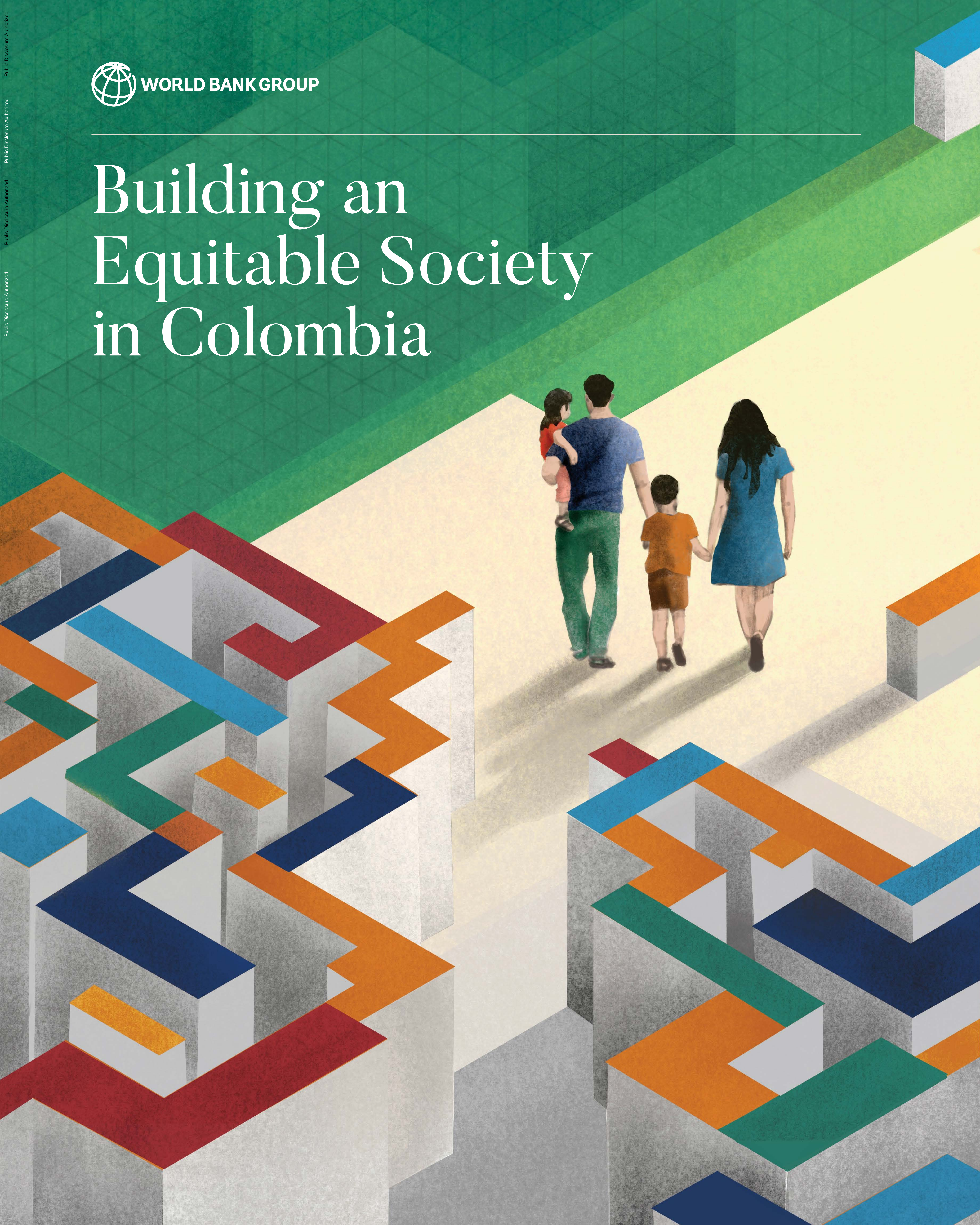
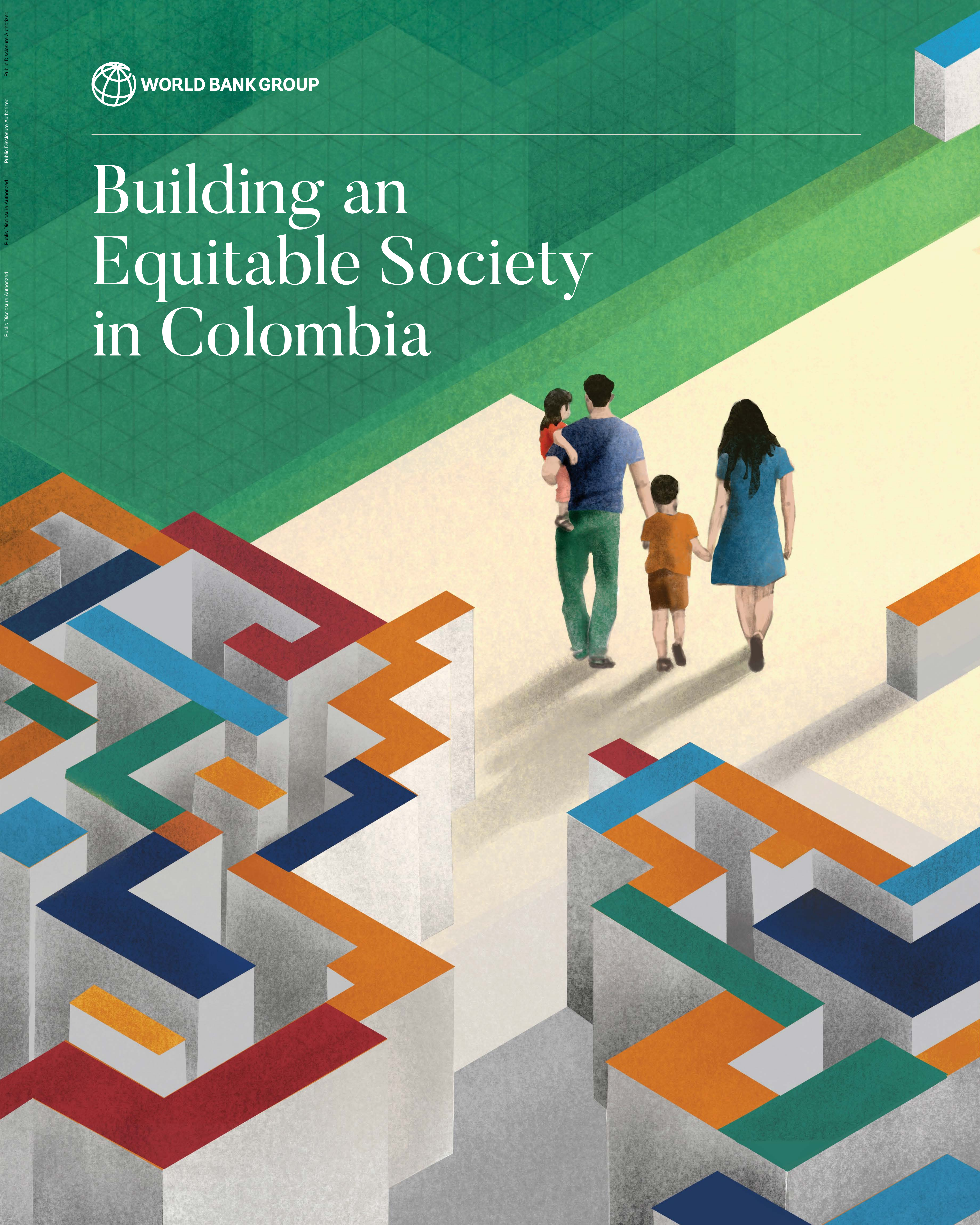


Building an Equitable Society in Colombia





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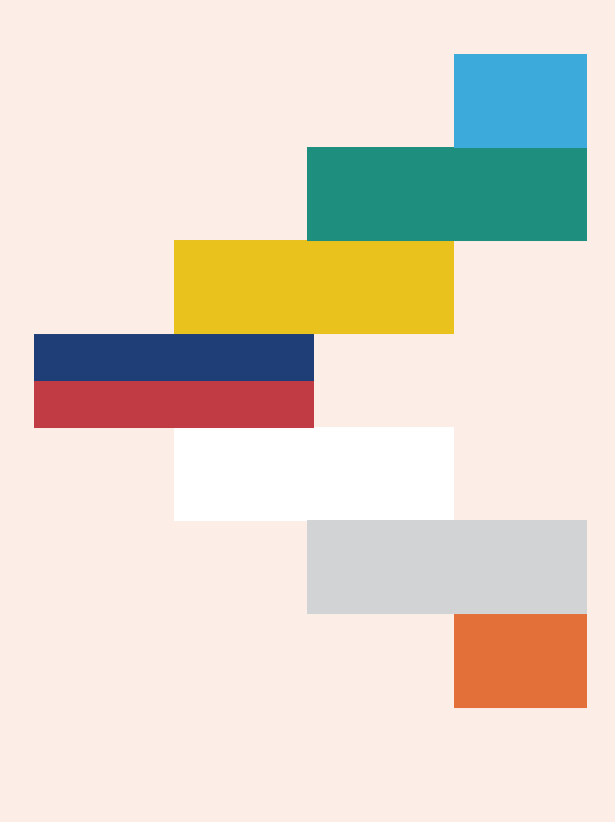
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Team Members and Acknowledgements

This report was prepared by a core team co-led by María Eugenia Dávalos and Paolo Dudine under the guidance of Jorge Araujo (Program Manager, ELCMU) and Ximena Del Carpio (Program Manager, ELCPV), Donato De Rosa and Gabriel Demombynes (Program Leaders), and overall direction of Ulrich Zachau (Country Director for Colombia). Chapter 1's analysis of inequality trends and drivers was led by Jose Cuesta, María Eugenia Dávalos, Julieth Pico, with contributions from Irene Clavijo; the full chapter was prepared by Paolo Dudine and María Eugenia Dávalos with inputs from all chapters. Chapter 2 was authored by Pedro Cerdan-Infantes, Gabriel Demombynes, Santiago de la Cadena, Mateo Prada, Manuela Villar-Urbe, Jeremy Veillard. Chapter 3 was authored by Hernan Winkler and benefitted from coordination and interactions with the World Bank team leading the Jobs Diagnostics for Colombia. Chapter 4 was authored by Paolo Dudine, Julieth Carolina Pico Mejia, Andres David Pinchao Rosero, and Maryan Raquel Porras Barrera, with contributions from Cristina Savescu. Chapter 5 was authored by Diana C. Tello Medina, Nancy Lozano Gracia, Ivonne A. Moreno Horta, Juan C. Duque, Fernando Carriazo Osorio, Juan P. Ospina, Mauricio Quiñones, Gustavo A. García, and Jorge E. Patiño. It included contributions from German Freire, Steven Schwart, Paula Andrea Rossiasco, Kelly Yelitza Montoya Munoz, Vladimir Tafur Hernandez,

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Building an Equitable Society in Colombia

Executive Summary

Colombia's high level of inequality is a core constraint to economic growth and social progress. The country has one of the highest levels of income inequality in the world, the second highest among 18 countries in Latin America and the Caribbean (LAC), and the highest among all OECD countries. The disparities in income across adults grow from gaps that open early in life in opportunities for high-quality childhood development, education, and health care services. Inequality in access to good jobs further amplifies these gaps, making Colombia among the countries where inequalities are the most persistent across generations. Longstanding inequality across regions overlaps with the large gaps in welfare between Afro-descendants and indigenous Colombians and the rest of the population. The COVID-19 pandemic has further amplified disparities and threatens to have prolonged negative effects, but this is just one of many potential extreme shocks, including climate change-related disruptions, that could substantially widen the inequality gaps. Current tax and transfer policies at best have only a modest positive impact on these imbalances, so there is clearly ample potential to improve the redistributive role of fiscal policy in Colombia. Policy reforms across many areas could help to chart a more equitable future for the country.

Key Findings

HIGHLIGHT 1
Colombia is one of the most unequal countries in the world, even more so after the COVID-19 shock, and one with very low social mobility.

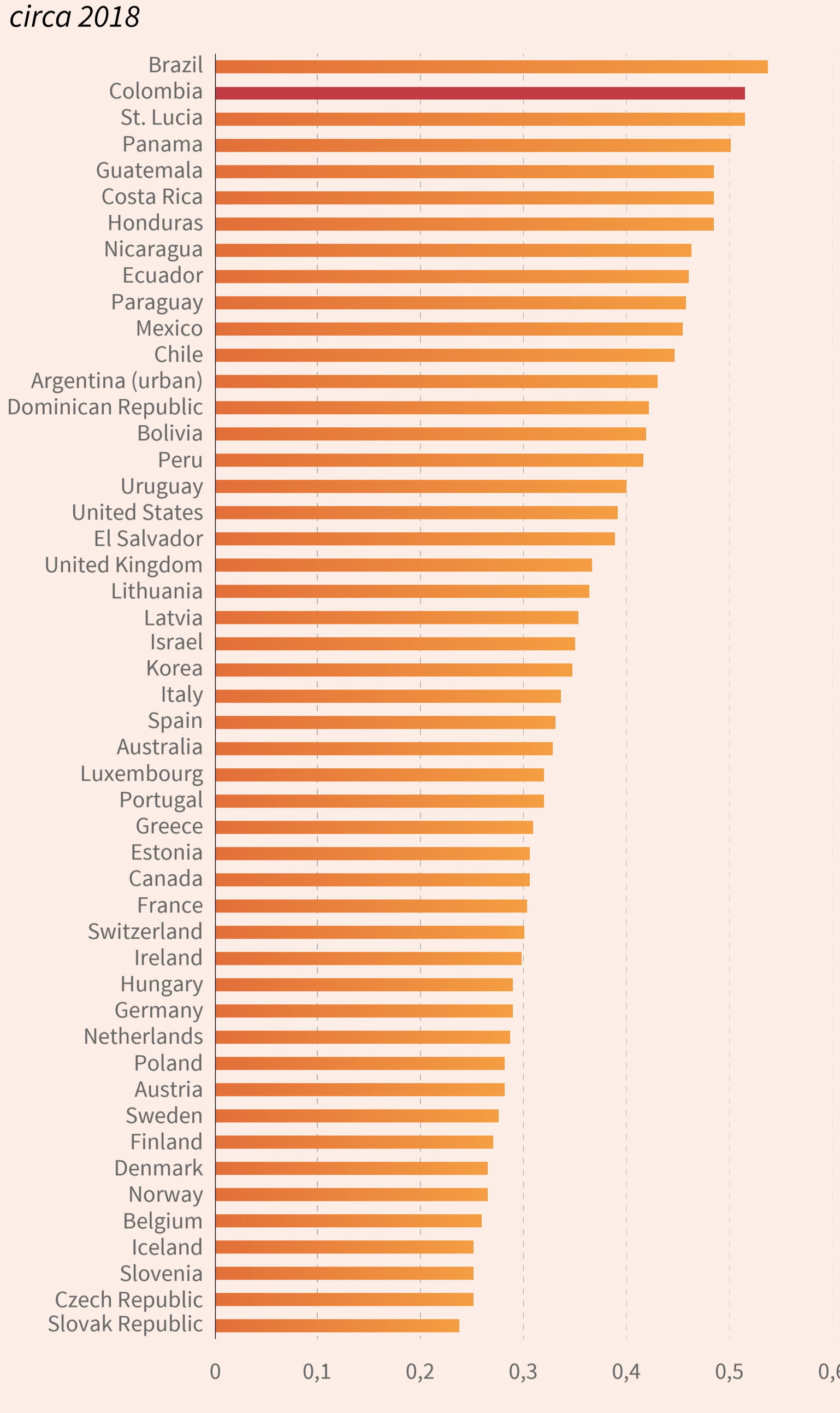
Income inequality in Colombia is the highest among all OECD countries and the second highest among 18 LAC countries.¹ The Gini coefficient of household income (after paying taxes and receiving transfers), a standard measure of inequality, reached 0.53 in 2019. For comparison, the Gini coefficient of the most equal country in the OECD, the Slovak Republic, was 0.24. The richest 10 percent of Colombians earned more than 11 times the income of the poorest 10 percent. Again, for comparison, in the Slovak Republic, the richest 10 percent earned three times as much as the poorest 10 percent. The COVID-19 economic shock has increased inequality further, pushing the Gini coefficient up to 0.54 in 2020 and pulling 3.6 million more people into poverty.

Large inequalities also exist between different population groups. A woman in Colombia is 1.7 times more likely to be unemployed than a man.² An indigenous Colombian receives on average two years less schooling than other Colombians, and an Afro-Colombian is twice as likely to live in a slum. Two-thirds of the children of Venezuelan migrants are not enrolled in school compared to less than one-tenth of non-migrants.

Strikingly, inequality in Colombia extends beyond the material aspects of one's livelihood. Less-educated Colombians, rural residents, and those who are unemployed or poor are much less likely to consider themselves to be happy.

Inequalities also persist across generations. Children in Colombia face very different prospects in life because of the circumstances they are born into: a child from a low-income parent is likely to earn less than a child from a high-income parent. Among a group of 75 countries, the transfer of income gap from one generation to the next in Colombia is the most entrenched (Narayan et al. 2018).³

Reducing inequalities is not only an objective in itself on moral grounds, but it also makes good economic sense. Tackling inequality can lead to a better prepared, greater skilled, and more productive labor force, stronger and more sustainable economic growth, and tighter social cohesion. For example, closing gender gaps in labor force participation and education would increase Colombia's GDP per capita by an estimated 14 percent by 2050 (Devadas and Kim 2020). A more equal society would mean better lives for all.



Source: Authors' calculations, based on Gran Encuesta Integrada de Hogares (GEIH) Large Integrated Survey of Households (left), OECD income inequality database, and World Bank Equity Lab | <https://www.worldbank.org/en/topic/poverty/lac-equity-lab/overview>. Note: Latest year available. For most OECD countries data are from 2017 and 2018. For most LAC countries data are from 2019. Data for Guatemala and Nicaragua are from 2014.



Source: Authors' calculations, based on GEH 2019. Note: (i) The Afro-descendant (or NARP) group includes Black, Afro-Colombian, Raizal, and Palenquero populations. The Afro-descendant and indigenous groups' rates are compared to those of people with no ethnic identification group 'none'. (ii) The category woman-man makes references to the sex of the household head. (iii) The comparison among departments shows the differences between the one with the largest and smallest indicator.

HIGHLIGHT 2:
Inequalities start early in life with gaps in education and health care.

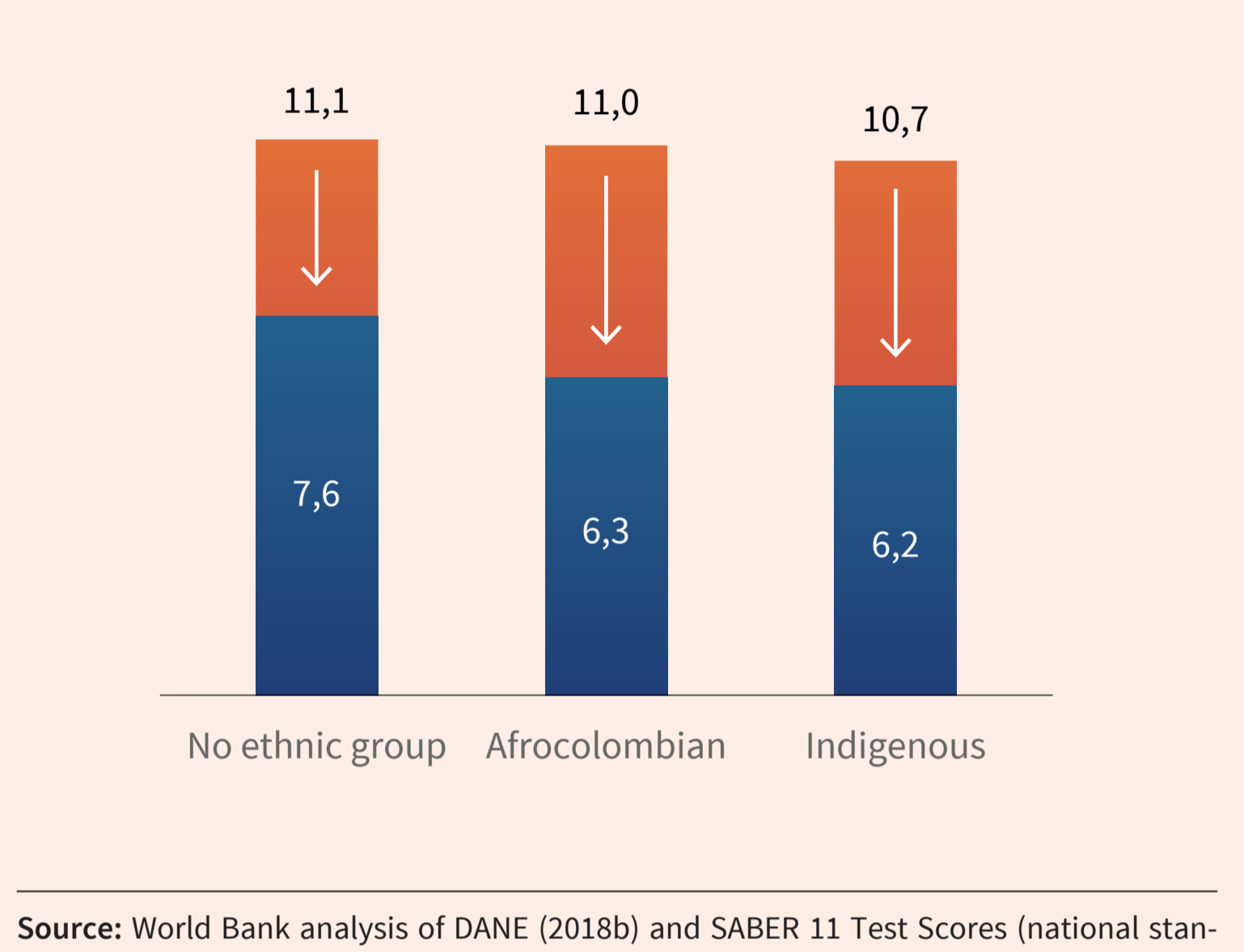
In Colombia, inequalities affect individuals early in their lives in a way that has consequences on human capital accumulation and thus the opportunities available when it comes time to enter the labor market or otherwise earn an income.

First, learning opportunities are not the same for all children in Colombia. Afro-Colombians and indigenous populations lose the equivalent of 4.7 and 4.5 years of education, respectively, when adjusting years of schooling by actual learning outcomes, figures that exceed what other groups lose by a full year or more. Gaps between schooling and learning are largely linked to differences in teacher quality and how teachers are assigned to schools.

Moreover, despite a substantial expansion in health insurance in recent years, there are large differences in access to high-quality health care. This contributes to disparities in outcomes: the poorest children have stunting rates that are three times larger than those of the richest children. Two factors affect the quality of health service provision: (i) current formulas to finance health care providers do not account for the risk profile of the typical patient, offering very little incentive to extend differentiated care to patients with different risk factors; and (ii) information on the quality of service provision is limited and not sufficiently used to better plan and deliver services at the local level.

Promoting human capital accumulation from early childhood requires simplifying the administrative procedures for citizens to access early childhood development (ECD) services, introducing a core curriculum for basic competencies across the education system, and providing pedagogical support to teachers on the core curriculum guidelines. At the same time, it also requires strengthening linkages between basic and tertiary education and ensuring the quality and relevance of the curriculum. On health, the service delivery model should be transformed into a system of primary health care that is adapted to local needs and accreditation and financial incentives should be provided to health insurers.

ACTUAL LEARNING OUTCOMES DIFFER GREATLY ACROSS ETHNIC GROUPS.



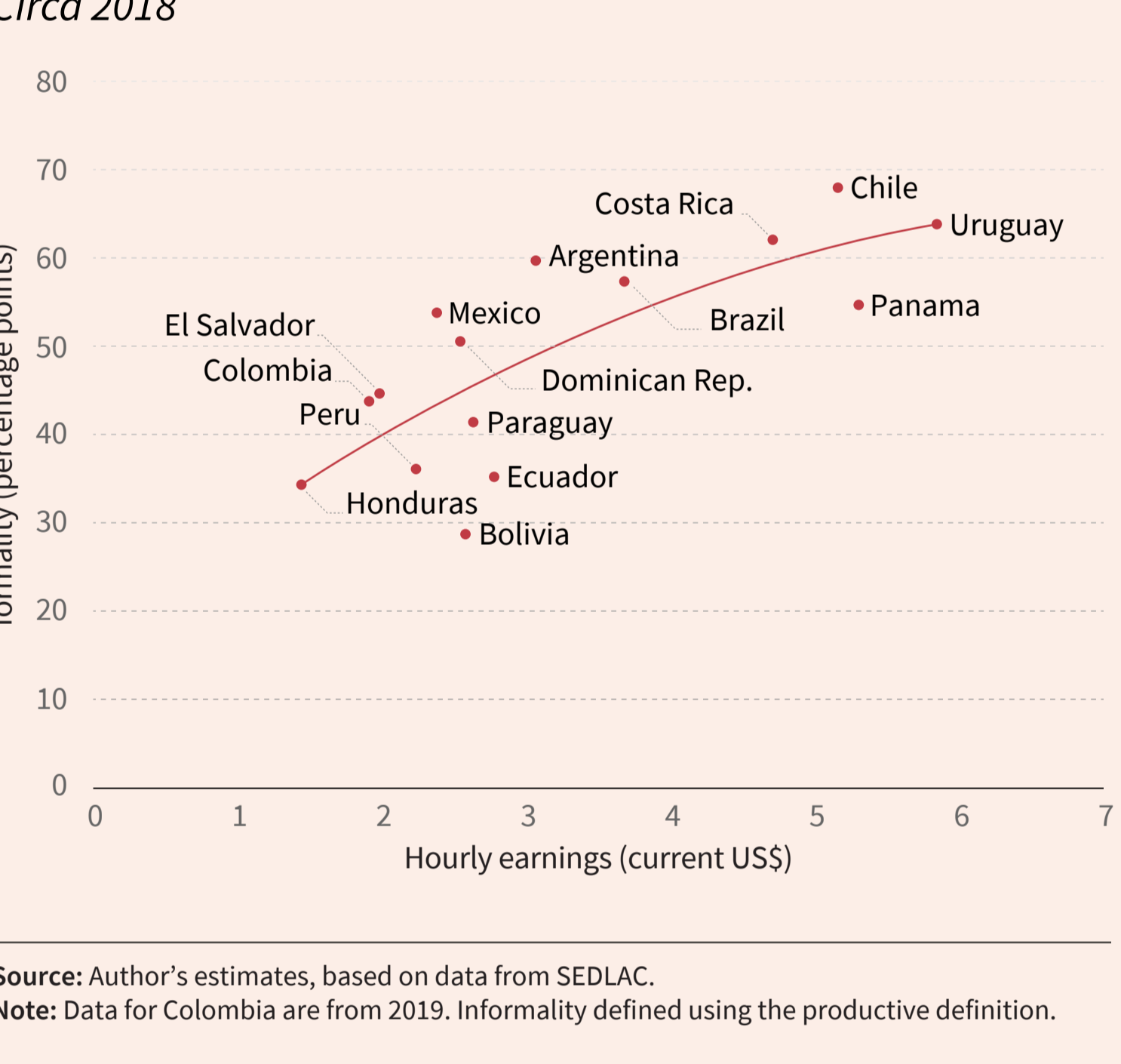
Source: World Bank analysis of DANE (2018b) and SABER 11 Test Scores (national standardized assessment for 11th graders 2019).

HIGHLIGHT 3:
Disparities in access to good jobs amplify the inequalities in human capital.

Just 40 percent of working Colombians hold formal jobs, one of the lowest rates in the LAC region. Stringent labor regulations and high minimum wages discourage the creation of formal sector jobs, leaving most Colombians working in the informal sector. The jobs of the future may also be out of reach for many owing to the slow adoption of new technologies among disadvantaged groups, a barrier that the COVID-19 crisis has aggravated. In fact, with a ranking of 109 out of 141 countries, Colombia has one of the largest disparities in the world in the use of technology across socioeconomic groups: 73 percent of people with incomes in the top 60 percent use the internet compared to only 53 percent among those in the bottom 40 percent.⁴

Beyond the overall agenda of job creation, policies to promote more inclusive labor markets need to target interventions to the groups that are traditionally excluded and that have suffered further setbacks in economic participation as a result of the COVID-19 shock. Policies to reduce labor market distortions that affect these groups include making social security contributions proportional to the hours worked and capping the growth of the minimum wage to inflation until it reaches a level that is friendlier to job creation. Closing the gaps between groups also calls for removing barriers to equitable access to economic opportunities. On gender, for instance, there is a pending agenda to address barriers in labor regulations that affect women and to increase access and quality to childcare centers so that more women can participate in the labor market.

THE QUALITY OF JOBS IN TERMS OF FORMALITY AND EARNINGS IS ONE OF THE LOWEST IN LAC.



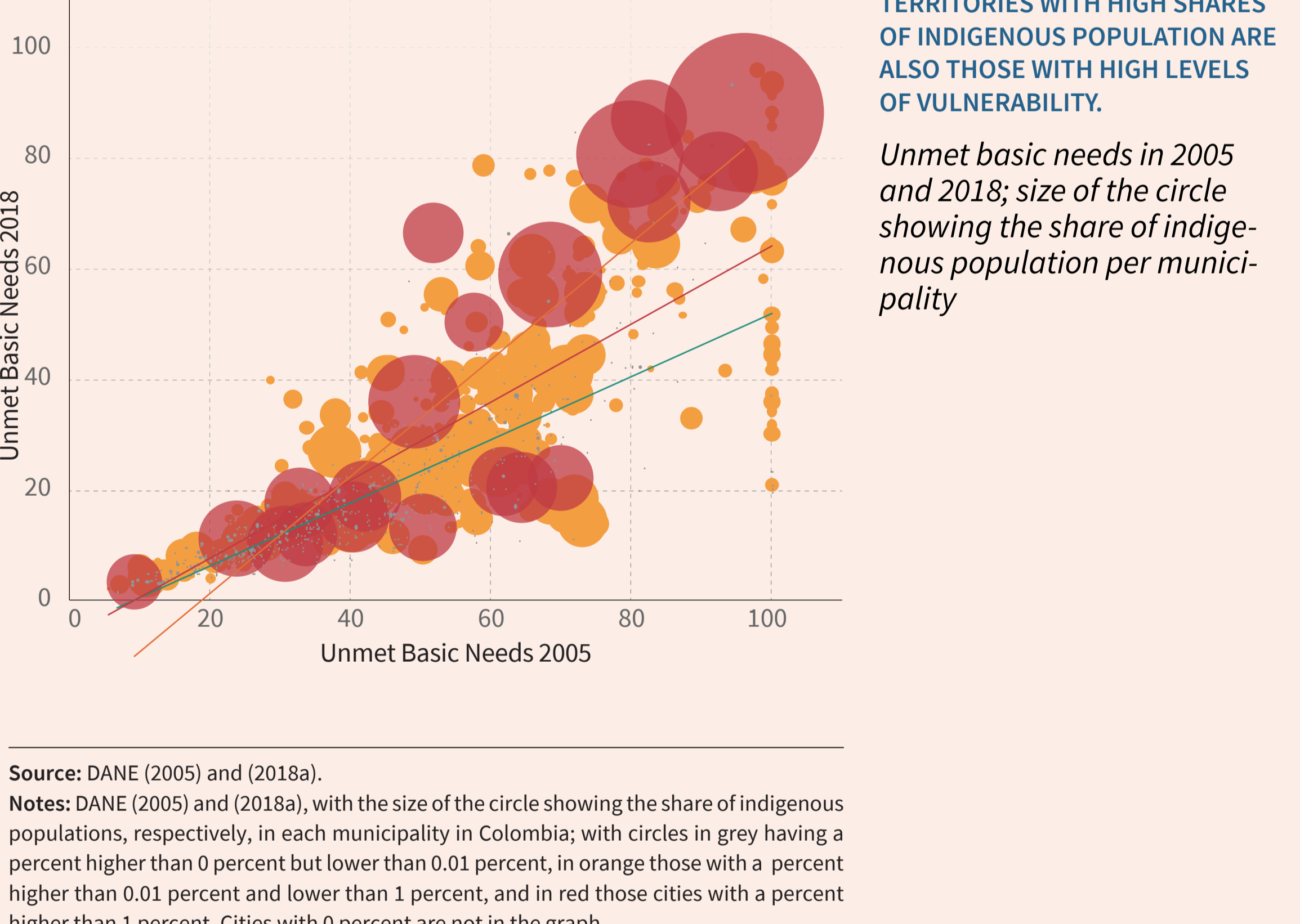
Source: Author's estimates, based on data from SEDLAC. Note: Data for Colombia are from 2019. Informality defined using the productive definition.

HIGHLIGHT 4:
Territorial inequalities are also high, leaving many people disconnected from critical services and opportunities.

The gap between the richest and poorest region in Colombia is more than double that of other OECD countries.⁵ Spatial disparities overlap with population groups defined by ethnicity: municipalities with high concentrations of indigenous Colombians have persistently high levels of unmet basic needs, and Afro-Colombians predominantly live in the urban areas where, between 2005 and 2018, unmet basic needs remained higher than in other cities.

Inadequate housing and infrastructure are the main sources of inequality within cities. Out of the 5.1 million households with housing vulnerability⁶ in Colombia, almost 4.4 million are in urban areas. Inequality has worsened in the territories that have been most affected by the armed conflict, which has intensified disparities in access to productive factors, in particular rural land. Colombia is among the top five most unequal countries in the world in terms of land concentration (Cuesta and Pico 2020b): 81 percent of private land is concentrated in the top 1 percent of farms, the highest among 15 countries in the region and significantly higher than the regional average of 52 percent (Guereña 2017).

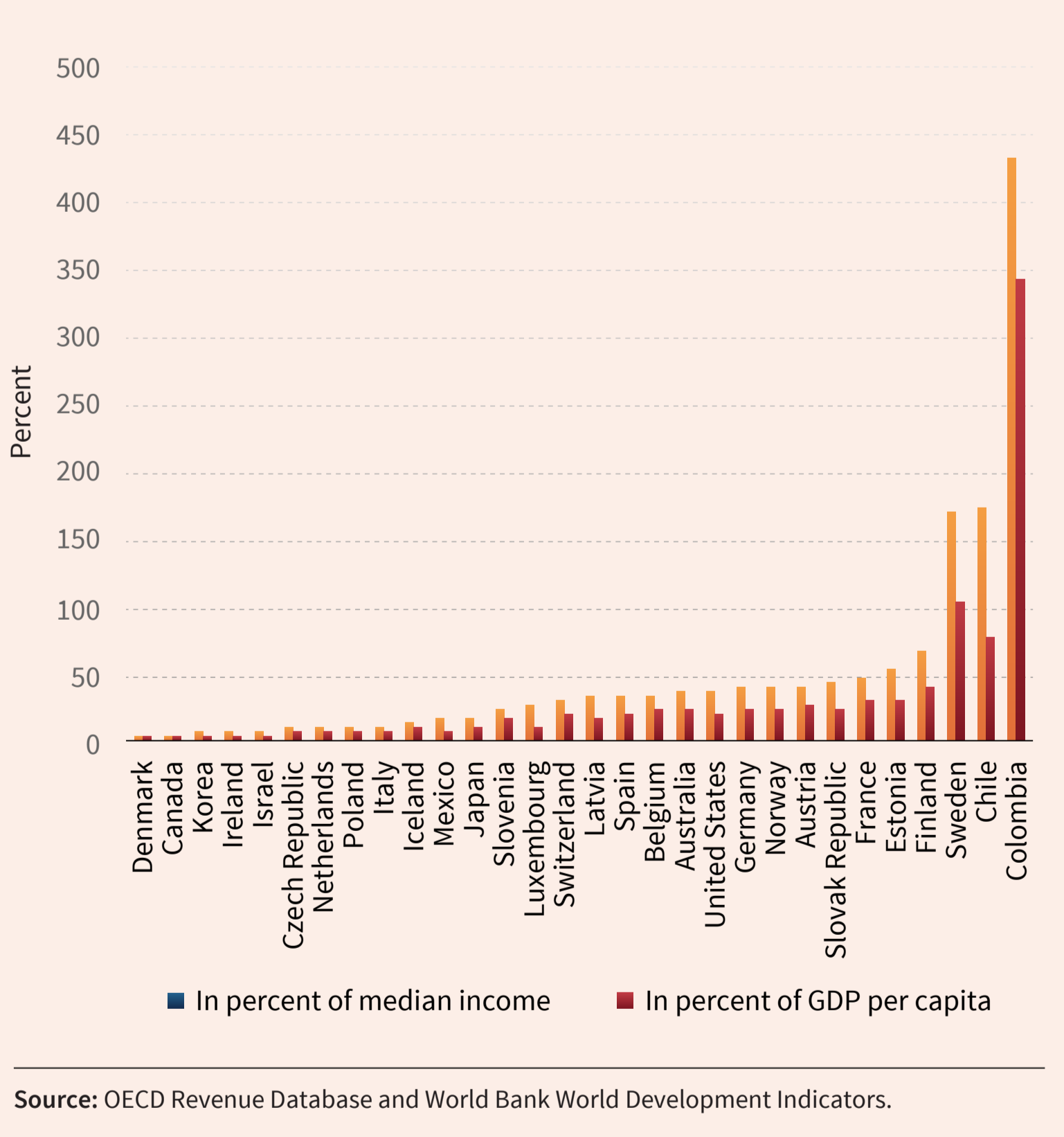
Reducing territorial inequality requires policies that strengthen the technical capacity and fiscal performance of subnational governments, particularly among those that are lagging and need more support. Expanding connectivity from residential sections of peri-urban areas and smaller municipalities to the tertiary and secondary road network and reinforcing housing programs can also increase access to opportunities and reduce inequalities. Policies need to better target those population groups that have been historically segregated (e.g., Afro-descendants, indigenous populations, and more recently, migrants).



Source: DANE (2005) and (2018a). Notes: DANE (2005) and (2018a), with the size of the circle showing the share of indigenous populations, respectively, in each municipality in Colombia; with circles in grey having a percent higher than 0.01 percent and lower than 1 percent, and in red those cities with a percent higher than 1 percent. Cities with 0 percent are not in the graph.

THE FISCAL SYSTEM HAS A LOW REDISTRIBUTIVE IMPACT; FOR EXAMPLE, THE INCOME LEVEL AT WHICH A PERSON STARTS PAYING TAXES IS VERY HIGH.

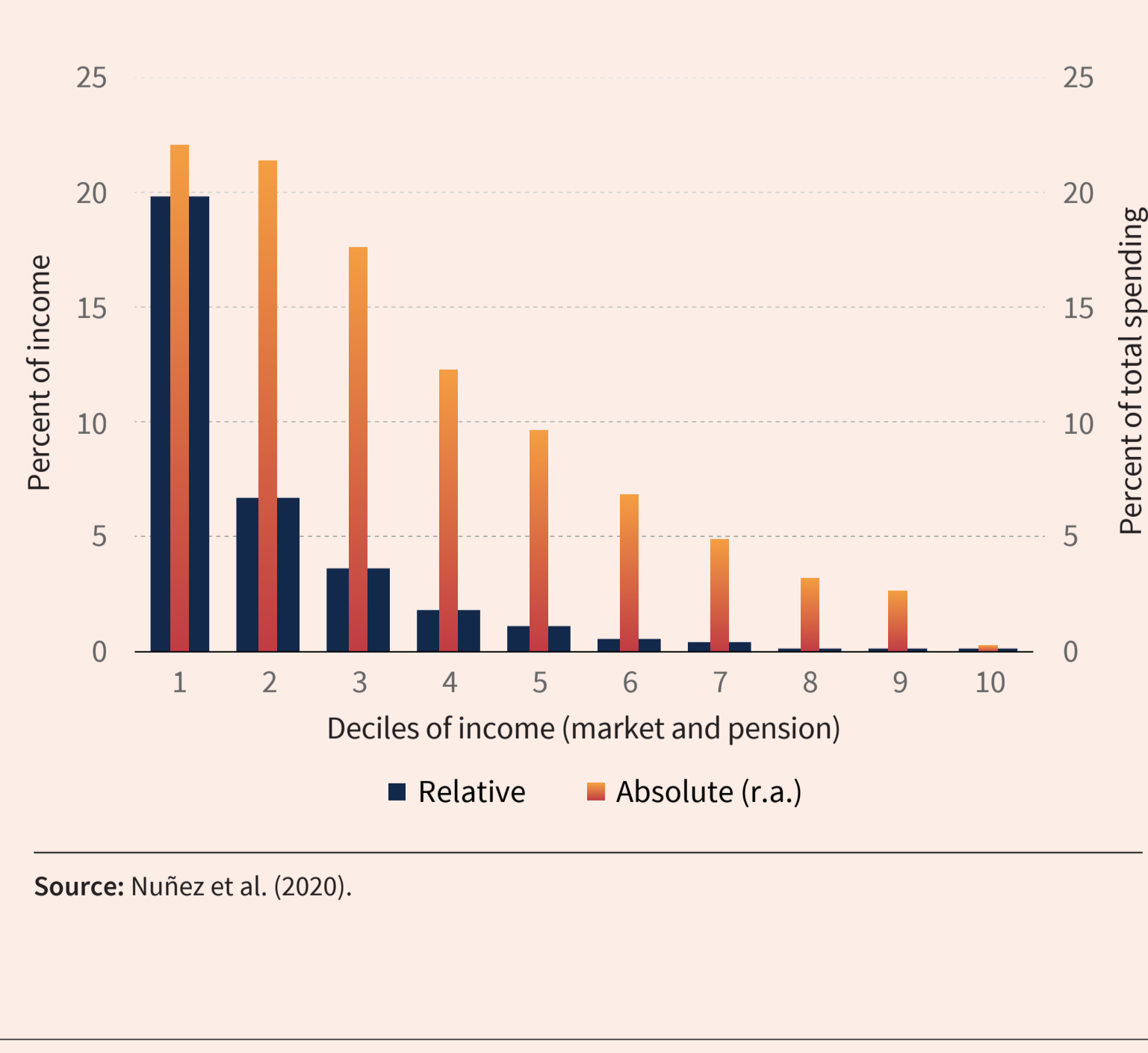
Income level at which individuals pay the PIT (% of median income and % of GDP per capita)



Source: OECD Revenue Database and World Bank World Development Indicators.

FAMILIAS EN ACCION HELPS THE POOR, BUT A LARGE SHARE OF THE PROGRAM REACHES THE NON-POOR.

Relevance and destination of Familias en Accion transfers, by decile of income



Source: Nuñez et al. (2020).

HIGHLIGHT 5
Taxes and transfers do little to address the evident inequalities.

Relative to other countries in the OECD and LAC, in Colombia taxes and transfers do little to reduce income inequality. Because deductions and tax thresholds in the personal income tax (PIT) are very high, individuals start paying it only if their income is very high, about four times the median income. This deprives the state of resources that could be redistributed to the poorest. Also, value added tax (VAT) exemptions and zero rates, which are meant to make VAT less regressive, end up granting large tax discounts to high-income individuals: more than half (57 percent) of the tax expenditures on VAT benefit the top three deciles of the income distribution. Moreover, cash transfer programs and subsidies to gas, water, and electricity suffer from large leakages to high-income households. It is estimated that based on their socioeconomic profile, over 65 percent of households receiving subsidies should either be receiving a smaller subsidy or no subsidy at all. Finally, the public pension system generates implicit (and fairly generous) subsidies that accrue mostly to recipients of high pensions.

Policies to increase the redistributive impact of the fiscal system include (i) extending the PIT to the top two deciles of the income distribution in the short run, aiming to extend it to the top half of the income distribution over the long run as income increases and poverty is significantly reduced; (ii) reducing the list of goods that are VAT exempt, which could be done gradually by levying a low rate initially that increases over time to give time to production chains (especially for those goods that are excluded from VAT) to adapt their prices; and (iii) better focusing transfers and reducing leakages in utility subsidies. Moreover, creating a dynamic, reliable, and integrated single registry can inform the design and implementation of more effective social expenditure programs.

HIGHLIGHT 6:
Both internal and external shocks hinder progress toward equality.

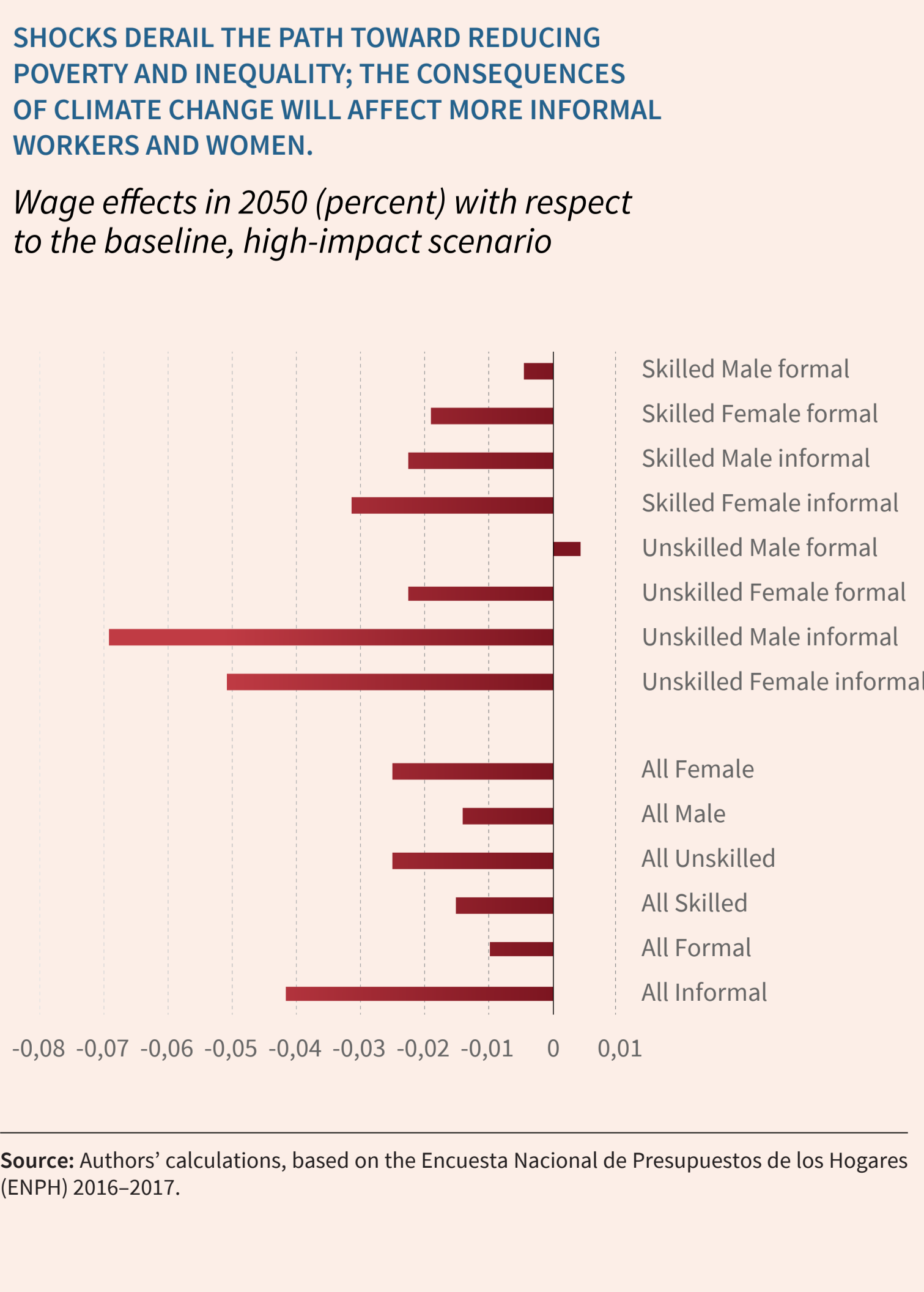
The COVID-19 shock increased poverty 6.8 percentage points in 2020, and 3.6 million more people became poor, particularly in urban areas. It also caused extreme poverty to increase by 5.5 percentage points, leaving 2.6 million more people unable to cover basic food needs. The pandemic has also worsened inequalities in human capital: it is expected to increase the rate of learning poverty⁷ among 10-year-old children from 53 to 60 percent if schools maintain a hybrid in-person learning program through 2021, or 63 percent if distance learning continues for the entire year.

However, COVID-19 is just one of the extreme shocks that can worsen inequalities. Climate shocks are another. Estimates indicate that households in the lower two quintiles of the income distribution would suffer income losses from climate change shocks that are on average between 1.5 and 1.6 times higher (as a percent of the pre-shock income) than those suffered by the top quintile. Rural households are estimated to suffer from income losses that are on average between 1.8 and 1.9 times higher than urban households.

Yet social assistance programs are not designed to flexibly protect households against shocks, especially climate related, and the consequent depletion of assets. The lack of a social registry with dynamic and accurate information on households and equipped with climate risk assessment tools limits these programs' ability to adapt to new circumstances.

Policy options related to climate mitigation and adaptation policies that are aimed at reducing the impact of climate shocks on the most vulnerable include (i) strengthening the National Agriculture Extension System by mainstreaming mitigation and adaptation criteria in the Departmental Extension Plans and building the capacity of agricultural extension service providers; (ii) consolidating the *Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales* (Sisbén) (the Identification System for Potential Beneficiaries of Social Programs), social assistance administrative registries, and other key databases into a dynamic, reliable, and integrated single social registry equipped with climate risk assessment tools; and (iii) strengthening carbon pricing by expanding the carbon tax and introducing an emissions trading system.

A more detailed set of policy options for this and other challenges is presented in table ES.1, and also presented in each chapter accompanied by relevant international experiences for each policy.



Source: Authors' calculations, based on the Encuesta Nacional de Presupuestos de los Hogares (ENPH) 2018-2017.

Policy Options for a More Equitable Society in Colombia

Observed Equity Gap	Drivers of the Equity Gap	Policy Options	Timing for Implementation
Policy Options for More Equitable Access to Human Capital			
Quality of health care services	Hospital-centric model of care delivery is ineffective in meeting the needs of the most vulnerable populations with chronic conditions who require comprehensive care and better integration of health and social care	<ul style="list-style-type: none"> Transform service delivery model into a PHC-based model of care adapted to local needs. Introduce financial incentives in the capitation payment for health insurers and health care providers to improve quality care and achieve better health outcomes for the most vulnerable populations. Introduce an accreditation system for health insurers requiring them, among other measures, to develop population health management strategies for the most vulnerable populations. Strengthen local governance by reporting health inequality data at the municipal level on a regular basis and requiring municipalities to develop plans to reduce health inequalities and assess progress on a yearly basis. 	Medium/long term
Inequality in access to ICBF's ECD services	The limited coverage of ICBF ECD services in areas where private childcare is not available or affordable to the poorest families means that many children are traced into low human capital accumulation trajectories, with negative effects on productivity over their lifecycle	<ul style="list-style-type: none"> Simplify the administrative procedures to access ECD services that generally act as entry barriers, particularly in rural areas. This implies: (1) reducing the number of documents required by verifying information directly with other public agencies; and (2) integrating the ICBF's information systems. Increase the supply of ICBF services in rural areas. Define more effective quality-assessment strategies for ECD services. Improve the monitoring and evaluation structure of ECD service delivery by: simplifying the current formats based on input, output, process, and results indicators; and building information systems to ensure timely, high-quality data collection and processing at the local level, useful to generating alerts to detect problems with service provision. 	Immediate/short term (for simplifying the administrative procedures to access ECD services)
	In rural areas, the fragmentation of ECD service modalities may be causing quality gaps in ICBF services that also affect the human capital accumulation of children over their lifecycle		Medium/long term (all other measures)
Inequalities in learning	The curricular autonomy at the school level, structural inequalities in teacher quality, and inequities in allocation of financing across schools/regions/municipalities create large inequalities in the quality of pedagogical practices	<ul style="list-style-type: none"> Introduce core curriculum guidelines for basic competencies. Link the Programa Todos a Aprender (which provides pedagogical support to teachers) to the core curriculum guidelines. Introduce/expand programs that teach students at the right level (focus on developing basic math and reading skills based on students' needs rather than age or grade level; for example, student tutoring such as Breviata, Aprendamos Todos a Leer). Complement in-person learning with Adaptive CAL where connectivity is available. 	Immediate/short term
Inequalities in early dropout	Lack of relevance and quality of upper secondary education, combined with low levels of learning when entering upper secondary education, generates early dropout for disadvantaged students	<ul style="list-style-type: none"> Introduce a competency-based curriculum in upper secondary school, with socio-occupational skills. Increase the supply of upper secondary education in rural areas. Strengthen linkages with tertiary education and improve the relevance of the <i>Articulación con la Media</i> program by diversifying the supply of programs offered from SENA (<i>Servicio Nacional de Aprendizaje</i>, the National Training Service) and diversifying providers of the program, with participation from the local private sector. 	Medium/long term
Persistent inequalities in access to quality tertiary education	Inequitable financing of public tertiary education institutions generates substantial differences in the quality of service provision High reliance on private provision and student loans results in high repayment burdens that limit the demand for student loans for low-income families	<ul style="list-style-type: none"> Financing should move toward a per student allocation of service provision transfers that reflects the operational cost of providing a good quality tertiary education and also equity concerns. Any resources for public tertiary education institutions that are not covering operational costs should be pooled to avoid fragmentation and linked to results and institutional improvement plans. Income-contingent loan schemes should be implemented in which repayment depends on income upon graduation. 	Full implementation in the medium term, but there are steps that can be taken in the immediate term to set up the systems.
Unequal access to social programs	The Sisbén lacks dynamism because of its census sweep structure, causing data to become outdated very quickly The lack of quality of Sisbén data usually explains the persistently high exclusion and inclusion errors from flagship social programs Furthermore, even when social programs are provided by the same public agency, most of them still have separate and independent delivery chains, which translates into entry barriers and administrative burdens for citizens. Particularly for rural areas, where electronic and G2P payments are difficult, people may need to travel several times to claim their benefits or get a specific document for registry	<ul style="list-style-type: none"> Create a dynamic, reliable, and integrated single social registry by: (1) integrating Sisbén with both administrative data sources and non-administrative social programs registries to keep the information updated; (2) implementing a co-responsibility clause in the social programs registry to ensure that citizens update their information on Sisbén. Introduce user-centered design into current and future social programs, particularly those implemented by the DPS, by: (1) removing unnecessary documentation and implementing an electronic household folder that stores the basic documentation required by the multiple programs, avoiding the need for citizens to make multiple requests; (2) reactivating family support programs, such as UNIDOS, as the initial step for assessing the needs of families and defining personalized integrated poverty reduction intervention plans (i.e., <i>Ruta de la Superación de la Pobreza</i>). 	Immediate/short term for the social registry consolidation Medium/long term for the adjustments of social programs
Policy Options for More Equitable Labor Markets			
Regulation-driven barriers to access formal sector jobs among the poor and vulnerable	High transaction costs of formalization	<ul style="list-style-type: none"> Reduce formalization costs, including by: <ul style="list-style-type: none"> Reducing the number of days it takes to register a firm Reducing the costs of firm registration ("registro mercantil") Expanding the "Ventanilla Única" (VUEs) across the country Developing "Formulario Único" to facilitate the registration of employees 	Medium/long term
	High wage labor costs	<ul style="list-style-type: none"> Limit minimum wage growth to the inflation rate for some years (until the minimum wage reaches a level friendlier to job creation) and establish an hourly minimum wage (so that part-time employment is not penalized). Create a unit of independent experts to advise the Comisión Permanente de Concertación de Políticas Salariales y Laborales regarding decisions on the minimum wage through analyses of economic and social impacts. Consider reforms to allow for the minimum wage to be adjusted according to the economic context (for example, taking into account productivity and labor market indicators) and not automatically adjusted to inflation as in the current legal setting. 	Medium to long term
	High non-wage labor costs	<ul style="list-style-type: none"> Improve the link between mandatory contributions and benefits. OECD (2019) highlights two strategies to achieve this goal. First, since part of the contributions to health care and family compensation funds is used to finance benefits for which formal workers are not eligible, it is important to broaden the sources of funding in order to reduce formal sector employee contributions. Second, some of the recreational and commercial activities funded by the family compensation funds (which are not typically paid from employer contributions in advanced countries) could be made optional for employers. 	Medium/long term
Labor market barriers faced by specific demographic groups	Gender-biased laws and regulations	<ul style="list-style-type: none"> Make social security contributions proportional to the hours worked (instead of on a full-time or weekly basis), which would promote formalization among female workers. Establish and monitor quality and safety standards within childcare centers. Equalize the age at which men and women can retire with full pension benefits across sectors (as in Slovenia). Introduce legislation prohibiting gender-based discrimination in access to credit (as in Uzbekistan, Bahrain, Jordan, Maldives). 	Medium/Long term
	Low spending on ALMPs that work ⁴	<ul style="list-style-type: none"> Increase spending on ALMPs by carefully evaluating existing programs in Colombia, as well as past experiences from other countries. These should be cost efficient, while minimizing distortions and displacement effects on non-participants. 	Medium/Long term
	Weak targeting of labor market interventions toward minorities	<ul style="list-style-type: none"> The Servicio Nacional de Aprendizaje (SENA) and the Servicio Público de Empleo (SPE) could tailor their services better to the specific needs of the NARP, migrant, and displaced populations. 	Medium/long term
Policy Options for a More Redistributive Fiscal System			
PIT raises little revenue and is not progressive enough	Very high exemptions and zero-rate bracket reduce the base of the PIT to individuals whose income belongs to about the top 7 percent of the income distribution	<ul style="list-style-type: none"> Expand the coverage of the PIT to the top two deciles of the income distribution in the short run (and aim to expand it to individuals earning the median income over the long run as income increases and poverty is significantly reduced), by reducing allowable deductions (including by making deductions a flat amount, not proportional to income) and eliminating the zero-rate bracket. 	Immediate/short run
VAT exemptions and reduced rates generate a loss of revenues, the majority of which benefit high-income individuals	Exemptions and reduced rates involve goods that are consumed by everyone, but in greater share by high-income individuals	<ul style="list-style-type: none"> Keep zero rates only for a few goods that are primarily consumed by low-income individuals. For all other goods, use a 5, 12, and 19 percent VAT rate, depending on the share of total consumption contributed to by high-income individuals. At the same time, increase the amount and coverage of the VAT devolution program to compensate households with income up to the median income. 	Immediate/short run
Transfers and subsidies do reach the vulnerable, but a large share of the spending leaks to high-income individuals or individuals for whom the benefit is minimal relative to their income	For cash transfers, leakages reflect inclusion errors in the Sisbén scoring system. For subsidies, leakages reflect targeting based on outdated proxies for household income	<ul style="list-style-type: none"> Improve the targeting system of subsidies by complementing the strata system with information from Sisbén (see concrete proposals in next section). 	Immediate/short run
The pension system suffers from low participation and low coverage and as a result, it faces a deficit, all of which effectively generate transfers from general taxation to high-pension individuals	Low participation and coverage reflect a system that requires a long contribution period in a context of high informality and low contribution density. Also, the replacement rate generates a system that is actuarially generous. The treatment of savings of those individuals who will not receive a pension generates implicit transfers to current retirees	<ul style="list-style-type: none"> Increase participation and coverage, possibly linking the pension more directly to the actual amount of contributions over the work life of the individual, to make the system actuarially fair. Reforms should also aim at preserving the financial sustainability of the system, i.e., ensuring that the present value of future payment is matched by the present value of future contributions. 	Immediate/short run
Policy Options for More Equitable Opportunities across the Territory			
Territorial inequalities persist at different scales and dimensions	Better coordination between existing plans and tools is needed to enhance, simplify, and streamline current initiatives to reduce territorial inequalities	<ul style="list-style-type: none"> Strengthen subnational governments by (i) enhancing information systems and data management to feed territorial planning and decision making; (ii) building technical strength in weak subnational governments to plan, design, and manage key infrastructure and services; and (iii) translating legal reforms into concrete instruments that can guide subnational governments in the implementation of territorial laws/decrees. For example, support from the national government is needed to implement the PGOT. Existing indices could be used to identify those municipalities that need more support (e.g., Índice Municipal de Riesgo de Desastres Ajustado por Capacidades), focusing first on urban cores due to their potential to benefit surrounding territories. 	Immediate/short term
Urban-rural inequalities are high	The links between rural and urban areas (e.g., infrastructure, transport, and socioeconomic interaction) are weak, as are the potential mechanisms that can support the reduction of inequality in territories	<ul style="list-style-type: none"> Strengthening local fiscal performance is key to reducing inequality in the territories. Local finances can be improved by (i) enhancing municipal government capacities in managing a multipurpose cadaster and property tax collection, and (ii) deepening the operational linkages between the cadaster and fiscal management. Since Law 14 (1983), the government has had the initiative to strengthen local finances by establishing a national system to link the cadaster and property tax; however, updating the cadaster has been a difficult task. Through current catastro multipropósito initiatives, the objective is to register the rights, restrictions, and responsibilities of land and its owners to enable the introduction of a property tax. 	Medium/long term
		<ul style="list-style-type: none"> Reinforce subnational government performance by bringing capacities where they are lacking through agreements or associations between municipalities, departments, and/or regions to address a common challenge. Colombia has different alternatives for this, such as the Pactos Territoriales or the EATs, depending on local needs. For transport, support the nascent initiatives of regional transport authorities (ARTs), under consideration by the Cali/Valle and Bogotá/Cundinamarca governments. 	Immediate/short term
		<ul style="list-style-type: none"> Expand connectivity from residential parts of peri-urban areas and smaller municipalities to the tertiary and secondary road network to improve overall access to jobs, markets, and services, which tend to concentrate in larger urban areas. The Ministry of Transport has helped departments with their planning and project structuring capacities (Plan Vial Departamental). Similarly, this program could be leveraged to support municipalities in the definition of competencies and instruments needed to manage the tertiary road network for access to facilities. 	Medium/long term
Intra-urban socioeconomic inequalities, particularly in the housing and education dimensions	Cities have grown rapidly in the past decades, but infrastructure has not grown proportionately, leaving many behind	<ul style="list-style-type: none"> Reinforce national housing programs with financial mechanisms to support municipalities in their efforts to increase the amount of available housing, aligning incentives between the national government and the cities. This response would vary from city to city, going from land acquisition to provision of needed infrastructure and services that can better integrate households into the urban fabric to enable inclusive and productive urban areas. Financial mechanisms could be in the form of block grants for municipalities to invest locally and better complement and guarantee inclusive, well-connected, sustainable housing. The program should have clear eligibility parameters for participating urban areas, and the rules should specify the characteristics that cities must have to be eligible. Colombia is well advanced on identifying its local challenges and priorities (POTs modernos), and financial incentives from the central government can help operationalize them, while better supporting existing and new housing. 	Medium/long term
Poor accessibility at the intra-urban level		<ul style="list-style-type: none"> Carry out a baseline accessibility analysis and identify the changes in access from improved transport services and infrastructure, which can help inform the national policy for improving intra-urban and urban mobility that the government approved in April 2020. 	Immediate/short term
Segregation in cities, with the periphery less equipped		<ul style="list-style-type: none"> Expand intra-urban spatial data and analysis to properly identify poverty traps and tackle urban segregation. The use of local indicators of the spatial identification of socioeconomic vulnerability, as the ones used in this diagnostic, can help identify those areas most in need. A prioritization strategy (hoja de ruta) to improve conditions in such areas can help cities guide urban upgrading interventions. Better target groups of the population that have been historically segregated (e.g., Afro-descendants, indigenous populations, migrants). This can be done through 4 steps: <ol style="list-style-type: none"> track progress in human capital accumulation, social inclusion, and anti-discrimination measures; design policies and programs that meet their specific demands and needs, which helps to reverse the processes of structural discrimination; integrate protection of cultural rights of ethnic minorities when designing investments; strengthen their voice and participation in decision-making spaces by supporting the technical, financial, and organizational capacities of indigenous peoples and Afro-descendants through their representative associations (e.g., community driven-development). 	Immediate/short term
Inefficiency of expenditure meant to reduce intra-urban inequality	Inefficient allocation of subsidies	<ul style="list-style-type: none"> Restructure the targeting methodology of the subsidies for Servicios públicos domiciliarios by integrating household socioeconomic characteristics (beyond dwelling conditions) from the Sisbén database, which can increase efficiency in the use of resources and help to better identify those in need. Current methodology of stratification can be complemented by data from Sisbén to better target the most vulnerable (see last column for an example). 	Immediate/short term
Policy Options for Addressing the Effects of Climate Change			
Increased vulnerability to wage losses due to climate impacts, especially among poor rural households and informal and female workers	Insufficient investments in resilient CSA	<ul style="list-style-type: none"> Strengthen the National Agriculture Extension System by mainstreaming mitigation and adaptation criteria in the Departmental Extension Plans and building the capacity of agricultural extension service providers. 	Medium/long term
		<ul style="list-style-type: none"> Strengthen the National System of Agriculture Innovation by financing research on climate adaptation and mitigation. 	Medium/long term
		<ul style="list-style-type: none"> Pilot and scale up green incentive packages to support mitigation and adaptation (e.g., subsidized credit lines; payments for environmental services; tax credits; expanded agriculture insurance, etc.). 	Medium/long term
		<ul style="list-style-type: none"> Generate guidelines and instruments to establish a framework for climate private in the agriculture sector (e.g., green taxonomy for private investment) to promote private financing for sustainable practices. 	Immediate/Short term
		<ul style="list-style-type: none"> Support existing initiatives with joint potential for inclusion and mitigation benefits, such as the NAMAs and zero-deforestation agreements, by co-financing the establishment of measurement, reporting, and verification systems of GHG emissions or co-funding the investments required. Encourage MADR, in coordination with DNP and MADS, to define sectoral targets for climate co-benefits generated by public sector investments in the agriculture sector and to develop guidance and instruments for monitoring and reporting on such targets. 	Medium/long term
Lack of rapid response capacity to climate effects on vulnerable segments of the population	Social protection systems are not sufficiently adaptive	<ul style="list-style-type: none"> Finalize, approve, and implement a Plan Integral de Gestión del Cambio Climático (PIGCC) that (i) includes both mitigation and adaptation measures; and (ii) embeds specific questions into the Sisbén and other social program registries to assess the exposure of households to climate change risks, such as climate-smart cash transfers, or climate-related insurance schemes. 	Immediate/Short term
		<ul style="list-style-type: none"> Consolidate Sisbén, social assistance administrative registries, and other key databases into a dynamic, reliable, and integrated single social registry, ensuring that it is equipped with climate risk assessment tools, such as: (i) climate projections and forecasts of impacts on different geographies/communities; (ii) identification variables for households to identify their potential risks related to climate change; and (iii) early warning systems to identify potential climate change risks for households in a timely manner. 	Medium/long term
		<ul style="list-style-type: none"> Reform social assistance programs so that they are operationally and financially prepared to rapidly and flexibly respond to climate-related events by: (i) expanding coverage and generosity, (ii) introducing effective economic inclusion mechanisms to prevent households from falling back into poverty, and (iii) promoting insurance schemes (private, public, or community-based) for generating climate-resilient livelihoods. 	Medium/long term
Unequal impact of secondary effects of GHG emissions and insufficient resources to fund adaptation measures	Rudimentary carbon pricing infrastructure in place	<ul style="list-style-type: none"> Strengthen carbon pricing by: expanding the carbon tax and introducing an emissions trading system. 	Immediate/Short term Medium/long term

Endnotes

- This is according to 2019 data from the World Bank Equity Lab.
- Based on 2021 March unemployment data.
- See Narayan et al. (2018) and the World Bank's 2018 Global Database on Intra-terrestrial Mobility, <https://www.worldbank.org/en/topic/poverty/intraterrestrial-mobility>.
- Based on Gallup and World Development Institute (WDI) data.
- This is based on the ratio of regional GDP per capita for the richest and poorest regions in 2018.
- The vulnerability of households is defined by: (i) the number of households living in overcrowded housing units; and (ii) the number of households living in housing units with a qualitative housing deficit (National Statistics Institute and Ministry of Housing, City and Territory). Municipalities with the highest quantitative and qualitative housing deficit areas are located in the Caribbean and the Central regions; however, when looking at the connection of households to public services, the allocation of vulnerable households is somewhat different.
- Learning poor refers to children who can only read and understand a basic text.
- OECD (2019), chapter 2.

