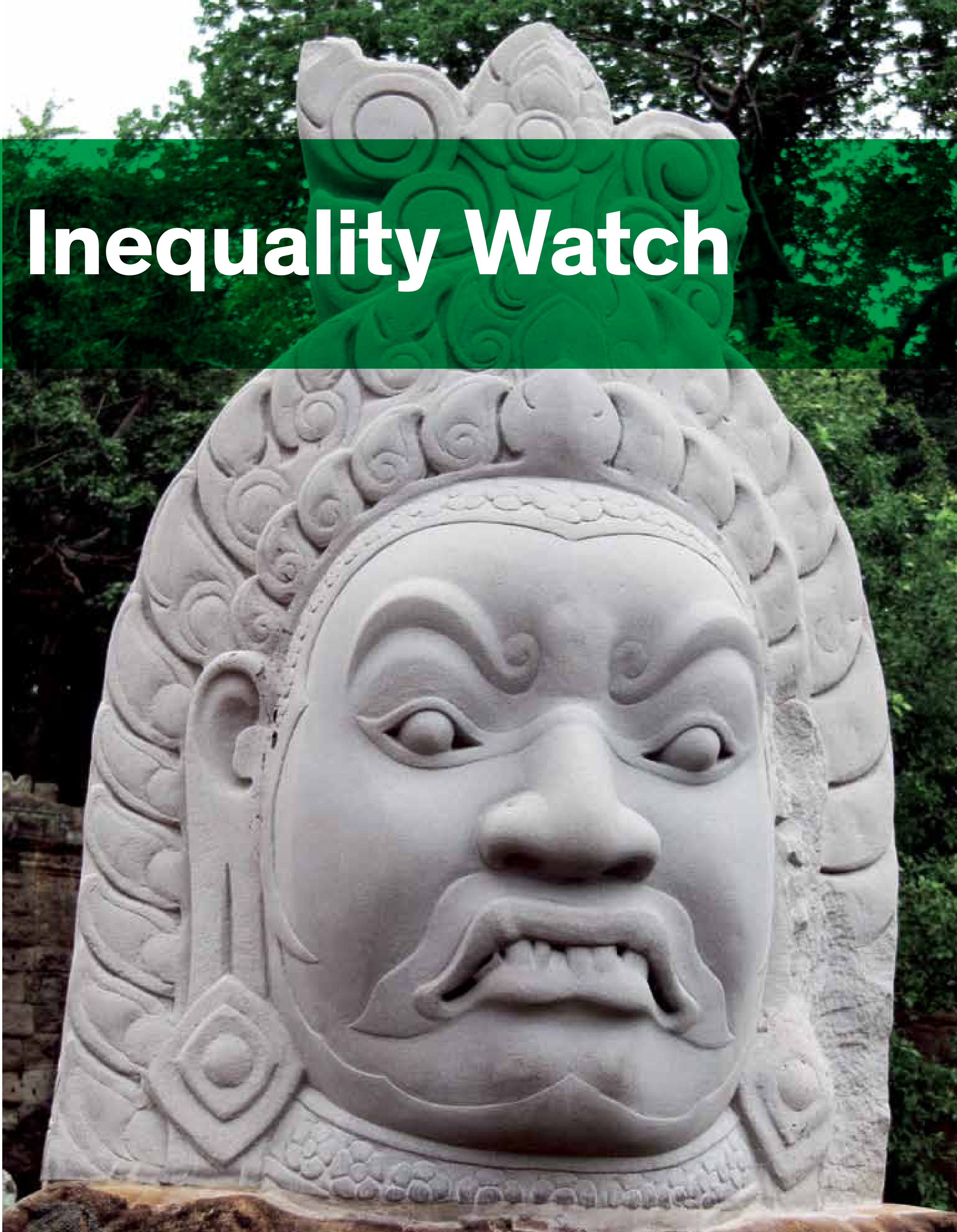
Inequality Watch



Norwegian People's Aid

CONTENTS

Photo: Helge Mikalsen, NTB Scanpix

30 SOUTH AFRICA

Photo: Luca Kleve-Ruud, NTB Scanpix

42 MOZAMBIQUE

Photo: Edgard Garrido, Reuters/NTB Scanpix

54 EL SALVADOR

Photo: George Steinmetz, Corbis/NTB Scanpix

64 BOLIVIA

FRONT PAGE PHOTO
Statue from Cambodia's famous Angkor Wat, the largest Hindu temple compex in the world. Angkor Wat was built by King Suryavarman II of Cambodia in the early 12th century. Inequality has followed mankind all throughout history. (Foto: Berit Keilen, NTB Scanpix)

This report is published with support from Norad, Norwegian Agency for Development Cooperation.

EDITORIAL STAFF
EDITOR Beate Thoresen, senior advisor, International Program Department, NPA's Head Office in Oslo. She is a master in political science from the University of Oslo. She has long experience in practical solidarity and academic work on development, democracy, conflict and peace processes, civil society and political participation, particularly on Latin America.

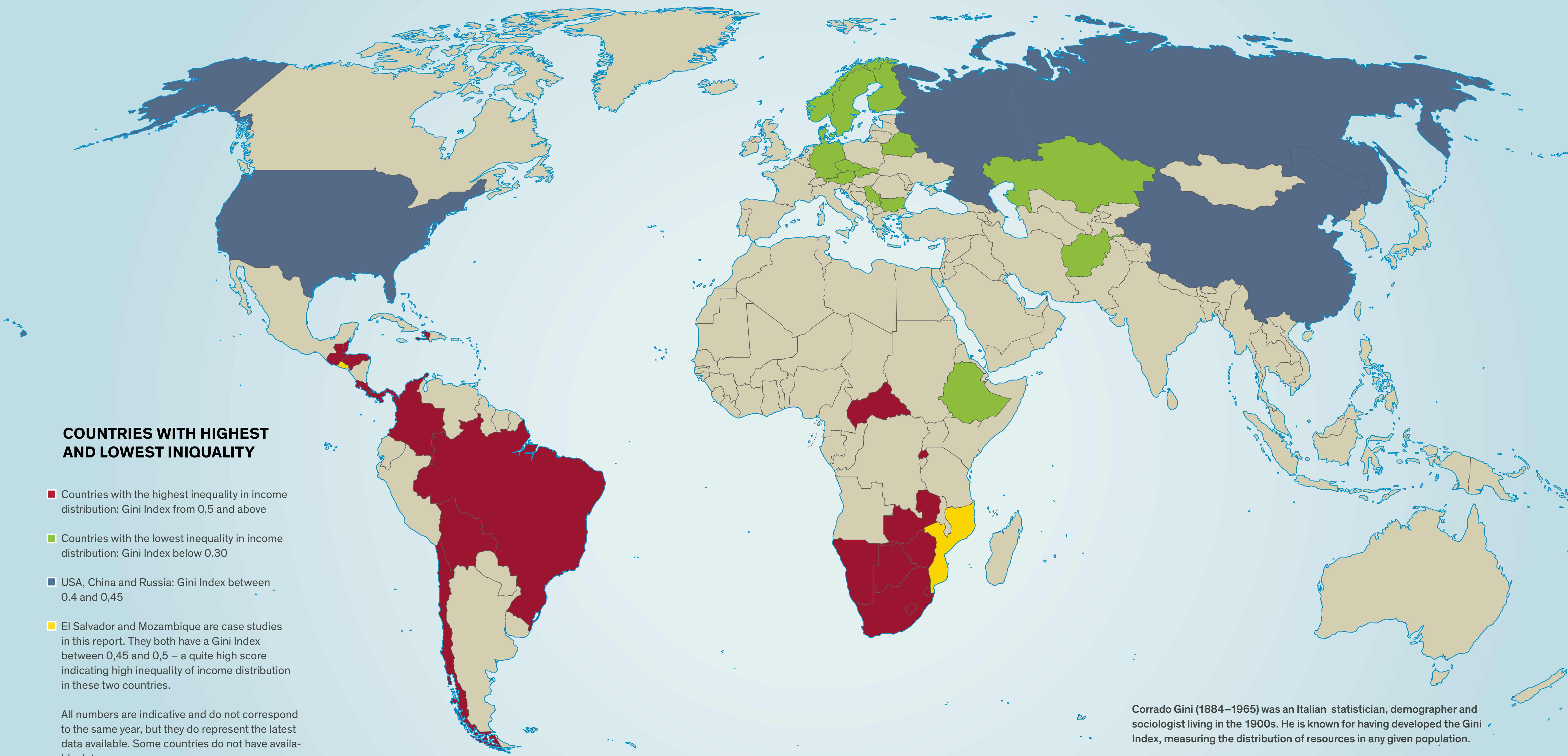
CAROL ROMAY, Master of Philosophy in Economics from the University of Oslo. She was awarded an Economics and Gender scholarship for her thesis on women's earning opportunities in developing countries. She is currently working at the Statistics Norway, Division for Income and Wage Statistics.

INGER SANDBERG, advisor, International Program Department, NPA's Head Office in Oslo. Her background is from journalism, social work and the solidarity movement.

LAYOUT: Cox Oslo

PRINT: TS trykk

Oslo, September 2012



COUNTRIES WITH HIGHEST AND LOWEST INIQUALITY

- Countries with the highest inequality in income distribution: Gini Index from 0,5 and above
- Countries with the lowest inequality in income distribution: Gini Index below 0.30
- USA, China and Russia: Gini Index between 0.4 and 0,45
- El Salvador and Mozambique are case studies in this report. They both have a Gini Index between 0,45 and 0,5 – a quite high score indicating high inequality of income distribution in these two countries.

All numbers are indicative and do not correspond to the same year, but they do represent the latest data available. Some countries do not have available data.

Source: The World Bank Database, accessed August 10, 2012

Corrado Gini (1884–1965) was an Italian statistician, demographer and sociologist living in the 1900s. He is known for having developed the Gini Index, measuring the distribution of resources in any given population.

This world map shows the Gini Index for distribution of income. A Gini Index of zero would have meant perfect equality – which does not exist. 100 would have meant total inequality, also non-existent in this world.

Why all this fuss about inequality?

Liv Tørres, Secretary General, Norwegian People´s Aid

Over the past few decades, the world's attention has been focused on poverty and poverty eradication. At the same time, inequality has increased in many countries.

We have moved from a world where, two decades ago, the majority of the world's poor lived in low-income countries to a world where, today, almost two thirds of the world's poor live in middle-income countries. While inequality between countries and, in practice, between the north and the south has decreased, inequality has increased internally in many countries both in the south and the north. So why is this a problem?

Some say that it is only the eradication of poverty that should be our moral concern. Others say that inequality is good because it increases people's incentives to work, struggle and be creative, thus contributing to growth and development. The argument runs that inequality is a good thing because as the rich increasingly benefit, so does everyone else.

Norwegian People's Aid sees inequality as a major barrier to development, as deeply unjust and as a cause of social unrest. Arguments about the "trickle-down effects" of income growth among the rich are in most cases false or exaggerated.

While the rich have grown richer over the past few decades in countries such as the US and the major European economies, most people – and not just those at the bottom – have been unable to maintain their standard of living. Similarly, inequality has increased considerably in a number of countries in the south and east. In newly-established democracies or in countries emerging from conflict or suffering from ethnic or religious strife, economic inequality may easily become a further division, fuelling bitterness, anger and social conflict.

There are many good reasons for caring about inequality, not least because it is likely to be one of the biggest challenges to development in the future. Increasing inequality often provokes appeals for plain justice: Why should so few have so much when so many have so little?

Inequality also leads to instability where large groups feel they have received a disproportionately small share of the cake: Where they do not reap the benefits of increased living standards on the back of economic growth, for example, where they are the first to experience cutbacks in pensions and wages during recession, as is currently the case in southern Europe, or where their livelihoods are not improved following the establishment of democracy, as many feel in South Africa.

Margaret Thatcher argued during the apartheid era that South African blacks should be content in having more than their African brothers and sisters in other countries on the continent. Unsurprisingly, few black South Africans found this much consolation while whites in South Africa enjoyed disproportionately more in terms of both rights and privileges. The distribution of resources is thus a political and developmental concern, especially so if it is seen to be unjust, unfair or illegitimate.

The knock-on effects of inequality are also evident in economic instability as inequality gradually spirals into economic and political dysfunction for the whole society. Widely unequal societies function less efficiently and their economies are neither stable nor sustainable. Inequality undermines the motivation, loyalty and commitment to society of the underprivileged if they consistently feel that they get less back for their labour than the more fortunate.

Despite enormous oil revenues, Norway continues to have one of the smallest wealth and income gaps in the world. This is the result of political choice, cooperation and negotiation between parties in the labour market, the influence of mature organisations and the willingness to find compromises. This model has proven not only to be a success where stability, growth and development are concerned but is also a major contributor to the building of social capital and social cohesion.

We can see that fair distribution of resources and robust democracy together form twin pillars for political development, a solid structure which we have no hesitation in recommending to other countries.

Beate Thoresen, Editor, Inequality Watch

It is high time to focus on inequality. By any measure, inequality in the world is high. It is also increasing. High levels of inequality are not a new phenomenon. Still, inequality has been neglected far too long.

■ ■ NPA considers reducing inequality to be a matter of justice and democracy.

Norwegian People's Aid (NPA) is making this report because we experience inequality in all countries where we are working.

Poverty is not just the problem of lack of resources. Often it is basically a question of injustice. Resources are available, but extremely unequally distributed. We have also seen that social movements around the world have addressed the issue of inequality and demanded political action for a more just distribution of power, wealth, income, land and access to social services. For years it has been almost impossible to get dominant politicians and development institutions to discuss reduction of inequality or redistribution of resources. Today, we see a slow change, but not yet reflected in consistent new policies.

For NPA, this report is a contribution to push inequality further up on the development agenda and call for political action.

Wealth in the middle of poverty

The most striking levels of inequality can be found in so-called middle income countries, like South Africa and many countries in Latin America. Here, we can see an overwhelming wealth in the midst of widespread poverty.

However, the problem is not limited to these 'worst cases'. Also in many low income countries, inequality is high – and increasing. Inequality is difficult to deal with and tends to be upheld. Inequality has profound effects on people's private lives and social relations, as well as economic structures and political dynamics.

There is a growing recognition that inequality matters and can be dealt with in a number of ways. In the end, how we choose to deal with it will always remain *a political choice*.

Equality as a value of its own

Fundamentally, NPA considers reducing inequality to be a matter of justice and democracy. Unequal distribution of power and resources undermine the fundamental values of people's equal rights. It leads to structural oppression of large population groups. It also makes it much harder for poor and marginalised groups to gain political influence. Even if equal rights to vote and participate are formally granted in a highly unequal society, people's real possibilities of political influence will remain limited.

NPA is concerned about injustice. NPA also accepts more pragmatic arguments for reducing inequality – like the concern for stability, the potential increase in poverty reduction and economic growth.

Poverty reduction is not enough

Development strategies cannot be limited to measuring what people *lack*.

A low level of inequality is an advantage for any society.

A focus only on the poor may hinder our understanding of the wider dynamics in society creating and upholding poverty. The definition of who is poor and who is not is often quite casual, as defining and measuring poverty also have many flaws.

A focus on inequality gives us a broader view of the development in a society – as the distribution of resources between rich and poor, men and women, individuals and groups.

There has been a strong focus on targeted measures to reduce poverty, but such interventions easily promote an image of *them and us*. A clear focus on inequality may favour the promotion of negotiations on how the resources in society should be distributed.

Growth is not enough

There is more than enough evidence that the benefits of growth does not necessarily "trickle down" to the poor. Growth in itself is not a goal. The hoarding of resources within a small group of rich people is neither a sufficient or necessary condition to promote economic growth. Economic growth that ends up in the in the hands of the few also bring few benefits.

The focus must be on the kind of growth that secures that those who have less gain more than the wealthiest. This is not happening. We need to distribute the benefits of growth better and establish mechanisms for redistribution.

Equal opportunity is not enough

It has been argued that as long as equal opportunities for all can be secured, the end result in terms of levels of inequality in society is not a problem. However, in highly unequal societies opportunities are seldom equal and high levels of inequality affect the dynamics in society negatively both for the haves and the have-nots.

The end result does count. A low level of inequality is an advantage for any society, and definitely for all who are excluded from a fair share of power and resources.

One size does not fit all!

The situation in different countries needs a different response. Some have historic high levels of inequality, while others have not. Bolivia and Mozambique have abundant natural resources while El Salvador has not. El Salvador has been forced to focus more on the tax system than on potential revenues from exploitation of natural resources. The democratic systems work differently and the actors both in the political and civil society have different strength. This affects both economic strategies and the openness to consider redistributive policies.

Inequality has many faces and aspects. Vertical inequality between rich and poor is most pronounced in El Salvador. Inequality between indigenous and non-indigenous people is crucial in Bolivia. Inequality between men and women is an issue in all countries. The structure of inequality, of the economy, power relations and political dynamic must be taken into consideration when promoting strategies to reduce inequality.

Finally, as expressed in an article by the Kenyan economist John Githongo last year:

"If the Arab revolutions have taught us anything, it is that inequality and perceptions of inequality within poor countries have now replaced poverty as the Number 1 Development Challenge facing the world. And inequality, unlike poverty, is far more easily politicized, ethnicized and militarized. It is also far more combustible because it creates an identifiable enemy — a class that benefits disproportionately because of its unfair access to those who wield power. Mismanaging it can be catastrophic." (John Githongo, Kenyan journalist and researcher, in the New York Times, July 2011).

Inequality Watch

This report will discuss basic concepts and approached to inequality. It will shed light on the discussion on how to measure income inequality. It will look at inequality and policies for redistribution in four different countries.

First, an analysis by Morten Bøås on how inequality has been approached in the development thinking since Second World War and the shifts in ideas over the years. Second, an analysis by Carol Romay of various concepts of inequality and how they are reflected in the approaches of the World Bank and UNDP. Two articles illustrate the challenges of measuring inequalities and different approaches to do this, by Romay and by Jo Thori Lind and Kalle Moene.

This is followed by a deeper look at four countries; South Africa, Mozambique, El Salvador and Bolivia. *These countries are chosen because they sustain high levels of inequality*. NPA knows them well from having worked here over years.

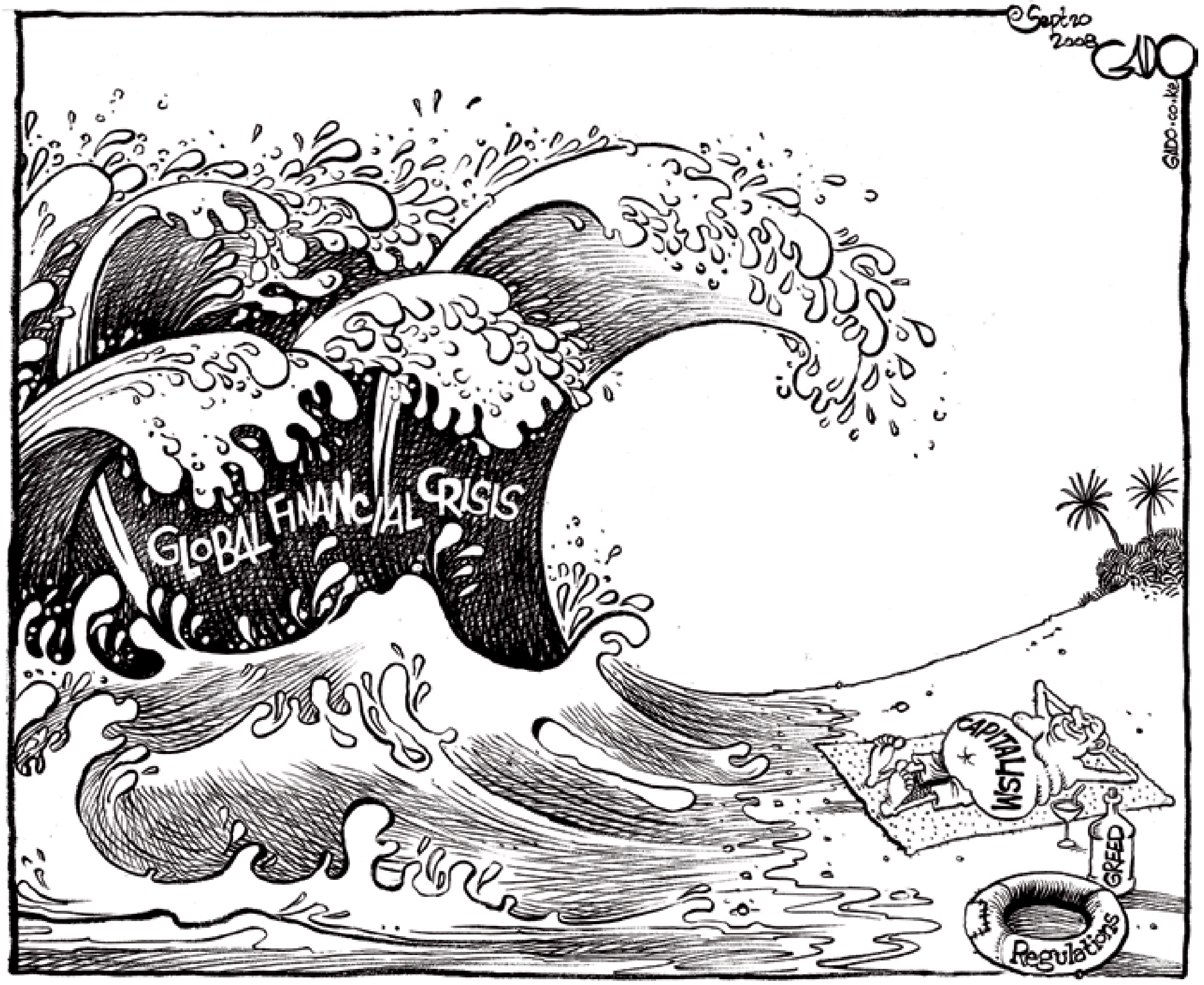
The country studies look at distinctive features of inequality, challenges in changing the situation and – to a varying degree – the political dynamics of distribution and redistribution. Neva Makgetla analyses the situation of South Africa, Beate Thoresen that of Mozambique, Nestor Napal focuses on El Salvador, and Fernando Mayorga Ugarte and Per Ranestad on Bolivia.

Norwegian People's Aid urges the Norwegian government to prioritise reduction of inequality as a goal for international development policies and cooperation.

Mobilise for a just distribution!

The following is addressing the policies of the Norwegian government, but is hopefully relevant also for others.

- Avoid relying on one single indicator to measure inequality!
- Promote and create international alliances between likeminded countries for a new development agenda focused on reduction of inequalities and redistribution.
- Develop alliances and cooperation with social movements and NGOs that have the potential to mobilise for social justice. Defend the right and possibility to organise and -participate in society and at the workplace.
- International agreements – like UN's Post-Millennium Goals – must include redistribution and reduction of inequalities as central goals. Achievements must be measured accordingly.
- Cooperate with countries where the political process permits implementation of redistribution and equality enhancing strategies.
- Develop policies to enhance equality, including specific policies for cooperation with middle-income countries. Norway may be in the front internationally on this issue.
- Avoid standardised models and adapt cooperation to the economic and social conditions, as well as to the political dynamics of each country.
- Focus both on the creation of decent opportunities to obtain an income, small differences in pay and on redistribution.
- Prioritise investments for job creation and stimulate the local economy.
- Give more focus to the importance of cash benefits – such as pensions, grants and social wage systems – as tools for redistribution in development aid.
- Strengthen the work against tax heavens and capital flight.
- Strengthen the redistributive perspective in the Tax for Development Programme. Engage with developing countries to strengthen their capacity to collect and manage revenues from investments in natural resources.
- Demand clear goals and reporting on the effect on distribution of development programmes and projects in bilateral and multilateral cooperation.
- Evaluate and learn from experiences of successful reduction of inequalities!



Inequality, poverty and ideas about development

Morten Bøås

Ever since the development debate emerged after the Second World War, the relationship between inequality, poverty and development has been questioned.

Among the most hotly debated topics we find questions such as: What is the relationship between poverty reduction and inequality? Will economic growth automatically reduce poverty and thereby also reduce inequality through a trickle-down effect? Can sustainable development be achieved if we privilege the reduction of absolute poverty but ignore inequality?

Different ideas about development have taken different approaches to these questions. Modernisation theory focused on industrialisation and economic growth; dependency theory on the subordination – and thereby inequality – of developing countries in the world economic system. In the 1980s, the approach to the economy of the Thatcher and Reagan administrations brought a neoliberal approach to modernisation theory to the foreground, and in despite of the current crisis in the world economy this approach is still dominant, if no longer entirely hegemonic.

Good governance

The term 'good governance', even if it has been heralded as a new pathway to poverty reduction, justice and development, has been much more concerned with the institutional framework for development than poor people's living conditions and livelihood opportunities.

The UN Millennium Development Goals (MDG) brought poverty back into the equation, but never directly focused on the relationship between poverty reduction and inequality, and it has also been criticised as a step in the wrong direction from the Copenhagen World Summit for Social Development (WSSD) as it is seen as a 'minimalist collection of random targets, disconnected from development' (Correll 2008: 453).

However, new areas – mainly, but not exclusively in Asia – are experiencing rapid economic growth through the application of the frequently criticised strategies of modernisation and industrialisation (Bull and Bøås 2010a). Nonetheless, the financial crisis that emerged in the West (e.g. U.S. and later EU), but have come to almost encapsulate the entire world economy, may change mainstream thinking about inequality.

As the consequences of the global financial crisis become obvious, questions concerning the relationship between inequality and state stability are increasingly asked. Of particular concern are the social effects that living under the spell of economic austerity measures will have on populations and societies.

Inequality and poverty

The relationship between inequality and poverty as well as how this question has been approached by different ideas about development, has never been a straightforward issue. Inequality means and thereby also suggests different things to different people. Some simply see it as a waste of time, or as a social-democratic dream in-vain; of a society where everybody is equal. Really of not much use if we want to reduce poverty, and we need to be clear about this: poverty in absolute terms can be reduced even if inequality levels are rising.

However, inequality is much more than just income inequality. It is multidimensional, evolving around questions of an ethical, political, and social nature. These include the questions of access to anything from the national labour market to health and education services and political processes. This may contribute to determine peoples' wealth and well-being. Access to the labour market will impact on a number of issues including economic growth, poverty reduction, conflict resolution and state stability (see also Flatø and Temesgen 2012).

The global landscape of income inequality is changing. The long-term trend suggests that whereas income inequality between nations is falling, income inequalities within nations are rising. The main reasons for this are the faster than world average income growth in China and other parts of Asia, and much slower growth in the OECD countries. During the past two centuries, Europe and North America was the leading rich regions of the world, resulting in massive inequality between regions and nations that was contrasted with either constant or declining income inequality (due to the rise of middle classes) within nations.

Currently, large poor countries are experiencing faster income growth than rich Western countries, but at the same time inequality is rising within many of these, but also in the West. If this trend continues, what it implies is that the relationship between national citizenship and income will be reduced and people's income and well-being will depend much more on education, occupation and what type of network – social capital – they have access to than what country they belong to (see also Firebaugh 2003; Chandy and Gertz 2011). The question is what the different ideas about development can offer of advice in this regard.

Can sustainable development be achieved if we privilege the reduction of absolute poverty, but ignore inequality?

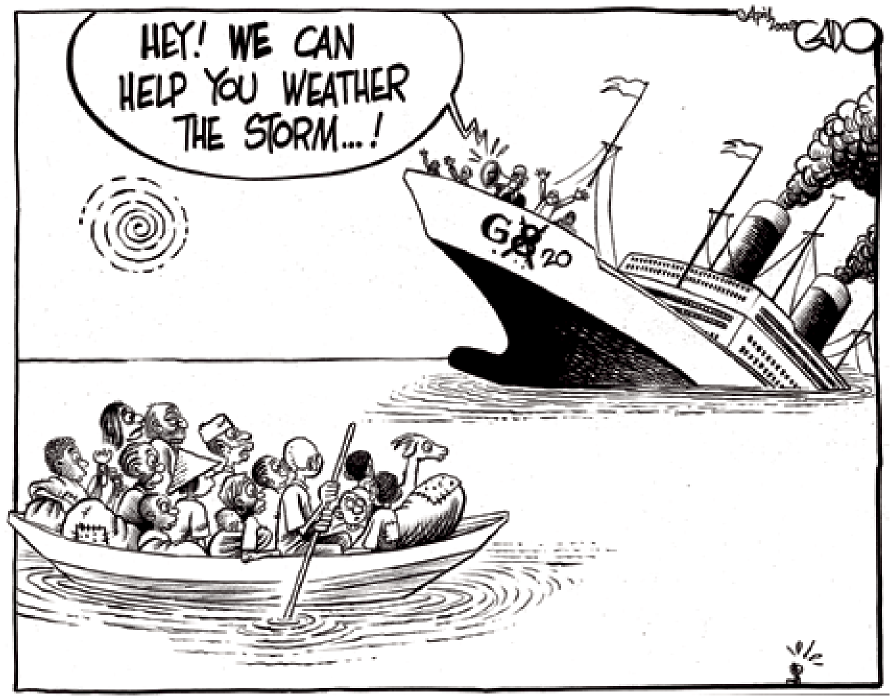
Inequality and the ideas about development

When development studies emerged as a distinct academic field after the Second World War, it was as a quest to seek human progress through the means of modernisation, industrialisation and economic growth. It was the virtues of technological transfer and capitalist organisation that would bring the underprivileged out of their state of poverty and misery.

This belief was summed up by Harry Truman in his inaugural speech in 1949, when he called upon his own country 'to deploying the knowledge and skills of the United States to increase production in poor countries and thus relieve their suffering and misery' (Bull and Bøås 2010b: xxii). The concern was not inequality as such, as this would almost have been seen as leftist (communist) in the United States in those days. The concern was poverty reduction – clearly motivated by a sense of human obligation, but also by geopolitical considerations making it necessary to undermine support in the developing world for anti-capitalist models of development.

Almost ever since, 'the modernisation school' has been criticised as too focused on attempts to replicate the industrialisation and economic growth that had occurred in the West through the creation of 'development manuals' for the aid industry. There is, however, more to this period than the simplified 'stages of economic growth' theory of Walt Rostow (1960). His 'anti-communist manifest' is indeed an oversimplified Eurocentric and politicised document, but other scholars also attached to the 'modernisation' approach offered contributions of much more value (see Bull and Bøås 2010b).

Nurkse (1952) and Lewis (1954) warned that market forces alone would not be able to attract the sufficient investments needed for development and that trade with developing countries would by necessity take place in commodity sectors, which in turn would lead to falling prices. Others were concerned about the



Godfrey Mwampembwa is from Tanzania, now living in Nairobi. For several years, he has been working for the Kenyan newspaper Daily Nation. He also works for Bistandsaktuelt, a magazine on Norwegian development cooperation. (www.bistandsaktuelt.no)

tendency to apply general economic analysis and policy tools without taking local conditions into consideration, arguing that much more attention should be paid to the conflicts that development creates (see Polanyi 1957; Hirschman 1957).

Thus, the arguments of these scholars were not very different from those brought to the foreground to criticise the neoliberal turn in the 1980s and the Structural Adjustment Programmes (SAP) of the World Bank and the International Monetary Fund (IMF).

Furthermore, in the attention to the 'conflicts that development creates' there is also at least implicit a focus on inequality within societies and nations.

Many of the contributions from the 1960s and 1970s that later have been lumped together under the headlines of dependency and underdevelopment focused on inequality, but the inequality these scholars claimed to identify was in the relationships of dominance and subordination between rich and poor countries. It was the inequality between world regions that was the source of underdevelopment, and for many of these authors not the conditions within nations (see, for example, Baran 1957; Frank 1966; Amin 1972).

However, there were also other and non-dogmatic voices such as Sunkel (1969) and Cardoso (1974) who in their Gramsci-inspired dependency theories investigated the possibilities of development in the periphery in global capitalist system in local contexts conditioned by class compromises (Bull and Bøås 2010).

New economic world order

The popularity of dependency theories was weakened by the abandonment of one of its main developmental solutions, the new economic world order (NIEO) in the 1980s, and the economic growth in East Asia was also in stark contrast to the dogmatic part of dependency theory, which had argued that any form of development was impossible within the framework of the global capitalist system.

Furthermore, in a political climate dominated by Thatcherism and Reaganism research by neoliberal economists arguing for the application of a general economic theory of the free market to developing countries gained unprecedented ground in major development institutions such as the World Bank and the IMF. Thus, also losing sight of the question of inequality between as well as within nations. Academic analysis and policy approaches to structural conditions and power relationships were rejected as neoliberal varieties of neoclassical economics formed the basis for the now infamous structural adjustment loans.

In the beginning of the 1990s, the critique of this kind of thinking was rendered to marginal academic communities and social movements, in which it went together with an increasingly harsh criticism of the entire project of development. This was, however, less novel than what it often is presented as. Already in the early 1970s Arghiri Emmanuel (1974) argued that our idea of development should be enlarged to include the concept of increased human well-being.

Paolo Freire's (1970) liberation theology talked about freedom from political and economic oppression, but also about freedom from the very mindset of injustice. Martinique-born Frantz Fanon (1963) was concerned with the culture and attitude of the oppressed.

There is a line of continuity from Freire and Fanon to later post-development and post-colonial perspectives that gained influence in the context of an increasing development pessimism and a neo-liberal project that gained a hegemonic position replacing all other modernising efforts (Bull and Bøås 2010a).

Today, the development critique and the movements that are inspired by it, focuses on constructing the discourse of *alternatives from below*, and thereby the establishment of new and creative paths for the improvement of human lives outside of the mainstream development paradigm. Key-words include participation and local knowledge, the environment, basic human needs, and local development from below, and as such also brining the issue of inequality both between and within nations back into the equation.

The current financial crisis and its very obvious consequences, not only in the so-called developing world, but also in the European southern cone, may add momentum not only to the need to bring inequality to the centre stage of policy and research, but also foster need ideas about a new inclusive growth. The latter is much needed in a time where a lack of new ideas easily may lead to the type of scape-goating of others so often seen in times of economic crisis and depression.

No absolute answer

Our ideas about development and thereby also of necessity of inequality has evolved through a process in which a combination of political shifts, intellectual currents and development experiences has led to shifts in development practice and theory.

Currently, we find ourselves in a situation where major contradictions are resurging with the full force of the global financial crisis, creating conflicts, divisions and contradiction within as well as between nations that right now may seem very difficult to solve. These are among others, the relationship between growth and inequality:

Will growth help us tackle increased inequality? And related to this, questions concerning the right to self-determination and democratic participation; a fair and equitable use of natural resources that is sustainable; and cultural diversity and freedom from violence and oppression.

If we are to tackle these and other of the challenges we currently are facing, we urgently need to rethink our approach to poverty alleviation and inequality. We need to construct new grand compromises between groups as well as nations concerning what may not only be realistic, but also acceptable levels of inequality and the levels of inequality that permanently cements certain groups of people to a position of subordination economically, politically and socially.

The ideas about development cannot provide us with one absolute answer to this problem, but its very richness do offer a source of inspiration and guidance from different sources as our generation and the generations to come will continue to grapple with this question.

There is a line of continuity from Freire and Fanon to later post-development and post-colonial perspectives.

MORTEN BØÅS
HEAD OF RESEARCH AT FAFO

Fafo is an independent research foundation focusing on social welfare and trade policy, labour and living conditions, public health, migration and integration, and transnational security and development issues. Fafo works within both a domestic Norwegian and larger international context.

Egalitarians, libertarians and all between them

Carol Romay

There is no agreement on what sort of equality to pursue to generate socially just development. This section gives a simplified presentation of contesting points of view in the general debate about what sort of equality, if any, should be pursued.

Libertarians focus on equality of rights.

An important question in this debate is whether redistribution should be carried out to achieve equality, and if so, what is a just distributional policy? There are many views on what fair distribution is. It is possible to distinguish two extreme positions. On the one hand, a strict egalitarian position that claims every person should get equally much. On the other, the libertarian claiming that markets produce fair distribution, and that any attempts to actively generate a just distribution are futile (Bojer, 2003).

Between these two extremes there is a scale of nuanced positions that take into consideration whether it is equality in rights, resources, opportunities or outcomes that matters. Positions between egalitarians and libertarians also differ in the importance they give to personal freedom and the way they interpret this. Cappelen et al. (2009) explains that equality in rights implies, for instance, the right to vote and freedom of speech. Equality in resources means that all individuals get the same resources independent of their personal needs. Equality of opportunities sustains that people must be provided with the same opportunities to acquire resources. Equality of outcomes suggests that people with a disadvantageous background can be awarded more resources to achieve equal outcomes for everyone.

According to Cappelen et al., the libertarian tradition interprets equality in terms of equality of rights, and is particularly concerned with defending individual liberties. They favour the rule of law, in which the state enforces laws that protect property rights and force individuals to respect each other's liberties, but the role of the state should otherwise be limited. Egalitarians on the other hand emphasise equality of outcomes in addition to equality of rights. Within the egalitarian tradition personal freedom is interpreted differently from that of the libertarians, namely freedom as "freedom *to*", for example, freedom to realise one's ambitions. This interpretation favours more governmental intervention to serve the goal of social justice.

Libertarians focus on equality of rights. They understand justice as procedural justice. Procedural justice validates an outcome as just if the procedure behind it is just (Bojer, 2003). For people supporting equality of outcomes a procedure as just if it leads to a just outcome. This is known as consequential justice. Bojer explains that two of the most influential egalitarian thinkers, John Rawls and Amartya Sen, use a combination of procedural and consequential justice.

Egalitarian and libertarian influence on the developmental debate

Signs of the libertarian and strict egalitarian traditions, as well as more nuanced opinions, are recognisable in the debate about what kind of equality to pursue to generate a socially just development. Some international organisations, governments and members of civil society argue for equality of *outcomes*, for instance equality in disposable income, consumption, or levels of education.

Other actors argue that what matters is to provide individuals with equal *opportunities* to achieve their desired levels of disposable income, consumption, or level of education. The World Bank is one of the defenders of equality of rights and opportunities, but not of outcomes (World Bank, 2005), and can be placed closer to the libertarian tradition. The United Nations Development Programme's theoretical approach to development is based on the concept of *human development* (UNDP, 1990). This concept is based in the economist and egalitarian thinker Amartya Sen's theory of justice (UNDPa, 2012).

Equity and equality

In the debate on what a socially just development entails, the words *equity* and *equality* are sometimes used as interchangeable terms. However, this is not always the case. The World Bank promotes the use of the term *equity* instead of *equality* (World Bank, 2005). This is not a trivial choice of words.

By differentiating between equality and equity, the World Bank seems to emphasise the fine semantic differences between the words. The Merriam-Webster online dictionary (2012a) and the Oxford Dictionaries (2012a) coincide that equality may be defined as the state of being equal, whereas equity, according to the Merriam-Webster (2012b) online dictionary, is defined as 'justice according to natural law or right, specifically freedom from bias or favouritism'. The Oxford dictionaries (2012b) define equity as the 'quality of being fair and impartial'. The Bank argues that it is possible to observe equity (impartiality) without necessarily observing equality. Even if two individuals are treated impartially, for instance they have the same *formal* rights to establish an enterprise, it does not mean that they will have the same (or equal) wealth at the end of their lives.

The World Bank's consequent use of *equity* when referring to social justice can be seen in the light of the Bank's reluctance to accept equality of outcomes as a goal for social policies (World Bank, 2005).

When the Bank limits the concept to equality of rights and theoretical opportunities, it seems to avoid responsibility for the outcomes generated by their own developmental strategies. However, the use of *equality* and *equity* as interchangeable terms makes sense if one considers the fact that fairness can take into consideration individual needs. In such a case people with disadvantageous backgrounds can, for example, be awarded more resources to enable them to achieve outcomes similar to others.

In terms of impartiality, it can be said that equity leads to equality if social and economic arrangements are impartial, in the sense that they do not systematically benefit some individual more than others. Equitable social and economic arrangements are equality enhancing because they provide environments in which people are given de facto opportunities and not only theoretical opportunities.

Equitable arrangements create the necessary conditions for people to make use of their *formal* rights and transform them into outcome. This chapter uses equality and equity as interchangeable terms.

Egalitarians emphasise equality of outcomes in addition to equality of rights.

CAROL ROMAY

Carol Romay has a Master of Philosophy in Economics from the University of Oslo. She was awarded an Economics and Gender scholarship for her thesis on women''s earning opportunities in developing countries. She is currently working at Statistics Norway at the Division for Income and Wage Statistics.

How to approach social justice?

Carol Romay

The World Bank (WB) and the United Nations Development Programme (UNDP) have great influence on people's understanding of development and are central channels for development aid.

The way these organisations approach the issues of inequality and social justice in a development context is therefore important. This article questions whether the World Bank and the UNDP are capable of generating socially just development.

The United Nations Development Programme's approach

The UNDP is at the forefront of the pursuit for *human* development (UNDP, 1990). Human development is defined as the 'process of enlarging people's choices and enhancing human capabilities (the range of things people can be and do) and freedoms'. According to this concept of development, economic growth pays a role in enlarging people's choices, but development is more than increased income.

Participation in one's community and decisions affecting people's own lives are important elements of human development (UNDP, 2010; UNDPa, 2012). It is fair to say that equality is a natural element of the human development concept because human development will not be achieved if inequalities are persistent as they limit those at the bottom of society to fully participate. The concept is largely based on the work of the economist Amartya Sen, but many of its key principles can be tracked back to the work of other scholars and philosophers (UNDPa, 2012).

Along with the concept of Human Development, The UNDP introduced the Human Development Index (HDI) in the first Human Development Report (UNDP, 1990). The HDI is an indicator of changes in people's income, health and education, and it was an important step to promote an understanding of development as more than income (UNDPb, 2012). However, the HDI may have created the inaccurate impression that income, health and education are the only components of human development.

In 2010, the Human Development Report recognises that the HDI only captures a few of people's choices. Aspects such as social and political freedom and protection against violence, insecurity and discrimination are not captured by the index (UNDP, 2010). As a partial remedy to these shortcomings, the 2010 Human Development Report introduced the Inequality-Adjusted Human Development Index and the Gender Inequality Index.

The Inequality-Adjusted Index addresses that significant aggregate indicators of progress in education, health and income, hide persistent and high levels of inequality. It seeks to go beyond the average measures at country level and looks at the way education, health an income are distributed within each country. The Gender Inequality Index is meant to reveal the differences in health, education, income and political power between men and women.

> Participation in one's community and decisions affecting people's own lives are important elements of human development.

The Millennium Development Goals

The international community is engaged in the realisation of the Millennium Development Goals (MDGs) and the UNDP plays a key role in their achievement. The strength of the MDGs is said to be that they provide 'concrete, numerical benchmarks for tackling extreme poverty in its many dimensions' (UNDPc, 2012). However, as Correll (2008) argues, the Millennium Development Goals lack a social justice agenda and are therefore a poor vision of development.

The traditional UNDP vision has been that, by achieving the MDGs, 'billions more people will have the opportunity to benefit from the global economy' (UNDPc, 2012).This discourse fails to discuss equitable distribution of the gains from economic growth. By not specifying what is to be considered just distribution, the MDG's seems to accept any outcome as 'equitable' if there is some improvements for the poorest, even though the gap between poor and rich keeps growing.

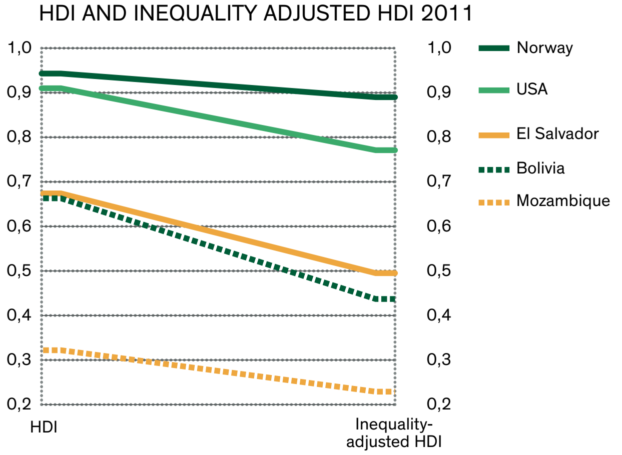
Is distribution just regardless of how the gains are distributed? This article claims that the answer is no. Others, like supporters of mutual advantage theories, would say otherwise. They would argue that an outcome where the poorest gets a minimal gain from economic growth while the rich gets the most is just, *if* such distribution of gains reflects the differences in bargaining power between the parties in a voluntary bargaining process (Barry, 1989).

The major problem with this argument is that it fails to recognise that the initial distribution of power can be a result of unjust historical processes, social arrangements, or economic and political structures. It is dubious to assume that a just outcome can be derived out of an unjust starting point without first dealing with injustices in the determination of the parties initial bargain power. Even within the UN system it is now recognised that the MDGs fail to confront the political and social relations that define power and exclusion structures in society (UNRISD, 2010).

It is promising that UNDP seems to resume its efforts to draw people's attention to the fact that we live in a 'very unequal world', as Helen Clark, administrator of the UNDP, stated. Clark emphasises that current inequalities call

> Is distribution just regardless of how the gains are distributed?

HDI AND INEQUALITY ADJUSTED HDI 2011



This figure shows the loss in the countries Human Development index (HDI) when this is adjusted for inequality. Under perfect equality, the Inequality adjusted Human Development Index (IHDI) is equal to the HDI, but falls below the HDI when inequality rises. Steep falling lines from the HDI column to the IDHI column indicate a high level of inequality in health, education and income. The IHDI is the actual level of human development (taking into account inequality), while the HDI can be viewed as an index of the potential human development that could be achieved if there is no inequality.

for a revised development concept that includes equity and social justices in addition to poverty reduction (UNDPd, 2002).

A critique of UNDP's human development approach, which is also known as the capability approach, is that even though it emphasises the importance of social rights and freedoms, it fails to pay adequate attention to the causes of poverty (UNRISD, 2010). The human development strategies and the MDGs, and other developmental approaches, focus on measuring what people lack instead of understanding why people lack them. The United Nations Research Institute for Social Development (UNRISD) proposes an approach to development rooted in power relations, global dynamics and group analysis. In that way, the institute explains, it will be possible to understand and correct the mechanisms that create poverty and inequality.

Absolute poverty measures do not disclose what happens with people after they cross the given poverty line.

The World Bank's equity concept

The Bank's goal is more limited than the UNDP's goal of human development; it is to reduce absolute poverty (World Bank, 2005). Also, the Bank insists that social justice is about ensuring equity but not equality. The Bank defines equity based on upon two fundamental principles: *avoidance of abolute deprivation* and *equal opportunities*.

In response to the debt crisis of the 1980s, and the right-wing political climate of the time, the World Bank embraced the neo-liberal policy agenda expressed by supporting and promoting the Washington Consensus. An import feature of the neo-liberal agenda was the structural adjustment programmes, where the role of the state was restricted. The state was to be a provider of last resort social services, to avoid absolute deprivation, instead of using social policies as a tool to induce development (United Nations Research Intstitute on Social Development, UNRISD 2010).

By the late 1990's, it was evident that redistribution and poverty reduction were not immediate by-products of growth, and there was a demand for targeted policies to reduce poverty and secure redistribution of economic growth (Saad-Filho, 2010). The Bank has received much criticism for their lack of a social justice agenda. In response to the criticism, the Bank's development paradigm, including the role of inequality, has evolved in ways that seem to be more in line with demands of social justice.

Saab-Filho explains that the rhetoric around developmental policies became more state-friendly and, even though intervention was only justified on a case-by-case basis. This new, although limited, acceptance of governmental interventions opened up a wider range of economic and social policies. The second concession the Bank made to their critics was that they recognised that 'liberalisation and privatisation had in many cases been captured by elites and become a source of inequality' (World Bank, 2005).

Another sign of change was the Bank's engagement in the debate on "pro-poor growth" that emerged in the late 1990's (Saad-Filho, 2010). This debate concentrated on what kind of growth was more beneficial for the poor. An important question was whether pro-poor growth is *growth that promotes equity*, meaning that it increases the *share* of income for the poor and reduces the gap between rich and poor, or if pro-poor growth should be understood as growth that improves, in *absolute* terms, the living standards of the poor. In recent years, the Bank has embraced the concept of inclusive growth, claiming that the goal of growth is to improve the living standards of the poor in absolute terms and not to close the gap between poor and rich (Ianchovichina et al., 2009). These changes in the Bank's developmental discourse and strategies is referred to as the "post Washington consensus".

Will this new approach resolve the original demands for social justice and close the growing gap between rich and poor? This article will look further into the Bank's concept of equity, key in the Word Development Report "Equity and Development" which, according to Elston (in Berik et al., 2010), marks the World Bank's transition to the post-Washington consensus.

The avoidance of absolute deprivation principle

The principle of absolute deprivation expresses an aversion to extreme poverty. According to this principle, a society may intervene to protect the livelihoods of their neediest members, those falling below an arbitrary established threshold of need (World Bank, 2005).

The Bank's concern for reducing absolute poverty, instead of focusing on inequality, is a clear expression of this principle. One major shortcoming of this approach is that the choice of the absolute poverty line can change the impression we get from measuring poverty completely. For instance, when the poverty line is defined as $ 1 a-day, the absolute number of poor decreased from 1.47 billion in 1981 to 0.97 billion in 2004 (Ferreira and Ravallion, 2009). However, if the poverty line is defined as $2 a-day, the absolute number of poor increased in every nation outside East Asia.

Absolute poverty measures do not disclose what happens with people after they cross the given poverty line. For instance, what is the new income of a person leaving extreme poverty? Is it $5 a day or $1.01? Another important issue to consider is when a person crosses the poverty line because of transfers between individuals. For example, P has an income of 99 cents a day. Most people will agree that it is substantially different to take two cents from a person whose original income is $3 and give them to P, so she can cross the poverty line, than to take the same two cents from a person with a daily income of $1000. Absolute poverty measures do not address such questions.

The elimination of extreme poverty can be, at its best, a landmark in the development process, but it is not synonymous with development. What difference does it make for the individual to cross a given poverty line? Does a person with an income of $2.05 have real opportunities to climb further in the income distribution if she so desires? Or will she face systematic limitations along her way?

Another important weakness of measuring absolute poverty is that poverty lines are determined by the income needed to cover the 'basic needs' of the individual, in the form of a predefined bundle of goods. In reality, however, it is difficult to differentiate basic needs from indispensable goods (Nadim and Nielsen, 2009). Absolute poverty lines disregard the fact that basic needs are also shaped by the society surrounding the individual. There may be goods that are not indispensable for a person to survive, but which are indispensable to participate in society.

Ignoring inequalities in the distribution of economic goods, and rather focusing only on the reduction of absolute poverty measures, leads to superficial attempts to solve the world's developmental challenges without really answering people's demands for social justice (UNRISD, 2010). Several objections can be made to approaches to poverty and development that focus primarily on the reduction of absolute poverty.

Firstly, such approaches primarily focus on measuring what people lack instead of understanding why they lack them. They lack the necessary analysis to understand and correct the mechanism producing poverty and inequality (UNRISD, 2010), and overlook the weakness in measures of absolute poverty. These shortcomings can be alleviated, to a certain extent, by looking at the distribution within a population instead of only measuring absolute poverty.

Secondly, a narrow focus on the reduction of absolute poverty measures can lead to the erroneous idea that distributional policies are unnecessary to achieve socially just developmental processes. This idea seems to be built

Such approaches primarily focus on measuring what people lack instead of understanding *why* they lack them.

on the negative correlation between absolute poverty and income shown by, among others, Ferreira and Ravallion (2009). When a country gets richer, on average, indices of absolute poverty are reduced. This is interpreted as a proof that economic growth is, not in all cases, but on average, also good for the poor. However, this correlation does not say anything about *how much* of the economic increase that has been appropriated by the poor. The reduction of poverty, identified by Ferreira and Ravallion, occurred at the same time as the income gap between of the rich and the poor increased.

Equal opportunities principle

The second principle defining the World Bank's approach to inequality is the principle of equal opportunities. In general, the principle of equal opportunities states that justice is achieved when individuals have equal opportunities. The World Bank defines it by saying that the outcome of a person's life should reflect his or her efforts and talents, rather than his or her background. Equality of opportunities may be an appealing principle theoretically, but in reality it depends on the distinction between what is considered an unchosen circumstance and what is within a person's control (Pignataro, 2011). However, the way the Bank defines and applies it, it is not equally appealing.

The principle of equality of opportunities highlights the individual's effort in deciding how much of the economic increase each individual should get (Bojer, 2003). It is easy to understand that any worker, for instance, may be discontent with getting the same payment if he works "harder" than his colleague.

In general, the principle of opportunity implies that 'each person's prospects depend only on her resources and willingness to (exert) effort and behavioural decisions' (Pignataro, 2011). This is why equal opportunity theorists aim to sort out the things that a person should be held responsible for and the unchosen circumstances that they do not have control over. According to the equal opportunity principle, it is only inequalities stemming from unchosen factors that must be removed. Examples of such unchosen factors are gender, race, place of birth, family origins and social group.

The first objection to the World Bank's application of the principle of equal opportunities is that the World Bank, unlike Pignataro, is willing to accept differences stemming from factors such as talents or luck (World Bank, 2005). It is not only problematic that the World Bank includes talents and luck as something a person should be held responsible for (World Bank, 2005). It is also problematic that the Bank seems to assume that established economic arrangements and structures are within the individual's control, and overlooks the fact that economic arrangement also influence the way talents are rewarded by society.

A second objection is that the Bank is unwilling to recognise that theoretical opportunities require an appropriate environment to become de facto opportunities, and to be transformed into just outcomes. When the World Bank neglects the importance of the environment, it appears to suppose that processes that transform opportunities into outcomes are adequate and equitable. It is dubious to suppose that equality of opportunities does not lead to equality of outcomes simply because people choose not to exert effort, or because they choose to be at the bottom of the income distribution.

By focusing on equality of theoretical opportunities, the dynamics that connect opportunities to outcomes are left outside the analysis, and it is assumed that economic structures and social arrangements are equitable and that inequality is neutral.

As pointed out by Phillips (in Berik et al. 2010), 'any systematic disparity in outcomes – whether this be a concentration of certain groups at certain points of the social hierarchy, or a marked segregation of occupations and roles – alerts us to a likely inequality in initial opportunities'.

■■ According to the equal opportunity principle, it is only inequalities stemming from unchosen factors that must be removed.

Is income inequality going up or down?

Carol Romay

The answer to the above question will depend on who you ask. There is much confusion because researchers measure different things differently. This article provides an overview of some of the existing measures of income inequality and seeks to provide a guide to follow the discussions on income inequality in the world.

The indicators of inequality measure different concepts of income inequality. Therefore it is important to be aware of what the indicator in question is trying to measure. Two general conclusions can be stated. Firstly, despite contradictory results of isolate measures, the *levels of income inequality are high*. Secondly, the differences in incomes between rich and poor have increased. Strategies to reduce gaps between people should pay more attention to the mechanisms that produce inequitable income distribution, and avoid of relaying on single indicators.

Absolute vs relative income inequality

One major distinction in measuring income inequality is between relative inequality and absolute inequality. The relative inequality measure will remain the same when the incomes in question rise or fall by the same proportion, an absolute inequality measure will remain the same only when the absolute amount of incomes rise or falls (Atkinson and Brandolini 2004; Anand and Segal, 2008). In other words, relative inequality refers to changes in percentages, while absolute inequality measures differences in the actual amount of income people have. The difference can be illustrated by the following example; P has an income of 100 US$ and R 1000 US$. If both P and R increase their income by 10%, relative inequality will remain the same. However, absolute inequality will increase, because P only gets 10 US$ more, while R gets 100 US$.

The choice of relative versus absolute inequality measures matters for the results (Ravallion, 2004). In a human development perspective, we cannot ignore the absolute dimension of inequality. Here is an example: Dollar and Kraay published a paper called 'Growth is good for the poor' (2002). The paper concludes that economic growth does not increase inequality because economic growth increases the income of the rich and the poor by the same percentage. They based their conclusion on relative measures of inequality. But, as Bacci commented 'it is not much of a relief for somebody living with a dollar per day to see that his income, up by 3 cents, is growing as much as the income of the richest quintile'.

Challenges in measuring inequality across countries

Income inequality in the world stem from inequalities within-countries and between countries. Researches face special methodological challenges in measuring income inequalities around the world. The first is to decide which concept of inequality to measure. Once a specific concept has been chosen, and everybody agrees on a common definition of income[2], more practical issues have to be dealt with. One problem is that researchers do not have information about the income of all individuals in the world at the same time. Only some countries have yearly updated information and some do not have reliable data at all. Countries have different currencies and price levels vary from place to place. Updating indicators is therefore a huge challenge.

A methodological challenge is to transform national currencies into common units possible to compare. Anand and Segal (2008) explain that the most common options are market exchange rates versus purchasing power parity (PPP) exchange rates. The last method is intuitively more correct since it seeks to adjust to the fact that what we are able to buy for a US dollar in Norway is different from what we get for the same dollar in Thailand. There is no consensus regarding which method to use. UNDP has traditionally utilised market exchange rates for their reports and has to a large degree found that inequality has increased and continues to do so. The results from analyses made using PPP exchange rates indicate that inequality has declined during the last decades (Almås, 2009).

When studying the levels of accuracy using either method, Almås arrives at somewhat unexpected results. Her findings show that even though market exchange rate adjusted incomes are misleading, because they do not reflect price differences between countries, this method gives more accurate (less wrong) results than we get using PPP exchange rates. Almås (2010) found that PPP adjusted income is measured with bias, and that the poorer the country is, the more overestimated its income is. An important consequence is that income inequality between countries is substantially underestimated. Almås uses what is considered a well-established fact: richer people use a smaller share of their income on food than poor people do.

Relative inequality

This subsection reviews different concepts of inequality, all measured in relative terms.

Within-country inequality refers to inequality among the individuals or households that live in the same country. Even though this relates only to one currency, there can still be challenges if there are large differences in prices from place to place within the country.

Ferreira and Ravallion (2009) compared Gini Indexes for the 1990s with Gini Indexes for the 2000s in 49 countries. They report that 30 of the 49 countries had an increase in their Gini Index, 13 showed a decline and 6 were stable (2.5% change). This may suggest an increase in within–country inequality. Another study by The International Labour Organisation found that between 1990 and 2000, 'more than two-thirds of the 85 countries for which data are available experienced an increase in income inequality, as measured by the Gini Index' (International Institute for Labour Studies, 2008).

Concept zero refers to inequality among countries based on the countries total *gross national income* (not per capita) (Anand and Segal, 2008). As argued by the authors, this concept of inequality may be a good starting point to analyse 'the economic and geopolitical impact of a country (or region) on the rest of the world'. However, concept zero of inequality fails to answer what it means to a person that her country has increased their economic power compared to other countries. In a negative scenario, if the extra income generated in a country is accrued only by a small group of individuals granting them more political power, it may make it more difficult for poorer people to access power or decision-making at the national level.

Concept one, also known as inequality among countries or inter-country inequality, measures income inequality between countries based on their *per capita income levels*. As Ferreira and Ravallion (2009) highlight, this concept of income inequality is an unsatisfactory measure of inequality since it ignores inequality within countries.

Concept two refers to international inequality. The World Bank (World Bank, 2005), measures this inequality between countries based on a constructed per capita income. To construct this per capita income, the countries' average income is weighed by their share of the world population. Populous countries are given higher weighing factors than small countries, seeking to reflect that when a populous country gets higher income, more people will supposedly benefit from it. However, this rationale will not work in the case where there is income inequality within the countries.

While Inter-country inequality (Concept one) is found to have increased continuously between 1950 and 2000, weighing in favour of populous countries decreases the level of international inequality (Concept two) in the same period (Ferreira and Ravallion, 2009). However, this positive impression changes when China and India are excluded. As figure 1 shows, excluding these countries shows that the decline of international inequality experienced from 1950 is reversed after 1980. After the 1980s international inequality shows a similar increase as inter-country inequality (Ferreira and Ravallion, 2009). An argument for excluding China and India is that their levels of within-country inequality have increased. The concept of international inequality relies heavily on average income to be representative for the population's income. With higher within-country income inequality in populous countries, average income loses much of its value as a good descriptive statistic indicator of inequality around the world.

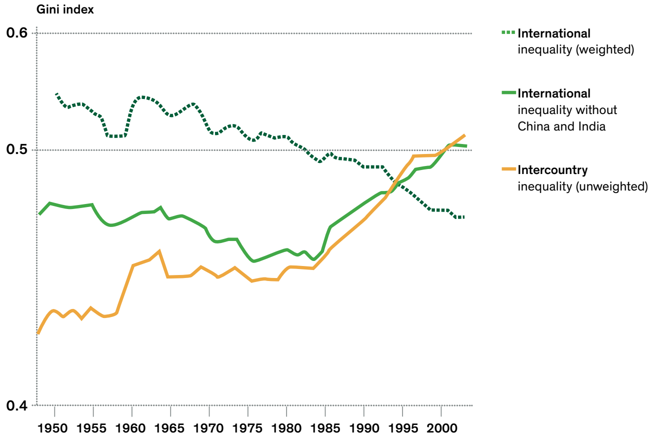
Global inequality: Comparing individuals, not countries

A common feature of the types of inequality described above is that they categorise people according to their county of residence. This is partially a consequence of the fact that little attention is given to income inequality within countries. But it is also a consequence of the fact that national states remain the main unit of reference in the international system. It is, however, not evident that countries should be used as units of comparison for measuring income inequality, when it is possible to construct income distributions that rank people according to their actual income, disregarding where they live.

An argument for focusing on individuals rather than countries is that the traditional poor/middle income classification of countries may be vanishing.

Figure 1

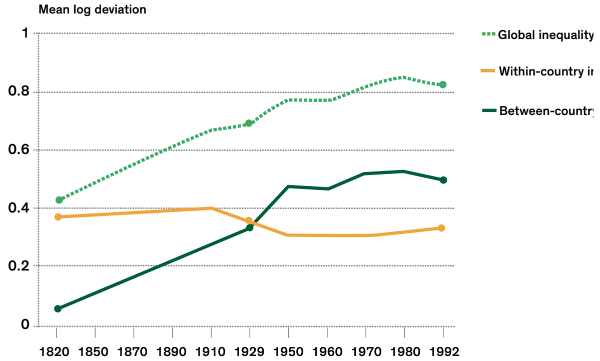
SINCE 1950, INTERCOUNTRY INEQUALITY INCREASED, WHILE INTERNATIONAL INEQUALITY DECLINED



Source: Milanovic (2005)

Figure 2

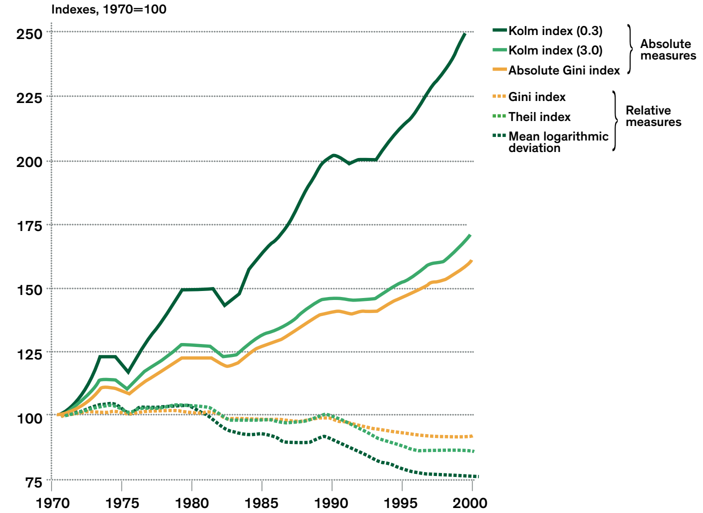
LONG-RUN DIVERGING TREND IN INCOME INEQUALITY BEGINS TO REVERSE BECAUSE OF GROWTH IN CHINA AND INDIA



Source: Authors' manipulation of data from Bourguigon and Morrisson (2002).

Figure 3

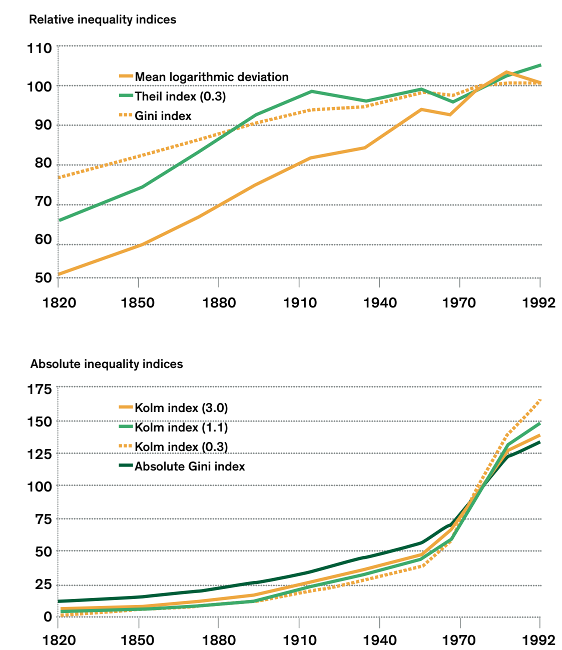
UNLIKE RELATIVE INEQUALITY, ABSOLUTE INEQUALITY HAS BEEN STEADILY INCREASING



Source: Atkinson and Brandolini (2004)

Figure 4

GLOBALINCOME INEQUALITY, 1820-1992 (INDICES: 1970=100)



Source: Atkinson and Brandolini (2004)

In his newer research Andy Sumner identifies what he calls the "new" bottom billion (Sumner, 2010). His findings show that the majority of poor people no longer lives in "poor" countries; they live in middle income countries. According to Sumner, average income has risen in middle-income countries at the same time a large share of their population remains below the poverty line. This evidence calls for putting the focus of development on persons, not countries.

Global interpersonal inequality, or just global inequality, is a concept that analyses income distribution and inequality in the world's population independently of people's country of residence. This concept of inequality is also called concept three of inequality. Global inequality is measured by using a PPP or market based exchange rate to create a global income distribution based on the individual's or household's income, rather than per capita or gross national measures. This global income distribution is then used to compute indicators of inequality (Ferreira and Ravallion, 2009, Anand and Segal, 2008).

The Gini coefficient is one of the easiest inequality indicators to relate to, but it has its technical limitations. If the researcher is interested in knowing how much of global inequality that can be attributed to between-countries inequalities, and how much is due to income inequality within countries, she or he needs to use a decomposable inequality measure. The Theil's index is such a measure.

There have been several studies aimed at quantifying global inequality; one of the most extensive is the Bourguignon and Morrison 2002 paper named "Inequality among World Citizens: 1820-1992". Bourguignon and Morrison were able to construct a time series from 1920 to 1992, measuring global inequality and its components (See fig. 2). The main impression from the data is that global inequality has constantly increased during this period. One of their main findings was that from the dawn of the industrial revolution until around 1950, the Gini Index for the world rose from 0.50 to 0.64. (Ravallion,2009).

Ravallion points out that towards 1992, global inequality began to decline. However, this view is challenged. Several studies have analysed the evidence from more recent periods and arrived at conflicting results. Anand and Segal have reviewed several of these studies. They have two conclusions: Firstly, that all estimates agree that the level of global inequality in the 1990s is very high. All studies observe Gini coefficients above 0.62. Secondly, that there is no consensus on whether inequality has increased or decreased. 'Findings (...) are not robust across different estimation methods and datasets. Given the diversity of estimates and various sources of uncertainty, including gaps and errors in the underlying data, we conclude there is insufficient evidence to determine the direction of change in global interpersonal inequality in recent decades' (Anand and Segal, 2008), see figure 3.

Absolute inequality

Absolute inequality measures income inequality in terms of 'pounds and pennies'. As with relative inequality, it is possible to measure global absolute inequality, as well as absolute inequality within a country, and between countries.

The United Nations Research Institute for Social Development (UNRISD 2010) explains that inter-country absolute inequality, that is absolute inequality between countries measured by per capita levels of GDP, have not been reduced - and have in some cases increased during the period 1960 to 2006. They found, for instance, that while the 1960-per capita GDP of the current Euro zone was 15 times that of Sub- Saharan Africa, in 2006 the difference of per capita GDP was 38-fold.

Atkinson and Brandolini (2004) have calculated absolute and relative inequality for both international and global inequality. With the data at hand, the authors are able to measure international inequality from 1970 to 2000 concluding that, unlike what indices of relative inequality suggest, absolute international inequality increased considerably in this period (see figure 4). The authors use the database constructed by Bourguignon and Morrisson (2002) to measure absolute global inequality. This database contains information only up to 1992. Atkinson and Brandolini found that absolute and relative inequality rose in the period 1820 to 1992 (see figure 4). It would be desirable to have newer data of absolute inequality, but unfortunately relative inequality measures predominates the empirical work on income inequality (Atkinson and Brandolini, 2010). Atkinson and Brandolini point out that event thought the data is not new, their work is relevant because it sheds light on the importance of measuring absolute inequality and provides a new approach to measure it. The concept of absolute inequality reflects that throughout the world, poverty exist in the midst of affluence., Lind and Moene (2011) have constructed a Miser Index to measure to what extent societies allow this. The Miser Index is presented in a separate article of this report.

The overall conclusion of this article is that development strategies should rely on a single indicator of absolute poverty to measure achievements. In order to achieve a socially just development it is necessary to understand the mechanisms that create inequality and poverty so that they can be corrected.

It is necessary to embed equality considerations to development strategies to avoid that the gains of economic growth are accrued by the already rich. It is important to recognise the power relations in economic, social and political arrangements. These are often neither neutral nor just.

0,5% of the world's population has 38,5% of the world's wealth.

Global Wealth Report 2011

Beware of what is measured!

Inequality may be measured within a country, between countries, between regions or globally.

Inequality may be seen in terms of welfare, income, wealth, assets, access to social services or in political participation and influence.

Inequality may be measured between individuals, households, groups or between men and women.

Vertical inequality: Standard definitions of inequality refer to disparities measured between individuals and households, ordered in a vertical line from richest to poorest.

Vertical inequality refers to the individual or the household's wellbeing, but is most commonly expressed in terms of income and wealth. It is also often expressed in terms of consumption.

Measures of income inequality may represent income before or after taxes and social transfers.

Horizontal inequalities: Describe disparities between groups. Disparities can be measured between many different types of groups as for example national, racial, ethnic, religious, gender or age. It is often historically rooted, but reinforced and perpetuated due to power relations and by institutional patterns and practices. It is often expressed in multidimensional terms, including:

Economic horizontal inequality (HI): Includes inequalities in asset ownership, incomes, and employment opportunities.

Social HI: Covers inequalities in access to a range of services, such as education, health, and housing, and hence human outcomes, including education, health and nutrition.

Political HI: Involves inequalities in the distribution of political opportunities and power across groups at many levels, including governmental (executive), bureaucratic and military power.

Cultural status HI: Refers to difference in recognition and de facto hierarchical status of groups' cultural norms, customs, and practices.

GENDER INEQUALITY INDEX (GEI) 2012

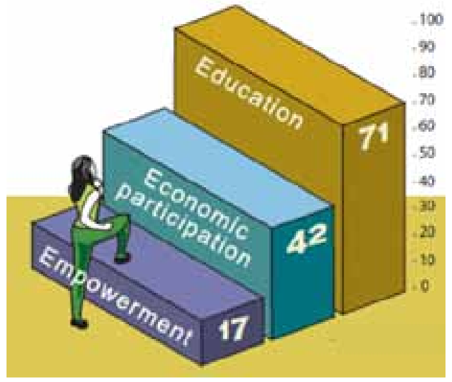
The GEI Index measures the gap between women and men in education, economy and political empowerment.

Social Watch computes a value for the gender gap in each of the three areas in a scale from 0 (when for example no women is educated at all and all men are) to 100 (perfect equality). The GEI, in turn, is the simple average of the three dimensions. In education, GEI looks at the gender gap in enrolment at all levels and in literacy; economic participation computes the gaps in income and employment and empowerment measures the gaps in highly qualified jobs, parliament and senior executive positions. The GEI measures the gap between women and men, not their well-being.

GEI Index 2012: Overall in the world, the gender gap in education is narrower than that in the other two components. Women's participation in the labor force is significantly less compared to men. They have substantially lower salaries for the same type of work and a higher percentage of women are employed in vulnerable or irregular jobs.

But more importantly, in no country do women have the same opportunities as men to participate in economic and social decision-making processes.

Source: Sosial Watch 2012



Inequality and miserliness

Jo Thori Lind and Karl Ove Moene

A miser, according to the dictionary, is a person who hoards wealth and lives miserably. *A miserly society* is one where the rich hoard wealth and let the rest live miserably. One of the most unjust tendencies in the world is the distribution between rich and poor.

The number of poor in the world has decreased slowly. At the same time, the world is getting richer, mostly benefiting a small elite of already rich. To better understand why this is so, we developed an index we call the Miser Index.

The development of the index was motivated by the variation across countries in affluence and poverty. Rich countries can have huge differences in poverty rates. One example is Nicaragua and Jamaica, both countries with GNI per capita around 3500 USD. But:

While 80% of the population in Nicaragua lives below 2 USD a day, only 13% of the population in Jamaica lives below that poverty line

Similarly, countries with almost the same poverty rates can have very different incomes per capita. One example is Nicaragua and Tanzania. Both countries have close to 90 percent of their populations living below two dollar a day. But Tanzania has a GNI per capita of one sixth of that of Nicaragua

Clearly Nicaragua is more miserly than Jamaica since the two countries are equally rich but have unequal poverty rates. Nicaragua is also more miserly than Tanzania since the two countries have equal poverty rates, but unequal ability to eliminate poverty with their income. We were interested in developing a general measure that could rank any set of countries along a common scale of miserliness.

The measure should account for how the richness at one pole corresponds with poverty on the other pole as indicated by some of the classical economist. Adam Smith, for instance, claimed in 'Wealth of Nations' that "for one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many." The contemporary Italian economist Giammaria Ortes claimed that 'the great richness of a small number is ... accompanied by the absolute privatization of the first necessities of life for many others. The wealth of a nation corresponds with its population and its misery corresponds with its wealth." Since advantages and evils cannot exactly balance one another we need a measure to account for the differences across countries and over time.

The Miser Index

We developed the Miser Index to measure the extent to which there is poverty in the midst of affluence. The index can be interpreted as the institutionalized willingness to accept such inequalities.

The index is constructed so that the absolute inequality matters. If the income of everyone increases by 10%, the relative inequality will remain the same, while the absolute inequality will increase – as will miserliness expressed by the Miser Index.

Findings

In our study of inequality we conclude that the world has become 25% more miserly during the last 30 years. The reason for this is that while the proportion of the worlds' population that live on less than 2 USD a day has decreased a little, from 53% to 39%, the worlds' income per habitant has increased by 60 %

- In 1980: In order to eradicate the worlds' extreme poverty it would have been sufficient to introduce a tax on the rich's income on approximately 3.5 %.
- In 2008: The same could be achieved with a tax of approximately 1.2 %.

It is politics that decide the economy.

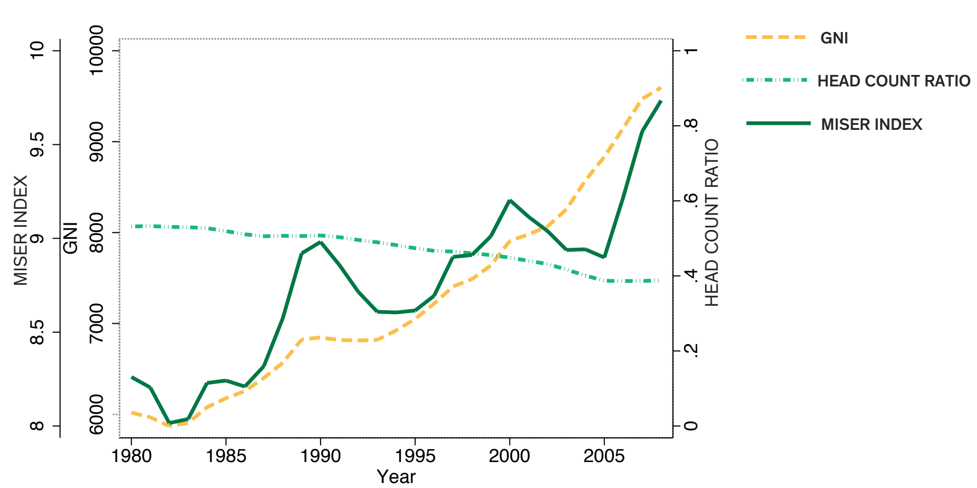
Norway is the most miserly of the Nordic countries.

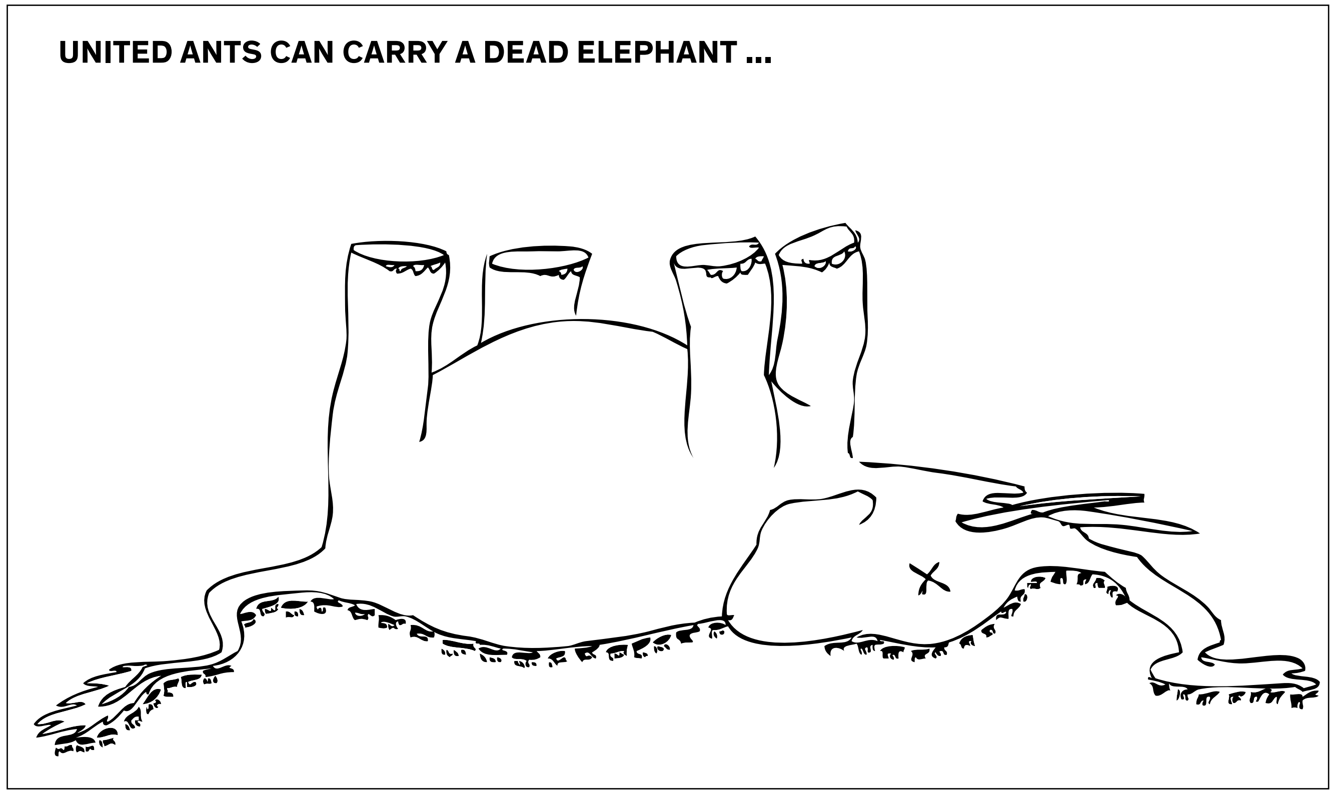
This kind of transfer is not necessarily the best or realistic way of fighting poverty, but the numbers put the size of the problems of poverty in perspective.

We also used the Miser Index to rank developing countries according to their miserliness. Among the most miserly countries in the world are the large middle income countries. Below we report the most miserly countries in the world:

Country	Poverty rate	Gross National Income	Miser index
Swaziland	60	5600	8,64
South Africa	31	10100	8,25
Namibia	51	5060	6,50
Gabon	20	11580	5,92
India	69	3400	5,52
Timor-Leste	73	3060	5,19
China	30	6230	4,69
Indonesia	46	4200	4,67
Panama	14	12770	4,65
Nigeria	84	2240	4,50
Georgia	32	4840	3,86
Congo, Rep.	74	2240	3,85
Venezuela, RB	13	11010	3,75
Colombia	16	9060	3,75
Philippines	42	3720	3,68
Pakistan	60	2570	3,39
Angola	70	1910	3,12
Lao PDR	66	2120	3,01
Micronesia, Fed. Sts.	45	2770	2,99
Peru	13	8930	2,94

Many countries live with high levels of poverty in spite low financial costs relative to their income to eliminate the poverty: *One third of the 97 countries we studied could eradicate poverty by transferring 1% of the resources of the rich to the poor.*





We also identified social and political features that characterise countries that have poverty in the midst of affluence:

- Miserly countries don't provide adequate health care and education to the population.
- Miserly countries are bureaucratically inefficient and corrupt.
- Democracy is no guarantee against miserliness.
- Miserly countries do not grow faster – on the contrary, countries that have experienced fast economic growth tend to have a higher score on the Miser Index. This can be interpreted as a special case of immersing growth where the rich get richer, while the poor get poorer.
- Countries with an open economy are less miserly than countries that are more closed for international trade.
- Large countries that are socially fractionalised and with many language groups are more miserly than homogenous countries .

Throughout the world poverty persists in the midst of affluence. To measure the extent to which this is case, we have developed a simple yet powerful measure of societies' revealed miserliness – the Miser Index.

This index is not a passive reflection of how rich the various countries are. Countries with similar levels of national income per capita have in fact huge variations in miserliness.

Democracy is no guarantee against miserliness.

JO THORI LIND AND KALLE MOENE

Jo Thori Lind and Kalle Moene are economists at the University of Oslo at ESOP (Equality, Social Organisation and Performance), funded as a center of excellence by the Research Council of Norway.

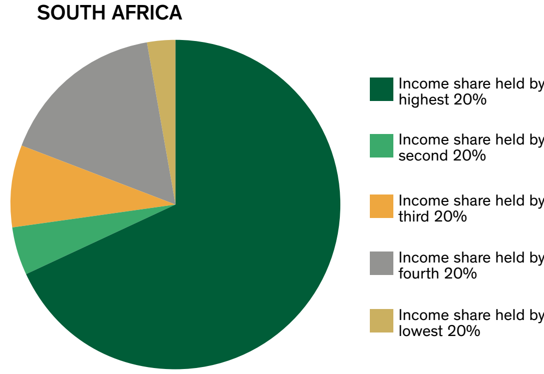
Enthusiastic supporters of Jacob Zuma in a rally in the presidential campaign in 2009. Zuma, the controversial candidate from African National Congress (ANC), won the election and has since been the president of South Africa. From Ellis Park in Johannesburg a few days before the election April 11, 2009.

(Photo: Helge Mikalsen, NTB Scanpix)

COUNTRY INFORMATION	
Population	50,5 million
Major languages	11 official languages
Main religions	Christianity, Islam, indigenous beliefs
Life expectancy women	53 years
Life expectancy men	54 years
GNI per capita (PPP current international $) 2011	10 790
Income share of the 10% richest	51,7
Income share of the 10% poorest	1,17
Gender inequality index	0,490
General government final consumption expenditure (% of GDP)	20
Tax revenue (% of GDP)	26
Net ODA received (% of GNI) 2010	0,3
Net ODA received (per capita)	22
Agriculture, value added (% of GDP)	2
Industry, value added (% of GDP)	31
Services, etc, value added (% of GDP)	67
Main export products	Gold, diamonds, metals and minerals, cars, machinery
Last presidential election	May 2009
President/political party	Jacob Zuma/ANC
Main political parties	ANC, Democratic Alliance (DA)
Peace accords/end of apartheid	1993/94

Sources: UN, World Bank database, BBC country profiles, OECD

INCOME SHARE HELD BY QUINTILES OF THE POPULATION
SOUTH AFRICA



Source: World Bank database accessed August 2012

South Africa's growing gap

Neva Makgetla

As of 2011, South Africa had the most unequal distribution of income amongst all countries with Gini coefficients for the previous decade reported in the World Bank's World Development Indicators – around half all nations.

Profound inequalities resulted from economic systems established under apartheid, which entrenched deeply skewed ownership of productive resources; unusually high joblessness, rigid work organisation and inequitable pay scales; and limited access to skills, healthcare, infrastructure and market institutions for the black majority.

The post-apartheid period

After transition to democracy in 1994, the state ended racial segregation in government services and expanded them in poor communities while vastly increasing social grants. In addition, it improved protection on the job for ordinary workers. Economic growth recovered from a long period of stagnation that had lasted from the late 1970s. The global commodity boom of the 2000s added a further boost to the largely mining-based economy.

Nonetheless, even 18 years after apartheid ended, deep inequalities remained in ownership and economic institutions of all kinds as well as in education and healthcare, although increasingly based on class rather than race. To achieve greater economic equality would require restructuring of the economy to diversify the structure of production in ways that stimulate employment creation and increase equality in employment. It would also necessitate more equitable educational opportunities, ownership of production assets and access to market institutions and infrastructure.

Increasingly, the persistence of stark inequalities fuelled political conflict over property rights, especially in mining and agriculture, as well as social divisions and crime. In this, the South African experience underscored that unless policies address systemic economic inequality, rather than just the worst poverty, political and social divisions will persist.

Yet social peace and confidence form a precondition for stable economic policies, private investment and sustained growth. The policy challenge for South Africa became increasingly how to introduce far-reaching changes in institutions – especially around ownership, the direction of investment, access to markets and education – to bring about greater equity while sustaining a dynamic economy.

The nature of economic equality in South Africa

Economic inequality in South Africa in the late '00s was extraordinarily high by global standards, but data problems made it virtually impossible to determine trends from 1994. The official General Household Survey for 2010 (Statistics South Africa 2010a) suggested that the Gini coefficient was around 0.70 – more or less the same as in the preceding decade. The survey did not differentiate household incomes above 20 000 Rand a month, however, which accounted for the richest 7% of all households. Since the top decile in South Africa captured around half of household income, estimates of inequality are sensitive to assumptions about incomes at this level.

The return to stronger economic

Inequality in South Africa remains strongly marked by race and gender.

growth after 1994 brought about some reduction in poverty. The economy expanded at 3,6% a year from 1994 to 2008, almost exactly equal to the average for middle-income economies excluding China and India. As a result, the GDP per capita climbed by around 1,5% a year, after stagnating from the late 1970s through 1994.The global economic downturn from 2008 brought an uptick in poverty, however, as the median household income fell by around 9% in real terms. (Calculated from Statistics South Africa 2009 and 2010a)

Finally, inequality in South Africa remained strongly marked by race and gender. As chart 1 shows, Africans and households listed as headed by women were far more likely to be poor than white, "male-headed" households. Four out of five households were headed by Africans in 2010, but only one in three in the richest decile. Households headed by African women fared even worse: they made up a third of all households, but under a tenth of those in the top decile.

Factors behind inequality

Differences in access to economic opportunities and assets largely underpinned the inequalities in household income – as the chart 2 shows, according to the 2005–2006 Income and Expenditure Survey.

In sum, the immediate cause of income inequality lay in large differentials in income from work and capital, which were partially offset by social grants and, to a lesser extent, charity and other income sources. In turn, the differences in income from economic activity reflected high unemployment, unusually steep differentials in pay, plus heavily concentrated ownership of capital and exclusionary market systems. Government's efforts to expand services to the poor only partially offset these inequalities. The following sections explore each of these issues.

High unemployment rate

In 2011, South Africa ranked amongst the ten countries with the lowest employment ratio – that is, the lowest share of adults with paid employment, including self employment – in the world. Only two out of five South Africans were employed in 2011, compared to a global norm of two thirds (ILO 2010). The employment ratio had been normal by international standards in the late 1970s, but fell rapidly through the 1980s as apartheid entered a political economic crisis. After 1994, the ratio stabilised as employment creation picked up. Still, it remained far below international levels.

Exclusion from the labour market remained a primary cause of inequality. In the poorest decile of households, only one adult in seven had paid employment. The ratio rose steadily with household income, peaking at three out of four in the richest households. On average, in the poorest 60% of households, only half of all households had anyone working for pay; in the 60th to the 90th percentile, at least one person was employed; and in the richest decile, the norm was two employed people per household.

If employment levels had been the same across all income deciles, even with the current differentials in earnings by decile the ratio of the top decile's earned income to that of the poorest decile would have fallen from over 600 to one to under 100 to one. The share in earned income of the poorest 60% of households would have climbed from below 1% to over 2%. (Calculated from Statistics South Africa 2010a)

By 2010, 44,6% of households received some form of social grant. (Statistics South Africa 2011, p 20) Some 2,7 million got the old-age pension, almost one million received the disability pension, while the much smaller child support grant went to 5,8 million people. (SASSA 2012)

High joblessness increased the importance of social grants for poor households. As a result, their income level depended largely on their age structure. The poorest decile of households typically had neither older people, who qualified for an old-age pension, nor many children, who could get the child support grant.

The former Bantustan regions, which had essentially been shaped as cheap labour reserves under apartheid, continued to suffer by far the highest joblessness.

Pay differentials

In addition to high unemployment, steep differentials in pay for the employed added to inequalities. These differentials largely reflected the way apartheid shaped labour-market segmentation, work organisation and access to education and skills.

On average, employed people in the top income decile earned around 85 times as much as workers in the lowest decile from wages and self employment, and five times as much as those in the second-richest decile. For people recorded as heads of households, the differentials were even greater. The average employed head of household in the richest decile earned 133 times as much as an employed head of household in the poorest decile. The differences in earned income in South Africa were large by international standards.

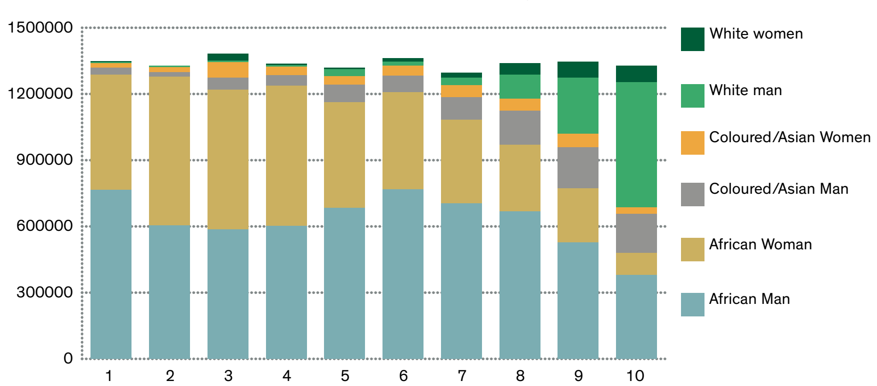
Steep inequalities in pay largely resulted from practices established under apartheid to protect the position of white workers and managers. The apartheid labour market was characterised by sharp segmentation both between and within sectors.

- Conditions for lower-level workers were heavily affected by labour laws that discriminated based on race, gender and location, on the one hand, and by the level of worker organisation on the other. Explicitly discriminatory labour laws limited all African workers' rights to job security and organisation. Separate laws governed mining, agriculture, the public service and domestic work, further weakening black workers' position.
- Nonetheless, in mining, manufacturing, formal retail and the public sector, the growth of black unions in the 1970s and '80s led to the introduction of

Only two out of five South Africans were employed in 2011.

Chart 1

SHARE IN HOUSEHOLDS AT DIFFERENT DECILES OF INCOME BY RACE AND GENDER OF HOUSEHOLD HEAD, 2010

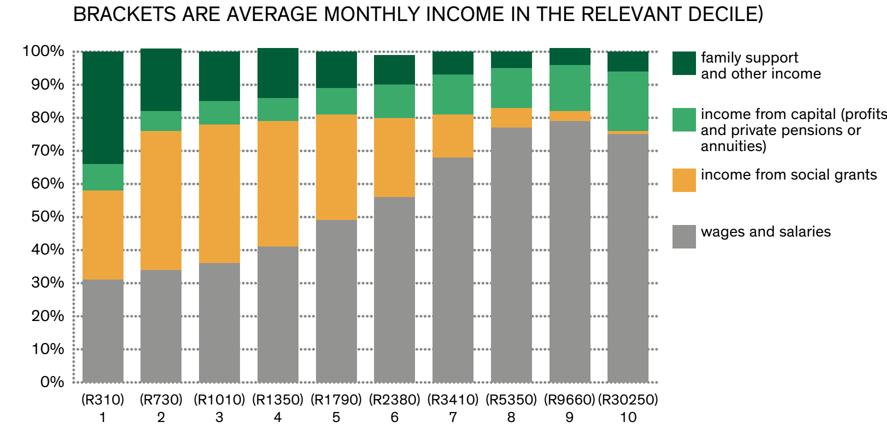


Note that the General Household Survey (Statistics South Africa 2010a, p 47) defines the head of household as "the main decision-maker, or the person who owns or rents the dwelling, or the person who is the main breadwinner." In effect, it seems that the head of household was defined as the oldest man in most cases, and as a woman only when she did not have a partner resident in the household. Given this practice, the head had a partner in under 10% of women-headed households, as defined, compared to almost 70% of men-headed households. As Budlander (1997) points out, this definition is both deeply gendered and imprecise.

Source: Calculated from Statistics South Africa. 2011. General Household Survey 2010. Electronic database downloaded from www.statssa.gov.za in November 2011.

Chart 2

AVERAGE HOUSEHOLD INCOME BY SOURCE AND DECILE, 2005–2006 (FIGURES IN BRACKETS ARE AVERAGE MONTHLY INCOME IN THE RELEVANT DECILE)



Note that total income here excludes imputed rent, which the survey estimated at 7% of the value of housing owned by the household. Source: Calculated from Statistics South Africa. 2008. Income and Expenditure of Households. Statistical Release 0100. (Pretoria) Table 3.2, page 153

Exclusion from the labour market remains a primary cause of inequality.

more modern labour relations even before the end of apartheid.

- In contrast, in agriculture, domestic work, private security, the public sector and construction, colonial relations largely persisted, with low pay and state intervention to empower employers in disputes. A fairly small informal sector also emerged under apartheid, centred on retail and minibus transport. Since these industries operated largely outside most laws and workers were largely self employed, the labour laws generally remained irrelevant.
- Within the formal sector, work organisation was as a rule steeply hierarchical. It typically combined a few highly skilled managers and professionals with a lot of elementary workers. Lower level black workers usually had virtually no prospects of advancement.
- This system served to ensure that pay for (white) managers and executives provided a lifestyle equivalent to their peers in Europe, while holding the majority to much lower levels of pay. Hiring and promotion for higher positions generally relied rigidly on formal qualifications rather than actual competencies or experience. In many cases the necessary courses excluded black people altogether.
- Apartheid explicitly limited education and formal training for blacks, especially Africans. The state reduced the quality of African schools from the 1950s and barred Africans from access to many more advanced courses. The effect was to drive up pay for skilled labour while excluding most Africans from higher-level positions.

Labour law reforms

The democratic state reformed the labour laws fundamentally between 1997 and 2004. Also, by 2010, estimates suggested that some five million workers, or around 40%, were covered by a government minimum wage determination. (Wage-Indicator Foundation et al., 2010, p 2) The new laws vastly improved job security for African workers in the formal sector and ended many forms of abuse. But they had relatively little impact on the unequal pay structures established under apartheid. Three factors contributed to this outcome.

First, like all modern labour laws, the new labour laws depended primarily on unions to monitor implementation. But they did not mandate the state to support unionisation of poorly organised industries.

In these circumstances, the only sector to see a significant upsurge in unionisation after 1994 was the public sector. The government raised black public servants' pay to equal that of whites in the mid-1990s and increased the minimum wage to around twice as high as pay for unskilled work in the private sector.

In contrast, in the private sector, in industries with weak unionisation – notably domestic work, construction and the informal sector – earnings remained very low and training limited. Moreover, employers systematically violated labour laws. These violations emerged in the widespread failure to provide paid leave, written contracts and unemployment insurance in poorly organised industries, all of which were legal requirements. Minimum wages introduced for domestic and farm work in the '00s led to increased pay, probably by around 20%, but were still substantially below remuneration levels in the rest of the rest of the formal sector.

Second, the new labour laws did little to encourage flatter organisational structures or improve career mobility for the majority. The Employment Equity Act of 1998 focused on encouraging more representative management in terms of race and gender and preventing unfair discrimination. It did not deal with the lack of career mobility in lower-level occupations.

Finally, despite the formal integration of the education system, very large differentials persisted in the quality of basic education. Instead of improving education overall, the new system effectively opened the better schools to students of all races.

Segmentation of the labour market underpinned South Africa's deeply inequitable remuneration structure, with major sectors – domestic work, agriculture, security, construction and the informal sector – characterised by very low pay and insecurity.

As chart 5 shows, most workers with pay equivalent to that of employed people in the poorest 60% of households were domestic, farm, construction and retail workers and informal workers of various kinds. Domestic work was the second largest employer in this pay bracket. That proportion was more than twice the share of domestic work in total employment, although domestic work accounted for a fifth of paid employment for African women overall.

Workers in the 60th to 90th percentile of households had earnings levels found primarily in the lower levels of the formal sector, including retail. In other words, these households effectively formed the core of the formal working class.

The earnings of the top decile were associated with the main professions – disproportionately in the public sector – as well as management. That said, the public-sector professions were largely limited to the 90th to 95th percentile, with the top 5% found principally in private and public sector management.

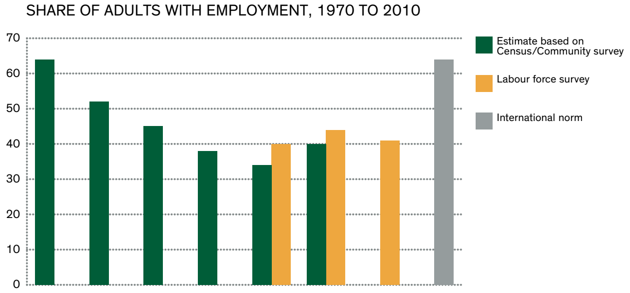
The conditions of work associated with different levels of pay underscored the segmentation of the South African labour market. Only two out of five workers with wages like those found in the poorest 60% of households said they had paid leave. Only three out of six had a written contract. These are, however, legal requirements. Just 13% of workers with these wage levels said they were union members.

In contrast, for every ten workers earning on the levels typical of the 60th to 90th percentile, seven got paid leave, over eight had a written contract, and three were union members. At the income levels found in the top decile, virtually all workers enjoyed paid leave and had a contract, and half (almost entirely teachers, health workers and

High joblessness increased the importance of social grants for poor households.

Chart 3

SHARE OF ADULTS WITH EMPLOYMENT, 1970 TO 2010

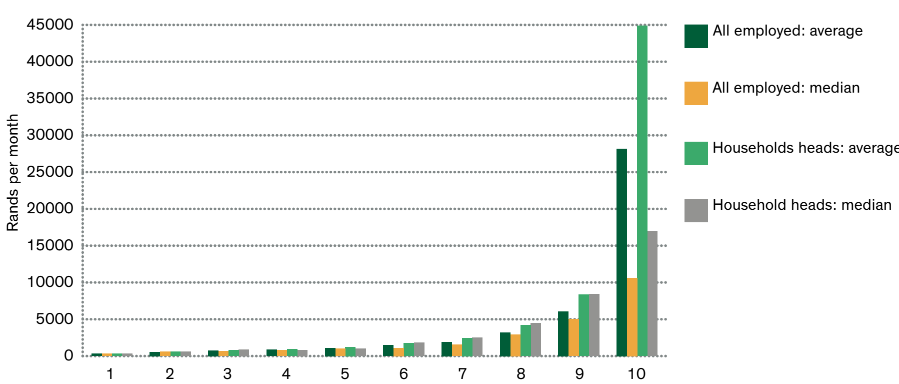


Note that before 1996, the Census did not fully cover Africans, providing either a large survey in 1970 or excluding those in the TBVC from 1980. Furthermore, the estimates assumed that virtually all adults in the former Bantustans were employed as subsistence farmers if not otherwise. The figures here therefore represent estimates based on reinterpretations of the available data in line with more standard definitions for employment. Adults are here defined as 15 to 64 years old. in line with the ILO definition.

Source: Calculated from Statistics South Africa. Census data for relevant years for RSA, Bophuthatswana, Ciskei and Venda. Downloaded from interactive data site (Nesstar facility) in August 2010; DBSA, data on population and employment in the RSA and TBVC, kindly provided in August 2010. International norm from ILO. 2010. Key Indicators of the Labour Market. Downloaded from www.ilo.org in June 2011.

Chart 4

INCOME FROM WORK IN HOUSEHOLDS
BY DECILE OF HOUSEHOLD INCOME, 2010



The avarage income from work among household heads was 328 Rand in the first decile and 44, 866 Rand in the highest decile. Avarage income among all employed in the first decile was 328 Rand, while in the higest decile 28 189 Rand.

Source: Calculated from Statistics South Africa. 2011. General Household Survey 2010. Electronic database downloaded from www.statssa.gov.za in November 2011.

■■ The former Bantustan regions, which had essentially been shaped as cheap labour reserves under apartheid, continued to suffer by far the highest joblessness.

police) said they belonged to a union. (Calculated from Statistics South Africa 2010b)

Ownership, market systems and infrastructure

Inequalities in ownership of productive assets and in access to market institutions and infrastructure shaped economic opportunity as well as affecting household income directly through returns on capital. We first review the direct impact on income distribution and then briefly consider the implications for the structure of growth and consequently the distribution of economic opportunities.

Households in the top decile of the income distribution got just under a fifth of their income from capital, including private pensions as well as profits. That was around twice the share of all other households. The top decile alone received two thirds of all income from capital.

The unequal returns from capital reflected the concentrated ownership of productive assets. Historically, apartheid excluded black people from ownership in most of the formal sector, as well as denying them land rights outside the Bantustans. At the same time, the economy's dependence on the mineral value chain, which contributed a tenth of the GDP but over half of all exports, fostered large-scale production and consequently unequal ownership.

After 1994, with the opening of the economy, concentration lessened somewhat as major South African companies unbundled and listed overseas while foreign investment in dominant firms increased. Despite the increased diversity in ownership after 1994, continued high levels of concentration tended to militate against diversification into more employment-intensive industries that could generate employment opportunities on a larger scale.

The impact on inequality can be understood by assessing the shares of capital and labour in total income. The share of profits in total value added tended to increase from 1994, while the share of labour generally declined. The commodity boom of the '00s aggravated this situation, as mineral rents soared without a concomitant expansion in decent work.

Throughout the boom, the mining value chain actually shed jobs, largely because of a shift from the maturing gold industry to the more capital intensive platinum and steel sectors. Manufacturing grew only slowly and agriculture downsized. Slow growth in tradable sectors outside of mining reflected, in large part, the overvaluation of the currency, which in turn resulted from unusually strong speculative capital inflows into the equity and bond markets.

The fastest-growing industry was the financial sector, which generated almost no new employment directly.

Government policies on ownership were on the whole geared more toward increasing the representation of black people and women in large companies than toward improving the overall distribution of wealth. The three main state programmes affecting ownership were broad-based black economic empowerment (BBBEE), land reform and improvements in housing in black communities.

BBBEE included a number of aims, but in practice, as of 2011 the main impact was to pressure large-scale companies, especially in mining, finance and communications, to transfer shares of ownership to black investors. Land reform aimed to redress the extremely unequal access to land entrenched by apartheid. But it never achieved the scale needed to alleviate rural poverty, and post-settlement support for new farmers remained very weak.

From the 1990s, the government adopted the argument that upgrading housing for poor households would in itself support economic integration. (See ANC 1994) Soon after the transition to democracy, the government transferred most township housing to their tenants. It subsidised 2,7 million new houses between 1994 and June 2010 (GCIS 2012) and vastly expanded access to water, sanitation and electricity. These programmes substantially improved the well-being of millions of people. Still, they did not lead to the hoped-for increase in economic integration and equity. This reflected four problems.

First, fiscal constraints and the inability of poor households to contribute significantly to the costs of new services limited the quality of new housing and services. They often remained at too low a level to qualitatively change economic opportunities.

Government-subsidised housing was often located on cheaper land far from industrial centres, employment opportunities and markets. Only enough electricity was supplied for lighting, not for cooking or refrigeration.

Second, the infrastructure programme typically focused narrowly on household services rather than providing sites for economic activity and logistics in poor communities.

Third, providing network infrastructure to very poor and often scattered communities in the former Bantustans proved particularly expensive. This situation confronted the government with hard choices between maintaining infrastructure for the core economy, centred in the urban areas, and upgrading rural services.

Finally, household size fell rapidly after 1994, apparently as a result of migrant labour and the rapid expansion in housing. As a result, the state had to provide infrastructure to more households, so that access ratios did not increase as rapidly as expected.

Addressing inequality

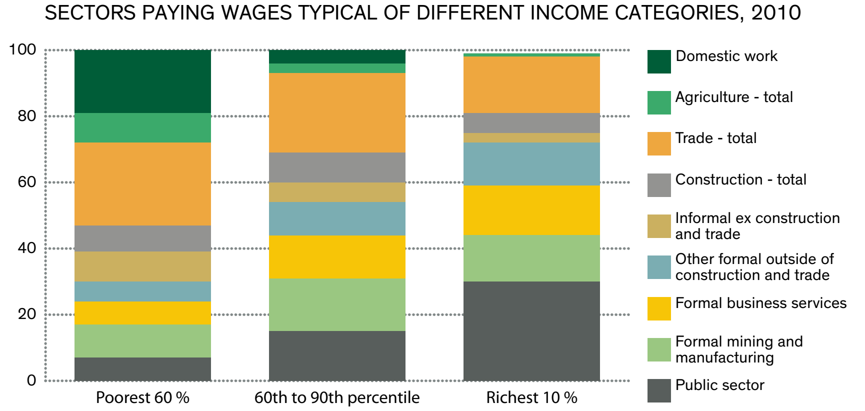
In the late '00s, inequality emerged increasingly in South Africa as a central concern that was not adequately resolved by democracy and economic growth. From 1994, the democratic government sought to address poverty and inequality primarily through the budget and labour laws. It improved services, housing and financial support for poor households on a vast scale. It also gradually expanded the coverage of minimum wages to cover most of the low-wage sectors and strengthened the labour laws.

However, with strongly unequal

■■ Apartheid explicitly limited education and formal training for blacks, especially Africans.

Chart 5

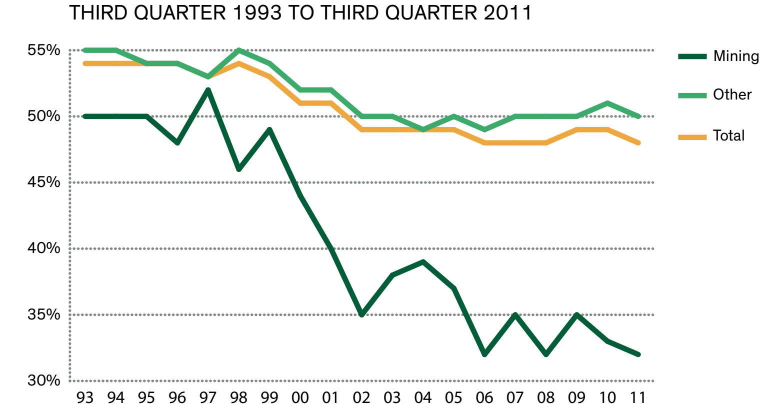
SECTORS PAYING WAGES TYPICAL OF DIFFERENT INCOME CATEGORIES, 2010



Note that the chart shows the kinds of jobs found at earnings associated with different deciles in the income distribution, rather than the actual occupations in those groups. Occupations are not specified by household in the General Household Survey, which is used for analysing income distribution. Rather, the columns draw on the Quarterly Labour Force Survey to identify the industries where workers' earnings align with the earnings from work reported in households in the groupings depicted. Source: Income for decile groupings calculated from For South Africa, calculated from Statistics South Africa. 2010. Quarterly Labour Force Survey, third quarter 2010. Electronic database downloaded from www.statssa.gov.za in July 2011. Occupational distribution calculated from Statistics South Africa. 2010. Quarterly Labour Force Survey, third quarter 2010. Electronic database downloaded from www.statssa.gov.za in July 2011.

Chart 6

SHARE OF PROFITS AND REMUNERATION IN VALUE ADDED, THIRD QUARTER 1993 TO THIRD QUARTER 2011



Source: Calculated from Statistics South Africa. 2011. GDP 3rd Quarter 2011. Excel spreadsheet downloaded from www.statssa.gov.za in November 2011.

■■ In the late '00s, inequality emerged increasingly in South Africa as a central concern that was not adequately resolved by democracy and economic growth.

■■ The top decile alone received two thirds of all income from capital.

NEVA MAKGETLA

Neva Makgetla is Deputy Director General for Economic Policy in the Economic Development Department of the Government of South Africa. She is an economist with a varied background, and was for years Head of the Policy Unit in Congress of South African Trade Unions.

access to economic opportunities, these measures did not suffice to bring about a qualitative change in income distribution. Most estimates suggest that social grants in particular reduced the Gini coefficient only by a few points.

Moreover, it became increasingly difficult politically and economically to extend government services and social grants since the majority of households could not pay for them through taxes or user fees. Improving minimum wages and the labour laws had limited impact in the face of high unemployment, especially in very poor households.

Ultimately, the only way to bring about a more equitable economy in South Africa was to restructure the fundamentally unequal economic and educational systems left by apartheid. In recognition of these realities, from the mid-'00s the government adopted policies that focused more strongly on employment creation, most recently in the form of a policy framework known as the New Growth Path.

Specifically, achieving a more equitable economy would require:

- More consistent efforts to encourage investment in economic activities and industries that could realistically sustain employment creation on a very large scale. That in turn demanded more systematic government efforts to ensure growth-friendly macro-economic policies and to support key new industries and investments with adequate infrastructure, skills, regulatory frameworks and, where necessary, capital. It also demanded a conducive overall investment climate, which was difficult to create in deeply unequal societies and from 2008 made harder by the persistent economic uncertainty in the global North.
- In this context, much stronger support for rural development, including large-scale land reform, in ways that expand economic opportunities for households now in the former Bantustans in particular. The aim should be to raise productivity and to facilitate the integration of small farmers into formal value chains.
- Upgrading the condition of workers in the low-paid and informal sectors by combining regulations on minimum standards for pay, conditions and security with growth strategies based on raising productivity and improving access to affordable inputs and to markets.
- Broadening ownership both by strengthening social capital and supporting collective action by poor communities. The former could include measures to make publically owned enterprise more accountable and expand worker ownership and other forms of collective ownership.

The strongest programme to support collective action was the Community Work Programme, which strengthened community structures while providing resources to employ community members to improve services in poor areas.

- Much more equitable provision of education and healthcare, which in turn demanded a fundamental restructuring of existing systems.

In particular, given limited resources, providing quality services in poor communities required much more innovation around work organisation and technologies for these services.

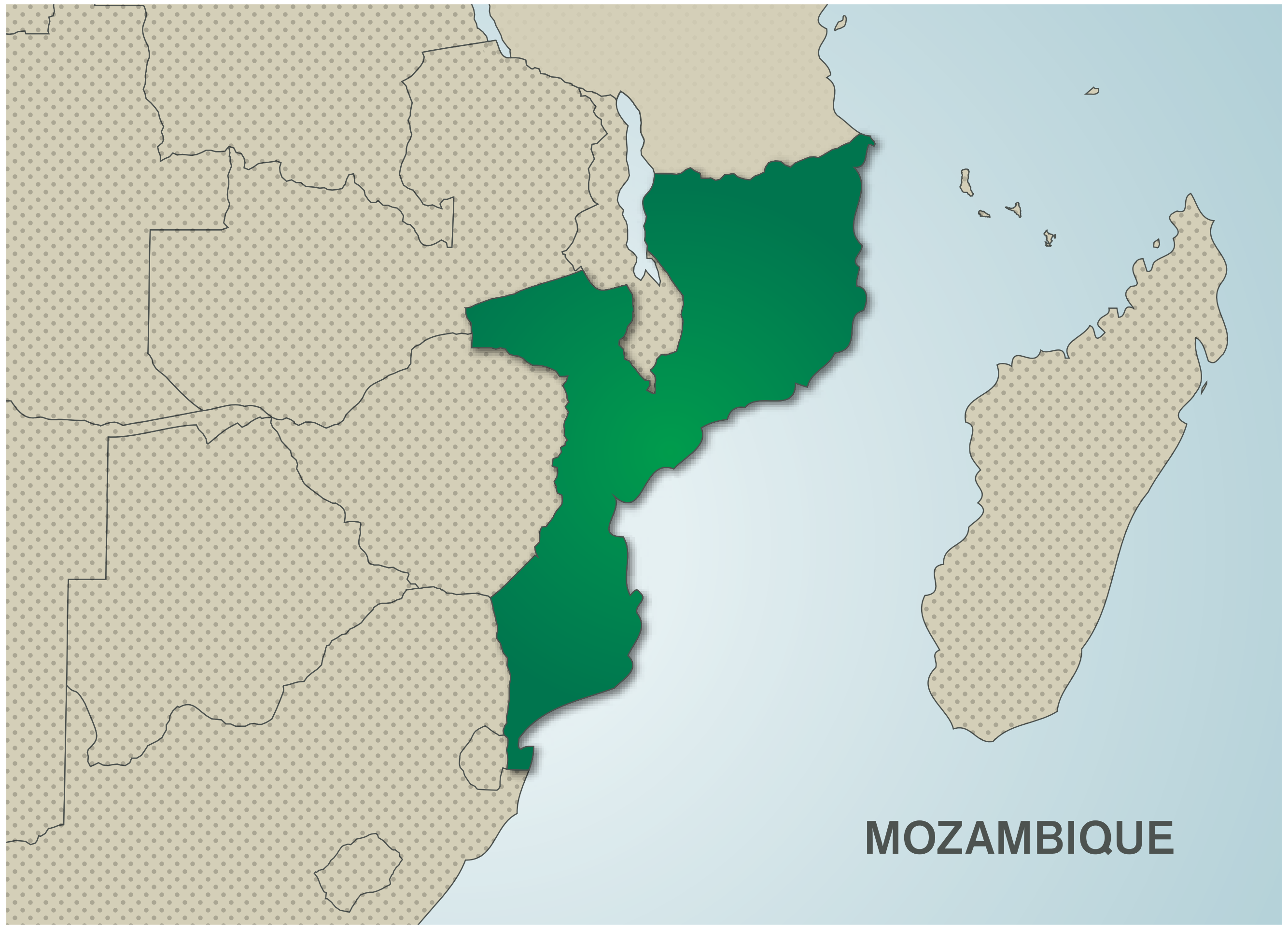
See www.npaid.org for complete article.

South Africa has a well organised labour movement and long traditions of mass mobilisation. Free miners celebrate outside Ga-Rankuwa Magistrate Court, September 3, 2012. A South African court freed the first batch of 270 miners arrested for the killing of 34 fellow workers who were gunned down by police in a wildcat strike August 2012.

(Photo: Alexander Joe, AFP Photo/NTB Scanpix)

Mozambique has an abundance of natural resources. Here, a few hours out of the city of Beira, an electricity pylon for overhead electric power transmission over ordinary people's modest homes. In spite of modern technology right outside their own front door, people here have no access to electricity.

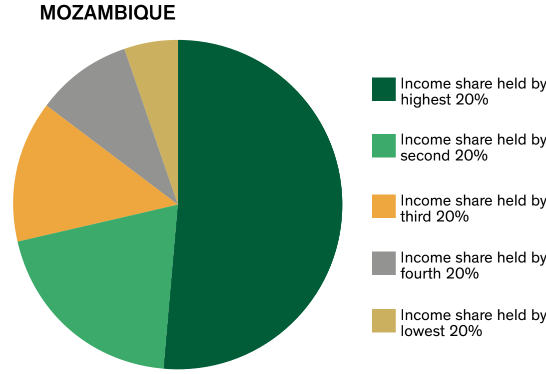
(Photo: Luca Kleve-Ruud, Samfoto, Dagsavisen/ NTB Scanpix)



COUNTRY INFORMATION	
Population	23,9 million
Major languages	Portugese, Maku-Lomwe, Swahili, other indigenous langages
Main religions	Christianity, indigenous beliefs, Islam
Life expectancy women	52 years
Life expectancy men	50 years
GNI per capita (PPP current international $) 2011	980
Income share of the 10% richest	36,7
Income share of the 10% poorest	1,94
Gender inequality index	0,602
General government final consumption expenditure (% of GDP)	20,6
Tax revenue (% of GDP)	33,6
Net ODA received (% of GNI) 2010	23,4
Net ODA received (per capita)	88
Agriculture, value added (% of GDP)	32
Industry, value added (% of GDP)	24
Services, etc, value added (% of GDP)	44
Main export products	aluminum, prawns, cashews, cotton, sugar, citrus, timber; bulk electricity
Last presidential election	October 2009
President/political party	Armando Guebuza/ Frelimo
Main political parties	Frelimo, Renamo
Independence	1975
Peace accords	1992

Sources: UN, World Bank database, BBC country profiles, OECD

INCOME SHARE HELD BY QUINTILES OF THE POPULATION
MOZAMBIQUE



Source: World Bank database accessed August 2012

Inequality as source of conflict in Mozambique

Beate Thoresen

Europe and United States of America are in deep trouble. The steady economic growth in many countries in the South calls on our attention. Mozambique is an example of impressive growth over the last decades.

The International Monetary Fund (IMF) congratulates Mozambique for its sound macroeconomic policies. However, there is reason to ask if economic policies here have been more of a microeconomic disaster than a macroeconomic success. Improvements in the living standards of the poorest part of the population could be observed from 1996 to 2002. Since then reduction in poverty stagnated and inequality is on the rise. This happens in spite of continued high growth and impressive levels of foreign direct investment.

This article will look at what has happened to inequality in Mozambique, and how it has been dealt with by the government and by international donors.

Huge growth of no effect for the poorest

– Growth in Mozambique has shown that there is no trickle down to the very poorest, says Inge Tvedten, researcher at Christian Michelsens' Institute (CMI) in Bergen, Norway. There has much debate about the numbers when it comes to poverty reduction in Mozambique. Mozambique has been seen as an example of countries having managed to achieve high economic growth and high degree of poverty reduction – in spite of a turbulent history: Independence from Portugal was won in 1975, but soon after a brutal civil war broke out, lasting until 1992.

Over the last years, several researchers have questioned how real is the reduction of poverty. Now, there seems to be an agreement that poverty reduction has stagnated.

There is a lot of attention to poverty reduction, but what about reduction of inequality? – The main focus has been on poverty. But since the urban revolts in Maputo in 2008 and 2010, the problem of inequality has been put on the political agenda. These revolts shed new light on the question of inequality. Those who participated were not as poor as many people in rural areas, they have even experienced an improvement in living conditions. The revolts were an expression of frustration. It shows that people's experience of poverty is relative. People in Maputo had a stronger and more direct experience of the level of inequality, says Tvedten.

Urban inequality is higher than in rural areas. Studies show a sharp consumption growth within the richest households in the city in the midst of a large impoverished population. Two urban revolts have taken place in Maputo.

– The first revolt in 2008 was sparked by increases in fuel and transport prices, the second in 2010 by increases in the prices of food and energy. The revolts were quickly spread through cell phones and words of mouth and nearly paralyzed the city. The government's response was to reintroduce subsidies and managed in this way to calm down the revolts. However, tensions continue to shimmer under the surface, Tvedten underlines.

Inequality trends

Before looking at the trends, it is important to notice that by all measures inequality is high in Mozambique – even if it is lower than in some neighbouring countries. This can be illustrated by the following graph comparing Mozambique and Norway:

Most data on poverty and inequality in Mozambique refer to consumption. The national level of inequality in consumption measured by the GINI coefficient increased moderately from 0.40 in 1996–1997 till 0.415 in 2002–2003, according to the Bureau of National Statistics, remaining at this level also in 2008–2009.

Income inequality shows the same tendency, though inequality is higher, with a GINI of 0.46 in 2009.

The issue of relative inequality

But how is it possible that inequality is not increasing *even more* when the country is experiencing a yearly growth of 6–8% at the same time as poverty levels have remained constant over the last years? The Bureau of National Statistics indicates that the household survey may not include the very wealthy households or accurately reflect changes in their income or consumption levels. Such changes have large implications for inequality levels.

The GINI coefficient mentioned above measures the relative inequality. As the average consumption in the highest quintile was eight times that of the

Urban inequality is higher than in rural areas.

poorest, this means that *absolute inequality increased*. International Poverty Centres' study published in 2007 (Virtanen, Ehrenpreis) estimates that in absolute terms, this means that 57% of the total increase in consumption took place in the richest quintile, against only eight per cent in the poorest.

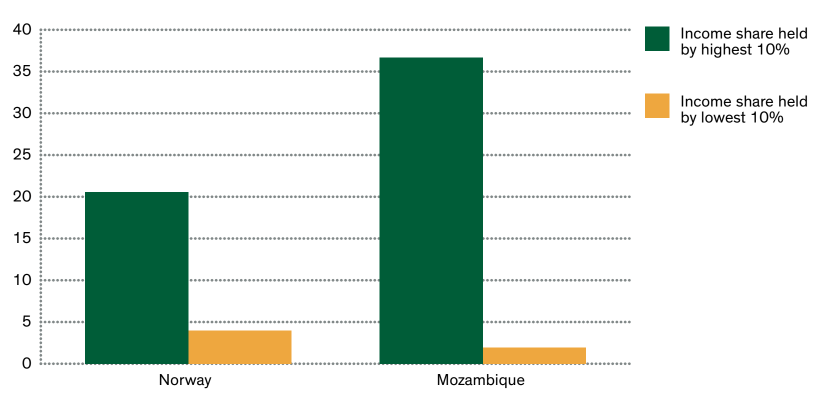
The same study found on the one hand that the trend in inequality reflects that the rapid economic growth initially was relatively broad-based. About half the impressive growth in Mozambique of about 8% per year in the period from 1994–2004 was driven by catch-up growth in the agricultural sector, as people returned to the fields following the end of the civil war, but in spite of continued high growth this is now stagnating.

During that period, consumption increased in all percentiles of the population, and the mean consumption in the entire population increased from 97 per cent of the poverty line in 1996–1997 to 128 per cent in 2002–2003. However, the mean consumption in the poorest quintile was still less than 40% of what was required to meet basic needs. Studies on inequality in Mozambique show that:

- In 2002–2003, inequality is lowest in the north and the centre and much higher in the southern region, driven in part by the increase in inequality in Maputo City. In 2008–2009, inequality in the south continues to be highest, but is rapidly increasing also in the north.
- The growth process has contributed to a reduction in regional disparities, but disparities *within regions* have increased. The biggest inequality increase is between people better off and poor people within the same province.
- Looking at the changes in family income in the rural areas between 2002 and 2005, Hanlon (2007) documents that the income in the two highest quintiles (4,5) of the population increased, while in the lowest quintiles median income was reduced.
- Urban areas are more unequal than rural areas. Inequality in Maputo is the highest in the country.
- It is more inequality between agricultural and non-agricultural households than between rural and urban households in general.

Joseph Hanlon, experienced researcher on Mozambique, argues that various studies show that the fruits of the contry's "blistering pace of economic growth" have gone almost entirely to the better off during the last years.

INCOME SHARE OF THE HIGHEST AND LOWEST DECILE



Source: World Bank database accessed August 2012, Statistics Norway

The revolts were an expression of frustration.

Employment

There is a precarious situation for employment in Mozambique. This is important when it comes to explaining inequality.

In general, the salaries are low. Mozambique has a system of minimum wages. Before 2000, a single minimum wage was set, but later this has been diversified. The minimum wage has in general been increasing. Farm workers have the lowest minimum wage, now being US$ 83 per month. Civil servants had for several years frozen minimum salaries but got an increase in 2012 to 91 US$ a month. The highest minimum wage is in the financial sector with US$ 222.

African Economic Outlook 2012 estimates the unemployment rate to 27% of the total labour force. Unemployment is higher among women than men. The province and city of Maputo have the highest unemployment rate.

The most striking pattern in the type of employment is the dominance of self-employed without employees, as well as family work without salary. While the numbers are high both in urban and rural areas, rural self employment is substantially higher. Formal employment is scarce and it is largely urban. According to the Integrated Labour Force Survey, in rural areas only 4,8% were registered with a salary, there are 36,2% in urban areas.

Women have an important labour participation, but as many as 95,3 per cent of women are unskilled labourers either in agriculture or in the informal economy. Formal job creation is concentrated in a few large companies and to a lesser degree in the government and public administration.

The larger part of the population in working in agriculture and far more women are engaged in this sector. Extractive industries and manufacturing that receive the large part of investments still represent a very small part of the employment.

As such a large part of the population depends on agriculture for their livelihood it is worthwhile looking at the income structure in rural areas. Hanlon and Cunguara (2010) show that 60% of households in rural areas earn less than half of their income in cash and survive mostly on their own production.

Most have an income of less than 1 US$ a day. Their income was significantly less in 2008 than in 2002. This bottom 60% is largely outside the market economy. The remaining 40% earn more in cash than they produce for self-consumption, many are commercial farmers, but it is clear that it is off farm income, wage labour, self-employment or remittances that lift them up into the upper income group. The best off in this income group were better off in 2008 than in 2002 (see also Mozambique land information and the article on UNAC, pages 52 – 53).

Changing economic policies

There have been substantial changes in the economic policies of Mozambique since independence from Portugal in 1975. According to Inge Tvedten, three distinct phases can be singled out:

- In the first phase, from 1975 to the mid-1980s, the country pursued a socialist economic policy with a centralised planning system and state ownership. It included forced "villagisation" of the rural population and the establishment of state farms in the midst of the civil war. This policy largely failed to feed the population and to secure resources to the state.
- In the second phase, liberal economic policies were introduced in a series of structural adjustment programmes from 1987 to the mid-1990s. It was meant to secure a quick transition from a planned to a market economy. The limited institutional basis for such

Type of employment in Mozambique (2007)	
Public administration (government)	3,16
Public administration (local municipalities)	0,17
Public sector	0,76
Private sector	6,46
Self employed with employees	1,25
Self employed without employees	72,42
Family work without salary	10,59
Casa particular	2,73
Cooperative sector	0,15
NGOs and other associations	0,36
International embassies	0,09

Calculated from INE, Integrated Labour Force Survey, 2007

Employment by main sectors in Mozambique (2007)	
Agriculture	75.2
Extractive industries	0.72
Manufacturing industries	3.23
Energy, water and construction	2.69
Transport and communication	1.16
Commerce and finance	10.5
Administrative services	1.63
Other services	5.05
Unknown	0.25

Calculated from INE, Integrated Labour Force Survey, 2007

■■ The mega-projects resulting from Foreign Direct Investment have been more capital than labour intensive.

a transition and the limited response of the rural and the urban population to market incentives inhibited pro-poor growth.

- The third phase from the mid-1990s, was a process of 'accommodation' between the government, international finance institutions and Western European donors. This led to a combination of a liberal market-driven model for macroeconomic stability and growth. The state was seen as a facilitator of private sector activity and responsible for social development (Hanlon and Smart 2008).

This change in policy did not take place without hard debate in the governing Frelimo party. One group rejected the neo-liberal line and favoured a 'Nordic' model in which the state could have a more interventionist role (Renzio and Hanlon 2010).

Foreign Direct Investment (FDI)

Mozambique's government has had a development strategy with a focus on the promotion of foreign direct investment. They have succeeded in this, as Mozambique is among the African countries receiving the largest amounts in FDI.

Private investments are mainly foreign, though with negotiated shares for Mozambican owners. Mozambique has important unexploited natural resources and with this also possibilities for continued economic growth. The question is who does the FDI projects benefit. Increased employment, stimulation of local economic activity or increases in tax revenues are potential positive effects.

However, the mega-projects resulting from FDI have in general been more capital than labour intensive. The mega projects have contributed to increased exports, but are also very dependent on imports. The megaprojects are also intensive exporters of their dividends, interests on external borrowing and salaries of expatriate workers and the national economy only marginally retain the wealth created by them (Castel-Branco, Ossemane ,2010).

A doctoral thesis from 2005 (Pretorius) studying the impact of the large South African investment in aluminium (MOZAL) points in the same direction, concluding that the winners are the MOZAL international investors. Inside Mozambique those that benefit are small elites with business and government connections and the losers are domestic small and medium enterprises and the vast majority of people.

A study of the International Poverty Centre (IPC, 2007) found that poverty increased in the southern provinces in Mozambique that at the time (2002/3) received the highest amounts of FDI. In the same areas, inequality also increased.

How can this be explained? The southern provinces have historically been integrated in the South African economy, and lately especially in the South African Mining and Energy Complex (MEC), as a labour reserve and transport corridor. There has been an increase in investment in a few mega-projects in core industries. On the one hand, migration to South Africa and thereby remittances has been reduced drastically over the years and the privatization of the state rail cooperation, implied a substantial decrease in the labour force.

Furthermore, the IPC study shows that with the exception of sugar, none of the major South-Africa driven industrial projects located in Mozambique has provided substantial numbers of job opportunities beyond the initial construction period. The IPC study argues that overall the mega-projects based development strategy relying on market opening has lost more jobs than it has created. Since 2009, the Ministry of Labour began enforcing a quota system limiting the number of foreign employees to 10% of the company's workforce.

Over the last years, FDI has increased more in the Northern provinces where the main reserves of natural resources can be found. Inequality is on the rise in the north. Mozambique has established five investment corridors (Maputo, Beira, Nacala, Zambezi Valley and Tzara/Mtwara). Rehabilitation and improvement of infrastructure are also prioritized in these areas. Extractive industries are expanding with investment from different foreign companies (Brazilian, British, etc.), especially coal mining and the first shipment of coal was made from the Beira seaport in 2011.

In addition, extensive off-shore gas reserves were discovered in 2011. The government does not require investors to purchase from local sources nor technology or proprietary business information to be transferred to the local company.

There are large investment in agriculture and sugar and cashew nut production is planned to expand. Where there seems to be little or no investment is in small scale agriculture. There are documented cases of small scale farmers losing their land due to large scale investments. Small scale farmers continue to produce with a hoe and do not have access to improved technology or credit. They have to take all the risk and they do not have margins or savings to sustain that risk.

Taxes and Foreign Direct Investment

Tax incentives have been one of the measures used by the Mozambique government to attract investments. All new foreign investment of more than US$ 50,000 may be eligible for 50% reduction of taxes for 10 years. Large investments for export in the Industrial Free Zones (IFZs) get exemption from corporate tax on profit, property tax and payments in addition to exemption from VAT and import taxes. Only after seven years will they pay a 1% royalty fee on gross invoiced revenue, instead of the normal corporate taxes.

A tax exemption regime has also been established for the so called Special Economic Zones (SEZ) that at the moment only has been approved for the Zambezi River Valley. IMF staff estimates that the total taxes paid by companies in the mega-project and mining sector account for about 5% of their profits. The Mozambique tax law of 2007 establishes a corporate tax of at least 30% on profits. The Mozambique government is planning to revise the regime for taxation on natural resource extraction and mega-projects and enhance the revenues from the natural resource boom.

As of today the revenues from the projects are far below the potential and the state is losing important resources that could be used for redistribution. At present, indirect taxes account for the major part of state revenues, this represented in 2009 more than the revenues from direct personal and corporate taxes combined. The personal income tax law has had the intention to reduce vertical and horizontal inequality, but in practice this has proven difficult, both because of a large informal sector and because there are challenges in properly administrating the tax (Fjellstad, Heggestad, CMI, 2011).

The attention towards tax issues has increased in Mozambique due to the need to finance public investment and services and because the amount of aid to the country is likely to be reduced over the next years. In fact, Mozambique has increased its revenue collection to reach about 20% of GDP. To compare, the average in the European Union in 2010 was 39.6%, in Norway 42.4%.

The absence of social protection

There is not room in this article to look at the distributional effects of the expenditure side of the government budget, but internationally social protection and cash transfer systems are increasingly being discussed both to protect against shocks in the economy and to reduce poverty and inequality.

In Mozambique, the 2010 riots also raised the discussion of social protection schemes. At present, only 8% of poor households have access to social protection (IMF Country Report No. 11/149, 2011). The biggest initiative consist of an unconditional cash transfer system to vulnerable groups (elderly, disabled and chronically sick), but it only reaches 150 000 people (African Economic Outlook, 2012).

■■ Tax incentives have been one of the measures used by the government to attract investments.

■■ Mozambique is a clear case where donors have substantial influence.

The system is in general fragmented and not well resourced. The fuel subsidies were upheld in 2010 to preserve social peace, but the government announced in March 2011 a gradual and full removal (IMF) due to budgetary constraints. At the same time, there are plans to expand targeted social protection schemes. These have been developed in cooperation with the World Bank, UNICEF and ILO and will include cash transfers, provision of social services and labour intensive public works.

IMF has made the analysis of the fiscal space available for establishing a social floor in Mozambique. These will still have a limited coverage and there is a long way to go to establish universal social protection or programmes that substantially can reduce inequalities.

Aid and inequality

Hanlon, cited in Africa Focus Bulletin, 2010, states: "Donors need to think that Mozambique is a success story, so they do not look at anything which would challenge their comfortable picture and would force them to rethink development policies. But inequality is growing and is now a major area of conflict in Mozambique."

No doubt aid has been important for Mozambique. It represents around 45% of government expenditure and has stabilised at around 20% of GDP from 2003 and onwards. During the 1990s it was even higher. The inflow of aid has been contributing to the economic growth, and several authors stress the important gains in education. Poverty Reduction Strategies have been in place since 2000.

Aid in Mozambique has had a high level of coordination. The IMF has a policy Support Instrument (PSI) in place, and submits periodic reviews of the advances under the PSI, the latest concluding that programme compliance is satisfactory and structural reform benchmarks are being met. Aid priorities and structure is negotiated between the government and a group of 19 donors, including Norway, organised in the Programme Aid Partnership (PAP). Aid is received as credit, project support, programme/sector support and general budget support.

Cunguara and Hanlon (2010) argue that Mozambique has largely followed a development model over the past two decades defined by the international community. This model argues that donors and government should stress human capital (health and education), infrastructure (roads, electrification and telecommunication) and more recently "governance". The economy is left to the market and the private sector and the state should basically facilitate private sector development. This has been combined with structural adjustment, close attention to macroeconomic stability, liberalisation and privatisation, as in many other countries.

A complex relationship has developed between the Mozambique government and the donors, with some confrontation (Cungara and Hanlon) among others around the state intervention in the cashew-nut sector that was about to be destructed after the forced World Bank liberalisation in 1995, the second around Armando Guebuzas campaign pledge in 2004 to create a Mozambican development bank. In this case the government decided not to confront the donors, but included a budget for development funds in each districts.

It is often argued that donors should not and cannot influence distribution within a country as this is subject to national politics. No doubt, national actors and the power balance between them should be primary in the definition of policies.

Mozambique is however a clear case where donors have substantial influence. There have not been clear goals set to reduce inequality or to promote redistribution, though with some exceptions such as the support to develop the tax system and initial attempts to develop social protection.

In a Country Report of June 2011, the IMF admits: "Staff analyses confirm that growth in Mozambique has not been as pro-poor as in other high-growth countries and have become less pro-poor over time."

There is clearly a need to focus on redistribution and job creation in Mozambique. One must also look at how the larger part of the people involved in small scale agriculture production can increase their share of the national income.

Otherwise, inequality will continue to grow and be a major source of conflict in this beautiful African country, with a relatively small population and an abundance of natural resources.

Mozambique's Maria Elisa Mucahvo runs past the Olympic flame during the women's 400m T12 heat at the Olympic Stadium during the London 2012 Paralympic Games in London, Britain, September 2012.

(Photo: Andy Rain, EPA/NTB Scanpix)

Peasants organising for power

Beate Thoresen

In the 1980's, the government in Mozambique decided to liberalise the economy. The liberalisation was quite a drastic change for small farmers and people living in rural areas. The peasants answered with a decision to organise.

The state had earlier created cooperatives to restart the development process after independence from Portugal in 1975. This was a forced process without sufficient support and not very successful.

However, with the liberalisation of the economy, the cooperatives also lost the access to subsidies and technical support. They were left on their own. That was when farmers decided to create the National Union of Peasants (UNAC). It was in 1987, just after the government had signed the structural adjustment loan with the International Monetary Fund, IMF.

UNAC is now an organisation with 86,000 members in 2200 associations or cooperatives throughout the country. UNAC defines their mission to "Fight for a leading role of the peasants (men and women) in the construction of a more just, prosperous and solidary society."

Land as state property

Land distribution has been an important issue for UNAC. The organisation was active in influencing the Land Law of 1996 and many of their demands were heard. Land in Mozambique was nationalised after independence in 1975 and remains as state property. However, the new law established occupational rights so that a person who have stayed on the land for ten years have rights, even if he or she does not have a formal title.

The law also established women's rights to land breaking with the tradition that women did not inherit land. Today Mozambique experiences an increase in Foreign Direct Investment (FDI). An important aspect of the law is the communities' right to consultation before investments take place.

The former Secretary General of UNAC, Diamantino Nhampossa, stated in an interview in 2010 that the challenge has been the implementation of the law. Two tendencies could be identified within the governing party, FRELIMO, where the "old guard" advocated for the law, while the younger had another way of thinking and wanted to open up for selling and buying land and invite foreign enterprises.

UNAC has not been in favour of the establishment of a land market, fearing that small peasants with less resources would lose out.

In 2011, UNAC and the NGO Justicia Ambiental, published a report called "Lords of the Land". With this they initiated an analysis of the consequences of large scale investments and land grabbing for the peasant communities. The report concludes that many communities have lost their land and now live in more precarious conditions due to these investments.

Most of the jobs created are short term and unstable and the pay is low. It also identifies an increase in conflicts over land between communities and businesses as a result of inadequate consultation or unfulfilled promises made during the consultation process. The right to information and participation is often violated. Enterprises do often not uphold the ethical and social standards, but also institutional weakness of local governments, corruption and lack of awareness of the benefits established in the law also contribute to this situation.

Disputed investments

UNAC was met with both critique and praise for the report. It did create public discussion about who benefits from the investments.

"When they arrived they held meetings to inform us about the project and to tell us they needed the land to build the factory. We had to abandon our farms and in return they gave us two thousand Meticais ($ 62.5 US) to each person who had a farm on the site. Today I feel cheated because I had an area of about 3 hectares where I grew food for the subsistence of my family. We tried to look for somewhere else to farm, at least three times, but each time they told us that this space would also be used by the company." Statement of a woman from the Salamanga community, Matutuine, commenting her experience with the installation of a cement factory in the area. (Lords of the Land, 2011)

The inequality in access to information, economic resources, in sum power between the parties involved in rural areas of Mozambique is huge. The organisational effort of the members of UNAC is an attempt to reduce this power imbalance somehow. UNAC was created to provide services that the government had abandoned. It was also establish to represent peasants both locally and nationally. UNAC has linked up to the network Via Campesina at an international level.

The local associations are the basic building block in the organisational structure, and they have a minimum of ten members. Some are organised as cooperatives, but many members rejected this organisational model due to the negative historic experience of state induced cooperatives. The members associate around concrete needs like common titles, owning a tractor together, irrigation or sale of products.

In spite the difficulties, the organisational strength of local associations with the support from others in UNAC, have yielded positive results. UNAC has negotiated and mediated conflicts, defending the right of communities against f.ex. a coal mining company, securing better compensation when the farmers had to leave their land.

"The best way to protect the right to land is production", says Nhampossa, "There is a lot of unused land in Mozambique and there are also people living there." UNAC has demanded state support to help the small farmers' production, but have found that that agricultural subsidy to peasants is not accepted because of the present neoliberal policies. Only around 3% of Mozambique's farmers have access to credit and extension workers reach only 14% of the farmers. Less than a third of the extension workers are public employees, the rest are employed by NGOs or private enterprises. Hence, it is foreign direct investments that dominate in agriculture. Liberalisation has also led to increased import of food and UNAC promotes a stronger focus on food sovereignty.

UNAC has grown to become the strongest organisation for peasants in Mozambique, with active departmental chapters and local associations in many parts of the country.

However, less than 10% of the farmers are organised. This number needs to increase to give small scale farmers in Mozambique more power.

UNAC has become the strongest organisation for peasants in Mozambique.

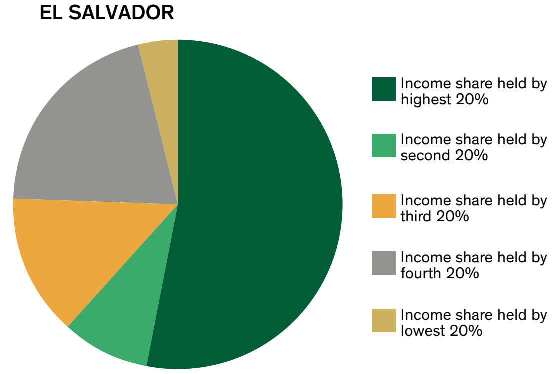
Most families in El Salvador have a relative in the United States of America. Remmittances from the migrants represent 16% of El Salvador´s Gross Domestic Product. In total, this brings in far more income to the country than the traditional export products like coffee. The migration of labour force is increasing globally. Central American migrants on their way to the US are often forced to seek shelter in the open air. An 'illegal' migrant from El Salvador rests next to his baby before being evicted and transferred to a new shelter in August, 2012.

(Photo: Edgard Garrido, Reuters/Scanpix)

COUNTRY INFORMATION	
Population	6,2 million
Major languages	Spanish
Main religions	Christianity
Life expectancy women	77 years
Life expectancy men	68 years
GNI per capita (PPP current international $) 2011	6 690
Income share of the 10% richest	37
Income share of the 10% poorest	1,0
Gender inequality index	0,487
General government final consumption expenditure (% of GDP)	11
Tax revenue (% of GDP)	14
Net ODA received (% of GNI) 2010	1,4
Net ODA received (per capita)	45
Agriculture, value added (% of GDP)	13
Industry, value added (% of GDP)	27
Services, etc, value added (% of GDP)	60
Main export products	Offshore assembly exports, ethyl alcohol, coffee, sugar, medicines, iron and steel products, tuna, light manufacturing, and paper products
Last presidential election	March 2009
President/political party	Mauricio Funes/FMLN
Main political parties	FMLN/ARENA
Peace accords	1991

Sources: UN, World Bank database, BBC country profiles, OECD

INCOME SHARE HELD BY QUINTILES OF THE POPULATION
EL SALVADOR



Source: World Bank database accessed August 2012

Concentration of wealth and income in El Salvador

Nestor Napal

The last ten years, Latin America has experienced many positive changes. Despite this and sadly enough, Latin America is still the region in the world with the greatest inequality with regards to distribution of wealth.

Ten of the fifteen countries with the world's greatest inequality are to be found in Latin America and the Caribbean. Within this continent and its 582 million inhabitants, the case of El Salvador is interesting to analyse.

With a size of only 21 000 km², El Salvador in Central America is the smallest country in continental America. El Salvador is also the most densely populated, with a population of 6,2 million people – 300 inhabitants per km².

This article will present some characteristics of poverty and inequality in El Salvador, the relationship between the two, and the role played by the state in reproducing inequality.

There will also be a brief presentation of the fiscal policy which has prevailed, the position of the main social actors and recent measures taken by the government.

Finally, the article will discuss main challenges for the popular movement and what is necessary to make progress in the work for redistribution income and wealth in El Salvador.

Structural poverty and inequality: Few changes since 1992

20 years have passed since the signing of the Peace Agreements between the government and the organisations in the Frente Farabundo Martí para la Liberacíon Nacional, hereafter FMLN. This put an end to 20 years of a brutal civil war that caused 75 000 deaths; almost two per cent of the population. The fundamental cause of this conflict was the high level of social injustice – the majority of the population lived in poverty, while wealth and power was concentrated in a small elite.

20 years later, those two faces of the injustice have been modified very little, in spite of some important institutional advances.

Between 2001 and 2009 the proportion of the population living in extreme poverty was reduced. However, the proportion of poor homes remained virtually the same; 47,9% in 2009. As in the rest of the countries in the region, the income of women is less than that of men:

Poverty and extreme poverty	Total	Women	Total	Women
Poverty (as per cent of total population)	48.9	52.0	47.9	49.9
Extreme poverty (as per cent of total population)	22.1	23.2	17.3	17.4

Source: ECLAC, 2010 (Economic Commission of Latin America and Caribbean)

10 of the 15 countries with the world's greatest inequality are to be found in Latin America and the Caribbean.

Poverty has a heavier weight amongst women (49,9%) and in the rural population (57,6% in 2009).

Likewise, the distribution of income has shown very few significant advances. The Gini Index shows a positive evolution in the last decade (from 0. 525 in 2001 to 0. 478 in 2009); but the distribution between the different income segments has seen little change in the last 15 years. In 1995, the 20% of the population with the highest income received 16. 9 times more than the 20% with the lowest income. In 2009, this ratio had only been lowered to 13 times.

The population with the lowest income are workers with salaries and agricultural subemployees, also inhabitants of the poorest areas of the cities where the unemployed, small commerce and the "black economy" coexist. In 2011, the minimum wage was USD 300 in the government, USD 209 in the cities and USD 118 in rural employment.

In all these groups, women suffer from additional disadvantages: In 2009, only 14.1% of land owners in the country were womenm and the average national wage was 18% lower for women than for men (ECLAC, 2010). In 2007, in 43% of households, women worked two shifts, as housewives and as wage earners (Equipo Maiz, 2009).

The bourgoisie are at the other end of the social pyramid. Only 6 000 people own all the companies with more than 100 workers in the country. This group is present in all the economic sectors, but their center is in the service sector. 30 years ago the greatest accumulation of capital was found in agricultural export products, mainly coffe. Today, it is in commerce from imports. Financial activites also have high profitability, but the majority of the banks were sold to transnational companies in 2007.

These figures provide us with a glimpse of society which is more useful than being limited to the "rich" and the "poor". Furthermore, it shows how untrue it is to say that there is a predominance of self-employed workers; the so-called "informal sector" in economies like that of El Salvador. The class structure prevails and it is composed of a few employers and a majority of workers.

Share of total income (per cent)					Relation between deciles (per cent)	
	Deciles 1 – 4	Deciles 5 – 7	Deciles 8 – 9	Decile 10	D10 / D (1 a 4)	Q5 / Q1
1995	15.5	24.8	27.0	32.7	1410	1690
2009	16.6	25.2	26.8	31.4	1200	1300

Source: ECLAC, 2011

Class distinction	Per cent of the population
Bourgoisie	1.7
Farm workers	5.6
Industrial workers	16.9
Middle classes	13.2
Self-employed workers	8.7
State employees	5.1
Church, community, NGO employees	1.4
Women dedicated to reproductive work at home	14.1
Housewives	12.6
Domestic employees	1.5

What is the social structure like in El Salvador? Equipo Maiz, an NGO from El Salvador, has done research into this subject and gave the following results for 2005 (Equipo Maiz, 2009):

Inequality explains and increases poverty

In El Salvador, the absence of an effective redistribution social policy over the last 50 years is one factor explaining the poor progress being made in reducing poverty and creating human development. This is particularly noticable in education: Until 2009, the different governments had not given any priority to this investment which is crucial for overcoming inequality and for improving the competitivity of the country. El Salvador is number 94 of 128 countries in the index of UNESCO's Development for Education for All.

In the Inequality-adjusted HDI 2011, drawn up by UNDP, El Salvador goes back 27% in the value of the index when the inequality factor is introduced. And the two central components of this are inequality regarding access to education and income.

The state as a key actor in reproducing inequality

17 out of the 20 years that have passed since the civil war, the government has been in the hands of the same right wing party, ARENA, representing the economic elites who concentrates most of the capital in El Salvador.

Like many countries in the region, the government implemented from the beginning of the 1990s a structural adjustment programme recommended by the international financial institutions. This programme included generalised privatisation of state companies, banks and pension funds; focusing on reduction of public spending, particularly in health and education; in depth regressive redesigning of taxation policies (see details below).

In order to alleviate the impact of these policies, various compensation programmes were designed, which still exist as pillars of the social policy. For example, the Fondo de Inversión Social (Social Investment Fund), created in 1990, is one of the programmes promoted by the World Bank and the Interamerican Development Bank and put into practice throughout the region.

These compensation programmes, complimented later with small subsidies for the poorest families (for example, the Red Solidaria from 2004) had some success in reducing extreme poverty. However, the families leaving this category continued to be poor. And the principal public policies have not only failed to combat inequality, they have even stimulated it.

Besides the before mentioned structural adjustment measures, additional privileges benefitting transnational capital were granted during the 2000s: The national currency colon was replaced by the US dollar; 20 bilateral investment treaties with other countries were extended. There are currently seven free trade agreements in force, including CAFTA with USA (Central America Free Trade Agreement).

Keeping wages low

The bourgoisie of El Salvador has entered into association with transnational capital and has reinvested very little in the country over the last ten years. The surplus has mainly been sent to other markets and this development has been favoured by the "dollarisation". For example; between 2001 and 2009 the outflow of capital in terms of repatriation of utilities, investments and and deposits outside El Salvador were 212% higher than the inflow of capital in terms of foreign investment in the country (Palma, 2010).

Even so, local profit of the bourgoisie have increased more than the wages, which have suffered from high unemployment. El Salvador exports workers. The money these send back to their families reached 13% of the GDP in 2010. This in turn leads to a low wage level in El Salvador, and hence, feeds the spiral of inequality.

FMLN wants redistribution of income and wealth

FMLN is a left wing party with a significant influence in various social movements. These actors have empasized the need for a redistribution of income and wealth, although principally through partial claims and less as an integrated strategy.

Among partial claims with redistributive effects are transfer to land and land ownership, the condoning of agrarian debt; price control, particularly for basic products (including the reopening of the Instituto Regulador de Abastecimientos, a state institute that worked until 1991 regulating the offer and prices of food); the increase of the state's social investments; and the increase in tax collection, both attacking tax evasion and promoting tax reform.

The women's movement has made demands for enhancement of gender equality, such as land titles in favour of women and public spending destined to women.

In all these groups, women suffer from additional disadvantages.

COMPARISON OF GOVERNMENT REVENUE AND TAX SOURCE AS PERCENTAGE OF GDP

Country/region	Total revenue	Direct taxes	Indirect taxes	Social security	Other taxes
El Salvador (2010)	15,3	4,7	8,4	1,7	0,5
Latin America and the Caribbean (2010)	18,8	5,4	9,6	3,3	0,4
EU (27 countries) (2010)	44,1	12,4	13	13,9	4,8

Sources: EU and ECLAC statistics, accessed August 2012

PUBLIC TRANSFERS (2008)

Type of transfers	Million USD
Subsidies	392.5
Electric energy	55.4
Liquid gas	136.8
Transport public	44.8
Electric energy (CEL)	155.5
Pensions	320.7
Total	713.2
Per cent of Gross Domestic Product, GDP	**3.2%**

Sources: EU and ECLAC statistics, accessed August 2012

Neither the right wing governments until 2009 nor the international financial institutions or other important civil society actors – like business assosiations, trade unions and churches – regard redistribution as important.

Regressive taxation structure, low social expenditure

El Salvador has the same weakness in its taxation system as other Latin American countries: Low taxation charge (36% of that in the European Union) and a low burden of direct taxation (a quarter of the direct tax burden in the European Union).

A progressive tax reform increases the tax burden by income; i.e. the richest will pay most tax. A regressive tax reform, however, will relatively speaking hit poor people much harder. In the 1990s, highly regressive reforms were made to tax policies as the elimination of taxes on exports and a reduction of duties on importations, both activities mainly controlled by the wealthiest part of the bourgoisie. Also, the creation of VAT (Value Added Tax), which most affects the poorest members of society; the reduction of taxes on the highest earnings, from 35 to 25%; the extension of taxation of 25% on small businesses and the elimination of the capital gains tax.

According to information from 2011 from the Ministerio de Hacienda (Income Tax Ministry) to social organisations, "in 2008, 10% of the poorest households in El Salvador paid the state in taxation 30 out of every 100 dollars they received. At the other end, 10% of the households with most income paid the State an average of 11 dollars for every 100 they received".

For this reason, as pointed out by ECLAC, the distribution of income following taxation is currently more unequal than the primary distribution. In other words, current taxation policy aggravates the existing inequality.

The redistributive effect of public spending, at least until the change of government in 2009, was very little. Social public spending in El Salvador, as a proportion of GDP, is one of the lowest in the region.

Subsidies and other current transfers represent a small proportion of public spending. In some cases they are not sufficiently targetted as they benefit both those with low and those with high income. A revision of the current fiscal policy could thus be justified to improve the redistributive effect.

In 2011, the government began a prosess aimed at targetting the subsidy for liquid gas, however, these measures have been difficult to explain, to implement and have had a significant political cost.

In 2010 and 2011 the new government increased social expenditure, adding new direct transfers for educational packages and grants, school dinners and a glass of milk, vouchers for education and health and a basic universal pension for some 15,000 families living in extreme poverty. These measures had a positive redistributive effect, although it is still premature to judge their overall impact.

Other than in the academic world, there has been no public debate on the redistributive effect of fiscal policies. It is only with the arrival of the new government that the matter has started to become visible, particularly with regard to tax collection.

Changes in fiscal policy: Everyone talks about it ...

Since 2001, the United States Dollar has been the national currency of El Salvador. This fact has eliminated a national monetary policy and has left only two sources for financing public spending; public debt and tax collection.

Public debt has been on the increase since the international economic crisis of 2008–2009, when both GDP and tax income fell. In 2009, public debt reached 50,1% of GDP, an excessively high figure which has even been questioned by the IMF. Different social actors have been demanding changes in fiscal policy for some time.

In El Salvador fiscal income does not include income from natural resources, unlike other countries in South America. Therefore, it is limited to tax income and social security.

Exept for the large private companies, everyone agrees that reducing tax evasion is of the utmost urgency. Various studies have been made to measure this phenomenon. One of the most quoted sources is the ex-ambassador of the USA, Douglas Barclay, who presented in October 2006 detailed estimations based on a study carried out by the American Embassy and which was made public.

According to these estimations, businesses fail to pay the State 38% of the VAT that they collect. This represented in 2006 USD 833 million. A later study by the World Bank and Inter-American Development Bank coincided with this figure (World Bank-IDB, 2010).

With regards to Income Tax, Barclay's estimations were similar to those of the GCAAP, which calculated that tax evasion in 2005 was some USD 567 million.

Finally, the American Embassy estmiated that businesses evaded 64% of other taxes on sales, representing in 2006 USD 665 million. In this way, total tax evasion could have reached in 2006 USD 2,065 million, something like 80% of the tax collection actually made.

■■ Globally wealth is more concentrated than income both on an individual and national basis. UNU-WIDER

Insolvency vs injustice

Insolvency rather than injustice has been the concern of the large international financial institutions and big businesses.

The International Monetary Fund (IMF), World Bank (WB) and Inter-American Development Bank (IDB) do not mention inequality amongst their arguments for fiscal reform; their focus is that it is impossible to continue to increase the public debt. They recommend the reduction of the public debt through the elimination of the transport and gas subsidies and reduction of the electricity and water subsidies.

They also recommend to increase tax collection, by "improving the tax administration" (an elegant reference to reducing tax evasion), consider to reinstate capital gains tax and to lower the tax base rate, through the charging of direct taxes on small businesses. The WB and IDB even suggest a possible increase in the regressive VAT (which is currently at 13%).

The buisness associations coincide with this, although they do not accept

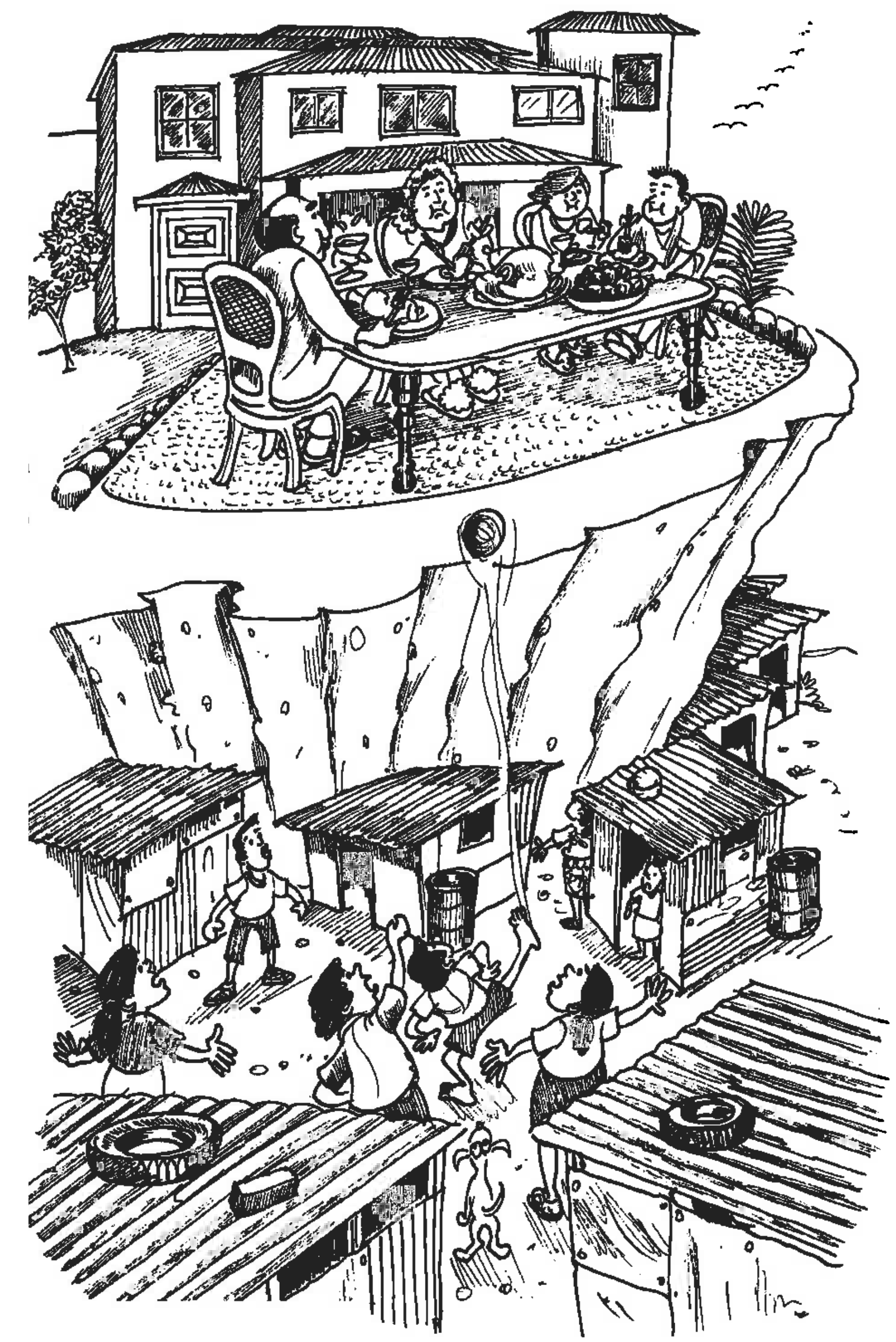


Illustration: Equipo Maíz, El Salvador

October 2005, the hurricane Stan hit Central America with devastating force. From day one, NPA's longtime partner Comandos de Salvamento participated in a well organised national rescue operation in El Salvador.

(Photo: Comandos de Salvamento)

the reinstating of capital gains tax, and they insist that the government should reduce spending. They further suggest that the government should give them the concession of existing profitable infrastructures, such as ports and airports, in order to increase the income

"Those who earn the most should pay the most"

FMLN, from the Secretaría de Hacienda de la Asamblea Nacional (Treasury Department of the National Assembly) has been promoting a tax reform for some time. Likewise, various social organisations have been pointing in the same direction and they began in 2010 an awareness campaign concerning the importance of increasing tax income and the need for changing the taxation structure. NPA supported this campaign.

The proposals, which are still being debated by the organisations, point to two main directions: control of tax evasion and the passing of legal reforms to increase the weight of direct taxes. These legal changes would be: Introduction of more progressive income tax rates; tax exemption for the lowest salaries; reinstating of the tax on large properties; extraordinary taxes on the importing of luxury goods.

The proposals also include a higher minimum wage which would be exempt from taxation for women, considering that they have more domestic load than men and that they run 35% of the households in the country.

A small step in the right direction

The current government, presided over by Mauricio Funes, although it was elected with the votes of the FMLN, is not an FMLN government. It is a government of ailliances that has brought about some changes favourable to the majorities and in other cases it has acted by giving into pressure from the USA and big business.

However, in fiscal matters, it is very difficiult for the government to fully conciliate its economic needs with the interests of big business. It has agreed with the IMF to make a reduction in the fiscal deficit, requiring greater income from taxation. To this end, it recently proposed a small tributary reform which managed to obtain the approval of the National Assembly in November 2011, with only the party of big business, ARENA, opposing the proposal. The main aspects of the reform are:

- An increase in the minimum wage exempt from taxation to USD 500 a month (this will benefit 273,000 people).
- An increase in taxation from 25% to 30% on companies with utilities greater than USD 150,000 a year and wage earners with income greater than USD 6,200 a month.
- The charging of a fixed taxation rate on company gross sales which have paid nothing when presenting losses for two years, and yet they continue to be operational. An interesting anecdote: FMLN published a list from the Treasury department of 42 of the largest companies in the country, including various famous banks and foreign companies, which presented losses and do not pay taxes.

The proposals do not include any specific advances for women. This reform does not meet the needs for increased tax income and the proposals could have been much more bold. It is estimated that it will provide some US$170 million a year, an increase of less than 6% in tax income. However, business was strongly against the reform. And given that its direction is progressive and coincides with certain existing proposals, the social movements and the FMLN gave it their full support.

A need for stronger social mobilisation

The popular movement should mobilise themselves, so that those who actually pay are those who earn the most.

As we have pointed out previously, there are different demands from the left wing and the popular movement in El Salvador geared towards a redistribution of income and wealth. However, an improved fiscal policy continues to be one of the main demands. A true national development process and sustainable advances for the people require a substantial increase in public investment to be made over various years, principally in health, education and research.

The tax reform that was passed scarcely one month ago leads us to believe that a new more in-depth reform is unlikely in the short term.

At the same time, the government has committed itself with the IMF to reducing the fiscal debt by USD 430 million in 2012 and the reform will only cover USD 170 million. It is, therefore, very possible that the government will try to meet this challenge by awarding franchises for state properties and eliminating or reducing basic goods and services. Although some of these subsidies may eliminate unjust privileges, they will also affect the poorer members of the public.

International support is needed

The popular movement has the challenge of mobilising to lobby stronger on the government to make the reduction of tax evasion a priority. The estimated value of tax evasion is 11 times higher than the value of the approved tax reform!

There is also a need to reject new privatisation disguised as franchises to the private sector. The popular movement should keep its proposal for a more in-depth tax reform and an increase of more redistributive restructuting of public spending.

However, there are several obstacles to be overcome to advance in this direction. Many people do not see tax evasion by the rich as something that affects them directly. There is a need to illustrate all that the government could do with these funds if tax evasion did not take place. The ideological hegemony of the dominant sectors, reproduced by their control of the media and the press, creates strong myths. Among such myths are that more taxes will force investors away to other countries; lower taxes mean more employment.

These are serious challenges of awareness raising and political lobbying. The social movements in El Salvador are facing huge tasks, in which international organisations could cooperate and show their solidarity.

Many people do not see tax evasion by the rich as something that affects them directly.

NESTOR NAPAL

Nestor Napal is an Argentinian economist. He has lived in Nicaragua since 1982, and has been working for Norwegian People's Aid since 1990. He is presently working as a Programme Manager for NPA's development programmes in Cuba and El Salvador, and as a Regional Advisor to all NPA programmes in Latin America.

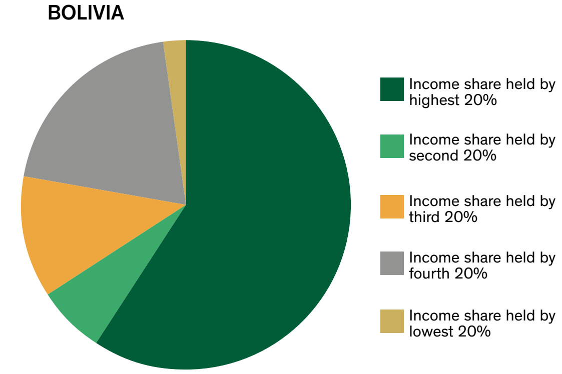
Laundry hung out to dry in a backyard in El Alto, a poor city outside Bolivia's capital La Paz. The slopes lining La Paz valley are predominantly occupied by poor Indian families, with the wealthier white Bolivian homes being near central downtown or the newer Zona Sur.

(Photo: George Steinmetz/Corbis/NTB Scanpix)

COUNTRY INFORMATION	
Population	10,1 million
Major languages	Spanish, Quechua, Aymara, Guarani
Main religions	Christianity, indigenous cosmovision
Life expectancy women	69 years
Life expectancy men	65 years
GNI per capita (PPP current international $) 2011	4 920
Income share of the 10% richest	43
Income share of the 10% poorest	0,5
Gender inequality index	0,437
General government final consumption expenditure (% of GDP)	13
Tax revenue (% of GDP)	18,3
Net ODA received (% of GNI) 2010	4,4
Net ODA received (per capita)	74
Agriculture, value added (% of GDP)	12
Industry, value added (% of GDP)	34
Services, etc, value added (% of GDP)	54
Main export products	Soybeans, soy products, natural gas, zinc, gold, silver, tin, wood
Last presidential election	2009
President/political party	Evo Morales/MAS
Main political parties	MAS, MNR
Last presidential election	Election of the first indigenous president (Evo Morales) in 2005

Sources: UN, World Bank database, BBC country profiles, OECD, CEPALstat

INCOME SHARE HELD BY QUINTILES OF THE POPULATION
BOLIVIA



Source: World Bank database accessed August 2012

Victories of mass mobilisation

Per Ranestad

Indigenous peoples and peasants are key actors in the on-going political and social changes in Bolivia. Through broad mobilisation they have pushed the process forward. Their mobilisation is a reaction against historic discrimination and social injustice, upheld by a small elite with economic and political control.

It has also been triggered by international companies plundering Bolivia's minerals and oil resources. The popular movement fights for new rules of the game – a new plurinational state. They have begun to break traditional politics and power relations. The positive development in terms of reduction of social and economic inequality must be understood in the light of the political role played by these social movements.

In December 2005, the indigenous leader Evo Morales won the presidential election. This profoundly altered Bolivia's politics and the way South America's poorest nation is seen abroad. His left-wing party, Movement Toward Socialism (MAS), won over the traditional parties in an electoral landslide, reflecting the majority's desires for socio-economic change, institutional reform and full inclusion of the rural and indigenous poor.

Strong history of labour organising

The mobilisation of indigenous peoples and peasants in Bolivia reflects the interests of rural communities and historic traditions and costumes. However, it is also an expression of the strong traditions for mobilisation in the national labour confederation, the Central Obrera Boliviana (COB). For decades, COB was the only national reference for popular organisation and mobilisation.

However, it was weakened during the eighties and especially the miners, its strongest sector, were forced by privatisation and closure to leave their jobs. The trade unions were weakened, but their tradition of organisation and mobilisation was passed on to peasant community organisations by thousands of ex-miners who started to cultivate coca leaves. Evo Morales is the son of a miner and became the leader of the coca-peasant organisation, within the national peasant organisation, Confederacion Sindical Unica de Trabajadores Campesinos de Bolivia (CSUTCB), founded in 1979.

CSUTCB represents organisations of indigenous Aymara and Quechua peasant communities, with both private property and communal land, as well as organisations of coca leaf producers and land workers. The organisation combines the traditional community organisation with the hierarchic trade union structure at a national level. CSUTCB is also a member of the national labour confederation, COB.

At the same time, some indigenous Aymara communities on the highland, with a stronger tradition for communal land and Andean community organisation – "ayllu" – have developed its own independent organisation, CONAMAQ. The indigenous peoples of the lowlands are also organised in their own networks and organisations, but without any trade union traditions.

Movement for political change

In spite of these differences, the waves of mobilisation that started in 2000 to take control over natural resources lead to a national movement for political change. Through the use of road blocks and massive marches they took control over natural resources, against the interests of multinational corporations. This happened in the water war in Cochabamba (2000) and the *gas war* in El Alto (2003). They also raised the concerns of the pensioners.

Twenty years of neoliberal economic policies and the attack on collective rights to water triggered popular and indigenous mobilisation. The indigenous and popular organisations demanded a new political constitution and *a plurinational state* that breaks with neoliberalism. This mass mobilisation is rooted in the common experience of inequality and discrimination. The demand for change was expressed outside the formal channels of the political system that upheld strong barriers to genuine participation and negotiation. The organisations' strength is their capacity to mobilise and the legitimacy of communitarian politics.

Collective action, such as mass mobilisation, is effective because it is deeply rooted in communitarian politics and has gained legitimacy in national politics. The organisations do not deny the legitimacy of Congress and the municipalities, and they interact with them. However, this interaction also demonstrated the need for new social contracts, and a Constituent Assembly became the central demand.

Several important victories

Since the *Water War* and *the Gas War* mass mobilisation has a long list of victories. The election of president Evo Morales (2005), nationalisation of oil and gas (2006), the election of a Constituent Assembly (2006), the participatory development of the new Constitution and its approval by referendum (2009), the election of a new National Assembly (2009), and the Municipal election (2010).

During all these years, the right wing, often led by strong economic actors, repeatedly threatened the reform process and the government. So far the organisations and the Government have managed to maintain unity and defence against such setbacks.

Despite the consolidation of the government and the reform process against right wing threats, we have seen notorious examples of social and political mobilisation against governmental decisions. In December 2010, the government announced the decision to cut subsidies on fuel in order to reduce public spending that primarily benefited rich sectors of the population. In 2011, the government decided to build a road through the Natural Park and Indigenous Territory of TIPNIS.

In both cases, the Government made decisions without consulting the organisations, and in both cases the government was forced by mass mobilisations to revoke its decisions. For many of the opponents, the reaction was caused by the governmental decision in itself; the expected increase of living costs due to higher gas prices due to"gasolinazo", and the expected negative environmental impact of the road, as well as disrespect of TIPNIS as an indigenous territory. For others, the major criticism was the lack of consultation and participation of the organisations prior to the final decision making.

CSUTCB was central in both processes. The organisation insists on participatory decision making process. In the Gasolinazo case, CSUTCB influenced the government to revoke its decision. In the TIPNIS case, the organisation defends the need to build the road in TIPNIS, but argues in favour of a thorough consultation process as defined in the Law approved by the Plurinational Assembly in February 2012.

The decisive role of rural Bolivia

Through all the different phases of political and social changes, the organisations of rural Bolivia, with some support from urban popular sectors, have played an important and decisive role. The government of Evo Morales would not have had a chance to lead the radical structural changes of Bolivian society *without* the collective action by well mobilised and organised popular sectors.

CSUTCB has been the lead organisation usually labelled "La Unica" (the only one) within the reform movement. La Unica is the corner stone of The Unity Pact that constitutes the social bases for the government and the reform process. "La Unica" has demonstrated its ability to secure the alliance of all five national rural organisations in The Unity Pact.

However, the TIPNIS case challenges The Unity Pact, due to conflict of interests between coca leaf producers and indigenous peoples.

By the end of 2009, the government was strengthened by the collective support from the social organisations. The threats from the right wing had also weakened.

New challenges are provoking internal contradictions, such as the cases of Gasolinazo and TIPNIS. The popular movement, with the government and the organisations, must clarify their respective roles and relations to ensure both participation and leadership in the next phases of radical change in Bolivia.

PER RANESTAD

Per Ranestad is presently part of the management in NPA´s Head Office in Oslo. He has been NPA´s Regional Director in Latin America for three periods. He is a historian with particular studies on Chile.

In search of social justice in Bolivia

Fernando Mayorga Ugarte

The indigenous leader Evo Morales came to power in January 2006. Since then, Bolivia has experienced significant political transformations. His Movimiento al Socialismo (MAS) party received a majority vote in two consecutive elections. MAS has had solid backing from popular organisations, especially from peasants and indigenous peoples.

The new model for *a plurinational state* was approved through a referendum in January 2009. This state model is supported by three pillars: 1) Recovery of the state's role in the generation and control of financial surplus, and the distribution of this surplus through social policies supporting the popular sectors. 2) Recognition of collective rights of indigenous peoples and other norms to promote political, financial, linguistic, legal and cultural pluralism. 3) A model for political decentralisation that recognises departmental, municipal and indigenous autonomous regions, to increase people's participation and improve public management.

These elements make up the institutional basis of an incipient development model geared towards finding a balance between an industrial exploitation of raw materials and an ecological vision of Living Well. The Living Well concept recognises *the indigenous cosmovision* embracing a development that implies living in "harmony with nature". (UNO, Resolution 63/278, of 22nd April 2009).

In search of a new development model

Following the failure of the structural adjustment policies of the 1990s, and the state oriented policies of previous decades, Bolivia is looking for a new development model. This is necessary for the country to overcome the historical backlog of economic and social inequality, poor territorial integration, institutional deficit, and an extractivist economy with poor productive development.

The Bolivian society has therefore opted for strengthening its democracy and taking on political transformations that will lead to greater equality and social inclusion. Over two decades, particularly in recent years, the participation of women, peasants and farmers has increased in political institutions, thus changing old patterns of power. Likewise, poor social sectors have been favoured by cash transfers (bonos) and social programmes and policies focused on redistribution.

Inclusion and equality in political participation

The presence of women, peasants and indigenous peoples in politics is a result of their political actions and electoral participation.

Women's participation in politics has increased significantly. Between 2002–2005 women occupied 18% of the seats in parliament and 15% in the senate. In the Constitutional Assembly 2006–2008 women had 88 of the 255 seats. For the

A plurinational state recognises the coexistence of several people or nations within one state. In Bolivia, this has been a demand of indigenous peoples, promoting a model for political organisation that breaks with the former colonial structures of the state. A plurinational state embraces the principles of decentralisation and territorial autonomy, a solidarity-based vision to promote equity and social well being for all, as well as juridical pluralism. These principles have been established in the new Constitution of 2009. The official name of the country is now The Plurinational State of Bolivia.

period 2009–2014, the presence of women in the Plurinational Legislative Assembly is 30%. Women hold 47% of the seats in the senate and in councils with proportional representation, but only 11% in uninominal councils,as the criteria of porportional representation cannot be applied.

These figures reflect the constitutional norm that “equal participation between men and women will be guaranteed”. In the 2010 departmental and municipal election results showed a female presence in the Municipal Councils of 43% (783 women were elected from the 1827 posts in dispute). However, in the Legislative Departmental Assemblies the figures are less favourable and there are no female governors and very few mayoresses.

With regard to the participation of indigenous and peasants, progress since 1995 is undiniable. At that time only one third of the mayors and councillers were indigenous. In 2004, the presence of indigenous in these institutions had increased to 65% and, since then, this figure has remained constant. Indigenous and peasants have occupied 50 % of the *Plurinational Legeslative Assembley*, since the elections of 2009.

Direct representation of indigenous peoples in Parliament is seven seats assigned to minority ethnic groups. Since April 2010, a couple of indigenous governors can be found in departmental governments. In the municipal area, the presence of indigenous authorities is dominant however, there has been little or progress in the building of indigenous autonomous regions, less than 3% in 340 municipalities.

Distributive policies and social programmes

Advances in social inclusion and equality can also be found due to social policies and programmes that benefit the discriminated social sectors. Some cash transfer programmes are woth mentioning:

- *The Bono Juancito Pinto* is aimed at reducing school drop outs with the cash transfer of 200 Bs ($ 30US) for each primary school child. Between 2006 and 2009 six million vouchers *(bonos)* were distributed. In 2010, 1.9 millions families benefitted from this scheme, financed by state mining and hydrocarbon companies and from the General Treasury. Since its introduction, early school dropout has been reduced from 5.3% to 2.8%.
- *The Bono Juana Azurduy* is aimed at reducing maternal and child mortality and consists of a transfer of 1,820 Bs ($250US) to women from early pregnancy until their child has reached the age of two. Since May 2009, 800,000 women have benefitted from this scheme and the amount distributed has reached 130 million Bs ($US 20 million).
- The *Renta Universal de Vejez* provides a monthly payment of 150 Bs. ($25US) to pensioners and 200 Bs. ($30US) to those above 60 who are not pensioners. Between 2008 and 2009, this programme provided support for 757,000 people and it is financed by the Direct Hydrocarbon Tax and the General Treasury. In 2009 it cost 1,682 million Bs. Approximately 2,500 million USD), which corresponded to 1.4% of the GDP, being the highest percentage of GDP in the Latin American region.
- A similar policy is the differentiated tariffs for consumption of electricty which benefits more than half a million families with low incomes.
- In education we could emphasise the literacy campaign which managed to ensure the graduation of 800 000 people; in 2009 more than 50 000 people gained a post-literacy level in primary education.
- In the health sector, mother-child insurance coverage was extended to include women between the ages of 15 and 60. Health care coverage grew from 13.5 million in 2005 to 22 million in 2009. The passing of a universal health insurance is pending and the government intends to extend the insurance coverage to include those between 18 and 25 years. Furthermore, between 2005 and 2009, the Operation Miracle programme, under the responsibility of Cuban doctors, carried out eye surgery on more than 400 000 people. This programme and the literacy programme are supported by Venezuela and Cuba who back the MAS government as they share a similar ideology.

Reduced gaps of inequality

The positive effects of these social policies and programmes are indisputable because they reduce the gaps of inequality in access to goods, public services and employment, and they create conditions for mobility and social integration. These policies and programmes have changed the map of poverty. A report by the CEPAL (Comisión Economica para America Latina) establishes that in recent years poverty and extreme poverty have been reduced.

In 2002, more than 60% of the population lived in moderate poverty; this figure had decreased to 54% by 2009. The percentage of the population living in extreme poverty was reduced from 38% in 2002 to 31% by 2009 (CEPAL, *Panorama social de América Latina* 2011, CEPAL, Santiago, 2011).

Another positive effect is that the Gini Index, that measures the relative gap between rich and poor, dropped from 0.6 to 0.5 (Alicia Bárcena, executive sevretary of the CEPAL, Diary Page Seven, 19 December 2011).

A comparison with other countries in the region indicates the achievements made, because a decade ago Bolivia was one of the countries with most inequality. Today the measures of unequality in the region is Guatemala the highest (GINI 0.585), Colombia second (0.578), and Brazil third (0.576).

Indigenous women on their way home after having participated in the Congress of MAS (Movimiento al Socialismo) in Oruro, January 2009.

(Photo: Øystein Sassebo Bryhni, NPA)

Nationalisation of companies leads to economic growth

The redistributive policies *(bonos)* are largely funded by surplus generated by the nationalising of hydrocarbon and telecommuniccation companies. For example, the state owned oil company, YPFB, generated $670 US million in 2006 while this figure reached $ 2,235 US million in 2010.

On the other hand, ENTEL had a turnover of $ 74 US million in 2010 and paid 36 million in tax. However, the economic policy of the MAS government insists on the central role of the state, but combines state and private ownership. Foreign investment in mining, iron and lithium has not been included in the nationalisation policy. Within these productive activities, Bolivia maintains a wide range of relationships that involve companies from India (iron), Japan (mining) and South Korea, Japan and France (lithium).

Towards the end of December 2010, the government tried to eliminate state subsidies for fuel. However, public protests prevented the application of this measure. The motivation for eliminating state subsidies were firstly to attract foreign investment to the oil sector, in particularly the continuation of companies already operating in the country; Repsol (Spain), Total (France), Gazprom (Russia), British Gas (United Kingdom) and Petrobras (Brazil).

Secondly, to reduce the negative effects on peoples economy given that the beneficiaries of state subsidies primarily are transport workers and agro-industrial companies, together with illegal export to neighbouring countries.

Thirdly, it would reduce the negative impact on public finances, as the costs for this subsidy correspond to 3.9% of the total expenditure in public sector (central government, departmental governments and municipal governments) in the general budget of 2011. This represents the same percentage set aside for education in the 2012 budget.

The reconsideration of relationships with foreign companies responds to the need for increased income to the state in order to maintain or amplify social programmes, given that there has been no growth in public and private productive sectors.

The challenges of the Bolivian equality project

The sustainability and strengthening of these social policies and programmes depend on a balanced development model, the consolidation of the Plurinational State, as well as the organisational strength of civil society.

The debate on the development model is intimately linked to the building of the Plurinational State. This state model promotes intercultural democracy and political decentralisation by means of autonomous regions at a sub-national level. Intercultural democracy is the result of including indigenous peoples and the participationof civil society. However, in the short run there are some obstacles to its realization. For instance the concentration of political power in the governing party MAS, which controls the Legislative Assembly and the majority of the governmental and municipal departments.

This political domination can result in too much weight of presidential decisions in defining policies. One example was the conflict related to building a road through a national park recognised as indigenous territory (TIPNIS),which was opposed by the indigenous movement. The governmental decision to carry out this project without using the constitutional mechanismconsulting the indigenous peoples in the area, caused a serious conflict in September and October 2011and the indigenous movement organised a protest march against the road.

The conflict concluded with a circumstantial defeat of the government that paralysed the project and broke the alliance between MAS and the indigenous movement. Contradictions also appeared between indigenous peasants with interests in the road project and indigenous communities with more conservationist cultural tendencies.

This conflict raised an important debate regarding the development model because it disclosed tensions between the state's objective of territorial integration, to strengthen the internal market and connections with neighbouring economies, and indigenous peoples' rights to territorial autonomy, self-government and free determination. It also made evident the tension between state sovereignty and indigenous territorial autonomy because some factions of the indigenous movement consider that collective rights and indigenous "self-determination" implies a right to veto governmental decisions. These factions consider that prior consultation should define state policies without recognising that this norm is not binding (Art. 39 of the *Ley de Régimen Electoral*).

To extract or to protect

This conflict shows the difficulties in building a Plurinational State due to contradictions between the "general interest" represented by the government/state and the collective rights of indigenous peoples.

However, it also created a false contradiction between *extractivism* and *pachamamism*; between a vision of development based on exploitation and export of raw materials and a cosmovision considering preseration of the environment in harmony with human activities and respect for Mother Earth more important.

It is a false contradiction because it is not a question of choosing between one or the other, but of combining their positive aspects in a logical and sustainable development model. It is a question of combining the exploitation and export of raw materials with productive transformation to diversify the economy, generate added value and quality employment. The challenge is to reconcile the objectives of the state, with the demands from peasants and indigenous peoples, and the interests of the foreign companies.

The transnational companies are fundamental actors in the development model given that the Bolivian State does not have the technical, institutional, administrative or professional capacity to take their place in the most important sectors of the economy. Transnational companies operating in Bolivia, especially in the hydrocarbon sector, are required by the authorities to act in accordance with environmentalist norms and conciliate with the peasant and indigenous communities.

Added to the importance of the foreign companies are the geopolitical interests of the governments of Venezuela and Brazil, allies of Evo Morales, with state enterprises that operate in the country. Primarily Brazil, due to the extensive frontier it shares with Bolivia, the importance of the Amazon region, both countries' need for access to the Pacific ocean, and because Bolivian gas is absolutely necessary for Brazil's growing economy.

The conflict related to the road in TIPNIS involves Brazil because the constructing company is Brazilian, the road forms part of the IIRSA road integration project promoted by Brazil to reach the Pacific Ocean and continue its economic expansion as an emerging power. Brazil is also confronted with the challenge of combining an industrial development with the need to preserve the natural riches of the Amazon, and the rights of indigenous peoples.

A constructive combination

In its second term, Evo Morales' government seems to have opted for a development model based on a combination of both visions for development, although giving a certain emphasis to industrialisation and small peasant production over indigenous demands. In order to guarantee the validity of this development model, it is fundamental reestablish/revitalise/revalidate the alliance between the government and the indigenous movement, and the pact between pesant and indigenous organisations. It should also include other social sectors.

Accordingly, in December 2011, MAS held a meeting with peasant trade unions and other popular organisations, together with other social groups, such as businessmen, to increase their support for, and reinforce, this heterodox development model.

Another facet of this new state model is political decentralisation through the autonomous regions. The implementation of departmental, municipal, and indigenous autonomous governments began in 2010 with the passing of the Law for Autonomies and Decentralisation and the election of appropriate authorities.

However, to date no new fiscal pact has been considered for the distribution of resources to the new autonomous governments to allow them to comply with their responsibilities. In other words, the same centralism that existed in the past continues, because neither shared taxation, nor the capacity of the autonomous governments to generate additional income through taxes and productive investments, have changed. Furthermore, the institutional building of the new departmental governments is slow because the departmental statutes have not yet been passed, including mechanisms social control of public management.

The weakness in setting up subnational autonomous governments, should be resolved because the implementation of redistributive policies depends on the central government and their future application should include the principle of subisidies between different levels of government. Social inclusion should be strengthened at a regional and local level so the initiative of the central government may be more efficient.This new institutional design of the State requires equal access to financial resources through a fiscal pact, which will permit a rational and sustainable distrubution of the state's resources.

Conclusions

The Bolivian development model is searching for its own profile based on the combination of industrialisation and environmental sustainability, extractivism combined with 'Living Well', based on the institutional capacities of the Plurinational State.

This new state model depends on the pariticpation of the peasant and indigenous movements, and on the strengthening of subnational autonomous governments. The achievements reached in equality, and the continuity of policies aimed at further reducing inequality, depend on the consolidation of the new state and the extension of intercultural democracy.

Significant victories are won, but much is also at stake. Grassroots organising is still necessary to protect obtained progress for the women, peasants, workers and indigenous peoples of Bolivia.

Bolivia's president Evo Morales speaks during his visit to Tiwanaku north of La Paz, August 2012. He travelled with Hasan Tuluy, the World Bank's Regional Vice President for Latin America and the Caribbean. Tuluy ratified support from the World Bank to Bolivia for the country's inclusive development policies, particularly in areas of indigenous population.

(Photo: David Mercado, Reuters/Scanpix)

FERNANDO MAYORGA UGARTE

Fernando Mayorga Ugarte is a Bolivian sociologist and doctorate in political science. He is director of the of the Center for Advanced University Studies (CESU) at Universidad Mayor de San Simon in Cochabamba, Bolivia and is the author of many books and articles on social movements, democracy and state reform in Bolivia.

67.6% of the worlds population have only 3.3% of the world's wealth.

Global wealth report 2011 - Credit Suisse

Hilde Jørgensen is leader of Norwegian People's Aid Solidarity Youth.

WHY DOES INEQUALITY MATTER?

Hilde Jørgensen is a Master in Development Studies from the University of Oslo on peace and conflict resolution.

Should we aim for equality? Why or why not?
As argued by the Indian economist and Nobel Laureate Amartya Sen, I believe the ultimate aim of development should be equality in people's possibility and freedom to pursue the kind of life they want.

However, people do not need foreign aid to help them fight for their freedom, and definitely not to tell them what rights and freedoms to fight for. What people do need is political space to be able to influence their governments. As foreigners working with development abroad, our only justified aim, I believe, is equality in the distribution of political power in any country in which we work – as it empowers people to fight their own struggles and voice their own opinions.

So yes, we should aim for equality, but equality in political rights, power and resources for ordinary people to participate in the governing of their own lives and futures on an equal basis.

Should developmental policies include distributional justice as one of its objectives? Why or why not?
Distributional justice as the allocation of goods, or material resources, may be used as one of several ways to measure the success of development assistance. However, this should not be the aim of foreign aid.

Norway's official developmental policy does per today aim for poverty reduction, which is related to the allocation of goods in any society. As we see, poverty reduction does not necessarily lead to a more just allocation of political power, which is a far more sustainable way of reducing poverty.

So yes, developmental policies should include distributional justice as one of its objectives, but the allocation of political power should be lifted as the most important in this regard. The reason is simple: A society will demand, and get, a fairer allocation of goods and resources by themselves, if they get the possibility to demand it and put power behind their demands.

Can and should international aid contribute to this goal? If yes, how?
Yes, international aid may contribute to a world where political power is more evenly distributed. People may decide, based on political equality, the shape of own their own futures. On the grassroots-level, social movements and NGOs could support organisations, activists and other actors already engaged in the struggle for a fairer distribution of political power.

On a state level, donor countries such as Norway could focus upon, and thus address more often in their bilateral relations, the distribution of political power and political rights. On a global level, organisations such as the World Bank and the IMF must no longer demand from recipient countries commercial actions undermining the democratic will of a society.

International aid should do all this, because if people are given means to decide on their own future, they will. People rarely need foreigners to tell them what works best for their country.

The work of Norwegian People's Aid

Norwegian People's Aid (NPA) is the labour movement's humanitarian organisation for solidarity. NPA is a politically independent organisation with its own membership and governance structure.

The global HNWI (High Net Worth Individuals with USD 1 million or more in investable assets) is still dominated by the US, Japan an Germany. The number has increased in Asia-Pacific.

World Wealth Report 2011, Capgemini and Merill Lynch Wealth Management

Through the development work in 24 countries NPA promotes democratisation and a just distribution of resources. Our main focus is to support social movements and other civil society actors in strengthening their organisations and capacity to mobilise.

Norwegian People's Aid is present in South Africa, Mozambique, El Salvador and Bolivia, the country cases analysed in this report. What is NPA doing in these four countries?

NPA in South Africa

NPA supported the struggle against the apartheid regime. In 1992, we commenced the partnership with local organisations and institutions to solve the problems faced by people in the local communities. Today our partners are social organisations and interest groups that are dealing with the current challenges, seeking to influence power structures so that democratisation and redistribution can take place.

Farmers'organisations and women's participation in the organisations are among the initiatives supported in South Africa. Many South African organisations work regionally. They actively contribute to building alliances and exchange of learning experiences, and cooperate in order to solve common problems.

NPA in Mozambique

In the beginning, the choices of NPA's program in Mozambique were largely determined by the situation of civil war and violent conflicts. Starting in 1984, NPA provided humanitarian support to Mozambican refugees in Zimbabwe and the population in the drought-stricken areas in the Tete province of Mozambique, assisted in resettlement, rehabilitation and development efforts such as skills training, construction of schools, district development and mine clearance.

Today, NPA supports peasants who organise to defend their interests, who demand access to land, and resources for their livelihood and who build an effective local and national organisational voice against injustices. With support from NPA, the national peasant union UNAC in 2010 mapped and produced "Lords of the Land", a report on land-grabbing. It tells the story of the people who are affected by land grabbing and gives an indication of type of support that the communities need from their organisations in order to succeed in their struggle for land, livelihood and justice.

NPA in El Salvador

Norwegian People's Aid has supported popular organisations in El Salvador since the mid 1980s and has always had close contact with the FMLN. In the '90s Norwegian Peoples Aid's work in El Salvador aimed at reconstruction after the civil war, the integration of former guerrilla members and refugees, and support for the democratic development in the country.

Today, NPA supports organisations' participation at the municipal level and political lobbying nationally, among others around tax issues and mining. The national rescue organisation Comandos Salvamento is a partner and NPA's sister organisation.

NPA in Bolivia

Norwegian People's Aid worked in Bolivia from 1983 to '93 and started up again in 2005. Since 2005, NPA's focus has been the strengthening of the competence and capacity of popular and indigenous organisations to participate and influence the on-going democratisation.

NPA cooperates with some of the main social movements in Bolivia and supports their organisational development and political formation, including how to manage their roles as social movements in relation to the government that they have been instrumental to bring into power.

Glossary

HUMAN DEVELOPMENT INDEX (HDI) is a way of measuring human development. It includes three dimensions which are equally important to the index score:

- Life expectancy: How long it is expected when born for an average person to live
- Knowledge and education, measured by 2/3 weight on the adult literacy rate, 1/3 on the gross enrolment ratio. This is the ratio of people who have started primary, secondary and tertiary schooling.
- Standard of living: Measured by GDP (see below) per capita at purchasing power parity (PPP, see below)

HDI will give a value between 0 and 1, where 1 is the best. UNDP uses the index value to classify the countries into four levels of human development: Very high (1,0 – 0,9), High (0,9 – 0,8), Medium (0,8 – 0,5) and Low (0,5 – 0,0).

GENDER INEQUALITYINDEX (GII) reflects women's disadvantage in three dimensions: Reproductive health, empowerment and the labour market, for as many countries as data of reasonable quality allows.

The index shows the loss in human development due to inequality between female and male achievements in these dimensions. It ranges from 0, indicating that women and men fare equally, to 1, indicating that women fare as poorly as possible in all measured dimensions.

The health dimension is measured by two indicators: maternal mortality ratio and the adolescent fertility rate. The empowerment dimension is also measured by two indicators: the share of parliamentary seats held by each sex and by secondary and higher education attainment levels. The labour dimension is measured by women's participation in the work force.

INEQUALITY-ADJUSTED HUMAN DEVELOPMENT INDEX (IHDI) adjusts the Human Development Index (HDI) for inequality in distribution of each dimension across the population. The IHDI accounts for inequalities in HDI dimensions by "discounting" each dimension's average value according to its level of inequality.

The IHDI equals the HDI when there is no inequality across people but is less than the HDI as inequality rises. In this sense, the IHDI is the actual level of human development (accounting for this inequality), while the HDI can be viewed as an index of potential human development (or the maximum level of HDI) that could be achieved if there was no inequality.

The "loss" in potential human development due to inequality is given by the difference between the HDI and the IHDI and can be expressed as a percentage.

GROSS DOMESTIC PRODUCT (GDP) is an aggregated measure of production equal to the sum of the gross values added of all resident institutional units engaged in production – plus any taxes, and minus any subsidies, on products not included in the value of their outputs.

The sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units.

GROSS NATIONAL INCOME (GNI) is GDP less net taxes on production and imports, less compensation of employees and property income payable to the rest of the world plus the corresponding items receivable from the rest of the world (in other words, GDP less primary incomes payable to non- resident units plus primary incomes receivable from non-resident units).

THE ATLAS METHOD is used when converting the GNI (see above) of some currency into U.S. dollars. The purpose of the Atlas conversion factor is to reduce the impact of exchange rate fluctuations in the cross-country comparison of national incomes.

GNI PER CAPITA, ATLAS METHOD (CURRENT US $) is the GNI of the country(see above) divided by its population to get it in per capita terms, using the Atlas method to convert it from the countries' national currency to the current U.S. dollars.

THE THEORY OF PURCHASING POWER PARITY (PPP) is a method for comparing the value of different currencies in their home countries by equalising the purchasing power for a given basket of goods. A basket of goods is a collection of products (and services) that is supposed to be representative to what the average person buys.

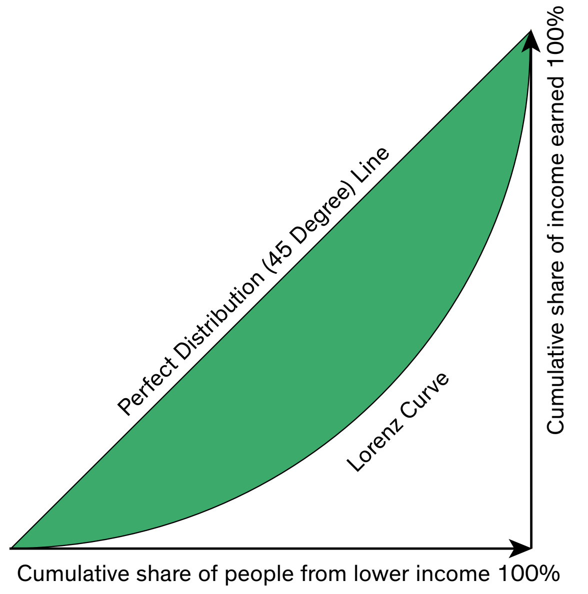
GNI PER CAPITA, PPP (CURRENCY MEASURED IN US DOLLARS) is the GNI (see above) of the country divided by its population to get it in per capita terms and using the PPP method (see above) to equalise the purchasing power. This is a measure of the standard of living in the respective countries.

SHARE OF POPULATION LIVING BELOW 1,25 USD A DAY (PPP) is the percentage share of the population that has less than 1,25 PPP-adjusted international dollars to live for. An international dollar has the same purchasing power in the respective country as a US dollar has in the United States. This makes the international dollar less than a US dollar in Norway (because of higher prices) and more in a country like Bolivia.

SHARE OF POPULATION LIVING BELOW 2 USD A DAY (PPP) is the percentage share of the population that has less than 2 PPP-adjusted (international) dollars to live for.

THE GINI INDEX is used measuring the distribution of income, expenditure, consumption, wealth and land ownership in a population. A way of understanding the popular indicator is by looking at the graphical illustration to the right. The horizontal axis measures the cumulative percentage of the population, starting from the poorest and ending with the richest, while the vertical axis shows the percentage of the income (or expenditure, wealth, land etc) associated with the different shares of the population.

This means that in the special case of the country "Egalitaria", where 50% of the population has exactly a 50% share of the income, the Lorenz Curve would be the same as the 45 degree line. In general the Gini (G) for a country is: G=A/ (A+B). In the case of "Egalitaria" A would be 0, B would be 0,5 (B=(1*1)/2 = 0,5)) which makes its Gini: G=0/(0+0,5) =0.



The other extreme case is in "Unhappyania" where one person gets all the income of the country. This would make the Lorenz Curve shift all the way down to the right, which would make A – 0,5 , B - 0, making the Gini: G = 0,5/(0,5 + 0) = 1. The Gini Coefficients globally range from Denmark's approximately 24,7% to Namibia's 70,7.

This index is calculated for income, food consumption and land.

THE MISER INDEX gives a measure on the economic polarisation between the rich and the poor in a country. The focus is on the extreme poor with less than 2USD PPP per day. It relates poverty to the absolute amount of resources available. The index therefore highlights absolute rather than relative inequalities.

THE INCOME SHARES are what part of the country's total income that is held by a specified subgroup of the population. This is a good supplement to the per capita income numbers because it shows how the income is distributed between the different groups.

ODA AS % OF GNI is the official development assistance and the official aid as a share of GNI (see above)

REVENUE, EXCLUDING GRANTS (% OF GDP) is the government funding from taxes, social contributions, and other revenues such as fines, fees, rent, and income from property or sales. Grants are also considered as revenue but are excluded here.

TAX REVENUE (% OF GDP) refers to compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded.

References

PAGES 10–13: Inequality, poverty and ideas about development, Morten Bøås

- Amin, Samir (1972) 'Under-development and dependence in Black Africa: Historical origin', *Journal of Peace Research*, vol. 9, no. 2, pp. 105–119.
- Baran, Paul (1957) *The Political Economy of Growth*, New York: Monthly Review Press.
- Bull, Benedicte and Morten Bøås (2011) 'Den gode, den onde og den dumme: En kritikk av den utviklings-teoretiske skapelsesberetningen', *Arr – Idehistorisk tidsskrift*, vol. 22, no. 1, pp. 63-75.
- Bull, Benedicte and Morten Bøås (2010b) *International Development*, Vol. I–IV, London: Sage Publications.
- Cardoso, Fernando Enrique (1974) 'Dependency and development in Latin America', *New Left Reivew*, vol. 74, 83–95.
- Chandy, Laurence and Geoffrey Gertz (2011) *Poverty in Numbers: the Changing State of Global Poverty From 2005 to 2015,* Washington D.C.: The Brookings Institution.
- Correll, Denys (2008) 'The politics of poverty and social development', *International Social Work*, vol. 51, no. 4, pp. 453–466.
- Emmanuel, Arghiri (1974) 'Myths of development versus myths of underdevelopment', *New Left Review,* vol. 85, pp. 61–82.
- Firebaugh, Glenn (2006) *The New Geography of Global Income Inequality,* Boston: Mass.: Harvard University Press.
- Flatø, Hedda and Amsale K. Temesgen (2012) 'Inequality and development: the use of living condition surveys as policy tool', in Håkon Arald Gulbrandsen (ed.) *Kapital for Utvikling,* Oslo: Ministry of Foreign Affairs, pp. 71–82.
- Fanon, Frantz (1963) *The Wretched of the Earth,* New York: Grove Press.
- Frank, Andre Gunder (1966) 'The development of under-development', *Monthly Review,* vol. 18, no. 4, pp. 17–31.
- Freire, Paolo (1970) *Pedagogy of the Oppressed,* New York: Continuum Publishing House.
- Hirschman, Albert O. (1957) 'Investment policies and "dualism" in underdeveloped countries', *American Economic Review,* vol. 47, no. 5, pp. 550–570.
- Lewis, W. Arthur (1954) 'Economic development with unlimited supplies of labour', *Manchester School of Economic and Social Studies*, vol. 22, pp. 139–191.
- Nurkse, Ragnar (1952) 'Growth in underdeveloped countries: some international aspects of the problem of economic development', *American Economic Review,* vol. 42, no. 2, pp. 571–583
- Polanyi, Karl (1957) *The Great Transformation,* New York: Rinehart & Company.
- Rostow, Walt W. (1960) *The Stages of Economic Growth:* a Non-Communist Manifesto, Cambridge: Cambridge University Press.
- Sunkel, Osvaldo (1969) 'National development policy and external dependence in Latin America', *Journal of Development Studies,* vol. 6, no. 1, pp. 23–48.

PAGES 14–24: Concepts of inequality; Measuring Inequality, Carol Romay

- Alkire, S. 2010. "Human development: Definitions, critiques, and related concepts." The Human Development Research Paper (HDRP) Series 1.
- Almås, I. 2009. "Feilaktige mål. Metodene som benyttes for å måle utviklingen i verden er utilstrekkelige." Available at: http://www.okonominettverket.no/Artikkel/873.html.
- Almås, I. 2010. "International Income Inequality: Measuring PPP Bias by Estimating Engel Curves for Food."
- Anand, Sudhir and Paul Segal. 2008. "What Do We Know about Global Income Inequality?" Journal of Economic Literature 46(1): 57–94.
- Atkinson, A.B. and A. Brandolini. 2004. "Global World Inequality: Absolute, relative or intermediate? ." Conference Paper for the 28th General Conference of the International Association for Research in Income and Wealth. Cork, August 22–28, 2004.
- Atkinson, Anthony B. and Andrea Brandolini. 2010. "On Analyzing the World Distribution of Income." The World Bank Economic Review 24(1):1-37.
- Barry, Brian. 1989. A treatise on social justice. London: Harvester-Wheatsheaf.
- Berik, G., et al. 2010. Inequality, development, and growth: Routledge.
- Bojer, Hilde. 2003. Distributional justice: theory and measurement. London: Routledge.
- Bourguignon, François and Christian Morrisson. 2002. "Inequality among World Citizens: 1820–1992." The American Economic Review 92(4):727–744.
- Cappelen, Ådne, et al. 2009. "Fordelingsutvalget." Norges offentlige utredning 10. Oslo: Ministry of Finance.
- Correll, Denys. 2008. "The politics of poverty and social development." International Social Work 51(4):453–466.
- de Jasay, A. 2006. "Fairness as Justice." Analyse & Kritik 28:13-31.
- Dollar, David and Aart Kraay. 2002. "Growth is Good for the Poor." Journal of Economic Growth 7(3):195-225.
- Ferreira, F. and M. Ravallion. 2009. "Poverty and inequality: The global context." The Oxford Handbook of Economic Inequality, Oxford University Press, Oxford.
- Ianchovichina, Elena, et al. 2009. "What is inclusive growth?" Note. Washington: World Bank.
- International Institute for Labour Studies. 2008. "World of Work Report 2008: Income Inequalities in the Age of Financial Globalization." Geneva: International Labour Office.
- Kabeer, N. 2010. Can the MDGs provide a pathway to social justice? The challenge of intersecting inequalities. Sussex: Institute of Development Studies.
- Kymlicka, Will. 2002. Contemporary political philosophy: an introduction. Oxford: Oxford University Press.
- Lind, Jo Thori and Karl Moene. 2011. "Miserly Developments." Journal of Development Studies 47(9):1332-1352.
- Merriam-Webster Online Dictionary_a. 2012. "Equity." Available at: http://www.merriam-webster.com/dictionary/equity.
- Merriam-Webster Online Dictionary_b. 2012. "Equality." Available at: http://www.merriam-webster.com/dictionary/equality.
- Nadim, M. and R.A. Nielsen. 2009. "Barnefattigdom i Norge. Omfang, utvikling og geografisk variasjon." Fafo Report 38. Oslo: Fafo.
- Oxford Dictionaries_a. 2012. "Equity." Available at: http://oxforddictionaries.com/definition/english/equity?q=equity.
- Oxford Dictionaries_b. 2012. "Equality." Available at: http://oxforddictionaries.com/definition/english/equality?q=equality.
- Pignataro, Giuseppe. 2011. "Equality of Opportunity: Policy and Measurement Paradigms." Journal of Economic Surveys. Early View.
- Ravallion, Martin. 2004. "Competing Concepts of Inequality in the Globalization Debate." Brookings Trade Forum: Globalization, Poverty and Inequality:1–38.
- Saad-Filho, A. 2010. "Growth, Poverty and Inequality: From Washington Consensus to Inclusive Growth." United Nations Department of Economic and Social Affairs Working Paper 100.
- Sugden, Robert. 1991. "Impartiality and Mutual Advantage." Ethics 101(3):634–643.
- Sumner, Andy. 2010. "Global Poverty and the New Bottom Billion: What if Three-quarters of the World's Poor Live in Middle-income Countries?" Institute of Development Studies Working Paper 349:1–43.
- UNDP. 1990. Human Development Report 1990: Concept and Measurement of Human Development. New York: Oxford Univesity Press.
- UNDP. 2010. Human Development Report 2010: The Real Wealth of Nations: Pathways to Human Development. New York: Oxford University Press
- UNDPa. 2012. "Origins of the Human Development Approach." Available at: http://hdr.undp.org/en/humandev/origins/.
- UNDPb. 2012. "Composite indices - HDI and beyond." Available at: http://hdr.undp.org/en/statistics/indices/.

References

- UNDPc. 2012. "MDG Strategies." Available at: http://www.undp.org/content/undp/en/home/ourwork/povertyreduction/focus_areas/focus_mdg_strategies/.
- UNDPd. 2012. "UNDP head: It's time for Equity and Justice " Available at: http://www.mdgfund.org/news/UNDPhead%3Alt'stimeforEquityandJustice.
- United Nations Research Institute for Social Development. 2010. "Combating Poverty and Inequality ". Geneva.
- World Bank. 2005. World Development Report 2006: Equity and Development. Washington: Oxford University Press.

PAGES 32–42: South Africa's Growing gap, Neva Makgetla

- Aliber, M., and Hall, R. 2010. *Development of Evidence-Based Policy Around Small-Scale Farming.* Programme to Support Pro-Poor Development. Pretoria.
- Bhorat, H. and Carlene van der Westhuisen. 2010. "Poverty, Inequality and the Nature of Economic Growth in South Africa," in Neeta Misra-Dexter and Judith February, eds. Testing Democracy: Which Way is South Africa Going? IDASA. Cape Town.
- Bhorat, H., et al. 2009. *Income and Non-Income Inequality in Post-Apartheid South Africa: What are the Drivers and Possible Policy Interventions?* DPRU Working Paper 09/138. Cape Town.
- Budlander, D. 1997. *The Debate About Household Headship. Discussion Document.* Statistics South Africa (Johannesburg)
- Department of Higher Education. 2009. Graduates. Table 2.13 for all institutions. Excel spreadsheets. Downloaded from www.dhet.gov.za in January 2012.
- Department of Labour. 1998. *Employment Equity Act, No. 55 of 1998.* (Pretoria)
- DRDLR. 2009. *Strategic Plan 2009–2012.* Downloaded from www.ruraldevelopment.gov.za in March 2010.
- Economic Development Department. 2010. *The New Growth Path: Framework.* Downloaded from www.economic.gov.za in January 2012.
- GCIS. 2012. "About SA: Housing." Downloaded from http://www.info.gov.za/aboutsa/housing.htm in January 2012.
- Hall, R. 2010. "Two Cycles of Land Policy in South Africa: Tracing the Contours," in Ward Anseeuw and Chris Alden, eds. *The Struggle Over Land In Africa.* HSRC (Pretoria). Downloaded from www.hsrc.ac.za in March 2010.
- ILO. 2010. Key Indicators of the Labour Market. Downloaded from www.ilo.org in June 2011.
- Lahiff, E. 2008. *Land Reform in South Africa: A Status Report.* PLAAS Research Report 38. Cape Town. Downloaded www.plaas.org.za in March 2010.
- Leibbrandt, M. *et al.* 2010. "Trends in South African Income Distribution and Poverty since the Fall of Apartheid." OECD Social, Employment and Migration Working Papers No. 101. OECD. Paris.
- NALEDI/COSATU. 2006. *The workers' survey for COSATU.* Downloaded from www.naledi.org.za in November 2011.
- Nzimande, B. 2011. "Address to the Chairpersons of SETAs and Ministerial Appointees to SETA Boards, 11 April 2011." Downloaded from www.dhet.gov.za in January 2012.
- Presidency. 2006. *Accelerated Inclusive Growth Strategy for South Africa (AsgiSA).* Presidency (Pretoria).
- SASSA. 2012. *Beneficiaries numbers by grant type.* Downloaded from www.sassa.gov.za in February 2012.
- Statistics South Africa. 2008. *Income and Expenditure of Households.* Statistical Release 0100. (Pretoria)
- Statistics South Africa. 2009. General Household Survey 2009. Electronic database downloaded from interactive.statssa.gov.za in November 2010.
- Statistics South Africa. 2010a. General Household Survey 2010. Electronic database downloaded from interactive.statssa.gov.za in November 2011.
- Statistics South Africa. 2010b. Quarterly Labour Force, third quarter 2010. Electronic database downloaded from www.statssa.gov.za in July 2011.
- Statistics South Africa. 2011. *General Household Survey 2010 (Revised Version).* Pretoria.
- Van der Berg, S., et al. 2006. *Trends in Poverty and Inequality since the Political Transition.* DPRU Working Paper 06/104.
- WageIndicator et al. 2010. *Minimum Wage Report: South Africa.* Downloaded from www.wageindicator.org in January 2012.

PAGES 47–53: Inequality as source of conflict in Mozambique, Beate Thoresen

- African Economic Outlook (2012), "Mozambique"
- Castell-Branco, Carlos, Ossemane, Rogério, (2010), Global Financial Crisis Discussion Series, Paper 18: "Mozambique Phase 2", Overseas Development Institute, Instituto de Estudios Sociais e Económicos, London
- Channing, Arndt, et.al, (2010), "Poverty and Economic Structure: Comparative Path Analysis for Mozambique and Vietnam", Working Paper No. 2010/12, United Nations University, UNU-Wider, Helsinki
- Channing, Arndt, et. al (2011), "Explaining Poverty evolution – The case of Mozambique", Working Paper No. 2011/17, United Nations University, UNU-Wider, Helsinki
- Fjellstad, Odd-Helge, Heggstad, Kari K., "The tax systems in Mozambique, Tanzania and Zambia: Capacity and constraints", CMI 2011:3, NORAD, CMI
- Hanlon, Joseph, Cungara, Benedito, (2010), "Poverty is not being reduced in Mozambique", Working Paper no. 74 – Development as State-making, Crisis States research Centre, LSE, DESTIN, London
- Hanlon, Joseph, (2007), "The war ended 15 years ago, but we are still poor", UNDP, Wilton Park, JICA, London
- Integrated Labour Force Study 2007, Mozambique
- International Monetary Fund (2012), "Republic of Mozambique: Forth Review under the Policy Support Instrument and Request for Modifications of Assessment Criteria", IMF Country report No. 12/148, Washington D.C.
- International Monetary Fund (2011), "Republic of Mozambique: Staff report for the 2011 Article IV Consultation, Second review under the Policy Support Instrument and Request for Modifications of Assessment Criteria", IMF Country report No. 11/149, Washington D.C.
- Ministry of Planning and Development, National Directorate of studies and Policy Analysis, (2010) Mozambique, "Poverty and Wellbeing in Mozambique: Third National Poverty Assessment", Maputo
- Tvedten, Inge (2011), "Gender Inequality and Development in Mozambique", Country Case Study, Wold Development Report 2012 (www.worldbank.org)
- Virtanen, Pekka, Ehrenpreis, Dag, (2007), Country Study, no 10, "Growth, Poverty and Inequality in Mozambique", International Country Study No. 10, Poverty Centre, New York
- U.S. Department of State, (2011), "Investment Climate Statement – Mozambique"

PAGES 58–65: Concentration of wealth and income in El Salvador, Nestor Napal

- ECLAC, 2010: Informe sobre Desarrollo Humano El Salvador
- ECLAC, 2011: Panorama Social de América Latina 2011
- Equipo Maiz, 2010: Que pague más quien gana más
- Equipo Maiz, 2009: La composición social de El Salvador
- FUSADES (Salvadorian foundation for economic and social development), 2007: Respondiendo a los desafíos fiscales de El Salvador
- GCAAP (Global Call to Action Against Poverty), 2007: Corrupción y evasion fiscal en El Salvador
- ICEFI (Central American Institute for Fiscal Research), 2008: La tributacion directa en America Latina, el caso de El Salvador
- Social Watch, 2011: "Política fiscal e inequidad bajo el microscopio"
- UNDP, 2010: Regional Human Development Report for Latin America and the Caribbean 2010
- UNDP, 2011: Inequality-adjusted HDI 2011
- USAID, FUNDE, 2009: El Gasto y la Deuda pública en El Salvador
- World Bank, IDB, 2010: El Salvador, evaluación del Gasto Público

A Bolivian indigenous woman participates in the winter solstice ceremony in Tiahunaco 70 km from La Paz, June 21, 2012. The solstice coincides with the Aymara Indian New Year.

(Photo: Gaston Brito, REUTERS/NTB Scanpix)

Norwegian People´s Aid
POB 8844 Youngstorget
0028 OSLO
NORWAY

Tel: + 47 – 22 03 77 00
Fax: + 47 – 22 20 08 70

www.npaid.org