexico City (Botero and Carvajal, 2011).

The model is characterized by high institutional and political complexity. There is little clarity regarding the rules of the game in the territory within the Republic, coupled with dependence between levels of government and a centralized Mexico City government. The city's Law of Citizen Participation has had limited success in raising citizen participation (Ziccardi, 2004; Espinosa, 2004) and it has contributed to further complicating an already complex institutional fabric given the lack of legislative clarity.

*Source:* Compiled from Hernández-Bonivento, 2015.

different cities in the metropolitan area. This model maintains the autonomy of districts, and focuses its efforts on cross-cutting issues such as the provision of public services, transport and police services. However, it presents a significant institutional and political complexity as it requires constant deliberation between the city's government levels.

Although the supramunicipal model is uncommon, regulatory initiatives are under way to strengthen coordination between the cities' various entities. For example, Brazil's Statute of the Metropolis, adopted in 2015, seeks to facilitate interventions between the municipalities that make up a metropolitan region or urban agglomeration through shared and permanent planning and decision-making mechanisms and within a framework of shared responsibilities between federative entities (IPEA, 2015). The Statute also suggests unifying rules to define what constitutes a metropolitan area with a view to addressing the wide disparity that exists in that regard (Agência Senado, 2015). The Integrated Urban Development Plan is the main instrument of the Statute of the Metropolis, which must be established by legislation at the State level and reviewed at least every 10 years (IPEA, 2015). Several metropolitan areas have begun to implement the Statute, as well as their own coordination initiatives. One example is the initiative of the State of Rio de Janeiro and the City Council of the Rio de Janeiro Metropolitan Region to establish a metropolitan government integration chamber to coordinate issues of common interest (transport, health, land use, etc.) (IBAM, 2015).

The above makes it clear that there is no "one-size-fits-all" solution to the issue of urban governance in Latin America and the Caribbean, and that institutional complexity is widespread. Intramunicipal decentralization mechanisms have not been fully adopted and there is still a strong dependence on territorial subdivisions rather than on the city government.

### Spatial planning policies in the region

Spatial planning policies in Latin America are associated with State policies and with planned and concerted political, technical and administrative processes aimed at organizing territorial use and occupancy and guiding territorial transformation over the long term to achieve environmentally sustainable, economically viable, socially just, territorially balanced and culturally diverse development (Massiris, 2005). Their goals vary depending on the legal framework of each country. In general, at the national level, the orientation is more political than technical, and deals with the definition of strategies, plans or programmes related to the urban-rural relationship, territorial structure, demographic and economic balance between regions and city systems. At the regional level, spatial planning policies include the definition of land use, territorial integration and physical and environmental planning. At the local level, they consider such issues as urban design and infrastructure, zoning and shaping of neighbourhoods (ECLAC, 2015b).

### BOX 22: SUPRAMUNICIPAL MODEL OF LIMA, PERU

The political-administrative organization of Peru has five possible levels of government: national, regional, departmental, provincial and district. In Lima, all levels – the department of Lima, the province of Lima and the district of Lima – are involved in the governance of the city. As a result of the city's demographic explosion, as well as of its conurbation with the Constitutional Province of Callao, the Metropolitan Municipality of Lima was created with an intermediate level of government, and the Metropolitan Mayor became the head of both the district and the province of Lima. That level of government does not cover the entire metropolitan area, since the constitutional province of Callao has a regional level, a provincial municipality and six districts. Thus the entire city is governed by two departmental entities (department of Lima and constitutional province of Callao), two provincial metropolitan entities (Lima metropolitan municipality and Callao provincial municipality) and 49 districts (43 in Lima and 6 in Callao), where leaders are democratically elected and districts maintain a high level of autonomy and power, thanks to the reforms made during Fujimori's presidency, when, in an attempt to remove power from the metropolitan mayor at the national level, powers were transferred to districts (Durand, 2008). The great advantage of the Lima model is the creation of institutional mechanisms to establish and implement policies for the entire metropolitan area.

*Source:* Compiled from Hernández-Bonivento, 2015.

TABLE 4: COMPARISON OF GOVERNANCE MODELS IN LARGE CITIES

Model	Cases	Evolution	Advantages	Disadvantages
Municipal deconcentration	<ul style="list-style-type: none"> <li>• São Paulo, Rio de Janeiro, Guadalajara Guatemala, La Paz</li> <li>• Quito, Asunción,</li> <li>• Bogota</li> </ul>	<ul style="list-style-type: none"> <li>• Fragmentation</li> </ul>	<ul style="list-style-type: none"> <li>• Coordination</li> <li>• Political unity</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting lines</li> <li>• Administrative distance</li> <li>• Low sublocal responsibility</li> </ul>
Municipal decentralization	<ul style="list-style-type: none"> <li>• Mexico City,</li> <li>• Buenos Aires,</li> <li>• Montevideo,</li> <li>• Santiago</li> </ul>	<ul style="list-style-type: none"> <li>• Fragmentation</li> </ul>	<ul style="list-style-type: none"> <li>• Participation and representation components</li> </ul>	<ul style="list-style-type: none"> <li>• Greater complexity without major changes</li> <li>• Sui generis entities</li> <li>• More participation?</li> </ul>
Supramunicipal	<ul style="list-style-type: none"> <li>• Lima, Caracas</li> </ul>	<ul style="list-style-type: none"> <li>• Integration</li> </ul>	<ul style="list-style-type: none"> <li>• Coordination between strong local entities</li> </ul>	<ul style="list-style-type: none"> <li>• Political and administrative complexity</li> </ul>

Source: Prepared by ECLAC based on Hernández-Bonivento, 2015.

TABLE 5: LEVELS OF GOVERNANCE IN LARGE CITIES AND METROPOLITAN AREAS IN LATIN AMERICA<sup>69</sup>

City	Country	Government level	Subdivision	Metropolitan area	Type of government
Government of the Federal District of Mexico	Mexico	Special - intermediate	16 territorial delegations with authorities elected by popular vote	Non-formal intermunicipal. 59 municipalities in the State of Mexico and 1 in the State of Hidalgo	Decentralized
São Paulo Prefecture	Brazil	Municipal	31 subprefectures designated by the Municipal Prefect	Non-formal intermunicipal. 39 municipalities of the State of São Paulo	Deconcentrated
Autonomous City of Buenos Aires	Argentina	Special - intermediate	15 communes with collegiate governments elected by popular vote	Non-formal intermunicipal. 35 municipalities of the Province of Buenos Aires	Decentralized
Rio de Janeiro Prefecture	Brazil	Municipal	19 subprefectures designated by the Municipal Prefect	Non-formal intermunicipal. 19 municipalities of the State of Rio de Janeiro	Deconcentrated
Metropolitan Municipality of Lima	Peru	Special - intermediate	43 districts (municipalities)	Formal supramunicipal. 43 municipalities in the Province of Lima and 6 in the Province of Callao	Supramunicipal
Mayor's Office of Bogota, D.C.	Colombia	Special - intermediate	20 localities with mayors designated by the governing Mayor	Non-formal intermunicipal. 17 municipalities of the department of Cundinamarca	Deconcentrated
Metropolitan District of Caracas	Venezuela	Special - intermediate	Conurbation of 4 municipalities of the State of Miranda and the Capital District, all with elections except for DC, appointed by the President.	Formal supramunicipal. Four municipalities of the State of Miranda and the Capital District.	Supramunicipal
Santiago de Chile	Chile	National - Regional	Conurbation of 37 municipalities with authorities elected by popular vote.	Non-formal intermunicipal. 37 municipalities in the Metropolitan Region.	Decentralized
Honourable City Council of Guadalajara	Mexico	Municipal	7 areas with officials designated by the municipal president.	Formal supramunicipal. 8 municipalities of the State of Jalisco.	Deconcentrated
Municipality of Guatemala	Guatemala	Municipal	22 auxiliary mayoralties designated by the mayor	Non-formal intermunicipal. 12 municipalities of the Department of Guatemala.	Deconcentrated
Autonomous Municipal Government of La Paz	Bolivia	Municipal	7 districts with officials designated by the mayor.	Non-formal intermunicipal. Conurbation with El Alto and Viacha, of the department of La Paz.	Deconcentrated
Metropolitan District of Quito	Ecuador	Special - intermediate	8 zonal administrations, local administrator appointed by the metropolitan mayor.	Formal supramunicipal. The district comprises the entire metropolitan area.	Deconcentrated
Capital District of Asunción	Paraguay	Municipal	6 districts with officials designated by the mayor.	Non-formal intermunicipal. 10 municipalities of the central department.	Deconcentrated
Intendency of Montevideo	Uruguay	Special - intermediate	8 new municipalities with local governments elected by popular vote.	Non-formal intermunicipal. Small urban conglomerates of the intendencies of Canelones and San José.	Decentralized

Source: Prepared by ECLAC based on Hernández-Bonivento, 2015..

69 They include municipalities that are not necessarily merged with the large city, but that do have a level of gravitational dependence with the central urban area (Hernández-Bonivento, 2015)..

Spatial planning policies in Latin America and the Caribbean have been adopted locally through urban regulations, specifically with regards to land use. The main difficulties involve poor urban development management capacity according to public good criteria. The demand for greater citizen participation in spatial planning policies and instruments is one of the main challenges that need to be resolved in the urban reforms that are being introduced in Latin America and the Caribbean. Another area in which very slow progress has been made is the integration of spatial planning policies in other public policies or strategies. These instruments still tend to be barely connected with economic or social initiatives, which limit their impact in public development strategies. An interesting case is the recent initiative that was launched in Honduras to comprehensively address spatial planning dynamics, and which included economic and social issues.

### Urban governance challenges in the Caribbean

Although Caribbean cities are not as large as those in Latin America, their urban and institutional structures also pose major urban governance challenges. Strengthening governance has become a priority in the subregion, as political-administrative powers are still heavily centralized and decision-making does not involve a large number of stakeholders, thus limiting funds and capacities at the municipal level (Verrest and others, 2013).

Administrative units and institutions in the English-speaking Caribbean do not always coincide with urban areas; in some cases, the municipal level is even missing in the governance structure. Public institutions are sectoral, made up of small spatial units and focused on limited urban issues with an emphasis on infrastructure (transport or housing), which has hindered more comprehensive urban planning and policies. In addition, urban policies have not been updated and, with some exceptions (Jamaica), there are no land policies in place that provide coherence to urban and territorial policies. Another problem in these States is the limited development of urban planning and, if it exists, it is restricted due to a shortage in trained officials.

In many Caribbean countries, and particularly in smaller islands, data collection is a challenge at the urban and even national levels given the institutional peculiarities of small States. The lack of data has been a recurrent problem as it makes it impossible to generate baselines and evaluate new policies, and it hinders the assessment of the state and effect of current policies. It is evident that greater collaboration is needed between countries in the subregion to develop institutional frameworks and data collection capacity. Thus, cooperation at the subregional level in small Caribbean States, in the framework of such institutions as the Caribbean Community or the Organization of Eastern Caribbean States, can play an important role in the promotion of urban policies.

### The challenge of urban data

The lack of quality urban data is an issue shared by many countries in the region and affects the ability to monitor, report on and verify the development of urban areas, especially in smaller municipalities with limited capacity and resources. Effective measuring and monitoring of the progress of the Sustainable Development Goals also requires strengthening the capacity to collect and monitor data at the local level using consistent methodologies. Although collecting quality data on slums has proven to be a challenge in several countries, statistical agencies have launched valuable initiatives. For instance, the Brazilian Geographical and Statistical Institute (IBGE) has made efforts to improve data collection and the identification of informal communities in collaboration with local stakeholders (Cavallieri and Vial, 2012). For instance, the inclusion of the territorial category “subnormal clusters” (IBGE term) in the latest Brazilian census has led to an increase in knowledge of the conditions in informal settlements, which will facilitate public intervention in those communities (IBGE, 2013).

## B. Renewing urban governance: the right to the city and citizen participation

The right to the city has emerged in recent decades as a key concept in the debate on sustainable urban development, and the region’s countries have been at the forefront of global discussions. In Latin America, the emergence of new organizations and social movements, with the return of democracy, has generated an organized civil society that is increasingly informed and influential and has become a key stakeholder that generates and validates public policy actions (UNDP, 2004; OAS and UNDP, 2009). Social movements in Latin America and the Caribbean have played a central role in promoting the concept of the right to the city, both at the country level, through the demand for urban inclusion policies, citizen participation and transparency (Saule and Uzzo, 2010), and at the international level, through participation in the development and promotion of the World Charter for the Right to the City (Fernandes 2007; HIC, 2010). Cities have also had a great deal to contribute: from the well-known participatory budgets that emerged in Porto Alegre and spread throughout the region, to new open information and open government laws, such as those adopted in the Federal District of Mexico, or the implementation of urban regulations with urban inclusion instruments, such as those of São Paulo and Bogota.

Progress in the region in promoting the right to the city can make a major contribution to the global discussion on sustainable urban development because it places the issue of inclusion, participation and access to urban spaces at the heart of the debate. This perspective has gained global relevance as several cities around the world are receiving increasing global investments, which in many cases leads to more private control of urban spaces and may even hinder the ability to keep cities affordable (Sassen, 2015).



To clarify this complex right, the Preamble to the World Charter for the Right to the City offers the following definition:

*The right to the city is defined as the equitable usufruct of cities within the principles of sustainability and social justice. It is the collective right of the inhabitants of cities, in particular of the vulnerable and marginalized groups, that confers upon them legitimacy of action and organization, based on their uses and customs, with the objective to achieve full exercise of the right to an adequate standard of living.*

(World Charter for the Right to the City, 2004)

It is important to insist that “collective right” encompasses not only government but also citizen action, including participatory rights based on the democratic management of cities and the full exercise of citizenship: the right to participate in the design of a city’s budget, to transparent urban management and to access public information, to equitable and sustainable urban development, and to peaceful, supportive and multicultural coexistence and environmental protection. It was in this sense that Lefebvre (1968) defined the right to the city as something more than individual freedom to access urban resources; it is the right of people to change the city through the exercise of their collective power to reform urbanization processes. In short, the right to the city introduces a collective human rights framework based on the exercise of collective power and democratic control over the urban development process (Harvey, 2008).

The collective power to influence urban development is based on a concept of the city as a space for citizen interaction. However, urban public spaces are not always conceived as places for interaction, giving way to what Borja (2000) calls “urban agoraphobia”: a fear of public spaces, which are not understood as a meeting place for citizens, but rather as a threat to public safety – a perception that often becomes a reality as illustrated by high urban violence levels. Privatization and commercialization of public spaces deepens the tendency towards segregation because it deepens the separation of different social groups’ spaces of interaction. Interaction of diverse social and cultural groups is precisely one of the rewards of urban life and culture. Such diversity leads to the questioning of social norms and reduces discrimination (gender-based and of disadvantaged groups), so urbanization becomes a force for building more inclusive societies. Privatization and commercialization also limits the potential to empower citizens derived from the ability to access and participate in public spaces and thus transform individual interests into collaborative practices (Habitat III Secretariat, 2015a).

In addition to insisting on the value of citizen interaction in public urban spaces, the right to the city provides a framework for addressing the specific and significant challenges of urban areas of Latin America and the Caribbean: unequal access to urban land, to adequate housing and to quality services and facilities. The right to the city can be encompassed in innovative policies in the region through citizen participation in urban management (“right to participation”) and the promotion of inclusive cities through urban regulations (“right to habitat and housing”) (Fernandes, 2007).

## Citizen participation

There has been a great deal of international interest in the region’s citizen participation initiatives, particularly in the participatory budgets launched in Brazil in 1989. Citizen participation promotes transparency in decisions affecting urban life and can strengthen fair processes to resolve conflicts between interest groups, which is key to reducing the incidence of public corruption that represents the interests of the most powerful interest groups (Habitat III Secretariat, 2015b). In 2012, there were 355 Brazilian municipalities with participatory budgets (Fedozzi and Pereira, 2014), more than 50 local governments adopted them in Argentina (Bloj, 2014) and examples of such budgets emerged in Colombia, the Dominican Republic and Uruguay (Dias, 2014). Since 2003, Peruvian national legislation has required participatory budgets to be implemented in the budgetary decisions of local governments (McNulty, 2014). There is no clear consensus on the long-term effects of those budgets on urban development. However, improvements in public management in Brazilian cities have been documented (Souza, 2001; Zamboni, 2007). There have also been cases where the application of participatory budgets has deepened gaps in access to public services, given that the most vulnerable sectors face greater barriers to effective participation (Jaramillo and Alcázar, 2013), suggesting that participatory budgets cannot always solve the underlying effects of deep inequalities in the region.

Citizen participation initiatives pose major challenges in terms of establishing social interaction between governments and citizens, so an institutional legal framework is required to define participation mechanisms and a strategy to coordinate powers in order to avoid the kind of instrumentalization that provides legitimacy to unilateral decisions. A participatory culture rooted in society is also needed that can take full advantage of governance structures. Moreover, the expansion of access to digital technologies and the very active use of social networks in Latin America and the Caribbean can reduce barriers to participation and boost transparency, thus creating momentum for such initiatives.

## Urban regulations

The region also applies the right to the city to urban regulations aimed at promoting social inclusion. For example, the Ecuadorian Constitution of 2008 recognizes the right to the city in its habitat and housing section and the National Assembly of Ecuador is currently debating the draft Organic Law on Spatial Planning and Land Use Management, which is based on the principles of “right to the city” and “right to habitat and housing” (MIDUVI, 2015). The Mexico City Charter for the Right to the City (2010), which derived from a participatory social mobilization process, aligned strategic foundations to promote more inclusive cities. However, the concept was first introduced in Colombia (Urban Reform Act of 1989 and Law No. 388 of Territorial Development) and Brazil (Constitution of 1988 and the Statute of

the City of 2001), with the recognition of the social role of property and the creation and implementation of planning tools to promote urban inclusion (Bonomo and others, 2015).

In Colombia, the Urban Reform Law establishes rules on municipal development plans, and Law 388 on Territorial Development promotes the creation of spatial planning programmes and recognizes the social function of property, establishing its prevalence over private use. It also establishes that a fifth of the municipal territory must be dedicated to social housing and that municipalities are responsible for implementing new tools for intervention in land markets (Bonomo and others, 2015). In this regulatory context, the Office of the Mayor of Bogota introduced *Metrovivienda* as an instrument to provide a new supply of well-located urbanized land and housing for the most vulnerable populations. *Metrovivienda* operates as a land bank, that is, it buys land under public utility rules, which it then urbanizes and sells in stages to grassroots housing organizations and construction companies with management and financing capacity to provide homes to lower income groups at affordable prices. To some extent, *Metrovivienda* has been able to contain informal growth in the city, although the adoption of the model in other Colombian cities has been limited.

Brazil's Federal Law 10.257, entitled the Statute of the City, recognizes the right to the city as a collective right and has four dimensions: the interpretation of the constitutional principle of the social function of urban property and the city; new legal, urbanistic and financial instruments to build

and finance a more inclusive urban order; establishment of processes for the democratic management of cities; and legal instruments for the regularization of informal settlements (Fernandes, 2007). Urban inclusion instruments include the collection of a surcharge on vacant or underused property to combat speculation, the Special Social Interest Zones for the construction of social housing or the creation of the Special Concession of Use for Housing Purposes, which makes it possible to formalize land tenure in public areas for personal and family-use (Bonomo and others, 2015).

Although over the past 20 years there has been a surge in the rate of Brazilian municipalities – even of small cities – with master plans, (IPEA, 2015), few cities currently apply the instruments promoted by the Statute of the City, which demonstrates the challenges involved in turning the concept of the right to the city from the regulatory framework into a reality (IPEA, 2015; Balbim and Amanajás, 2015). The country's largest regional metropolis, São Paulo, with its new regulatory plan, has taken an important step in putting the Statute of the City into practice, with concrete efforts being made to promote the social function of property. Among others, it applies instruments to combat vacant land that does not fulfil a social function, to recover abandoned properties with social objectives, to implement solidarity measures in new constructions and to apply instruments to stimulate the use of land (São Paulo City Council, 2015), which constitutes an important contribution of the region to the global discussion on “the right to the city” and its role in creating more equitable cities.

### BOX 23: THE RIGHT TO THE CITY AT THE HEART OF THE NEW URBAN AGENDA

The New Urban Agenda needs to emphasize and assert the necessary link between social inclusion, participatory democracy, human rights and territory in order to make cities inclusive, just, democratic and sustainable. The New Urban Agenda must embrace the “right to the city” concept as a collective right that includes all inhabitants. The right to the city must be at the heart of the New Urban Agenda that will guide us towards building more inclusive, democratic and sustainable cities.

The right to the city is a new paradigm that provides an alternative framework for rethinking cities and urbanization on the basis of principles of social justice, equity, effective implementation of all human rights and responsibility towards nature, future generations and local democracy. Contrary to the current urban model, the goal is to build cities for people. To that end, special attention is given to marginalized groups and people living in vulnerable conditions (such as the urban and informal working poor, ethnic groups, the disabled, young people, women, etc.).

In Latin America and the Caribbean, progress has been made on the right to the city as a paradigm for the implementation of urban development policies. Worthy of note is the Brazilian Statute of the City (2001), which provides a legal notion of the right: “the right to sustainable cities, understood as the right to urban land, housing, environmental sanitation, urban infrastructure, transportation and public services, work and leisure, for present and future generations”.

Article 31 of the Ecuadorian Constitution states: “People have the right to fully enjoy the city and its public spaces, under principles of sustainability, social justice, respect for different urban cultures and a balance between urban and rural. Exercising the right to the city is based on democratic management of cities, on the social and environmental function of property and the city, and on the full exercise of citizenship.” In Colombia, Urban Reform Act (Act 9 of 1989), complemented by the Territorial Development Law (Law 388 of 1997) and the Constitution of 1991, combine the demand for urban reform with the strengthening of spatial planning in a bid to reconcile urban and social policies.

The experiences of Latin America on the right to the city include the strengthening of local authorities through political and financial decentralization, and autonomous management of urban development policies, programmes and projects in cooperation with national Governments and other levels of government.

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### BOX 24: OPEN CITY LAW - MEXICO D.F.

The new Open City Law is the result of collaboration between civil society organizations (CDMX Open Government Platform) and feedback received from government institutions, civil organizations and academia. The main components of the Law are:

- Open government principles as decision-making criteria in the development of governmental policies and programmes with basic standards for the generation and publication of open data;
- Open government council that includes branches with cross-cutting functions in the local public administration and spaces for decision-making with civil society representatives;
- Maturity model that establishes lines of action, maturity levels and evaluation areas progressively open up local public entities.

Under the new law, an open city is considered “one in which all sectors of society have an attitude or tendency to accept new ideas, methods and changes through the practice of trial and error, with the aim of ensuring continuous improvement. The complexity and diversity of Mexico City surpasses any one government agency or sector. This means that collective intelligence is used to enrich the processes of design, implementation and evaluation of public policies and government programmes, using technological tools with an inclusive approach, and ensuring a full exercise of rights and democratic participation.”

Source: <http://www.ciudadabiertacd.mx/>

## C. New forms of urban financing

### Financing cities in Latin America and the Caribbean

Rapid urban growth comes with the cost of delivering the public services required for cities to function, as well as effective urban financing policies to fund adequate infrastructure and ensure that the vulnerable urban population receives such services (Bahl and Linn, 2014).<sup>70</sup> Self-financing capacity is one of various levels of funding responsibilities. Because cities concentrate a variety of economic activities and inhabitants generally earn higher incomes, more local revenues can be raised to finance higher expenditure levels.

Capacity-building requires a higher level of decentralization, as well as local coordination and a transparent accountability system (Bahl and Linn, 2014). Urban governments can access two kinds of financing: self-financing or external sources. With regards to self-financing, central governments are reluctant to delegate tax powers to local governments and the latter have little logistical and administrative capacity to collect tax. For those services whose users are easily identifiable, charging for service use is an option, since it leads to more efficient use and more knowledge regarding demand. Charges can be linked to service usage or to the value or physical attributes of the property to which the service is being provided. According to Bahl and Linn (2014), such charges can serve to capture the benefits of public investment in cities. However, such a policy is not without problems, since it could lead to regressive collection. In terms of equity, fairer tax collection could be achieved by establishing a property tax that is closely linked to the property's value. However, this type of income would not be significant if a city's informal land occupancy rate is very high.

Other types of self-financing sources are property transfer taxes, property tax on capital gains and local sales tax. The latter represents no less than 30 per cent of revenues in Bogota and São Paulo (Bahl and Linn, 2014). Advances in urban regulations have led to the development of innovative financing instruments, such as certificates of potential additional construction (CEPAC) in Brazil, which confer the right to build beyond the restrictions stipulated in land use and zoning laws, and are concentrated in specific areas where urban operations are conducted to upgrade facilities or infrastructure. The purpose of the instrument is to enable land value changes to be assessed by stimulating the developer bidding process, and thus determine what developers are willing to pay under market conditions. In São Paulo, where the instrument originated, CEPACs are sold on the stock exchange, which guarantees a more transparent sale of rights (Sandroni, 2013; Smolka, 2012). Rezoning and CEPAC sales allow cities to raise funds to finance initial construction costs, long-term maintenance and other priorities, such as the preservation of historical or cultural heritage. Funds are captured in a separate fund from the general treasury and are dedicated to the urban operation area or neighbourhood. Through targeted regulation, usage can be conditioned or incentives can be generated through CEPAC for the development of housing and mixed-use districts. Urban operations thus funded may also have special social interest zone (ZEIS) instruments applied to avoid the eradication of informal settlements resulting from the investment (as observed in the Jardim Edith favela in São Paulo). The agency that leads the regeneration of Porto Maravilha in the port area of Rio de Janeiro has started to operate in a similar manner.

However, cities will likely need to diversify their financing matrix since self-financing is not always sufficient to meet infrastructure needs or their level of collection autonomy is limited. External financing includes intergovernmental transfers, loans, public-private partnerships and international aid. Intergovernmental transfers have been used as a mechanism by central governments to control local governments and align interests. However, local governments have not claimed tax powers, since taxation is considered unpopular (Bahl and Linn, 2014).

<sup>70</sup> In São Paulo, the municipality has maintained investment levels of 6 to 8 per cent of net current income in urban infrastructure (Wetzel, 2013).

### BOX 25: LEGAL COURSE TOWARDS HABITAT III

The New Urban Agenda is strengthened by the adoption of a new Latin American Urban Law, which sets out regulations governing human living spaces and has the following common principles and ideas:

- Legal interpretation in accordance with current international instruments and those derived from Habitat III.
- Creation and/or updating of territorial laws in Latin American countries.
- Legal vision of sustainable urbanism in public policies, constitutions, laws, instruments and national courts.
- Social function of public, private and rural property.
- Evaluation and indicators of compliance, effectiveness and legitimacy of laws, regulations and programmes.
- Granting legal status to what is “metropolitan”, strengthening municipal power and coordination with central governments.
- Focus on the person by recognizing, guaranteeing, respecting and developing human rights in any legal norm; preventing, penalizing and amending any violations of such rights; and guaranteeing transparency, access to information and the fundamental right to decide.
- Unified vision of territorial legislation on regulatory contradictions and gaps, systematically integrating urban, environmental, climatic, risk, cultural, rural, tourist, cadastral and property factors, using simple comprehensive codes, or ensuring harmonious coordination of regulatory legislation in the region.

Author: Pablo Aguilar. National Association of Urban Jurisprudence (CNJUR)

Although public-private agreements are an increasingly attractive option, they have been largely limited to telecommunications financing, their contribution being fairly low in comparison to total revenues. In addition, there are technical implementation challenges and uncertainty regarding possible unilateral contract modification and renegotiation costs (Imgram, Liu & Brandt, 2013). With regard to international aid, interventions are often criticized for being fragmented and lacking coordination or a long-term strategic perspective. There is also a lack of local funding to sustain projects once donor support ceases (Bahl and Linn, 2014).

### Financing urban infrastructure

Infrastructure financing is key to the development of cities, as good infrastructure reduces production costs, boosts productivity and job creation, and improves access to basic services. In addition, it affects the availability of resources and attracts private investors, foreign capital and donors (Bahl, Linn and Wetzel, 2013). In fact, according to Standard & Poor's (2015), a 1 per cent rise in GDP in infrastructure could boost the economy by 2.5 per cent in Brazil and 1.3 per

cent in Mexico, generating 900,000 and 250,000 jobs, respectively, in a period of three years. However, infrastructure investments have declined in the region, falling from 4 per cent of GDP between 1980 and 1985 to 2 per cent between 2007 and 2008 (Perrotti and Sánchez, 2011). To bridge the gap between infrastructure supply and demand, countries would have to invest 6.2 per cent of their annual GDP between 2012 and 2020 (ECLAC, 2012c). It is clear that public investment alone will not be enough to bridge the infrastructure gap in Latin America and the Caribbean, so it is necessary to examine options for attracting private investment (IDB, 2015). How much private financing will be required will depend on the total public investment made (Serebrisky and others, 2015).

Private financing could be achieved by two means: by strengthening the regulatory and institutional capacity to generate good projects; and by creating infrastructure assets to attract private investment (e.g., pension funds) (Serebrisky and others, 2015).<sup>71</sup> It is argued that a stronger regulatory framework is needed, since transaction costs are high, capacity

<sup>71</sup> Only 60 per cent of investors regard infrastructure as an asset in their portfolios (Af2i, 2014).

TABLE 6: SERVICE DELIVERY RESPONSIBILITIES OF SELECT METROPOLITAN CITY GOVERNMENTS

Function	Metropolitan cities		
	São Paulo	Buenos Aires	Bogota
Transportation (roads, public transport)	M, C.	N, M, C	P, M, C
City services (water, sewage, waste and electricity)	M, C, N/A	M, C, Private	M, C, N/A
Social services (education, housing, public health, hospitals, social welfare)	M, C, P	C, N	C, M, N/A
Other services (fire protection, police)	M, C, P	C, N	M, C

Source: Adaptation of Sud and Yilmaz in Bahl, Linn and Wetzel (2013); N: national government; P: provincial/State Government (for federal countries); N: regional government; M: metropolitan government; C: city government; N/A: not applicable.

TABLE 7: LOCAL GOVERNMENT REVENUE AND EXPENDITURE AUTONOMY IN SELECT METROPOLITAN CITIES

Function	Metropolitan cities								
	Sao Paulo			Buenos Aires			Bogota		
Revenue mobilization authority of local governments									
Control over:	R	B	C	R	B	C	R	B	C
Property tax	FC	FC	FC	FC	FC	FC	FC	FC	FC
Taxes on vehicles	P	P	P	FC	FC	FC	FC	FC	FC
Fees	FC	FC	FC	FC	FC	FC	FC	FC	FC
User charges for services	FC	FC	FC	FC	FC	FC	FC	FC	FC
Expenditure authority									
Control over expenditures from own revenue	FC			FC			FC		
Control over expenditures from intergovernmental transfers	FC			FC			FC		
Intergovernmental transfers									
Distributable pool	BF			BF			BF		
Distribution across local governments	BF			BF			BF		
Purpose of transfers	UCBG			UCBG			UCBG		
Management of transfer system	N			N			N		
Do local governments have discretion to borrow?	P			P			P		

R: rate setting; B: base setting; C: collection; FC: full control of the local government; N: no control of the local government; P: partial control; BF: formula based; AH = ad hoc; UCBG = unconditional block grant;

Source: Adaptation of Sud and Yilmaz in Bahl, Linn and Wetzel (2013);

is low and political and government risks cause low returns on investment. In fact, few projects in Latin America and the Caribbean appear to be well structured; there are inconsistencies in contracts, concessions and tender documents; and there are underlying cost and flow recovery problems and a lack of adequate financial instruments to attract local investors. It is thus essential to strengthen the institutional and technical capacity in the public sector in Latin America and the Caribbean in this area (IDB, 2015).<sup>72</sup> Moreover, given the current economic slowdown in Latin America and the Caribbean, private investment should be geared towards integrated urban operations and mixed urban operations that integrate social inclusion and diversity of residential supply in well-located spaces. The current economic context opens up opportunities for innovations that focus on new development fund ecosystems, and on structuring development and urban infrastructure investments.

### Public-private partnerships (PPP)

Public-private partnerships are considered important instruments for carrying out large investment projects for infrastructure, services and even scientific and research projects (World Economic Forum, 2014; IDB, 2011a). In terms of modality, public-private partnerships can result in service contracts, management contracts, concessions, build-operate-transfer projects, cooperatives and joint ventures.

A study that considered 98 per cent of road concession contracts awarded between 1993 and 2010 concluded that public-private partnerships had multiple and varied benefits, such as the ability to absorb and apply private sector knowledge, promote competition and reduce costs. However, they also lead to uncertainty regarding potential contract renegotiation (Bitrán and OECD, 2013). Many municipalities in Latin America and the Caribbean often lack technical know-how to carry out projects, or even to monitor their implementation (Ingram, Liu and Brandt, 2013). This typically occurs when governments fail to design concession programmes and when States lack sufficient experience, which leads private companies with greater knowledge to rely on such regulatory failures to obtain higher benefits (Bitrán and OECD, 2013). This type of renegotiation has occurred in Chile, Colombia and Peru and has had a high economic and social cost.

<sup>72</sup> Up to 87 per cent of investors in Latin America and the Caribbean see institutional weaknesses as a major drawback for infrastructure investment, compared to 41 per cent in Europe and the Middle East and only 31 per cent in Asia and the Pacific (IDB, 2015).

Public-private partnership projects are long-term, which represents a risk if conditions change over time. In that regard, Bitrán and Villena (2010) point out that concession contracts tend to be incomplete and it should therefore be possible to modify them when public interest factors so warrant. However, it is argued that this would lead to overuse of the renegotiation mechanism, and significant resources could be committed to future, so they would not be reflected in the initial budget. However, by being confronted with a monopoly, there is a risk of over-pricing and lack of transparency in the renegotiation process, which ultimately affects the system's efficiency and legitimacy. This can be tackled through increased regulation and better institutional measures to monitor public-private partnerships (Rozas and others, 2012) and by establishing other kinds of partnerships such as regulatory asset base models.

### Regulatory asset base models

Regulatory asset base models have become a good option given the uncertainty of public-private partnerships. The models are based on maintaining financial capital invested in work, which enables investors to recover capital invested in assets.

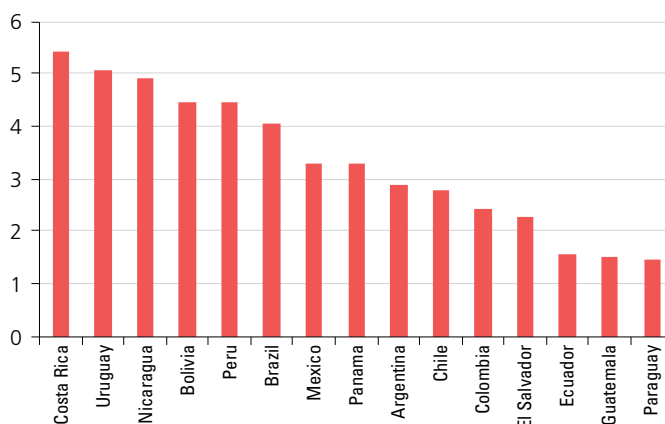
This type of financing has several advantages: it guarantees an ex-ante return agreed with regulators, which generates certainty, less risk and thus lower transaction costs; it allows improvements to the project at a lower cost than would be generated through contract renegotiation, as in the case of public-private partnerships; it offers an attractive alternative for large-scale projects, given the capital cost savings; and it is appropriate for the development of low risk projects involving natural monopolies and a captive demand.

### Climate finance for a resilient city

Financing of investments in resilience and urban recovery in the post-disaster context is gaining prominence in Latin American countries and in particular in Caribbean countries, which are very vulnerable to the increasingly common natural disasters that are becoming more severe as a result of climate change. With adequate conditions, climate investments can provide stable and attractive returns to investors and communities, and allow the incorporation of climate change risks and opportunities into budget processes and national planning. Other possibilities include developing climate-friendly fiscal policies (eliminating subsidies to fossil fuels and putting an additional cost on carbon) and targeting public finances to redirect private investment towards low carbon infrastructure.<sup>73</sup>

Climate finance is an issue not only of supplying money through new funds and/or innovative mechanisms (International Finance Corporation's Asset Management Corporation Catalyst Fund and the Green Climate Fund), but

FIGURE 31: LATIN AMERICA (15 COUNTRIES): INVESTMENT IN ECONOMIC INFRASTRUCTURE IN 2012 (AS A PERCENTAGE OF GDP)



Source: ECLAC (2015c). Database of investments in economic infrastructure in Latin America and the Caribbean 1980-2012.

also of the demand for climate finance;<sup>74</sup> in other words, Governments and banks should be capable of creating a portfolio of bankable projects. A major obstacle to the placement of climate finance in emerging countries is precisely the lack of high-quality businesses. Additional obstacles are regulatory uncertainty and taxes that affect resilient and low-carbon infrastructure, and the lack of experience and coordination in incorporating environmental goals into urban infrastructure planning. There are also high associated transaction costs and a lack of proven climate-resilient infrastructure financing models at the city level (Cities Climate Finance Leadership Alliance, 2015).

The Green Climate Fund, adopted as a UNFCCC financial mechanism in 2011, is expected to become the main multilateral financing mechanism to support climate actions in developing countries.<sup>75</sup> The Fund has launched a work programme focused on the readiness of countries to receive climate finance, which will improve good practices in the design of policies and programmes and enable them to access support from the Fund and others donors. It is also expected to catalyse public and private funding at the national and international levels and provide climate change adaptation and mitigation resources, including REDD+. Other ongoing efforts include the Global Climate Finance Innovation Lab, which works with banks, public financial agencies, etc., to develop innovative tools to help solve persistent climate finance challenges.

73 <http://blogs.worldbank.org/voices/es/el-financiamiento-clim-tico-lecciones-de-vanguardia>.

74 Mobilization of \$100 billion by 2020, promoting a shift towards low-carbon development pathways that are resilient to the effects of climate change.

75 United Nations Framework Convention on Climate Change.

## National funds

One such tool for Latin America and the Caribbean is a national climate change fund, which combines support for early project design phases with public project portfolio funding.<sup>76</sup> Its objectives include coordinating and strengthening national capacity to guide climate finance, as well as capacitybuilding and knowledge-sharing among stakeholders. While traditional UNFCCC mechanisms are limited to the collection of donor or resource funds under the Clean Development Mechanism, a fund can attract and catalyse a wide variety of funding sources (public, private, multilateral and bilateral funds and innovative sources) in a coordinated, efficient and strategic manner. National funds in the region exist in Brazil, Ecuador and Guyana.

National funds have sparked significant interest as a means to assist beneficiary countries in managing and aligning climate finance contributions from developed countries. Domestic funds are generally governed with a high degree of transparency and inclusiveness, and are positioned to channel funding for projects and programmes that are appropriate to national circumstances, and to improve the accountability process of scarce resource expenditure. Involving stakeholders in programming and implementation decisions is key to ensuring good governance. In practice, the impact of funds on strengthening national decision-making and coordination capacity has been mixed.

## National development banks

National development banks, which are crucial for mobilizing international climate finance and leveraging national and international resources, are another source of public funding. Their role is to help overcome market failures, facilitating long-term and counter-cyclical financing; to create markets and financial instruments aimed initially at their own clientele, but they are then called upon to interact with traditional commercial banks and provide financial and nonfinancial services to excluded and/or strategic sectors. Brazil has the National Economic and Social Development Bank (BNDES), which created its first environmental unit in 1989, and Caixa Econômica Federal, which seeks to reduce the impact of climate change on the housing sector. The Development Finance Corporation (COFIDE) in Peru is a leading development bank and has been an active promoter in the fight against climate change since 2004. Costa Rica, El Salvador, Mexico and Uruguay also have relevant experiences.

## Official development assistance and multilateral funds

Official development assistance includes disbursements of concessional loans and grants from official agencies of Development Assistance Committee (DAC) members, multilateral institutions and non-DAC countries. The fragile

<sup>76</sup> The fund recognizes that commercial banks and institutional investors do not have the interest or resources to speculate in the early stages of climate projects, and seek to fill the void by creating demand for climate finance.

TABLE 8: PUBLIC-PRIVATE PARTNERSHIP RENEGOTIATION COSTS: CHILE, COLOMBIA, PERU

	Chile	Colombia	Peru
Number	21	25	15
Original value (US\$ millions)	\$281.3	\$263.2	\$155.2
Percentage of renegotiated concessions	86%	84%	73%
Additional cost as percentage of the original value	+19,5%	+99%	+143,7%

Source: Bitrán and OECD, 2013. Based on 98 per cent of road concession contracts awarded during the period 1993–2010 for three countries.

TABLE 9: PUBLIC POLICY RECOMMENDATION FOR DEVELOPING PUBLIC-PRIVATE PARTNERSHIPS

Scope	Recommendations
Institutional	Define the entity responsible for public-private partnerships, which establishes contract control and monitoring.
	When substantive changes are made to the original project, re-tender in order to reduce opportunistic behaviour of the private sector.
	Resolve differences between public and private sectors that cannot be solved by adjudicatory means, in accordance with law rather than equity.
Planning	At the regional level to unify regulatory bases and adapt contract models to the respective countries.
	Adequately draw up and assess projects.
Normative	Generate projects through strategic planning rather than as isolated initiatives.
	Allow, when possible, the combination of contracting mechanisms to control commercial and investment risks in the early years.
	Allow periodic revisions of key contract variables.
	Advance towards a balanced distribution of risks between State and investors.
	Consider projects with co-financing of the State, by State or private initiative.

Source: Rozas and others, 2012.

economic situation in developed countries creates uncertainty regarding the future flows of such assistance.

The two major international agencies providing funding for climate change mitigation and adaptation actions are the United Nations and the World Bank's Global Environment Facility. At the regional level, the Inter-American Development Bank is the largest source of development financing. The Andean Development Corporation has also made major efforts to support the conservation and sustainable use of natural resources and ecosystems in order to strengthen the development of the environmental sector in shareholder countries.

### Public-Private Funds

Government partnerships with local financial institutions and other private sources allow market-oriented instruments focused on overcoming market barriers to be offered. Public-private funds enable Governments to mobilize funds for climate change mitigation and adaptation programmes with only a fraction of the public funds that would otherwise be needed and within

in a framework in which the private sector takes financial and performance risks. These lessons from the forefront of climate finance in Latin America and the Caribbean show that the creation of attractive policy environments, the strategic use of public finances, the growing awareness and the appetite of private banks and investors are helping to turn the challenge of climate change into an opportunity for investment in the region.







*People participate in Oruro costume carnival in Oruro, Potosí, Bolivia © Shutterstock*

## CONCLUSIONS AND RECOMMENDATIONS

The dual urban transition currently experienced by the region leads to social, economic and environmental challenges, some new and others still pending, including reducing urban, social, economic and environmental inequalities; creating a new sustainable and inclusive urban economy based on reindustrialization (urban clustering and added value), generation of employment and increased productivity of services; and reducing the vulnerability and ecological footprint of cities.

The Latin America and the Caribbean region has managed to reduce poverty and urban precariousness in the past two decades. At the same time, inequality remains high in cities and is spatially expressed in segregation and segmentation. From an environmental perspective, this has led to significant gaps in the quality of life of neighbourhoods and areas, particularly in large cities. From an economic viewpoint, the income differential and concentration of wealth have led to unequal access to urban land, housing, goods, services and facilities in cities. Socially, there has been an increase in violence and insecurity, especially in some cities, which has given rise to a reformulation and deepening of social inclusion policies and programmes. These efforts have prompted significant gains in reducing inequality gaps and dignifying vulnerable areas and sectors in the region's cities. It is therefore paramount to protect and consolidate these achievements in the current context of a less favourable economic environment. The promotion of dynamic urban economies can reduce the structural challenges of the region, such as inequality and low productivity, while boosting more prosperous economies.

Environmental vulnerability and the ecological footprint in urban areas are part of the same dynamic. The rise in income of individuals and families has put greater pressure on energy resources, materials, lands and environmental services, which demonstrates the importance of adopting more sustainable consumption patterns. Ecological footprints have grown, especially in large cities, related among other factors to the pending challenge of sustainable mobility. In turn, the informal and precarious growth of cities, linked to a greater recurrence of hydrometeorological phenomena, has led to a greater exposure and vulnerability of certain groups, especially the poorest, which has had a particularly severe impact in Central America and the Caribbean. Thus, building and developing more resilient cities and low carbon development paths for cities in the region appears to be a central option in efforts to implement a new regional urban agenda.

There have been significant changes in urban governance and governability in the region, such as greater citizen participation in decisions affecting quality of life in cities and significant progress in promoting the right to the city as the collective right to build more inclusive cities. Although the institutional challenges of governing and financing urban development in Latin America and the Caribbean remain complex, efforts are being made towards legal and administrative reforms to make public management more efficient and inclusive. While institutional, public and private capacity for sustainable urban development management still needs to be improved in many respects, there

have been positive experiences related to new management and planning tools, public-private partnerships, fiscal reforms, new technologies and rules to improve spending and investment efficiency.

Because of their demographic, economic, social and political importance, cities in Latin America and the Caribbean are key to sustainable development in the region. Today, urbanization and urban development pose problems and challenges to national development. Therefore, it is necessary to design and implement a new regional urban agenda and promote national urban policies. A new dynamic in that regard requires a post-2016 action plan based on regional agreements.

A post-2016 regional action plan that materializes a new urban development agenda must address at least seven challenges arising from this new stage of urbanization in Latin America and the Caribbean and transform them into axes of action:

- a. With regards to the inefficient use of urban infrastructure and facilities and the tendency to maintain an expanded low-density city model, in many cases with poor planning and access to basic services, a process of redevelopment of urban areas should be implemented to achieve greater social integration and urban system efficiency.
- b. Considering the insufficient financing for local infrastructure, new financing mechanisms and a new generation of integrated urban redevelopment projects must be developed through financial instruments that are adapted to the context. At the same time, it is essential to emphasize the use of urban assets to expand income in municipalities and to review the fiscal structure at the national and subnational levels.
- c. An urbanization process is under way that is disconnected from the economy and is a generator of negative externalities; however, there is also an urban development process in place that generates conditions for improving productivity, using economies of agglomeration and increasing added value, which is central to national policies that promote equity in economic development.
- d. In view of the urbanization process that has been accompanied by poverty reduction and improved access to public services, urban development and management are proposed to further reduce poverty and informal settlements, and to contribute effectively to reducing inequality and its various manifestations (gender, age, ethnicity), as well as socio-spatial segregation.
- e. Together with a pattern of urbanization with social cohesion and coexistence deficits, and with high levels of violence and insecurity, a paradigm of sustainable urban development emerges that seeks safer, fairer and more inclusive cities and communities.

- f. With regards to urban environmental vulnerabilities resulting from increased ecological footprints and climate change, a form of urban development arises based on green growth principles and methods and the strengthening of multidimensional urban resilience.
- g. To solve urban governance and institutional capacity asymmetries, an urban development model is suggested that deepens effective citizen participation, favouring the development of greater institutional capacities in managing, planning and realizing the right to the city.

The region's experience suggests that a post-2016 action plan to implement a New Urban Agenda in Latin America and the Caribbean and promote a new city paradigm must be built on regional consensus and agreements that inspire national and subnational action. The action plan refers to cities in Latin America and the Caribbean as "the place" for economic development given that it combines a high rate of urbanization with a concentration of the main economic and productive system factors and therefore facilitates and regulates access to resources, ensuring universal access to goods and services within a framework of individual and collective rights. By concentrating a diversity of spaces and networks, cities in Latin America and the Caribbean provide the necessary conditions for sustainable development by becoming a "platform" of mega-infrastructures in a broader territorial context. Thus, they become a public macro-good, which in the framework of participatory management and collective responsibility can guarantee sustainable and inclusive development.

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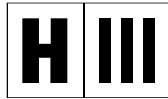
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