



Territorial Development and Decentralisation in Latin America and the Caribbean:

**A COMPARATIVE STUDY ACROSS
22 COUNTRIES**

EN



Territorial Development and Decentralisation in Latin America and the Caribbean: A comparative study across 22 countries
This document was produced by the Territorial Approach to Local Development (TALD) Facility, part of Unit G2 (*Local Authorities, Civil Society and Foundations*) of the Directorate-General for International Partnerships (DG INTPA) of the European Commission. The TALD Facility is implemented by the German Agency for International Cooperation, GIZ (*Deutsche Gesellschaft für Internationale Zusammenarbeit*).

EUROPEAN COMMISSION:

Andrea Ferrari-Bravo
Head of Sector, Local Authorities (DG INTPA G2)
Nicolas Gérard
Programme Leader (DG INTPA G2)

EDITOR AND GENERAL COORDINATOR:

Eugène D. Zapata Garesché
Team Leader, TALD Facility (UE-GIZ)

AUTHORS:

Felipe Llamas Sánchez
Agusti Fernández de Losada Passols
Alberto Enriquez Villacorta
Gabriela Carrera

CONTENT REVIEW:

Edgardo Bilsky

GRAPHIC DESIGN:

Andrés Mario Ramírez Cuevas

STUDY CURATOR:

Guadalupe López de Llergo Cornejo

TRANSLATIONS:

OLISTIS, SCCL, for the translation from Spanish to English.
TYS 96, S.L., for the translation from Spanish to Portuguese (Brazilian).



The views expressed in this publication are the sole responsibility of the author and do not necessarily reflect the views of the European Commission, its Member States, GIZ or any of the organisations involved.

The choice of terms and presentation of data do not imply any opinion on the part of the editors regarding the legal or political status of countries, territories, cities or regions, or their authorities, borders or boundaries.

Produced in Brussels, Belgium, in November 2025, in Spanish, Portuguese, and English. Reproduction in whole or in part is permitted, provided that the source is cited.

© TALD Facility UE-GIZ



This publication was produced by



with financial support from



and contributions from



Index



ACKNOWLEDGEMENTS

The fieldwork for this study was carried out in two phases. The first phase took place between July and November 2023. The second phase, conducted between February and June 2025, involved updating the study’s content, performing a thorough review, and revising the data used in the indicators matrix. During this second phase, the country profiles for all 22 countries were updated in collaboration with national experts, incorporating newly available data and recent developments in the analysed countries.

The study also reflects feedback from the delegations of the European Union in Latin America and the Caribbean, and from strategic partners: Barcelona Provincial Council, Mercociudades, UN-Habitat, the Latin American Federation of Cities, Municipalities and Associations of Local Governments (FLACMA), and the Colombian Presidential Agency for International Cooperation (APC).

The editors would like to express their sincere gratitude to all EU delegations involved in reviewing the country profiles. Special thanks go to the delegations to Costa Rica, Ecuador, Mexico, Venezuela, and Jamaica, Belize, Turks and Caicos Islands, Bahamas, and the Cayman Islands, which provided written contributions.

The editors also gratefully acknowledge the invaluable support of Unit G2 (Local Authorities, Civil Society Organisations and Foundations) and Directorate B (Latin America and the Caribbean), both of which are part of the European Commission’s Directorate-General for International Partnerships (DG INTPA).

The translation of this study into Portuguese and English, as well as its printing, were made possible through the financial support of the Observatory for Decentralised Cooperation EU-LA, an initiative of the Barcelona Provincial Council.

Special thanks are due to the experts and specialists in the various thematic areas of the study, who generously contributed their knowledge, time and dedication to reviewing and updating the country profiles. They are: Iván Borcoski (Chile), Ady Carrera Hernández (Mexico), Daniel Cravacuore (Argentina), Enrique Gallicchio (Uruguay), Demetrio Holguín (the Dominican Republic), Iván Carlos Arandia Ledezma (Bolivia), Magda de Lima Lúcio (Brazil), Andrew Nickson (Paraguay), Caterina Rondoni (Chile), Laura Sariego-Kluge (Costa Rica).

The editors would also like to acknowledge the valuable insights received at the Annual Conference of the Observatory for Decentralised Cooperation EU-LA in Bogotá, Colombia, and at the Mercociudades Summit in Esteban Echeverría, Argentina, both in 2024, as well as at the Roundtable on Territorial Strategies for Sustainability organised by the Municipality of Rio de Janeiro, Brazil, and UN-Habitat as part of the Cities Meeting within the Urban20 framework.

This publication would not have been possible without the support and enthusiasm of the following individuals, to whom the editors extend their appreciation: Anacláudia Rossbach, Anna Herrero, Antoni Montseny, Bernadia Irawati Tjandradewi, Bruno Neele, Carla Cors, Eleonora Betancur, Elkin Velázquez, Emilio Cordonnier, Fernando Arnaiz, Fernando Gray, Jhonnatan Gamboa, Jorge Rodríguez, Lautaro Lorenzo, Marga Barceló, Sergio Arredondo and Virginie Wyart.

Index of Tables and Charts	7
Index of Acronyms	8
Executive Summary	14
Foreword	22
Methodology of the Study	24
1. Introduction: Latin America and the Caribbean at a crossroads	34
2. The pendulum of decentralisation vs recentralisation	40
3. Ten factors for assessing territorial development and decentralisation in LAC	46
3.1 Constitutional system and legal framework	48
3.2 Electoral system	54
3.3 Women’s participation in subnational governance	58
3.4 Powers and responsibilities	62
3.5 Subnational finances and fiscal autonomy	68
3.6 Multilevel and multistakeholder governance	82
3.7 Performance and management capacity	96
3.8 Human resources	104
3.9 Transparency and accountability	110
3.10 International engagement and global agendas	116
4. Comparative results by country	122
5. Key findings of the study	126
Annex 1 Analysis matrix by factor indicator country	144



Bob Brewer, Cartagena, Colombia

●
Index of Tables and Charts

TABLE 1.	Decentralisation and territorial development in LAC: indicators for comparative country analysis	32
TABLE AND CHART 2.	Constitutional system and legal framework	49
TABLE 3.	Nation-state models in LAC	49
TABLE AND CHART 4.	System for electing subnational authorities	55
TABLE AND CHART 5.	Women’s participation in subnational governance	59
CHART 6.	Latin America and the Caribbean (26 countries and territories): Elected female mayors, latest year available (2021)	59
TABLE AND CHART 7.	Powers and responsibilities	63
TABLE 8.	Municipal powers and responsibilities In Latin America and the Caribbean	64
TABLE AND CHART 9.	Subnational finances and fiscal autonomy	69
CHART 10.	Breakdown of average tax revenue (as a percentage of the total), 2015-2019 Latin America and the Caribbean (17 countries)	75
TABLE AND CHART 11.	Multilevel and multistakeholder governance	83
TABLE 12.	Associations of local and intermediate-level governments in Latin America and the Caribbean (non-exhaustive list)	84
TABLE 13.	Selection of citizen participation mechanisms and processes mentioned in legislation	93
TABLE AND CHART 14.	Performance and capacities	97
TABLE AND CHART 15.	Human resources in local administrations	105
TABLE AND CHART 16.	Transparency and accountability	111
TABLE AND CHART 17.	International engagement and global agendas	
CHART 18.	Global index of decentralisation and territorial development in Latin America and the Caribbean (22 countries analysed). (Global index out of 100)	124
TABLE 19.	Country groupings by decentralisation status (2025)	125

●
Index of Acronyms

AALMAC Association of Local Authorities of Mexico
(*Asociación de Autoridades Locales de México*)

ABM Brazilian Association of Municipalities
(*Associação Brasileira de Municípios*)

ACHM Chilean Association of Municipalities
(*Asociación Chilena de Municipios*)

ACOBOL Association of Women Mayors
and Councillors of Bolivia
(*Asociación de Alcaldesas y Concejals de Bolivia*)

ADAVE Association of Mayors of Venezuela
(*Asociación de Alcaldes de Venezuela*)

AECID Spanish Agency for International Development
Cooperation (*Agencia Española de Cooperación
Internacional al Desarrollo*)

AGAAI Association of Mayors and Indigenous Authorities
of Guatemala (*Asociación de Alcaldes y Autoridades
Indígenas*)

AGL Local Government Associations

ALC Latin America and the Caribbean

AME Association of Municipalities of Ecuador
(*Asociación de Municipios de Ecuador*)

AMHON Association of Municipalities of Honduras
(*Asociación de Municipalidades de Honduras*)

AMMAC Association of Municipalities of Mexico
(*Asociación de Municipios de México*)

AMPE Association of Municipalities of Peru
(*Asociación de Municipios del Perú*)

AMUPA Association of Municipalities of Panama
(*Asociación de Municipios de Panamá*)

ANAM National Association of Municipalities
(*Asociación Nacional de Municipalidades, Guatemala*)

ANAMM National Association of Mayors and Municipalities
of Mexico (*Asociación Nacional de Alcaldías y
Municipios de México*)

ANDA National Administration of Aqueducts and Sewerage
(*Administración Nacional de Acueductos
y Alcantarillados, El Salvador*)

APC-COLOMBIA Agencia Presidencial de Cooperación
Internacional de Colombia (*Agencia Presidencial
de Cooperación Internacional de Colombia*)

ASEC Communal Section Assemblies
(*Assemblées de la section communale, Haiti*)

CAF Andean Development Corporation
(*Corporación Andina de Fomento*)

CAM Municipal Career Civil Service
(*Carrera Administrativa Municipal, Nicaragua*)

CAMCAYCA Confederation of Associations of Municipalities
of Central America and the Caribbean
(*Confederación de Asociaciones
de Municipios de Centro América y el Caribe*)

CGP Council of Governors of Paraguay
(*Concejo de Gobernadores de Paraguay*)

CIDEU Ibero-American Centre for Urban Strategic
Development (*Centro Iberoamericano de Desarrollo
Estratégico Urbano*)

CLGF Commonwealth Local Government Forum

CNM National Confederation of Municipalities
(*Confederação Nacional de Municípios, Brazil*)

CNSC National Civil Service Commission
(*Concejo Nacional del Servicio Civil, Colombia*)

CODEM State-Municipality Coordination Agreements
(*Convenios de Coordinación Estado-Municipio, Mexico*)

COFEPLAN Federal Council for Planning and Land Use
Planning (*Concejo Federal de Planificación
y Ordenamiento Territorial, Argentina*)

COMUDES Municipal Development Councils
(*Concejos Municipales de Desarrollo, Costa Rica*)

COMURES Corporation of Municipalities of the Republic
of El Salvador (*Corporación de Municipalidades
de la República de El Salvador*)

CONACAM National Council for Municipal Training (*Concejo
Nacional de Capacitación Municipal, Costa Rica*)

COPLADEMUN Municipal Development Planning
Committees (*Comités de Planeación para el
Desarrollo Municipal, Mexico*)

COPRESAM Presidential Commission on Municipal Affairs,
(*Comisión Presidencial de Asuntos Municipales,
Guatemala*)

CORPES Economic and Social Planning Councils (*Concejos
de Planificación Económica y Social, Nicaragua*)

DG INTPA Directorate-General for International
Partnerships

DIBA-OCD Barcelona Provincial Council's Observatory
for Decentralised Cooperation

ECLAC Economic Commission for Latin America a
nd the Caribbean

EC European Commission

EU European Union

EUD European Union Delegations

FAM Argentine Federation of Municipalities
(*Federación Argentina de Municipios*)

FAM Federation of Municipal Associations
(*Federación de Asociaciones de Municipios, Bolivia*)

FEDODIM Dominican Federation of Municipal Districts
(*Federación Dominicana de Distritos Municipales*)

FEDOMU Dominican Federation of Municipalities
(*Federación Dominicana de Municipios*)

FENAMH National Federation of Mayors of Haiti
(*Fédération Nationale des Maires d'Haïti*)

FENAMM National Federation of Municipalities of Mexico
(*Federación Nacional de Municipios de México*)

FLACMA Latin American Federation of Cities, Municipalities
and Associations of Local Governments
(*Federación Latinoamericana de Ciudades Municipios
y Asociaciones*)

FONCOMUN Municipal Compensation Fund
(*Fondo de Compensación Municipal, Peru*)

FONARI National Forum of Municipal Secretaries and
Officials Responsible for International Relations
(*Foro Nacional de Secretarios y Responsables
Municipales de Relaciones Internacionales, Brazil*)

FONCOR Regional Compensation Fund
(*Fondo de Compensación Regional*)

FUNDEB Fund for the Maintenance and Development of
Basic Education and the Valorisation of Education
Professionals (*Fundo de Manutenção e
Desenvolvimento da Educação Básica e de
Valorização dos Profissionais da Educação, Brazil*)

GADS Decentralised Autonomous Governments
(*Gobiernos Autónomos Descentralizados*)

GIZ German Agency for International Cooperation
(*Deutsche Gesellschaft für Internationale
Zusammenarbeit*)

GDP Gross Domestic Product

LG Local Governments

ICAM Municipal Training Institute (*Instituto de
Capacitación Municipal, The Dominican Republic*)

ICAP Central American Institute of Public Administration
(*Instituto Centroamericano de Administración Pública,
Costa Rica*)

ICLEI Local Governments for Sustainability
(*Gobiernos Locales por la Sustentabilidad*)

ICMS Tax on the circulation of goods and services
(*Imposto sobre Circulação de Mercadorias e Serviços,
Brazil*)

IDB Inter-American Development Bank

IDEM Municipal Development Institute
(*Instituto de Desarrollo Municipal, Honduras*)

IFAM Municipal Promotion and Advisory Services (*Instituto
de Fomento y Asesoría Municipal, Costa Rica*)

IGSM Municipal Services Management Index (*Index de
Gestión de Servicios Municipales, Costa Rica*)

ILPES Latin American and Caribbean Institute for
Economic and Social Planning
(*Instituto Latinoamericano y del Caribe de
Planificación Económica y Social*)

INAFED National Institute for Federalism and Municipal
Development (*Instituto Nacional para el Federalismo
y el Desarrollo Municipal, Mexico*)

INAP National Institute of Public Administration
(*Instituto Nacional de Administración Pública, The
Dominican Republic*)

INFOM Municipal Development Institute
(*Instituto Fomento Municipal, Guatemala*)

INFOTEP Institute for Technical and Vocational Training
(*Instituto de Formación Técnico Profesional,
The Dominican Republic*)

IPVA Motor vehicle property tax (*Imposto sobre a
Propriedade de Veículos Automotores, Brazil*)

ISDEM Salvadoran Institute for Municipal Development
(*Instituto Salvadoreño de Desarrollo Municipal*)

LMD Dominican Municipal League
(*Liga Municipal Dominicana*)

LOOT Organic Law on Land Use Planning
(*Ley Orgánica de Ordenamiento Territorial, Colombia*)

LOSEP Organic Law on Public Service
(*Ley Orgánica de Servicio Público, Ecuador*)

MAP Ministry of Public Administration (*Ministerio de Administración Pública, The Dominican Republic*)

MIR Results Indicator Matrix
(*Matriz de Indicadores de Resultados*)

OCAD Collegiate Bodies for Administration and Decision
(*Órganos Colegiados de Administración y Decisión, Colombia*)

OECD Organisation for Economic Cooperation and Development

OPACI Paraguayan Organisation for Intermunicipal Cooperation (*Organización Paraguaya de Cooperación Intermunicipal*)

PDM Municipal Development Plans
(*Planes de desarrollo municipales, Nicaragua*)

PDS Sustainable Development Plan
(*Plan de Desarrollo Sustentable, Paraguay*)

PEG National Strategic Plan
(*Plan Estratégico Nacional, Panama*)

PLADECO Community Development Plan
(*Plan de Desarrollo Comunal, Chile*)

PND National Development Plan
(*Plan Nacional de Desarrollo, Mexico*)

PNDIP National Development and Public Investment Plan 2023–2026 (*Plan Nacional de Desarrollo e Inversión Pública 2023–2026, Costa Rica*)

PNDR National Regional Development Policy (*Política Nacional de Desenvolvimento Regional, Brazil*)

PPP Public-private partnerships

POUT Plan for Urban and Land Use Planning
(*Plan de Ordenamiento Urbano y Territorial, Paraguay*)

PUP People's United Party (Belize)

RECOMM Network of Women in Municipal Government
(*Red de Mujeres Municipalistas, Costa Rica*)

REMURPE Network of Urban and Rural Municipalities of Peru
(*Red de Municipalidades Urbanas y Rurales del Perú*)

RIDES Integrated Development Regions
(*Regiões Integradas de desenvolvimento, Brazil*)

SAFIM Municipal Financial Administration System (*Sistema de Administración Financiero Municipal, El Salvador*)

SAMI Integrated Municipal Administration System (*Sistema de Administración Municipal Integrado, Honduras*)

SDGS Sustainable Development Goals

SEAF Special Secretary for Federal Affairs
(*Secretaria Especial de Assuntos Federativos*)

SEGPLAN District Development Plan Monitoring System
(*Sistema de Seguimiento al Plan de Desarrollo Distrital, Bogotá, Colombia*)

SENPLADES National Secretariat for Planning and Development (*Secretaría Nacional de Planificación y Desarrollo, Ecuador*)

SETCAM Technical Secretariat for the Municipal Career Civil Service (*Secretaría Técnica de la Carrera Administrativa Municipal, Honduras*)

SFP Secretariat for Public Service
(*Secretaría de la Función Pública, Paraguay*)

SIAF Integrated Financial Administration System (*Sistema Integrado de Administración Financiera, Guatemala*)

SICODE Development Council System 8 (*Sistema de Concejos de Desarrollo, Costa Rica*)

SINACAM National Municipal Training System (*Sistema Nacional de Capacitación Municipal, Nicaragua*)

SINDOT National System for Development and Land Use Planning (*Sistema Nacional de Desarrollo y Ordenamiento Territorial, Argentina*)

SIPP System on Plans and Budgets (*Sistema de Información sobre Planes y Presupuestos, Costa Rica*)

SISMAP Municipal Public Administration Monitoring System
(*Sistema de Monitoreo de la Administración Pública*)

SMES Small and Medium-sized Companies

SMPC Municipal System of Citizen Participation
(*Sistema Municipal de Participación Ciudadana*)

SUCIVE Single Vehicle Revenue Collection System
(*Sistema Único de Cobro de Ingresos Vehiculares*)

SUS Unified Health System
(*Sistema Único de Saúde, Brazil*)

TALD Territorial Approach to Local Development

TRASMUNI Municipal Transfers System (*Sistema de Transferencias Municipales, Nicaragua*)

UCCI Union of Ibero-American Capital Cities
(*Unión de Ciudades Capitales Iberoamericanas*)

UCLG United Cities and Local Governments

UIM Ibero-American Union of Municipalists
(*Unión Iberoamericana de Municipalista*)

UNAN National Autonomous University of Nicaragua
(*Universidad Nacional Autónoma de Nicaragua*)

UNDP United Nations Development Programme

UNED National Distance Education University
(*Universidad Estatal a Distancia, Costa Rica*)

UNGL National Union of Local Governments
(*Unión Nacional de Gobiernos Locales, Costa Rica*)

UN-HABITAT United Nations Human Settlements Programme

VSR Voluntary Subnational Review



Executive Summary

1. This study examines the **current state of decentralisation and territorial development in Latin America and the Caribbean** (LAC), as well as the legal and institutional framework encompassing subnational governments in the region.

2. The study presents a **comparative analysis of ten factors** considered essential to understanding decentralisation processes and the quality of the legal and institutional context of subnational governments in 22 countries in LAC.

3. The analysis combines **objective and qualitative indicators** across ten factors considered essential:

- I. Constitutional system and legal framework
- II. System for electing subnational authorities
- III. Women’s participation in subnational governance
- IV. Powers and responsibilities
- V. Subnational finances and fiscal autonomy
- VI. Multilevel and multistakeholder governance
- VII. Performance and management capacity
- VIII. Human resources in local administrations
- IX. Transparency and accountability
- X. International engagement and global agendas

4. The **22 countries** analysed are: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

5. The analysis reveals that 82% of the population lives in cities. This extensive urbanisation, combined with the **complexity of the region’s many challenges**, makes it essential to strengthen the capacities of subnational governments. It also underscores the need to bring political power closer to citizens and their territories through robust decentralisation and territorial development.

6. Given the **significant diversity** of nation-state models in LAC, the study examines how powers, responsibilities and resources have evolved in terms of their allocation to subnational governments, as well as the capacity of these governments to operate and to drive public policies.

7. De jure decentralisation, de facto centralism. Although several constitutions recognise the political autonomy of subnational governments (and some even enshrine the principle of subsidiarity), formal recognition alone does not ensure effective decentralisation. In practice, most countries—including federal states and those with advanced decentralisation frameworks—exhibit a discrepancy between their legal framework (*de jure*) and its actual implementation (*de facto*). National governments and institutions continue to hold significant political and economic power, limiting the operational capacity of subnational governments in various ways, e.g. by imposing constraints on their financing. A federal system is not necessarily more decentralised than a unitary one.

8. Legal and institutional frameworks: tensions between autonomy and control. The legal and institutional landscape of decentralisation in LAC is diverse, with examples of both progress, such as new inclusive legal frameworks, and authoritarian backsliding. Depending on the extent of decentralisation, countries can be grouped along a spectrum ranging from federal systems to highly centralised states where local autonomy is limited. In this context, legal provisions that support decentralisation and recognise local autonomy coexist alongside practices that uphold the region’s historically centralised governance structures. Most countries (18) are unitary states, while four are federal: Argentina, Brazil, Mexico and Venezuela. In Brazil, municipalities are recognised as federative units, whereas in Argentina and Mexico, municipalities fall under the authority of provinces or states. Several unitary states, including Bolivia, Colombia and Peru, have incorporated local autonomy into their constitutions, although progress in practice has been limited. In countries such as Honduras, Panama and Costa Rica, commitments to decentralisation (or deconcentration, in Costa Rica’s case) have been renewed in recent years, though implementation remains slow. In others, including El Salvador, Nicaragua and Haiti, setbacks have weakened local autonomy. In Cuba, centralisation continues to predominate.

9. Local democratisation: significant progress, but at risk. The vast majority of countries elect their local authorities through democratic processes. In 12 countries, intermediate-level authorities (such as governors or their equivalents) are also elected, representing a notable change from 1980, when this was the case in only one country. Cuba remains the sole exception, with provincial authorities continuing to be appointed. While most subnational elections are competitive

and free from systemic fraud, challenges do persist. These include the misuse of public resources during campaigns and instances of political violence. In more severe cases, there have been allegations of authoritarian interference—actions that undermine the quality of local democracy.

10. Democratic disaffection and recentralisation trends. The region as a whole is experiencing a period of democratic disaffection. According to *Latinobarómetro*, 65% of respondents expressed dissatisfaction with the state of democracy in 2024. Against this backdrop, a form of diffuse authoritarianism is emerging, characterised by a growing tolerance of strong leaders who “get things done” while showing little to no regard for democratic institutions or human rights. Subnational governments are not immune to this trend. In some cases, central governments have consolidated power at the expense of municipalities and regional administrations, severely restricting their authority and autonomy. These centralising tendencies weaken the democratic checks and balances between levels of government and diminish opportunities for effective citizen participation within territories.

11. Gender equality and diversity in local governance. Although legislation promoting equity has improved women’s political participation, the situation remains far from satisfactory. For example, only 16% of mayoral posts are held by women. In recent decades, legal reforms have sought to increase the inclusion of women and minorities in subnational politics through measures such as gender quotas, parity in candidate lists and reserved seats for Indigenous peoples. These initiatives have led to a greater presence of women in municipal councils, averaging around 30% and reaching parity in some cases. Nevertheless, a formidable “glass ceiling” still exists in local executive positions: the proportion of women serving as administrators, mayors or governors remains incredibly low in almost all countries, particularly among more vulnerable groups. Closing the gender gap and promoting the inclusion of diverse groups and minority communities in local leadership is essential to achieving democratic legitimacy and guiding local development towards greater equity.

12. Multilevel governance. There are **weaknesses in vertical coordination between levels of government**, and alignment among national, regional and municipal authorities is often lacking. Responsibilities at each level of government tend to be poorly defined, resulting in overlaps, redundancies and gaps in critical areas such as poverty reduction, basic service provision and climate change response. In many countries, public policies are designed in a centralised manner, with too little consultation of territorial governments, leading to programmes that fail to reflect local realities. National associations of municipalities or intermediate-level governments, which can serve as channels for local voices, should be strengthened to enhance their ability to influence national agendas.

13. Territorial cooperation and intermunicipal alliances. Collaboration between territories at the same level, such as between municipalities or regions, should be further developed to better exploit its advantages. There are examples of joint service provision (e.g. waste management or regional transport) and efforts to address shared challenges through associations of municipalities, intermunicipal agreements, consortia and metropolitan districts. However, their number remains limited. Strengthening such horizontal alliances could generate economies of scale and provide more comprehensive solutions to problems that extend beyond the administrative boundaries of a single municipality. This includes cross-border cooperation, urban-rural integration and metropolitan area planning—key areas where collaboration between local governments is essential for achieving balanced development, provided there is stronger institutional support.

14. Citizen participation. The region has seen meaningful experiences of involving citizens in local governance. However, in practice, participation remains insufficient. While most countries under study have formal mechanisms and processes, such as participatory budgeting, open town halls and local advisory councils, in many municipalities these participatory measures are limited or have only a negligible impact on decision-making. Outside a few pioneering cities, participatory processes tend to be formalities with little real impact, and are sometimes even conducive to co-optation for political clientelism. The lack of effective channels for the community to influence local decisions weakens accountability and can lead to disengagement from local institutions. Expanding and strengthening citizen participation in the planning and oversight of local governance is a challenge that the region can address by building on innovative experiences.

15. Subnational financing and fiscal autonomy. Subnational governments account for only a small proportion of national public expenditure (just 18.2%). In 2020, their total revenues averaged at 5.6% of GDP, compared to 15.7% in developed countries. LAC is characterised by weak local resource bases, limited own-source revenues, an overwhelming reliance on national transfers (often conditional), decentralised mandates through delegated responsibilities without adequate funding, and an unequal distribution of resources that perpetuates regional inequalities. The fiscal dimension remains one of the most sensitive and critical aspects of the decentralisation agenda. Data on public spending and revenue reflect **limited fiscal power and constrained local spending capacity**. This undermines the political autonomy of subnational authorities to respond to the needs of their populations and leaves them highly dependent on decisions made by central governments. The evidence shows that neither decentralisation nor consolidated local democracy is possible without subnational governments equipped with the necessary resources to fulfil their responsibilities.

16. Fiscal inequalities and territorial disparities. The current financing model tends to widen the gaps between wealthy and poorer regions. Areas with higher economic activity and a stronger tax base, such as major cities and prosperous regions, are able to generate greater own-source revenues and deliver better public services. In contrast, rural municipalities and less affluent regions struggle to mobilise resources, which hinders their capacity to provide basic services and advance local development. Although there are mechanisms for inter-territorial solidarity, such as transfer funds with compensation formulas, they are unable to offset these imbalances. As a result, the quality and availability of public services such as drinking water, education, healthcare and

infrastructure vary considerably across regions within the same country. These disparities perpetuate (and in some cases deepen) territorial inequalities, undermine national cohesion, and drive migration to major metropolitan areas or abroad.

17. Institutional capacities and professionalisation. Subnational governments require a stable and qualified workforce. Only a few countries have specific legislation governing municipal civil service careers. In most cases, employment in municipalities and regional governments is subject to general national civil service regulations or short-term labour contracts. In practice, this results in high staff turnover due to temporary contracts and the tendency to hire politically affiliated personnel, as well as an insufficient number of permanent, qualified employees with experience and job stability. There are usually no merit-based systems for evaluation and promotion to help attract professionals and young talent. The absence of a stable, meritocratic civil service in subnational governance hinders policy continuity and sustained improvements in local public administration. This is because technical teams often remain at the mercy of the electoral cycle.

18. Planning and results-based management. The region struggles to plan and manage development effectively at the territorial level. Few subnational governments have the necessary resources or staff to devise medium- or long-term strategic development plans, align budgets with outcomes, or monitor and assess the impact of public policies. While some countries have set up frameworks to support local and regional planning, these advances have not been widely adopted in most cases. There is a substantial gap in capacity between large cities or intermediate-level governments (states, provinces or regions) and smaller municipalities, resulting in highly uneven territorial public management within countries.

19. Transparency and accountability. Although some countries in the region have introduced access to information legislation, open government initiatives and anti-corruption regulations, few local authorities publish up-to-date information on their activities or provide digital tools to enable citizens to oversee them. Major cities in more decentralised countries often have transparency portals or even open data platforms. However, in at least seven Latin American capitals, there is no public online access to basic municipal information. Smaller municipalities tend to be even more opaque. This lack of transparency limits citizens' ability to hold their local authorities to account and undermines public trust in territorial institutions. Transparency and accountability at the subnational level remain pressing challenges.

20. International engagement among subnational governments. International engagement and cooperation between subnational governments can provide new opportunities. However, only a select few major cities and regions in LAC seize these opportunities to their full potential, while the vast majority of smaller municipalities and rural areas remain largely uninvolved. Capitals and some medium-sized cities generally participate in international networks, establish partnerships with foreign counterparts and align their local plans with global frameworks, such as the Sustainable Development Goals (SDGs) and climate agreements. Many others are excluded from valuable opportunities for knowledge exchange, access to funding, and experimentation with innovative policy solutions.

21. Comparative country analysis. Based on a cross-analysis of the ten factors examined in this study, the 22 countries can be split into three broad groups. The first group comprises countries with an index score above 80 out of 100. It includes the federal states of Brazil, Argentina and Mexico, as well as Colombia and Uruguay. The second group encompasses more centralised countries that have made some progress towards decentralisation over the past decade. These countries score above the regional average but below 80 points (Ecuador, Chile, Bolivia, the Dominican Republic, Peru, Guatemala, Costa Rica, and Honduras). The third group consists of nine countries that fall below the regional average, representing nearly half of LAC. These countries have made only modest advances, or experienced sharp setbacks, in decentralisation in recent years. They are: (Panama, Paraguay, Nicaragua, Jamaica, El Salvador, Belize, Venezuela, Cuba, and Haiti).

22. Despite the above challenges, there are still **clear opportunities for action** in Latin America and the Caribbean.

23. Reaffirming the territorial approach as the right path forward. Adopting a territorial approach to development strategies enables interventions to be better tailored to local circumstances. Empowering subnational governments with greater autonomy and stronger institutional capacities will be key to achieving more inclusive and sustainable development in LAC.

24. Strengthening subnational institutions as a pillar of democracy. Strong and legitimate subnational governments bolster democratic resilience and can counterbalance centralising tendencies. Emerging local leaders demonstrate the potential of territorial politics to influence national agendas. Making public policies more local can help to restore citizens' trust in democracy.

25. Moving towards the notion of “r-urban” territories. Rural-urban integration and the ecological transition offer opportunities for more balanced development. Subnational governments are well positioned to spearhead climate strategies and promote green economies by linking urban centres with their natural surroundings. To accomplish this, they will need to foster a symbiotic relationship between these concrete jungles and the green landscapes that surround them.

26. Increasing own-source revenues and enhancing spending efficiency. Strengthening subnational fiscal autonomy and improving the design of national transfers are essential for sustainable territorial development. Interregional solidarity mechanisms can help to reduce disparities and promote equity. This remains the most critical issue on the decentralisation and territorial development agenda in the region.

27. Navigating the tsunami of digitalisation and artificial intelligence. Technology offers tools to improve local public management, but this requires investment in connectivity, training and maintenance. Digital innovation must be accompanied by tailored regulatory frameworks. The potential of technology remains largely untapped within government structures and in interactions with citizens. The best way forward is preparation, as artificial intelligence poses threats to democracy in the form of disinformation and manipulation, while also opening up new opportunities.

28. Elevating the role of subnational governments in the global agenda. Subnational governments must engage with international agendas to address global challenges such as climate change and migration. Decentralised international cooperation, including south-south and triangular cooperation, is essential to avoid repeating past mistakes and share good practice. The challenges facing the region transcend national borders and cannot be overcome without strong, efficient subnational governments. Now, more than ever, the region urgently needs to strengthen this level of government by implementing modern decentralisation policies that support long-term territorial development.



Carl Jeen, Honduras

Foreword

This study provides valuable insight into the current state of decentralisation and territorial development in Latin America and the Caribbean (LAC), as well as the legal and institutional framework encompassing subnational governments in the region.

Given the significant diversity of nation-state models in LAC, the analysis focuses on how powers, responsibilities and resources have evolved in terms of their allocation to subnational governments. It also looks at the capacity of these governments to operate effectively and implement public policy. All of this is done through the lens of sustainable territorial development.

The study draws on a comparative analysis of ten factors considered essential to understanding the situation in each country:

- i. Constitutional framework and legal system
- ii. System for electing subnational authorities
- iii. Women’s participation in subnational governance
- iv. Powers and responsibilities
- v. Subnational finances and fiscal autonomy
- vi. Multilevel and multistakeholder governance
- vii. Performance and management capacity
- viii. Human resources in subnational administrations
- ix. Transparency and accountability
- x. International engagement and global agendas

The comparative analysis covers 22 countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

After a detailed presentation of the methodological approach, the study is structured into five main sections. Section 1 (Introduction) provides an overview of the region’s current context, framing the discussion in Section 2, which explores decentralisation and its relationship to territorial development. Section 3 forms the core of the study, offering a comparative analysis of the ten key factors identified as central to understanding the topics at hand. Section 4 provides a regional analysis and compares the scores obtained by each country. Finally, Section 5 concludes the study by identifying the main findings and highlighting the principal challenges and opportunities ahead.

Annex 1 presents the scoring matrix by factor and country. Annex 2, available only in the Spanish edition of the study, contains country profiles summarising the decentralisation processes and local and regional governance contexts in each of the 22 analysed countries.

Against a backdrop of scarce and often outdated data, this study aims to inform policymakers, researchers and the general public of the importance of decentralisation and a territorial approach as key components of inclusive development in Latin America and the Caribbean.

Methodology of the Study

The analysis presented in this study combines objective and qualitative indicators across ten factors considered essential to understanding decentralisation processes and the quality of the legal and institutional context of subnational governments in LAC. These factors are:

- 1. Constitutional system and legal framework
- 2. System for electing subnational authorities
- 3. Women’s participation in subnational governance
- 4. Powers and responsibilities
- 5. Subnational finances and fiscal autonomy
- 6. Multilevel and multistakeholder governance
- 7. Performance and management capacity
- 8. Human resources in local administrations
- 9. Transparency and accountability
- 10. International engagement and global agendas

The 22 countries included in the analysis are:

- | | |
|---------------------------|---------------|
| 1. Argentina | 12. Guatemala |
| 2. Belize | 13. Haiti |
| 3. Bolivia | 14. Honduras |
| 4. Brazil | 15. Jamaica |
| 5. Chile | 16. Mexico |
| 6. Colombia | 17. Nicaragua |
| 7. Costa Rica | 18. Panama |
| 8. Cuba | 19. Paraguay |
| 9. The Dominican Republic | 20. Peru |
| 10. Ecuador | 21. Uruguay |
| 11. El Salvador | 22. Venezuela |

Building on the contextual analysis presented in the introduction and a review of current consensuses surrounding key concepts, the study assesses ten factors selected to better understand the processes of decentralisation and territorial development. The analysis is designed to identify trends, recurring patterns, innovations, good practices and shared challenges among various countries or groups of countries in the region.

This assessment is informed by a critical examination of the ten-factor analysis results for all 22 selected countries. An in-depth review of legal and institutional frameworks was conducted to develop country profiles that provide the most accurate possible overview of decentralisation and local and regional governance in each country.¹

Thanks to the authors’ systematic organisation of information, it is possible to describe the legal frameworks and public policy processes associated with decentralisation, as well as the opportunities, challenges and shortcomings involved in achieving sustainable territorial development. Each country profile is accompanied by an assessment of the ten identified factors. This assessment serves, first, to propose an index that ranks countries according to their level of decentralisation and the quality of the legal and institutional context of their subnational governments and, second, to gauge each country’s performance with respect to each of the ten factors.²

The authors acknowledge that scoring-based assessments can oversimplify complex processes and encourage superficial debates about rankings. Nevertheless, they are considered a useful tool for providing a comparative regional overview that synthesises the main trends across Latin America and the Caribbean.

● This study uses ten factors to provide insight into the state of decentralisation and territorial development in LAC, as well as the quality of the legal and institutional context of subnational governments

¹ The country profiles can be found in Annex 2, which is only available in the Spanish edition of this study. The English and Portuguese editions do not include the Annex. However, it can be accessed through www.taldfacility.eu.
² The fieldwork for this study was carried out in two phases. The first phase took place between July and November 2023. The second phase, conducted between February and June 2025, involved updating the study’s content, performing a thorough review, and revising the data used in the indicators matrix. During this second phase, the 22 country profiles were also updated in collaboration with national experts, incorporating newly available data and recent developments in the analysed countries. Additionally, the study reflects feedback from the delegations of the European Union and several strategic partners, namely Mercociudades, UN-Habitat, Barcelona Provincial Council’s Observatory for Decentralised Cooperation (DIBA-OCD), the Latin American Federation of Cities, Municipalities and Associations of Local Governments (FLACMA), and the Colombian Presidential Agency for International Cooperation (APC).

It is worth noting that the adopted methodology goes beyond the traditional aspects of decentralisation, taking a broader view through the lens of territorial development. This includes governance, gender issues and international engagement—factors that shape territorial dynamics and enable an assessment of the quality of decentralisation processes in political, administrative and financial terms. The authors also recognise that this reality is constantly evolving and that the presented overview is therefore subject to ongoing change. With this in mind, the study identifies key future challenges and opportunities.

The following section outlines the factors and numerical index used to evaluate the proposed indicators. Each factor is assigned a maximum score, which varies according to its relative importance. The maximum possible score for each country is 100 points.³

1. Constitutional system and legal framework (maximum 16 points)

This factor assesses the extent to which subnational governments and decentralisation are recognised in the national constitution and the country’s legal framework as a whole.

• The national constitution mentions local governments	(2 points)
• The constitution recognises the autonomy of subnational governments, and this is effective in practice	(4 points)
• The constitution regulates core aspects of decentralisation, and these are effectively applied	(4 points)
• There is a developed body of legislation governing how subnational governments should function	(4 points)
• There are additional sector-specific laws that impact and improve local governance	(2 points)

2. System for electing subnational authorities (maximum 12 points)

This factor assesses the quality and transparency of electoral systems for subnational authorities, as well as the degree of democratic pluralism in the country.

• Local authorities are elected	(2 points)
• No systemic electoral fraud is reported	(4 points)
• Democratic pluralism is guaranteed	(3 points)
• The opposition has a recognised role	(3 points)

3. Women’s participation in subnational governance (maximum 6 points)

Women’s participation in subnational governments is a key factor in assessing the quality of a country’s democracy and subnational governance. Due to the difficulty of obtaining reliable data, a single indicator is proposed.

• Percentage of women mayors or equivalent:	
• 8–10%	(1 point)
• 11–20%	(2 points)
• 21–40%	(3 points)
• +40%	(6 points)

4. Powers and responsibilities (maximum 14 points)

This factor assesses the powers and responsibilities assigned to subnational governments, and the mechanisms in place for managing and resolving jurisdictional disputes.

• Closed system of exclusive subnational powers	(2 points)
• Exclusive subnational powers in education, health and justice	(2-2-2, maximum 6 points)
• Powers granted through delegation	(2 points)
• Mechanisms for resolving jurisdictional disputes	(4 points)

³ The charts and tables in the country profiles present the scores by indicator. A detailed breakdown by sub-indicator is not included where a country has achieved the maximum indicator score.

5. Subnational finances and fiscal autonomy (maximum 16 points)⁴

The financing schemes and fiscal autonomy of subnational governments are among the most reliable indicators of a country’s level of decentralisation. This factor is assessed using a variable scoring system.

• Percentage of subnational public expenditure over total public expenditure	
• 0–5%	(1 point)
• 5–10%	(2 points)
• 10–15%	(3 points)
• 15–20%	(4 points)
• 20–30%	(5 points)
• +30%	(6 points)
• Share of national government transfers in subnational government revenues	
• 100–80%	(1 point)
• 80–60%	(2 points)
• 60–50%	(3 points)
• -50%	(4 points)
• Level of local fiscal autonomy measured by the share of own-source revenues in total subnational income	
• - 10%	(1 point)
• 10–30%	(2 points)
• 30–50%	(3 points)
• +50%	(4 points)
• Legal capacity to borrow	
• Subnational debt between 0% and 1%of GDP or legal provision allowing borrowing	(1 point)
• Subnational debt exceeding 1% of GDP	(2 points)

4 During the review and update phase of the study, the weighting of the financial indicators was adjusted: 6 points were assigned to the percentage of local public expenditure relative to total national expenditure, and 4 points to the level of fiscal autonomy measured by the percentage of own-source revenue. This change was made to avoid overestimating fiscal a utonomy in contexts where local governments, despite being autonomous, manage only a very limited share of public spending. The adjustment prioritises the actual capacity of subnational governments to influence the national budget.

6. Multilevel and multistakeholder governance (maximum 14 points)

In a context where many subnational government responsibilities are shared, mechanisms for coordination and collaboration between different levels of government are essential. Associations and networks of subnational governments, as well as intermunicipal cooperation, play a key role in this regard by promoting their interests. Furthermore, citizen participation strengthens democratic processes, while public-private collaboration is regarded as a means of enhancing the quality of public policy. This factor is also assessed using a variable scoring system.

• Existence of one (or more) national associations of subnational governments	
• If such associations exist but are not constitutionally recognised;	(1 points)
• If they are constitutionally recognised	(2 points)
• Existence of institutional mechanisms for coordination and consultation between levels of government	
• If established by voluntary decision of the national executive	(2 points)
• If established by legal mandate	(4 points)
• Existence of territorial, supramunicipal, intermunicipal or cross-border association and cooperation mechanisms	
(2 points)	
• Existence of citizen participation instruments regulated by law, including participatory budgeting, consultations or observatories	
• If established at the discretion of subnational governments	(2 points)
• If established by legal mandate	(4 points)
• Existence of public-private coordination mechanisms for subnational governments	
• If national legislation mentions subnational governments	(2 points)

7. Performance and management capacity (maximum 8 points)

This factor focuses on the performance quality and management capabilities of subnational governments when fulfilling their obligations. It is measured using two fundamental public policy tools: planning and budgeting.

- Existence of local or regional public policy planning systems (4 points)
- Existence of results-based budgeting systems (4 points)

8. Human resources in local administrations (maximum 4 points)

This factor assesses whether subnational civil servants work in a stable environment and possess the necessary professional skills. Together, these aspects reflect the quality of both decentralisation and the legal and institutional framework encompassing subnational governments.

- Existence of local career public servants
 - If referenced in the national public service law (1 point)
 - If there is a specific law or regulation for subnational governments (2 points)
- Existence of systems to strengthen the skills of elected subnational authorities and civil servants
 - If national programmes exist to strengthen the skills of elected subnational authorities and civil servants (2 points)
 - If such programmes are only provided by associations of subnational governments, political parties or academic institutions (1 point)

9. Transparency and accountability (maximum 6 points)

Transparency and accountability are key indicators of the quality of subnational governments and the policies they promote. This factor assesses whether subnational governments have mechanisms in place to monitor their policies, operate under open government systems, and report on the outcomes of their initiatives.

- Legal requirement to establish mechanisms for monitoring and evaluating public policies (2 points)
- Open government systems. If legally mandated systems for public access to information are in place (2 points)
- Accountability mechanisms, such as government reports, oversight mechanisms and audits. If subnational governments are legally obliged to submit accountability reports (2 points)

10. International engagement and global agendas (maximum 4 points)

Subnational governments are increasingly recognised as active players in the field of international relations. When equipped with the resources and capabilities to engage in global networks, align with global agendas relevant to their mandates, and adopt a strategic approach to international action, they reflect an advanced level of decentralisation within a country.

- Tools to support the localisation of the Sustainable Development Goals (SDGs) by subnational governments. If more than two subnational governments in a unitary country, or more than five in a federal country, have submitted local/subnational voluntary report (2 points)
- Degree of international engagement by subnational governments
 - If one subnational government in a unitary country has an internationalisation plan or a dedicated office for international matters (1 point)
 - If more than one subnational government in a unitary country, or more than five in a federal country, has an internationalisation plan or dedicated team for international matters (2 points)

TABLE 1. DECENTRALISATION AND TERRITORIAL DEVELOPMENT IN LAC:
INDICATORS FOR COMPARATIVE COUNTRY ANALYSIS

FACTORS	INDICATORS	POINTS	MAXIMUM SCORE
1. CONSTITUTIONAL SYSTEM AND LEGAL FRAMEWORK	1.1 The national constitution mentions local governments	2	16
	1.2 The constitution recognises the autonomy of subnational governments, and this is effective in practice	4	
	1.3 The constitution regulates core aspects of decentralisation, and these are effectively applied	4	
	1.4 There is a developed body of legislation governing how subnational governments should function	4	
	1.5 There are additional sector-specific laws that impact and improve local governance	2	
2. SUBNATIONAL ELECTORAL SYSTEM	2.1 Local authorities are elected	2	12
	2.2 No systemic electoral fraud is reported	4	
	2.3 Democratic pluralism is guaranteed	3	
	2.4 The opposition has a recognised role	3	
3. WOMEN’S PARTICIPATION IN SUBNATIONAL GOVERNANCE	3.1 Percentage of women mayors: • 8-10 % (1 point) • 11-20 % (2 ponts) • 21-40 % (3 ponts) • +40 % (6 ponts)	6	6
4. POWERS AND RESPONSIBILITIES	4.1 Closed system of exclusive subnational powers	2	14
	4.2 Exclusive subnational powers in: • education (2 points)* • healthcare (2 points)* • justice (2 points)* *Cumulative points	6	
	4.3 Powers granted through delegation	2	
	4.4 Mechanisms for resolving jurisdictional disputes	4	
5. SUBNATIONAL FINANCES AND FISCAL AUTONOMY	5.1 Percentage of subnational public expenditure over total public expenditure: • 0-5 % (1 point) • 5-10 % (2 points) • 10-15 % (3 points) • 15-20 % (4 points) • 20-30 % (5 points) • +30 % (6 points)	6	16
	5.2 Share of national government transfers in subnational government revenues: • 100-80 % (1 point) • 80-60 % (2 points) • 60-50 % (3 points) • -50 % (4 points)	4	
	5.3 Level of local fiscal autonomy measured by the share of own-source revenues in total subnational income: • -10 % (1 point) • 10-30 % (2 points) • 30-50 % (3 points) • +50 % (4 points)	4	
	5.4 Legal capacity to borrow: • Subnational debt between 0% and 1% of GDP or legal provision allowing borrowing (1 point) • Subnational debt exceeding 1% of GDP (2 points)	2	

FACTORS	INDICATORS	POINTS	MAXIMUM SCORE
6. MULTILEVEL AND MULTISTAKEHOLDER GOVERNANCE	6.1 Existence of one (or more) national associations of subnational governments • Not constitutionally recognised (1 point) • Constitutionally recognised (2 points)	2	14
	6.2 Existence of institutional mechanisms for coordination and consultation between levels of government • By decision of the national executive (2 points) • By legal mandate(4 points)	4	
	6.3 Existence of territorial, supramunicipal, intermunicipal or cross-border association and cooperation mechanisms	2	
	6.4 Existence of citizen participation instruments regulated by law • At the discretion of subnational governments (2 points) • By legal mandate (4 points)	4	
	6.5 Existence of public-private coordination mechanisms for subnational governments established by law (national legislation mentions subnational governments)	2	
7. PERFORMANCE AND CAPACITIES	7.1 Existence of local or regional public policy planning systems	4	8
	7.2 Existence of results-based budgeting systems	4	
8. HUMAN RESOURCES IN LOCAL ADMINISTRATIONS	8.1 Existence of local career public servants • Mentioned in the national law (1 point) • By specific regulation or law (2 points)	2	4
	8.2 Existence of systems to strengthen the skills of elected subnational authorities and civil servants • Through national programs (2 points) • Only through associations of subnational governments or similar (1 point)	2	
9. TRANSPARENCY AND ACCOUNTABILITY	9.1 Legal requirement to establish mechanisms for monitoring and evaluating public policies	2	6
	9.2 Legal requirement to ensure open government, digitalisation and public access to information	2	
	9.3 Legal requirement to have good governance and accountability mechanisms in place	2	
10. INTERNATIONAL ENGAGEMENT AND GLOBAL AGENDAS	10.1 Existence of tools to support the localisation of the SDGs by subnational governments • +2 local voluntary reports in a unitary country (2 points) • +5 local voluntary reports in a unitary country (2 points)	2	4
	10.2 Degree of international engagement by subnational governments Unitary country: • There is at least one internationalisation plan or dedicated office for international matters (1 point) • There is more than one plan or office (2 points) Federal country: • There are more than five plans or offices (2 points)	2	
MAXIMUM TOTAL SCORE			100 POINTS

1.

Introduction: Latin America and the Caribbean at a crossroads

Over the past decade, LAC has faced major structural challenges that have jeopardised its prospects for sustainable and inclusive development. The region has found itself in the grip of at least three interrelated issues: low economic growth, high inequality, and political governance challenges. All three issues are further exacerbated by deep territorial disparities within countries.

LAC is the second most urbanised region in the world, with 82% of its population living in cities in 2023. A significant proportion of this population is concentrated in megacities: specifically, 14.2% reside in cities with over 10 million inhabitants¹. The urban population grew rapidly between 1950 and 2000, rising from 69 million to 390 million in just 50 years², and projections estimate it will reach 575 million by 2025. In this context, large metropolitan areas stand out not only for their demographic size, but also for their economic, political and sociocultural influence, solidifying their position as dominant centres within their respective countries.³

¹ The World Bank. Data. Urban Population (% total population). Latin America and the Caribbean. 2022. More information: <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ZJ>

² Lattes A. (2000) “Población urbana y urbanización en América Latina”. II Jornadas Iberoamericanas de Urbanismo sobre las Nuevas Tendencias de la Urbanización en América Latina, Quito (Ecuador). <https://www.flacso.edu.ec/portal/modules/umPublicacion/pndata/files/docs/sfcclates.pdf>

³ Contribution from Mercociudades.



Constantin Corjinovski, Olinda, Pernambuco, Brasil

● Latin America and the Caribbean is the second most urbanised region in the world, with the greatest inequality between rich and poor territories

LAC is also the most unequal region in the world. Advancing social cohesion and peaceful coexistence remains one of the region’s greatest challenges. Despite a slight decline, poverty and extreme poverty remain at high levels, all against a backdrop of geopolitical tensions and moderate and uneven economic growth across countries. Estimates suggest that 26.8% of the population was living in poverty in 2024, with 10.4% experiencing extreme poverty.⁴

This socio-demographic reality places the cities and territories of the region at the heart of a range of highly complex challenges, all closely connected to global dynamics. Territories ranging from large metropolitan areas to networks of medium- and small-sized cities serve as laboratories where key global battles are being fought against climate change, technological disruption, social exclusion, inequality, poverty and various forms of violence, among other pressing issues with a strong territorial dimension.

The persistence of inequality and poverty is closely tied to rising insecurity and violence, as well as the weakening of human rights protections, in some countries. This multidimensional challenge disproportionately affects the most vulnerable populations, particularly women, girls and minority groups, but also social, climate and human rights activists. Some cities in the region experience extremely high levels of violence, ranking among the most dangerous in the world.

Existing inequalities were exacerbated during the Covid-19 pandemic, triggering social and economic consequences. For example, progress on gender equality and the rights of women and LGBTIQ+ people was set back.

While the pandemic certainly caused the region to falter, it also revealed the ability of certain subnational governments to innovate and respond effectively. By implementing public policies that address inequalities and advance the rights agenda, subnational governments demonstrated their capacity to map vulnerabilities, identify social disparities and engage social stakeholders. Their actions support the most vulnerable groups and, by adopting a rights-based approach, seek to drive structural change in key areas such as housing, immigrant integration, gender equality, employment, the care economy and violence prevention.⁵

4 ECLAC, Social Panorama of Latin America and the Caribbean 2024. <https://www.cepal.org/en/publications/type/social-panorama-latin-america-and-caribbean>
5 Observatory for Decentralised Cooperation (2023). Rethinking decentralised cooperation in a context of uncertainties and multiple transitions. <https://www.observ-oecd.org/en/library/rethinking-decentralised-cooperation-context-uncertainties-and-multiple-transitions>

LAC is one of the most vulnerable regions to the impacts of climate change, with 13 of its 50 countries ranked among the hardest hit globally. This high level of risk is disproportionate, given that the region is responsible for just 8.1% of total greenhouse gas emissions. This figure is broadly in line with its share of the global population (8.4%) and slightly above its contribution to global GDP (6.4%).⁶

LAC also faces the challenge of transforming its energy mix, which could boost productivity, develop new economic sectors, create jobs, improve citizen’s quality of life and ensure access to high-quality services. The region has enormous potential in renewable energy, which makes up 33% of its total energy supply (compared to 13% globally), as well as in green hydrogen and biofuels. However, considerable investment in technology is still needed to reduce reliance on imported fossil fuel products, lower CO₂ emissions and provide electricity to the 17 million people in the region who still lack access to it.

Subnational governments and the stakeholders operating within their territories play a crucial role in the transition towards climate neutrality. Many are driving sustainable policies in crucial areas such as transport, urban mobility, renewable energy use, energy efficiency, urban planning, waste management, access to water and sanitation, and housing development. A significant number of subnational governments are going a step further by making climate sustainability central to their local economic development strategies, and prioritising climate justice and resilience.⁷

At the same time, subnational governments in LAC have not been impervious to the disruptive impact of technology. Although the region lags behind more advanced economies, efforts are being made to harness the incredible transformative potential of digitalisation. Goals include diversifying production structures, enhancing public services

6 OECD et al. (2022). Latin American Economic Outlook 2022: Towards a Green and Just Transition, Paris: OECD and OECD (2023), Environment at a Glance in Latin America and the Caribbean: Spotlight on Climate Change. <https://doi.org/10.1787/2431bd6c-en>
7 Idem.

● INNOVATIVE INITIATIVES FOR SOCIAL INCLUSION

Examples of such initiatives include the PILARES centres¹ in Mexico City and the REACTOR project² in Montevideo, an urban laboratory led by the Collaborative Urbanism research and outreach group at the Faculty of Architecture, Design and Urbanism of the University of the Republic of Uruguay. The project aims to bring urban planning closer to local empowerment processes and the co-creation of collective proposals for city development. Another notable initiative is Bogotá’s District Care System, which recognises the work of caregivers and ensures they have access to rights and conditions that promote well-being.

The World Forum of Cities and Territories of Peace –held for the fourth time in Bogotá in 2023 and for the fifth time in Montevideo in 2025– has become a pivotal platform for collaboration and experience exchange among local governments, civil society organisations, international bodies and academia. It seeks to foster a collective process of discussion, reflection and problem-solving, leading to shared solutions that promote violence-free urban environments and support the creation of public policies for coexistence and peace, with particular focus on Latin America and the Caribbean.

1 More information at: <https://pilares.cdmx.gob.mx/inicio>
2 More information at: <https://www.reactoruy.com/proyecto-reactor>

●
INNOVATION IN CITIES

Examples can be found in cities such as Medellín, which is promoting its Software Valley Centres¹; Guadalajara, home to the Digital Creative City;² an urban hub bringing together companies and institutions with expertise in tech-based creative industries; and Curitiba, which has integrated over 700 digital services into its municipal app. These include key platforms for healthcare (SaúdeJá³) and citizen services (Curitiba 156⁴).

An increasing number of subnational governments are working to prioritise ethics and rights in their digitalisation strategies. In this regard, cities such as Curitiba and São Paulo have joined the Cities Coalition for Digital Rights, a platform uniting over 50 cities from around the world.⁵

¹ More information at: <https://cvs.rutanmedellin.org/>

² More information at: <https://ciudadcreativadigital.mx/>

³ More information at: <https://saudeja.curitiba.pr.gov.br/>

⁴ More information at: <https://156.curitiba.pr.gov.br/>

⁵ <https://globalcitieshub.org/es/cities-coalition-for-digital-rights>

in critical areas such as education and health, and advancing the climate transition.⁸

Digitalisation presents complex challenges, such as the digital divide, which is starkly evident across different territories. This divide creates new forms of inequality and new threats to people’s fundamental rights, affecting key areas such as housing, mobility and local commerce, as well as labour and personal rights, including the right to data privacy.⁹

LAC has seen numerous subnational governments introduce strategies to ease technology integration in a wide range of areas, including mobility and public transport, pollution control, water quality, public space management, building decarbonisation, and the provision of support to vulnerable groups.

Finally, it is worth noting the relative political disaffection currently affecting the region. According to the Latinobarómetro, around 42% of the population expressed a lack of trust in democracy and 17% supported more centralist political options in 2022. This trend, reflected in the rise of populist and nationalist movements, is largely due to dissatisfaction with basic public services, corruption, violence, inequality and pervasive uncertainty—all of which threaten democracy and the social contract. However, the 2024 Latinobarómetro revealed a surprising four-point increase in support for democracy, rising to 52%. This suggests that the democratic decline observed since 2010 may be coming to a halt and beginning a turnaround.¹⁰



Andy Quezada, Santiago de los Caballeros, República Dominicana

⁸ ECLAC (2021). Digital technologies for a new future. Santiago: United Nations. <https://hdl.handle.net/11362/46817>

⁹ Observatory for Decentralised Cooperation (2023). Rethinking decentralised cooperation in a context of uncertainties and multiple transitions, op. cit.

¹⁰ Latinobarómetro 2024. <https://www.latinobarometro.org/lat.jsp>

2.

The pendulum of decentralisation vs recentralisation

There is no clear consensus among academics and political representatives as to the meaning of decentralisation. The term is used to describe a complex phenomenon characterised by a wide array of experiences across different countries.¹ Some definitions refer to a form of nation-state organisation involving the legal assignment of powers, resources and authority to elected subnational governments.² Others limit its scope to a reform process comprising a set of exceptional policies aimed at transferring administrative and political responsibilities from central to subnational governments, without altering the fundamental balance of power.³

For the purposes of this study, decentralisation is defined as the existence of sub-national self-governing authorities that are distinct from the administrative authorities of the nation-state and are granted the legal powers, resources and capabilities to exercise a degree of self-rule when fulfilling their assigned responsibilities. Their authority to make decisions is upheld by democratically elected and representative

¹ OECD-UCLG (2022), World Observatory on Subnational Government Finance and Investments. 2022 Synthesis Report. <https://www.sng-wofi.org/>

² UN Habitat (2009), International Guidelines on Decentralisation and Access to Basic Services. <https://unhabitat.org/international-guidelines-on-decentralization-and-access-to-basic-services-for-all>

³ OECD-UCLG (2022), World Observatory on Subnational Government Finance and Investments, op. cit.



Jaime Serran, La Cabaña del Café, Piñas, Ecuador

local structures, which determine how power is exercised and how officials are held accountable to the citizens of their jurisdiction.⁴ The goal is to bring government and governance closer to citizens, enabling greater participation in decision-making processes and promoting more efficient public service delivery. Decentralisation is also promoted as a testing ground for developing and experimenting with new forms of public policy. An example of this is the Territorial Approach to Local Development (TALD), a concept based on the European Commission’s 2013 Communication⁵ linking decentralisation with development.

Decentralisation is a multifaceted concept comprising three key dimensions⁶:

- *Political decentralisation* establishes the legal basis for the distribution of power across different levels of government in line with the principle of subsidiarity.
- *Administrative decentralisation* reorganises the allocation of tasks between levels of government, typically assigning subnational governments the authority to make decisions on planning, financing and management as close as possible to citizens.
- *Fiscal decentralisation* delegates revenue-raising and spending responsibilities to subnational governments. The degree of decentralisation depends on the scope and volume of resources transferred, as well as the autonomy granted to manage them. This is the most contested and obstructed form of decentralisation.

These three dimensions are interdependent. For decentralisation to be successful, the connections between them must be carefully considered and upheld. Fiscal decentralisation cannot exist without political and administrative decentralisation, and political and administrative decentralisation reforms are meaningless without the necessary resources and autonomy to implement them.

There are numerous benefits associated with decentralisation in its various forms. These include promoting local development, improving the efficiency and effectiveness of public service delivery, encouraging local innovation and enabling more inclusive, participatory governance structures. By bringing decision-making closer to

citizens and communities, decentralisation can lead to more responsive and appropriate solutions to local problems. This aspiration lies at the heart of the European Union’s 2013 Communication, which states: “The participation of citizens in decision-making processes that affect their lives and access to accountability mechanisms is fundamental to the promotion of sustainable development and poverty reduction. This is particularly relevant at the local level, where citizens live and work, where basic services are provided and where enterprises are established.”⁷

However, decentralisation also poses challenges. These include the potential for local elites to exert undue influence, a lack of policy continuity due to high turnover in subnational authorities, weaknesses in local institutional capacity, poor resource distribution and mere “cosmetic decentralisation”, where decentralisation exists on paper but is not implemented in practice, failing to empower subnational authorities to drive development in their territories. In the absence of robust regulatory frameworks, dysfunctional forms of decentralisation can lead to a greater risk of corruption and exacerbate regional disparities, tensions and conflicts.

Subnational governments’ ability to effectively provide infrastructure and services, and to productively manage the built environment and local economies, depends on their institutional capacities, the quality of local governance and the financial resources at their disposal. Strengthening their financial, fiscal and institutional systems should therefore be a key priority for national governments, enabling them to fulfil these functions.

After decades of decentralisation policies, international evidence shows that outcomes vary across regions, between countries and even within countries. This highlights the need to pay attention to the specifics of implementation and institutional design in order to identify the conditions under which decentralisation can support better expenditure allocation, greater autonomy and improved accountability among subnational governments. The central government’s role in providing policy direction, setting standards and ensuring equity and territorial rebalancing remains crucial.

Faced with the aforementioned challenges, LAC requires empowered subnational governments with the necessary powers and resources, operating within a favourable legal and institutional framework. This implies having clearly defined jurisdictional frameworks, adequate financing schemes granting them the political and

● “Cosmetic decentralisation” refers to situations where laws and institutional frameworks are well designed but not implemented in practice

⁴ UCLG (2019). GOLD V. The Localization of the Global Agendas How local action is transforming territories and communities. <https://www.gold.uclg.org/reports/gold-v>

⁵ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes. COM(2013) 280 final, 15.5.2013. <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0280:FIN:EN:PDF>

⁶ OECD-UCLG (2022), World Observatory on Subnational Government Finance and Investments, op. cit.

⁷ European Commission: COM(2013) 280 final, 15.5.2013, op. cit. p. 3.

fiscal autonomy to implement transformative policies, and mechanisms ensuring collaboration with other levels of government and stakeholders within the territory. Subnational governments also need visionary leaders who are committed to their territories, stable professional teams with the relevant knowledge and skills, and the means to act effectively.

For these reasons, it is essential to once again treat the decentralisation and territorial governance agenda as a priority within the political agenda for democracy and sustainable territorial development. This means enabling subnational governments to define responses to citizens' demands, rebuild public trust, and lead a sustainable and equitable recovery. This study's analysis examines the current state of subnational governments in the region (municipalities, departments, states, provinces, etc.). In this context, decentralisation—understood as an institutional means of redistributing power and wealth between levels of government and across national territory—emerges as a strategic pillar.

● To secure a sustainable future for Latin America and the Caribbean, the decentralisation and territorial governance agenda must be a priority

By the end of the 20th century, decentralisation processes had become a notable trend across Latin America. Democratisation prompted reforms that promoted the political autonomy of subnational governments. Key milestones included the direct election of local authorities in most countries, as well as constitutional and fiscal reforms aimed at a fairer distribution of powers and resources.

However, progress has been uneven. While some countries have made consistent advances in their decentralisation plans, others have experienced setbacks or stagnation. Legal frameworks have evolved, but the institutional capacities of local governments have often failed to keep pace, resulting in operational and financial imbalances.

Subnational governments currently face multiple challenges. A primary concern is weak fiscal autonomy, with heavy reliance on national transfers. Technical capacities are also limited, and difficulties in multilevel coordination persist. These issues are further compounded by a lack of strategic planning and long-term vision.

At the same time, the region is contending with global challenges such as climate change, digital transformation and an increasing demand for high-quality public services. Subnational governments play a central role in delivering essential services, managing environmental issues (including climate resilience) and driving local innovation. However, they require greater resources and stronger support frameworks to respond effectively to these demands. Digitalisation offers opportunities to enhance

efficiency and transparency, but it also creates new territorial divides. Many municipalities lack even basic technological infrastructure. Building digital skills and improving data governance are therefore emerging as strategic priorities.

In terms of social cohesion, regional disparities remain a source of fragmentation. Redistributive policies, targeted investment and participatory governance models are therefore required to strengthen territorial equity. Involving citizens in the planning and implementation of public policies can also reinforce institutional legitimacy.

● While some countries in the region have made steady progress in decentralisation and territorial development, others have experienced stagnation or serious setbacks

3.

Ten factors for assessing territorial development and decentralisation in LAC

This section presents the findings from the analysis of the ten factors selected to shed light on decentralisation processes and the quality of the legal and institutional environment in which subnational governments operate in LAC. The analysis aims to identify trends, recurring patterns, innovations, good practices and shared challenges among various countries or groups of countries in the region. It also includes a performance index showing how countries fare in relation to each factor.



3.1 Constitutional system and legal framework

An analysis of the constitutional frameworks and legal systems of the 22 LAC countries reveals that they all have local government units (municipalities or equivalents), and 12 also have intermediate levels of government (departments, provinces, regions or federal states).¹

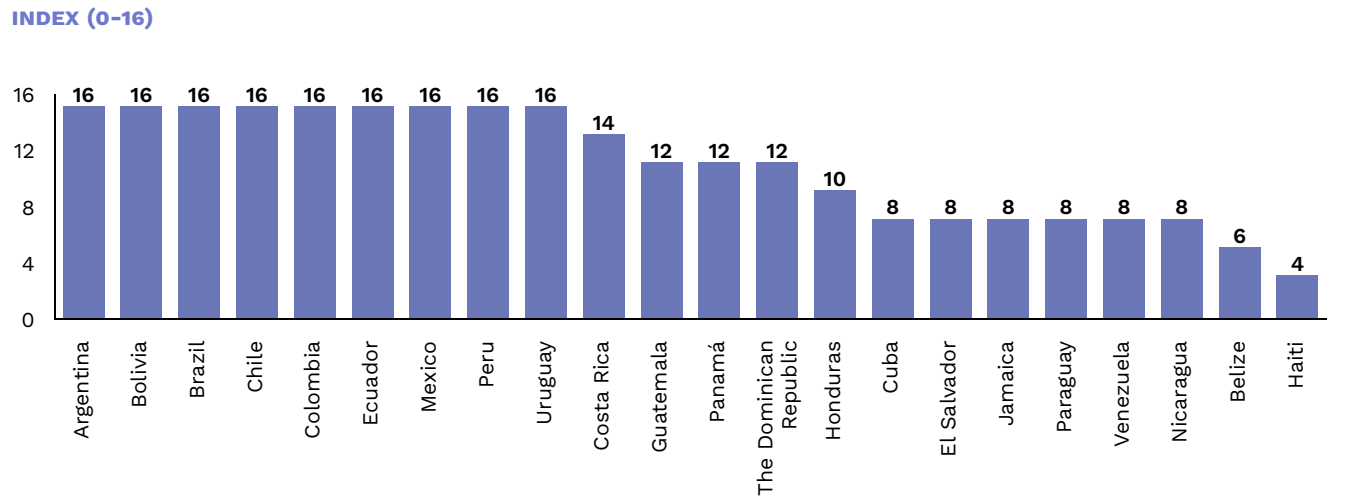
Most countries in the region are unitary states with presidential political systems. Four countries (Argentina, Brazil, Mexico and Venezuela) are defined as federal republics. The first three are the region’s largest and most populous countries, as well as its principal economies. Two countries (Belize and Jamaica), which are members of the British Commonwealth, are constitutional parliamentary monarchies. Table 3 below classifies countries as either federal or unitary. Among the unitary states, it identifies three groups: (1) those that have made progress in decentralisation and strengthening territorial governance; (2) centralised countries that have recently committed to decentralisation; and (3) highly centralised countries where subnational governments have limited autonomy or have experienced a significant reduction in local autonomy in recent years.

The federal structures of the countries in the first group are defined by their constitutions, which grant autonomy to provinces (in Argentina) and federal states (in Brazil, Mexico and Venezuela), as well as to municipalities. That said, the strong presidential traditions in all four countries continue to influence how federalism functions in practice. Moreover, recent developments in Venezuela have heightened national government intervention in subnational affairs, prompting some observers to describe the situation as a process of recentralisation or a form of “intervened” autonomy.²

1 In addition to the four federal countries (Argentina, Brazil, Mexico and Venezuela), countries with intermediate levels of government include Bolivia, Chile, Colombia, Ecuador, Nicaragua (which has two autonomous Atlantic regions), Peru, Paraguay and Uruguay.

2 Significant changes were made to Venezuela’s legal framework in 2006 with the establishment of the comunas del poder popular (people’s power communes), which are overseen by the central government (specifically, the Ministry of People’s Power) and are granted powers and resources at the expense of the country’s states and municipalities. The head of government of the Capital District, home to nearly 40% of the population and the main national government institutions, is appointed directly by the president of the Republic. All legislative functions of states and municipalities are governed by federal laws.

TABLE AND CHART 2. CONSTITUTIONAL SYSTEM AND LEGAL FRAMEWORK		POINTS
1.1	The national constitution mentions local governments	2
1.2	The constitution recognises the autonomy of subnational governments, and this is effective in practice	4
1.3	The constitution regulates core aspects of decentralisation, and these are effectively applied	4
1.4	There is a developed body of legislation governing how subnational governments should function	4
1.5	There are additional sector-specific laws that impact and improve local governance	2
MAXIMUM SCORE		16



SOURCE: Authors’ own work.

TABLE 3. NATION-STATE MODELS IN LAC			
FEDERAL COUNTRIES	DECENTRALISED UNITARY COUNTRIES	CENTRALISED UNITARY COUNTRIES	HIGHLY CENTRALISED UNITARY COUNTRIES
Argentina, Brazil, Mexico, Venezuela	Bolivia, Colombia, Chile, Ecuador, Peru, Uruguay	Costa Rica, Guatemala, Honduras, Panama, Paraguay, the Dominican Republic	Belize, Cuba, El Salvador, Haiti, Jamaica, Nicaragua

SOURCE: Compiled by authors.

Brazil’s and Mexico’s federal states, as well as Argentina’s provinces, have their own constitutions and operate according to a separation of powers system. Each has its own executive, legislature and judiciary. National legislation defines how each level of government should operate, ensuring necessary coordination between the federal government and state and provincial authorities. This is also achieved through mechanisms such as Mexico’s National System for Fiscal Coordination.

The constitutions of Brazil, Mexico and Argentina recognise municipal autonomy, though this plays out differently in each country. Brazil’s constitution grants municipalities the same status as federal states, enabling them to organise themselves through their own municipal organic law and giving them a notable degree of independence. Conversely, municipalities in Mexico and Argentina operate within the framework set by the laws of each state or province, resulting in a significant degree of dependence on those higher subnational authorities.

Having a federal system of government does not in itself guarantee a high level of decentralisation. Much depends on the direct election of subnational authorities, their autonomy in performing their functions, their ability to effectively exercise the powers assigned to them, and their capacity to generate and manage their own revenues. Nevertheless, constitutional safeguards for subnational autonomy are conducive to processes that bring political power closer to territories and citizens. Although the central government still holds considerable power in all three countries, the position of subnational governments has strengthened in recent years. This became apparent during the Covid-19 pandemic in Brazil, when some subnational authorities contested decisions made by the national executive regarding issues that had a significant impact on the population.

Among the unitary states, Bolivia, Colombia, Ecuador, Peru and Uruguay have been pursuing reforms to further decentralisation for years. Chile has joined this trend more recently, though its progress has been marked by advances and setbacks. The constitutions of Bolivia, Ecuador, Colombia and Peru define these countries as decentralised unitary republics, with Bolivia and Ecuador also identifying as plurinational states. Colombia’s constitution recognises the autonomy of its territories (i.e. departments, districts, municipalities and Indigenous territories) to govern themselves through their own authorities, exercise the powers conferred upon them, and manage their own resources. Ecuador’s and Bolivia’s constitutions grant autonomous status to territorial governments (decentralised autonomous governments in Ecuador and autonomous governments in Bolivia) and recognise their political, administrative and financial autonomy.

Despite having advanced legal frameworks, these countries still display strong centralist tendencies, particularly Bolivia and Ecuador, and decentralised power is subject to political instability. As will be discussed later in this study, the fiscal autonomy of subnational authorities is limited, leaving them heavily dependent on the national government to fulfil their assigned responsibilities.

In 2002, Peru undertook a constitutional reform to include a chapter on decentralisation and recognise the autonomy of its provincial and district municipalities, as well as its regions. The Secretariat for Decentralisation was established in 2007, and efforts to coordinate regional and local development plans have been ongoing since 2021. This reform was accompanied by key legislation outlining the responsibilities of territorial governments and establishing governance mechanisms to support the gradual transfer of powers and resources. However, a stable framework has yet to be established, and political, administrative and financial authority remains heavily concentrated at the national level. Evidence of this can be seen in the fact that around 90% of subnational government revenues originate from national government transfers, most of which are conditional.

Both Chile and Uruguay recognise the possibility of promoting decentralised administration or decentralisation policies in their constitutions. The two countries have also implemented significant reforms in recent decades.³ In 1996, Uruguay approved a constitutional reform through which the state committed to promoting decentralisation policies. This commitment was implemented through subsequent amendments to the Municipal Code and the passing of the Decentralisation and Citizen Participation Law in 2009, which was subsequently amended in 2014. Departments enjoy a significant degree of autonomy. However, the municipalisation process initiated in 2009 remains unresolved. Municipalities’ near-total dependence on departments represents an anomaly that continues to hinder territorial governance in the country.



RECOGNISING INDIGENOUS TERRITORIES

An increasing number of countries in the region are recognising Indigenous peoples and incorporating their lands into the territorial organisation of the nation-state. In Colombia, Indigenous territories comprise *resguardos* (collective landholdings), traditional territories and areas that make up the community’s habitat. These territories are administered under a special regime reflecting the peoples’ social organisation, customs and traditions.

The constitution in Ecuador states that “ancestral, Indigenous, Afro-Ecuadorian and Montubio peoples may establish territorial districts for the preservation of their culture”. Similar provisions exist in Bolivia, where the constitution recognises autonomous Indigenous and Aboriginal farming communities, and in Mexico, where the customary law and practices of Indigenous communities are recognised as a legitimate form of self-government in states such as Oaxaca and Chiapas.

³ Uruguay’s constitution recognises local autonomy at the departmental level (Article 283): departmental authorities have the right to appeal to the Supreme Court of Justice against any violation of their autonomy. <https://parlamento.gub.uy/documentosyleyes/constitucion>

● The federal organisation of a country does not guarantee a high level of decentralisation in itself, but it does facilitate the devolution of political power to its territories and citizens

Meanwhile, Chile—historically one of the most centralised countries in the region—has undertaken reforms since the mid-2010s to advance its decentralisation and regionalisation process. These reforms culminated in 2018 with the approval of legislation establishing the direct election of regional governors, who had previously been appointed by the national government. Allowing citizens to elect their governors has paved the way for meaningful regional power (or metropolitan power in Santiago de Chile’s case). However, further steps are needed to grant these authorities fiscal autonomy. The continued presence of presidential delegates in the regions must also be addressed, as they still hold significant powers over internal affairs and coordination.

The unitary countries in the second group also recognise municipal autonomy in their constitutions or legislation. Many have committed to state reform and decentralisation processes, but progress has been slow and, in some cases, has ground to a halt. Notable recent commitments include those made by the governments of Honduras and Panama.

Honduras adopted a new decentralisation law in 2016, which was implemented in 2021 alongside an annual decentralisation agenda. Panama revised its 2009 decentralisation law in 2015, creating a dedicated secretariat that was later renamed the National Authority for Decentralisation to oversee the transfer of responsibilities. However, the country’s latest strategic plan for 2020–2024 fails to list decentralisation as a priority. Costa Rica has been taking steps to shed its reputation as one of the most centralised countries in the region. Its constitution recognises the functional autonomy of municipalities. The General Law on the Transfer of Powers from the Executive Branch to Municipalities was passed in 2010, although its implementation remains limited. In 2021, the government approved a regional development law to promote a deconcentration process that could eventually lead to the formation of regions.

Guatemala adopted a general decentralisation law in 2002, and in 2017 it approved a national decentralisation agenda by decree. This decentralisation strategy is being implemented within the framework of the Urban and Rural Development Councils System, through which the Ministry of Planning continues to exert significant leadership in territorial affairs. Municipalities remain highly dependent on transfers from the national government, and implementation is heavily conditional. In Paraguay, the 1992 Constitution signalled an attempt to decentralise by granting autonomy to municipal and departmental governments. However, the accompanying legal framework, which was intended to clarify the responsibilities and inner workings of departments and municipalities, has not succeeded in reversing the centralist trend. Subnational governments operate with very limited powers and spending capacity, accounting for just over 1% of total public expenditure.

Finally, the Dominican Republic has introduced a series of reforms since the early 2000s to strengthen its local governments. These include the General Plan for Administrative Reform and Modernisation (2021–2024), which aimed to bring local government management up to modern standards. The Cabinet for the Development of the System for Transferring Powers to Local Administrations was established in 2022, and the National Cabinet for Decentralisation convened in 2023. Nevertheless, the financial capacity of local governments remains extremely limited.

In the final group of countries, little progress has been made in terms of local autonomy, with significant backsliding occurring in El Salvador, Nicaragua and Haiti. Recent reforms introduced by the Salvadoran government reduced the number of municipalities to 44, converting the 262 previous municipalities into municipal districts and simultaneously cutting their direct funding. In Nicaragua, the 2024 constitutional reform amended the article recognising municipal autonomy. Since the last local elections in 2022, the president’s political party has held complete control over subnational governments, marginalising the opposition and weakening democratic pluralism. Local governments in Belize and Jamaica have limited powers and rely almost entirely on funding from the central government. They must also contend with members of parliament, who hold significant sway over local decision-making. In Belize, the president’s party governs nearly all municipalities.

In Cuba, the central government continues to play a decisive role, in line with political tradition. The 2019 constitutional reform aimed to grant municipalities greater autonomy and strengthen their influence over the strategic management of territorial development. Nevertheless, their resources remain severely limited. One of the country’s macro programmes includes territorial development and mentions increased local powers “as an expression of the decentralisation process”. Local elections are still dominated by the ruling party. Finally, in Haiti, recurring political crises and violence perpetrated by armed groups controlling large parts of the country have created a de facto “failed state”, where local institutions are largely unable to perform their functions.

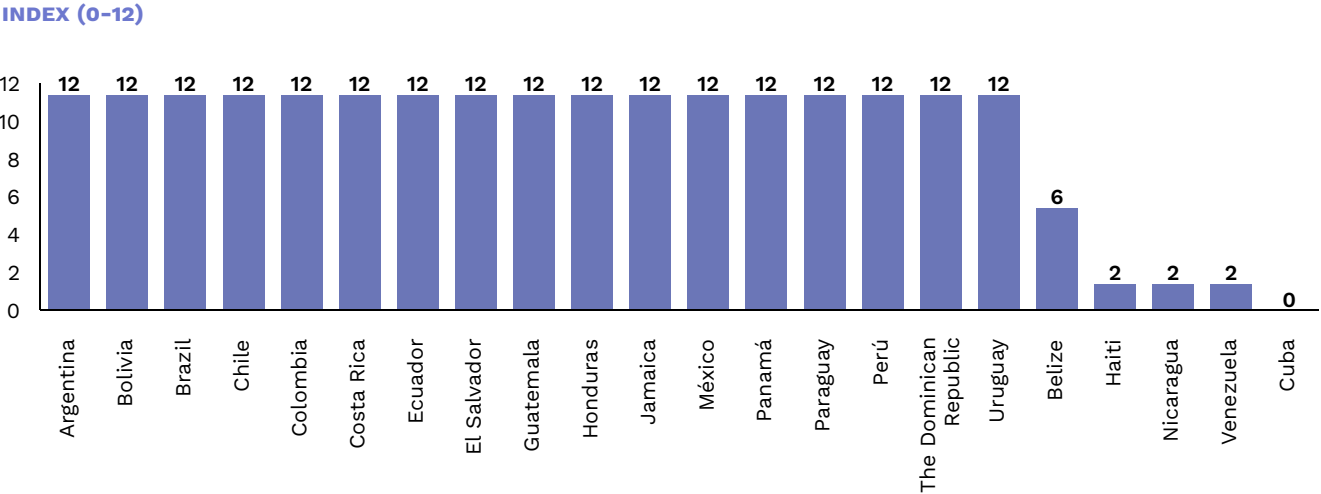
3.2 Electoral system

According to The Economist’s Democracy Index 2024,⁴ LAC is home to four authoritarian regimes (Cuba, Haiti, Nicaragua and Venezuela), eight hybrid regimes (Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Paraguay and Peru), ten flawed democracies (Argentina, Brazil, Chile, Colombia, the Dominican Republic, Guyana, Jamaica, Panama, Suriname, and Trinidad and Tobago⁵), and just two full democracies (Costa Rica and Uruguay). The index reflects the poor quality of democracy in the region, a situation that extends to the subnational level.⁶

All constitutions in the region include provisions on the electoral system. With the exception of Venezuela, the electoral systems for subnational governments in federal countries (Argentina, Brazil and Mexico) are established in the constitutions or specific legislation of the federated states or provinces (in Argentina’s case). In unitary countries, constitutions generally define the overarching principles governing the electoral system. In most cases, some form of direct election is mandated, with the exact details set out in specific electoral legislation.

⁴ Democracy Index 2024. The Economist EIU. Available at: <https://ourworldindata.org/grapher/democracy-index-eiu?time=latest/>
⁵ Guyana, Suriname, and Trinidad and Tobago are among the “flawed democracies” according to The Economist, but were not included in this study.
⁶ El Salvador is a notable case: although the electoral system formally guarantees the right to a free vote, political pluralism has effectively declined and opposition parties have been weakened.

TABLE AND CHART 4. SYSTEM FOR ELECTING SUBNATIONAL AUTHORITIES	POINTS
2.1 Local authorities are elected	2
2.2 No systemic electoral fraud is reported	4
2.3 Democratic pluralism is guaranteed	3
2.4 The opposition has a recognised role	3
MAXIMUM SCORE	12



SOURCE: Authors’ own work.

In almost all the countries analysed, the population elects its local and intermediate-level leaders and representatives.⁷ The number of countries with intermediate-level government authorities elected by popular vote rose from one in 1980 to 12 in 2021. The most recent addition was Chile, where intendentes regionales (regional governors, now simply referred to as governors) were elected by popular vote for the first time in 2021. In Cuba, provincial authorities are appointed by the central government. Although elections are held for the Municipal Assembly of People’s Power, only one candidate stands.⁸ Local elections in Haiti have been postponed since 2020.

⁷ An exception is Venezuela, where the head of government of the Capital District (Caracas) is appointed by the national government.
⁸ According to Cuba’s 2019 Constitution, the president of the Republic nominates provincial governors and vice-governors (Articles 128 and 175). Delegates to the Municipal Assembly of People’s Power are elected (Articles 185, 186, 209 and 210), but campaigning is not permitted and candidate selection is managed by commissions controlled by the Communist Party of Cuba.

● In almost all the analysed countries, the population elects its local government leaders through democratic processes involving multiple parties

As a general rule, local electoral mandates last four years, although there are exceptions. For example, local authorities in Belize and El Salvador are elected for three years, whereas those in Bolivia and Uruguay are elected for five. Nicaragua recently extended the term to six years through a constitutional reform in 2024. In Mexico, state governors and the head of government of Mexico City are directly elected by universal suffrage for a single six-year term. Municipal presidents, the equivalent of mayors, serve for either three or four years depending on the federated state in which the municipality is located. In most cases, intermediate and local government leaders are elected by a simple majority. However, a second round is required in certain contexts, such as regional elections in Chile, regional and municipal elections in Peru, and in Brazilian municipalities with more than 200,000 registered voters. In the majority of countries, re-election is permitted at both municipal and intermediate levels. However, in some countries, such as Ecuador and Brazil, re-election is limited to a single consecutive term or non-consecutive terms, as in Colombia and Peru. Mexico is an exception: the possibility of re-election, originally authorised in 2014, was recently revoked.

Most of the countries analysed enjoy democratic pluralism in subnational elections, and there are no reports of systematic electoral fraud. However, complex scenarios do arise in some cases. These include the misuse of public resources for electoral campaigns, violent incidents, and the manipulation of processes to favour regime-aligned candidates. Such scenarios can result in a single party dominating or opposition politicians being marginalised. In Belize, the People’s United Party (PUP) has held power at both the national and local levels since 2020. In the 2021 elections, it won 97% of municipal seats.

Two countries have faced international backlash over their electoral processes: Nicaragua and Venezuela. The most recent municipal elections in Nicaragua’s two autonomous regions, held in 2022, were marked by high abstention rates and sweeping victories for the ruling party in all 153 municipalities. International observers highlighted democratic shortcomings. Despite the significant presence of international observers during Venezuela’s 2021 elections, various irregularities were reported, including the disqualification of opposition candidates, arbitrary detentions and acts of aggression. These led to multiple allegations of electoral fraud. Although international observers deemed the local elections in Paraguay (2021) and Ecuador (2023) generally free and fair, there was a notable increase in violence in the lead-up to the vote. In extreme cases, such as in some regions of Mexico, local elections are affected by



Leandro Hernández, Cabo Polonio, Departamento de Rocha, Uruguay

the intervention of criminal groups and the injection of resources from organised crime to favour certain political groups. Peru is a particular case, with political instability and mistrust of political parties reflected in the number of local governments led by independent candidates not affiliated with established parties. Gender-based violence against female candidates has been reported in several countries, for example in Bolivia and the Dominican Republic.

● **URUGUAY: THE MOST CONSOLIDATED DEMOCRACY IN LATIN AMERICA AND THE CARIBBEAN**

Uruguay is regarded as one of the world’s most advanced democracies. This is demonstrated by *The Economist’s* annual Democracy Index, which ranks the country 11th among the world’s 24 full democracies, and by Freedom House, which awards its electoral system the highest possible score of 4 out of 4. Uruguay is recognised for its open, competitive and pluralistic political system, qualities that also extend to the subnational level.

However, opposition parties play a minor role in departmental and municipal administration, as the legal framework affords them little capacity to effectively influence government action.

3.3 Women’s participation in subnational governance

Women’s participation in subnational governance is a key indicator of democratic quality and an essential element for effective territorial development. It also shows how far local democracy has moved beyond traditional power structures to genuinely connect with real citizens. As such, it reflects the health of decentralisation processes and the environment in which subnational governments operate.

In LAC, women’s political participation unfolds within social structures that remain predominantly patriarchal. Although considerable progress has been made (introduction of gender quotas, gender-balanced electoral lists, and mandatory alternation of male and female candidates), women’s presence still falls short of the levels of political, economic, social and cultural participation to which they should be entitled. The chart below provides a visual representation of women’s participation in local executive positions (primarily mayorships). Although not depicted here graphically, advances have also been observed in legislative bodies (proportion of women councillors).

● Women’s participation in top subnational leadership roles remains well below parity

All countries in the region have legal provisions in place to promote women’s political participation and move towards gender parity in positions of political power and decision-making.⁹ Whether through constitutional texts, electoral laws or specific legislation introducing gender quotas, the region’s legal frameworks are slowly evolving to rectify this imbalance. The vast majority of these measures apply at the local political level.

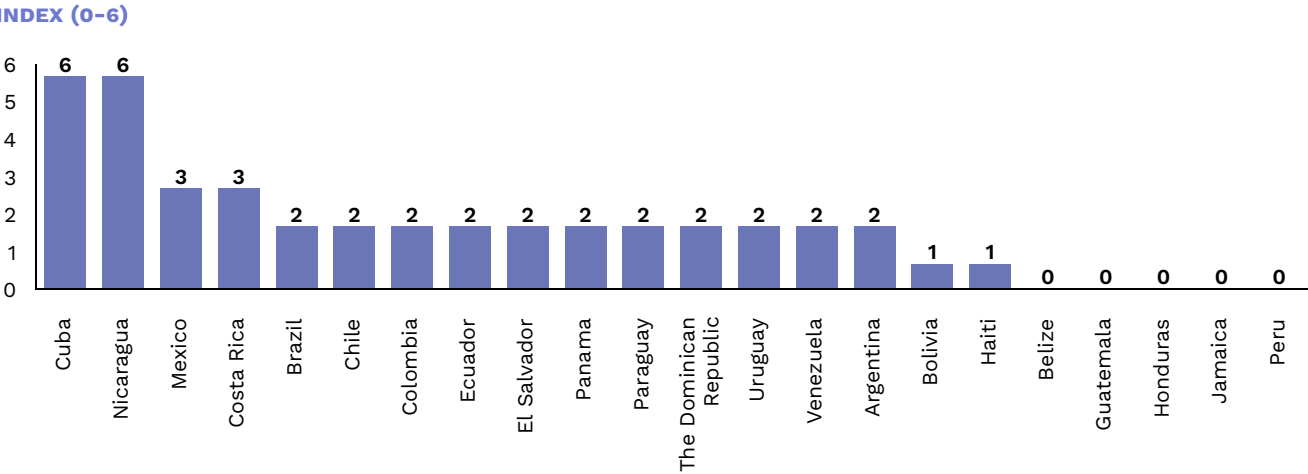
The participation of women in elected office is essential to guarantee their influence in decision-making and is a direct expression of their right to participate fully in political and public life on equal terms. Although the proportion of women in the highest municipal executive position in Latin America and the Caribbean has increased,

⁹ More information at: <https://oig.cepal.org/es/leyes/leyes-de-cuotas>

TABLE AND CHART 5. WOMEN’S PARTICIPATION IN SUBNATIONAL GOVERNANCE

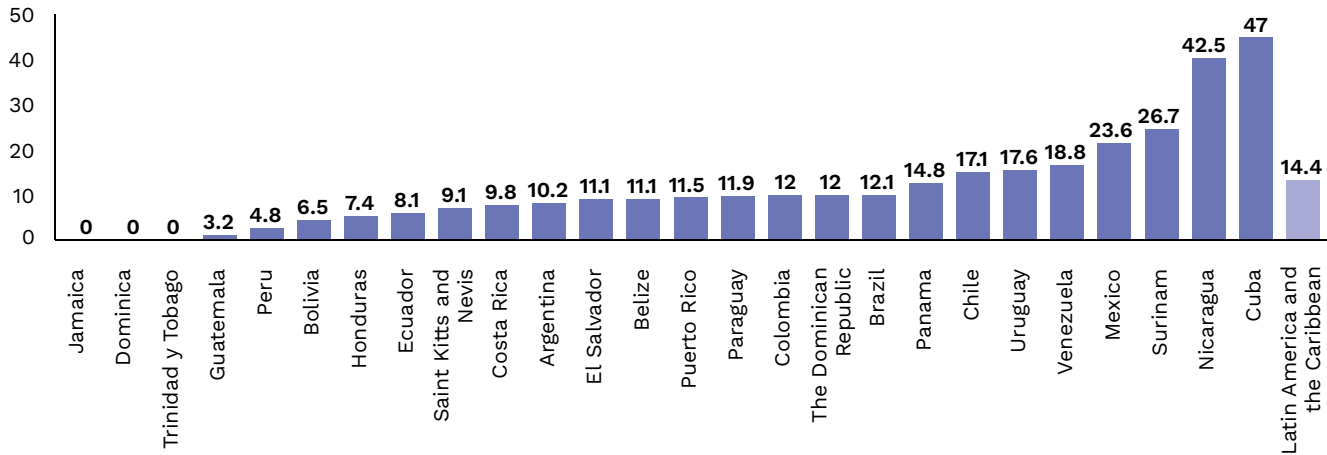
3.1 Percentage of women mayors	
• 8-10 % (1 point)	
• 11-20 % (2 points)	
• 21-40 % (3 points)	
• +40 % (6 points)	

MAXIMUM SCORE	6
---------------	---



SOURCE: Authors’ own work.

CHART 6. LATIN AMERICA AND THE CARIBBEAN (26 COUNTRIES AND TERRITORIES): ELECTED FEMALE MAYORS, LATEST YEAR AVAILABLE (2021)



SOURCE: ECLAC, CEPALSTAT, based on official data from agencies validated by the Mechanisms for the Advancement of Women.

●

**PROGRESS IN ADOPTING
GENDER-RESPONSIVE BUDGETING**

Several countries in the region have made progress in integrating a gender perspective into subnational public finances. Gender-responsive budgeting has been institutionalised in seven LAC countries (Bolivia, Ecuador, Honduras, Guatemala, Mexico, Nicaragua and Peru) through legal mandates regulating budgetary processes. Bolivia stands out as a notable example, where changes apply directly at the subnational level. Likewise, the “Andrés B Ibáñez” Framework Law on Autonomous Entities and Decentralisation calls on entities to achieve gender equality, incorporate gender categories into the budgetary process, and include policies, programmes and investment projects aimed at social and gender equity. Specifically, the law allows up to 5% of intergovernmental transfers to be allocated to non-recurring programmes that support gender equity.

In terms of public procurement, a number of subnational policies promote the inclusion and economic autonomy of women. The Autonomous City of Buenos Aires is particularly noteworthy for its women-focused planning processes, including networking workshops for women and a certification for women-owned businesses. In Cali, Colombia, social clauses are included to ensure the participation of women in the planning, tendering, awarding and execution of public procurement contracts. Mexico City also stands out for its guidelines on gender-sensitive evaluation and accountability.

it is still well below parity, as shown by data compiled by ECLAC’s Gender Equality Observatory for Latin America and the Caribbean¹⁰.

Only two countries —Nicaragua (50%) and Cuba (47%)— have achieved or come close to gender parity. Only Mexico, Venezuela, Uruguay and Chile exceed the regional average. In several countries, laws promoting gender parity require alternating male and female candidates on electoral lists, resulting in a predominance of women in vice-mayoral and vice-prefect roles, as seen in Guatemala and Chile.

The situation is somewhat more positive with regard to elected women councillors. The regional average is 32.6%. In 2019, the region surpassed 30% female representation in municipal councils for the first time. Of the countries with available data that have surpassed this 30% threshold, the following stand out: Bolivia, Mexico, Nicaragua, and Venezuela, which are approaching parity, followed by Peru, Costa Rica, and Cuba. Much lower figures are seen in Colombia (19.7%), Jamaica (19.3%), Brazil (18.2%), Guatemala (13%) and Panama. Notably, in Brazil, women’s political participation is further hindered by racial inequality; in 2020, only 6% of elected councillors were Black women, despite this group accounting for 28% of the population¹¹.

¹⁰ ECLAC, CEPALSTAT, based on official data from electoral bodies validated by the “Mechanisms for the Advancement of Women”. ECLAC Gender Equality Observatory for Latin America and the Caribbean. Available at <https://oig.cepal.org/es/indicadores?id=2284>

¹¹ Idem. Available at <https://oig.cepal.org/es/indicadores?id=2285>



3.4 Powers and responsibilities

State decentralisation is largely reflected in the powers exercised by subnational governments. As with all other factors, the distribution of powers at both intermediate and municipal levels varies greatly across the region.

These powers are not organised, structured or scoped uniformly, and cannot be automatically linked to traditional models of unitary or federal countries. It is also important to recognise that powers are not fixed in terms of their structure or distribution. In fact, they are highly dynamic, often mirroring the outcomes of democratic progress or decline, political crises, specific political circumstances, state reforms, and frequent changes to the legal framework.

● The powers of subnational governments vary across countries in the region, often fluctuating in response to political circumstances

In the region’s federal countries, states (in Brazil, Mexico and Venezuela) and provinces (in Argentina) are assigned general powers by national constitutions, primarily those not expressly reserved for the national government. In some cases, indicative responsibilities are also outlined for municipalities (e.g. in Mexico, Venezuela and Brazil), although it is the states or provinces that legislate their concrete application at the local level. In several unitary countries, powers are also set out in the constitution (e.g. Bolivia and Costa Rica), but are generally elaborated in

greater detail through specific legislation. Municipal powers are typically classified in legislation as exclusive, shared/concurrent (either with intermediate or national governments), or delegated.¹²

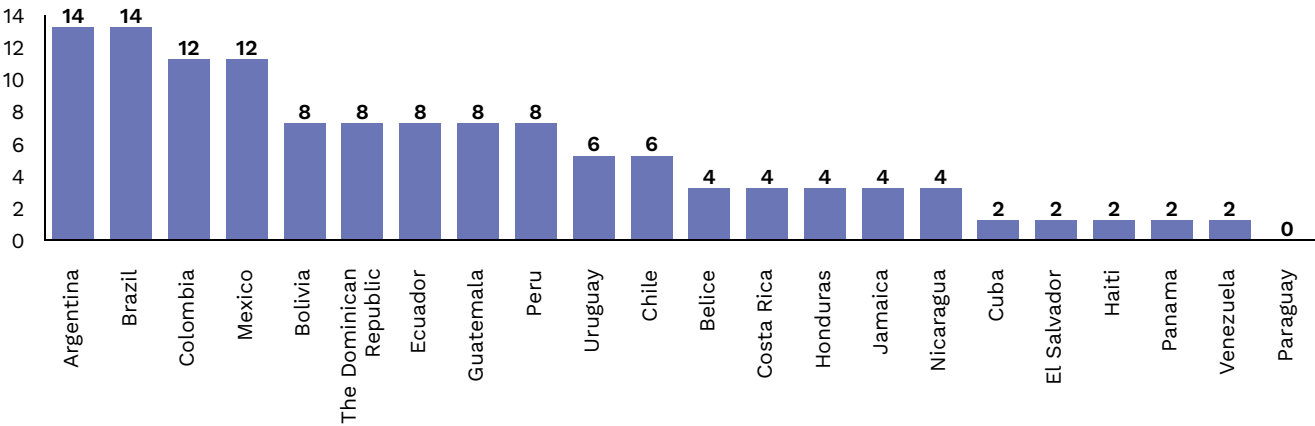
The allocation of powers is complex due to the existence of multiple levels of government. In many cases, this allocation does not prevent overlaps or ambiguities. For example, one level of government may be responsible for setting the rules, while the

12 Some countries differentiate powers more finely through categories such as strategic and common, additional, or residual (e.g. Ecuador).

TABLE AND CHART 7. POWERS AND RESPONSIBILITIES*	POINTS
4.1 Closed system of exclusive subnational powers	2
4.2 Exclusive subnational powers in: • education (2 points)* • healthcare (2 points)* • justice (2 points)* *Cumulative points	6
4.3 Powers granted through delegation	2
4.4 Mechanisms for resolving jurisdictional dispute	4
MAXIMUM SCORE	14

* The calculation includes intermediate-level governments, which hold far broader powers than municipalities in federal countries.

INDEX (0-14)



NOTE: In Argentina and Mexico, most powers are concentrated at the provincial or state level.

SOURCE: Authors’ own work.

implementation of those rules (planning, building, maintaining, supervising services, etc.) may be distributed among several levels, depending on the complexity of the task.

This is particularly evident in sectors such as education and health. Responsibilities are often split along two lines: one concerns who is responsible for planning, staffing or facility management; the other relates to whether the service is basic (primary level), intermediate (secondary) or complex (tertiary). Typically, central governments are in charge of overall planning and more complex services, such as major hospitals and universities. Meanwhile, local or regional governments oversee schools and healthcare centres that serve communities directly. However, in some countries (particularly federal countries), intermediate-level governments or even municipalities may also be tasked with managing tertiary services and human resources, as is the case in Colombia.

TABLE 8. MUNICIPAL POWERS AND RESPONSIBILITIES IN LATIN AMERICA AND THE CARIBBEAN*	
AREA OF ACTIVITY	KEY RESPONSIBILITIES
Territorial Development	• Development planning and land-use regulation
Infrastructure and General Public Services	• Water distribution network • Sanitary sewer network (wastewater) • Stormwater drainage • Street cleaning • Collection and treatment of solid waste • Energy distribution networks (in some countries) • Public lighting • Streets, roads and highways (urban and rural) • Urban traffic and circulation (regulation, signage, control, etc.) • Public transport (e.g. infrastructure such as transport terminals, river ports, and in some cases, railways and airports) • Cemeteries and mausoleums • Municipal butcheries
Housing and Urban Planning	• Land-use zoning regulations • Approval of urban developments • Building permit regulations • Issuance of building permits • Construction oversight • Social housing programmes • Urban planning • Land registry (cadastre)
Environment	• Preservation of green spaces, creation and maintenance of parks, urban tree planting, and public spaces • Protection of riverbanks and shores, irrigation and micro-irrigation • Management and protection of natural resources (e.g. protected areas, soil and forest resources, pollution prevention) • Air quality protection, emissions checks • Noise and sound pollution control • Climate change mitigation, environmental education

* This is a non-exhaustive list of the most common powers and responsibilities held by subnational governments in the region. Source: Compiled by the authors based on data collected during this study. Cross-checked with other sources (OECD-UCLG, 2022, op. cit.)

Submunicipal divisions also exist, with responsibilities either assigned by law or delegated by the municipality. Examples include parroquias in Ecuador, comunas in Colombia, juntas de distritos in the Dominican Republic, and corregimientos in Panama.

Exclusive powers, assigned by national constitutions or by municipal laws or codes, are meant to be exercised by all municipal governments. However, implementation is not always uniform. In some countries, certain basic services may remain under the responsibility of the national government or federal states (e.g. most services in Paraguay, drinking water and sanitation in Uruguay, and more exceptionally, waste collection in Jamaica). In several countries, municipalities may be classified into different categories based on factors such as population size, budget, capacity or whether they are urban or rural. The distribution of responsibilities then varies according to these classifications, as seen in countries such as Colombia, Honduras, Nicaragua and Panama. Capital cities and metropolitan areas, where they exist, typically have broader and more complex responsibilities. In all cases, exclusive powers overwhelmingly outnumber shared or delegated powers.

TABLE 8. MUNICIPAL POWERS AND RESPONSIBILITIES IN LATIN AMERICA AND THE CARIBBEAN (CONTINUATION)	
AREA OF ACTIVITY	KEY RESPONSIBILITIES
Social Action or Welfare	• Social services, projects and policies for children, adolescents, women, older people and people with disabilities • Rights advocacy • Construction and operation of shelters • Social security • Training for productive employment
Justice, Public Order and Security	• Municipal police • Civil protection, comprehensive risk management • Fire services • Civil registry
Public Education	• Pre-school, primary education, and in some cases secondary and tertiary education or vocational training • Special education (for people with disabilities)
Public Healthcare	• Preventive healthcare (primary care) and in some cases secondary and tertiary centres (the latter especially at intermediate level) • Curative and specialist referral healthcare, community pharmacies • Construction and maintenance of medical infrastructure
Culture and Recreation	• Cultural heritage • Support for culture and the arts • Museums • Municipal libraries • Recreation and festivals • Sports and sports infrastructure
Economic Affairs	• Employment policies • Support and promotion of productive activities (agriculture, fishing, livestock, industry, crafts) and commerce (markets, butcheries, etc.), including licences and permits • Support for local businesses, SMEs and cooperatives • Promotion of local tourism

According to available data, the powers of subnational governments in LAC are concentrated in nine main areas of activity, encompassing more than 50 specific responsibilities.

In countries where Indigenous or Aboriginal communities are prominent, it is these communities that are responsible for preserving ancestral knowledge and traditional customs and practices for local development (e.g. Bolivia, Colombia, Ecuador, Guatemala, Mexico, Nicaragua and Peru). In certain countries, local governments may also perform the functions of a justice of the peace (e.g. in Guatemala and Venezuela) or take on responsibilities related to supporting refugees in the context of regional conflict resolution (e.g. in Colombia).

In some countries, legislation provides for a gradual transfer of responsibilities, which subnational governments can

● In some countries, subnational powers are shaped by the desire to preserve the ancestral knowledge and traditional customs and practices of Indigenous and Aboriginal communities

ECUADOR: NATIONAL COUNCIL OF COMPETENCES¹

Ecuador’s National Council of Competences is a technical body representing all levels of government, created under Constitutional Article 269 and established in January 2011 as part of the decentralisation process. The Council is composed of a representative of the president of the Republic, who chairs it, and one representative from each level of government (prefectures, mayor’s offices and parish councils), elected through a democratic process.

It is the lead body responsible for regulating, planning, coordinating, managing and overseeing the allocation and transfer of powers, in accordance with the National Decentralisation Plan. Guided by the principles of autonomy, coordination, complementarity and subsidiarity, it seeks to advance and realise buen vivir (good living)—a concept rooted in Indigenous worldviews that emphasises harmony with nature, community well-being and collective rights.

The Council supports prefects, mayors and parish council chairs throughout the decentralisation process, helping ensure that the powers assigned to them are effectively implemented in their territories. It also assists the country’s decentralised autonomous governments in exercising their powers by providing training to these authorities on matters within their remit and offering legal and technical tools to aid their work.

SOURCE: National Council of Competences.

¹ More information at: <https://www.gob.ec/cnc>

request from the central government (e.g. regions in Chile, or provinces and municipalities in Ecuador, Panama, Peru and the Dominican Republic). In the case of Guatemala, the areas in which municipal governments may request such transfers include the construction and maintenance of roads; enforcement of hygiene standards in food production; management of primary and pre-school education; environmental management; school construction and maintenance; and preventive healthcare.

Finally, in response to citizen demand and pressure, municipal governments may find themselves having to assume responsibilities that do not legally fall within their remit but are not being effectively fulfilled by national or intermediate-level governments. One example is El Salvador, where in some municipalities local governments pay teachers (an obligation that should lie with the Ministry of Education, or provide access to drinking water (a responsibility that legally corresponds to the National Administration of Aqueducts and Sewerage [ANDA]).

In many countries, legislation provides that services may be delivered directly by the local government, by municipal enterprises, by mixed-capital companies, through concessions, or by delegating responsibilities to intermunicipal associations or other levels of government. Several countries have established specific arbitration mechanisms to resolve jurisdictional disputes (e.g. Bolivia’s State Autonomy Service and the Dominican Republic’s Cabinet for the Development of the System for Transferring Powers to Local Administrations). Others allow such disputes to be addressed through the appropriate courts. In LAC, migration is a clear example of a responsibility that does not legally fall under the remit of local governments but nonetheless must be addressed, particularly when it comes to providing services to displaced populations.



Denys Amaro, Santiago de Chile, Chile

3.5 Subnational finances and fiscal autonomy

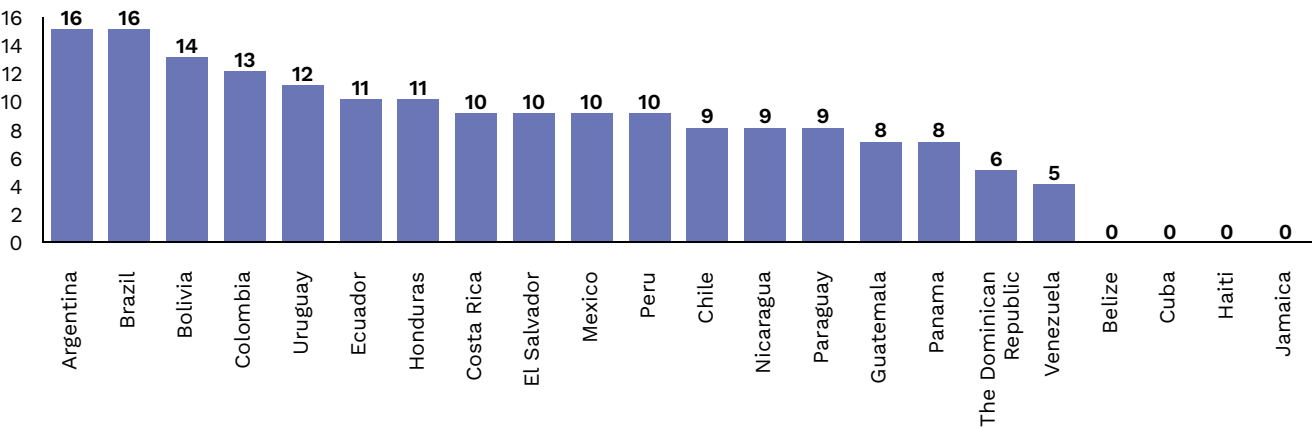
In most of the countries analysed, either the constitution or legislation recognises the need for subnational governments to enjoy financial autonomy. As noted at the beginning of this study, financing is an essential condition for decentralisation. However, each country in the region recognises this principle in different terms and to varying degrees, and there is often a gap between what is set out in law (de jure) and what occurs in practice (de facto). Moreover, the data must be interpreted with care: greater funding does not necessarily equate to greater autonomy, as funds may be delegated and earmarked for specific uses, limiting the local government’s ability to respond to citizens’ needs.

In federal countries, the management of subnational financing—and, in particular, the financial relationship between states or provinces and municipalities—is regulated through the constitution, federal laws, and the legislation of each state or province. In unitary countries, legislation generally defines municipal responsibility over budgetary management, taxation, fees, tariffs and assets. However, the creation or modification of taxes is often the prerogative of parliament. Authorities with special autonomy may benefit from more explicit constitutional protections. Colombia’s constitution, for example, recognises that Indigenous communities may constitute territorial entities with the authority to manage their own resources and establish the taxes required to carry out their functions, in accordance with the constitution and relevant national legislation (Articles 286 and 287). In some countries, the constitution specifically assigns taxing powers to capital cities (e.g. Buenos Aires, Mexico City and Bogotá).

Greater resource availability for subnational governments does not necessarily mean greater financial autonomy, as funds may be earmarked for specific uses

TABLE AND CHART 9. SUBNATIONAL FINANCES AND FISCAL AUTONOMY			POINTS
5.1 Percentage of subnational public expenditure over total public expenditure:			
• 0–5 %	(1 point)	6	
• 5–10 %	(2 points)		
• 10–15 %	(3 points)		
• 15–20 %	(4 points)		
• 20–30 %	(5 points)		
• +30 %	(6 points)		
5.2 Share of national government transfers in subnational government revenues:			
• 100–80 %	(1 point)	4	
• 80–60 %	(2 points)		
• 60–50 %	(3 points)		
• –50 %	(4 points)		
5.3 Level of local fiscal autonomy measured by the share of own-source revenues in total subnational income:			
• –10 %	(1 point)	4	
• 10–30 %	(2 points)		
• 30–50 %	(3 points)		
• +50 %	(4 points)		
5.4 Legal capacity to borrow			
• Subnational debt between 0% and 1% of GDP or legal provision allowing borrowing	(1 point)	2	
• Subnational debt exceeding 1% of GDP	(2 points)		
MAXIMUM SCORE			16

INDEX (0–16)



NOTE: In Argentina and Mexico, the indicator primarily reflects the situation of intermediate-level authorities (states and provinces), due to the limited funding available to municipalities.

SOURCE: Authors’ own work.

Most countries provide for income redistribution across the different levels of government, primarily through transfers or grants. Transfers play a particularly important role in the region. They serve, first and foremost, to bridge the gap between revenues and expenditure, particularly in municipalities with limited revenue-raising capacity. In principle, the aim is to enable these authorities to fulfil their responsibilities and comply with national regulations. Transfers may also serve as a mechanism for promoting fiscal equalisation and addressing inequalities between different territories. Many constitutions stipulate that when responsibilities are decentralised or delegated from the central level (e.g. in health or education), they must be accompanied by the corresponding financial resources, allowing the territorial authority to carry out its new functions.

Over the past three decades, the region has made progress in financing subnational governments, although some setbacks have been noted following the Covid-19 crisis. Overall, expenditure and revenue levels remain below both the global average and that of Organisation for Economic Co-operation and Development (OECD) countries. Constraints and conditions on access to finance, as well as imbalances between territories, remain considerable.¹³

Expenditure

As noted above, local governments expend financial resources in order to provide services and administer their respective territories. These expenditures have increased in conjunction with the transfer of powers. On the whole, subnational governments’ share of total public expenditure almost doubled between 1985 and 2020, reaching an average of 6.3% of gross domestic product (GDP)—less than half the OECD average of 16.2%.¹⁴ This equates to 18.2% of total central (general) government expenditure across the region, compared to an average of 40.2% in OECD countries.¹⁵

13 CAF (2025). Nearby solutions: The role of regional and local governments in Latin America and the Caribbean. Development Bank of Latin America and the Caribbean <https://scioteca.caf.com/handle/123456789/2432>

14 IDB (2022), Outlook of Fiscal Relations among Government Levels in Latin America and the Caribbean, p. 17 <https://publications.iadb.org/en/outlook-fiscal-relations-among-government-levels-latin-america-and-caribbean>, and OECD-UCLG (2022), World Observatory on Subnational Government Finance and Investments, op. cit. The two sources report significantly different indicators. According to the Inter-American Development Bank (IDB), subnational public expenditure reached 8.5% of GDP in 2019 (two percentage points higher than the OECD figure) and accounted for 26% of total national government expenditure (eight points above the OECD average). The global average (across 122 countries) was 8.3% of GDP and 21.5% of total national government expenditure.

15 OECD-UCLG (2022), World Observatory on Subnational Government Finance and Investments, op. cit. and OECD (2021), Subnational Governments Structure and Finance in OECD countries, Key Data, 2021 edition.

The pressure on public spending intensified further during the early 2020s due to the COVID-19 crisis.

The share of GDP represented by subnational government spending varies widely: from less than 1% in the Dominican Republic, Panama, and Paraguay to over 20% in Argentina and Brazil. There is also a sharp divide between the three federal countries (Argentina, Brazil and Mexico) and their unitary counterparts. In the federal countries, subnational government spending accounts for 18.8% of national GDP (45% of general government expenditure). In the unitary countries, it amounts to just 3.9% of GDP (13.06% of general government expenditure). Interestingly, when municipal spending in Argentina and Mexico is separated from that of provinces and states, municipalities account for just 2.7% of GDP (7.4% of general government expenditure), whereas provinces and states account for 14.3% of GDP (38.4% of general government expenditure). This illustrates the severe limitations on decentralisation at the municipal level in these two countries. By contrast, expenditure in Brazil is more evenly distributed between the two levels of subnational government. This is because the constitution grants states and municipalities similar status. The former account for 12.7% of GDP expenditure and the latter for 9.7%, equivalent to 25.3% and 19.2% of general government expenditure respectively. Venezuela, the fourth federal country, has a spending structure closer to that of its unitary neighbours (1.8% of GDP and 9.4% of total general government expenditure).

Among the unitary countries, subnational governments in Colombia, Bolivia, Peru and Ecuador account for a larger proportion of public spending: 11.9%, 8.3%, 7.6% and 4.6% of GDP respectively. Chile and Uruguay lag behind, with subnational expenditure accounting for just 3.9% and 3.2% of GDP.¹⁶ The remaining countries fall below the Latin American average. More generally, local spending in Central American and Caribbean countries, where fiscal decentralisation is particularly limited, accounts for 2.1% of GDP (7.2% of general government expenditure). In South America, Paraguay lags the furthest behind, with subnational spending amounting to only 0.9% of GDP.¹⁷

Taking into account the powers granted to subnational governments in each country, the breakdown of expenditure by economic classification broadly reflects the functions assigned to the different levels of government. This helps to explain variations within and between countries. For instance, in Argentina, Mexico and Peru (at the

- Strengthening the administrative capacity of subnational governments is essential to increasing revenue and enhancing spending efficiency

16 Idem.

17 Idem. The IDB (2022) estimates it to 1.5% of GDP.

intermediate level) and in Brazil and Colombia (at the intermediate and local levels), significant financial resources are spent on personnel (between 37% and 45% of sub-national expenditure). This reflects responsibilities in education and health, as well as public order and security to a lesser extent (all areas requiring a large workforce).¹⁸

In terms of functional classification, provincial governments in Argentina allocate over 40% of their expenditure to social spending (including education and health). In Brazil and Colombia, subnational governments allocate around 50%. In Mexico, state governments allocate over 70%. In Peru, regional governments allocate over 76% of total expenditure to these areas. Bolivia and Guatemala also have concurrent responsibilities for health and education at the subnational level, accounting for 30% of their spending. In Chile, some responsibilities for basic education were held at the municipal level until recently.¹⁹

A similar analysis of public order and security spending shows that intermediate-level governments in Brazil allocate 17.5% of their total expenditure to these functions, compared to 10.9% in Argentina’s provinces and 8.9% and 19.7% in Mexico’s states and municipalities, respectively. Local-level spending on urban development, including environmental protection and social security (both components of social protection), is also substantial, particularly in Brazil.²⁰

Subnational governments play a key role in public investment, although their contribution remains below the OECD average. According to the IDB, subnational public investment averages at 1.5% of GDP, representing one-third of total public investment and 31% of total subnational government expenditure. This share is particularly high in the Andean countries, followed by the federal states, as well as Colombia, Guatemala and Nicaragua.²¹

It is worth noting that the administrative capacity of subnational governments, including in areas such as service delivery, human resources, procurement and public investment management, is critical to enhancing spending efficiency and strengthening decentralisation processes.

18 IDB (2022).

19 IDB (2022), p. 24.

20 Idem.

21 IDB (2022), p. 23. The OECD and United Cities and Local Governments (UCLG) estimate subnational public investment at a higher share of total public investment: 42% across 18 countries. The OECD average (2021, p. 15) stands at 1.9% of GDP, representing 53.9% of total public investment and 11.7% of subnational government expenditure.

Revenue

Naturally, in order to cover their expenditure, subnational governments must receive revenues proportional to their decentralised or delegated responsibilities. These revenues include direct sources such as taxes, fees, profits and donations, as well as transfers and subsidies. At the regional level, own-source revenues account for 49% of local budgets (equivalent to 3.4% of GDP), while transfers represent the remaining 51% (4.5% of GDP). The latter figure exceeds the OECD average.²²

As with expenditure, there are major differences between countries. In 2020, the total revenues of subnational governments in the region averaged at 5.6% of GDP (23% of national general government revenue), which is far below the OECD average.²³ However, the figures varied considerably: 23% of GDP in Brazil (59% of national general government revenue), followed by Argentina (19.9% of GDP), Mexico (13.2% of GDP) and Colombia (12.7% of GDP). The next group of countries had revenues amounting to around 8% of GDP (Peru and Bolivia), followed by a third group with revenues ranging from 3% to 4.5% of GDP (Ecuador, Chile, Nicaragua, Uruguay and Honduras). Finally, six countries reported subnational government revenues of 2% of GDP or less (Guatemala, Costa Rica, Venezuela, Paraguay, Panama and the Dominican Republic.²⁴ The analysis below focuses on own-source revenues (both tax and non-tax), with transfers addressed in the following section.²⁵

The own-source revenues of subnational governments in the region remain at around 3.4% of GDP.²⁶ Argentina and Brazil had the highest levels of own-source revenues at the subnational level in 2020 (20% and 13% of GDP respectively), followed by Bolivia (6.7%). In the remaining countries, these figures fall below 2% of GDP. A higher proportion of own-source revenues indicates greater autonomy in revenue management.

22 OECD-UCLG (2022). The IDB (2022, p. 28) puts own-source revenues at 44%, with transfers accounting for the remaining 56%. The OECD average is 62% for own-source revenues and 37.6% for transfers and subsidies. Globally (across 122 countries), transfers represent 51.5% of local revenues, while own-source revenues (48.5%) are broken down into 31.5% from taxes, 10.3% from service fees and charges, and the rest from property income.

23 These figures are below the OECD average, which estimated subnational government revenues at 15.7% of GDP and 42.2% of total national government revenues. The global average (across 122 countries) is 8% of GDP and 25.9% of total national government revenues. The IDB (2022, p. 28) reports a higher average for own-source revenues in the region: 6.7% of GDP between 2016 and 2019.

24 OECD-UCLG (2022).

25 According to the IDB (2022, p. 29), tax revenues accounted for 24.1% of subnational government revenues (0.8% of GDP), while non-tax revenues accounted for 19.2% (0.7% of GDP).

26 OECD-UCLG (2022), IDB (2022, p. 29).

● The countries in terms of own-source revenues as a share of subnational government with the highest levels of own-source revenue at the subnational level are Argentina and Brazil, at 20% and 13% of GDP respectively (2020)

budgets, a first group of countries exceeds the regional and (global²⁷) average, with more than 51% of their budgets funded from such revenues (Argentina, Bolivia, Costa Rica, Jamaica, Uruguay, Panama, Honduras, Paraguay and Brazil). A second group falls just below the average, with own-source revenues accounting for 39% to 47% of subnational budgets (Nicaragua, Ecuador, El Salvador, Chile, Venezuela and Colombia). A third group includes countries where own-source revenues make up less than 30% of local budgets, reflecting an extremely high dependency on national transfers (Guatemala, the Dominican Republic, Peru and Mexico). The case of Argentina warrants clarification: although own-source revenues account for 88% of subnational income, they largely consist of shared taxes collected and redistributed by the national government, yet classified as own-source revenues for political reasons. Value-added tax is an example of this type of shared tax (known in Argentina as impuestos coparticipados). It is also important to distinguish between provincial and local governments. For example, municipal own-source revenues in Argentina are very limited due to weak local taxation (with the exception of major cities). In Brazil, the overall share of own-source revenues is 55%, but this figure drops to 30% for municipalities and rises to 75% for states, with the vast majority being derived from taxes. In Uruguay, own-source revenues represent a significant proportion of departmental budgets (74%), whereas municipalities lack fiscal capacity.

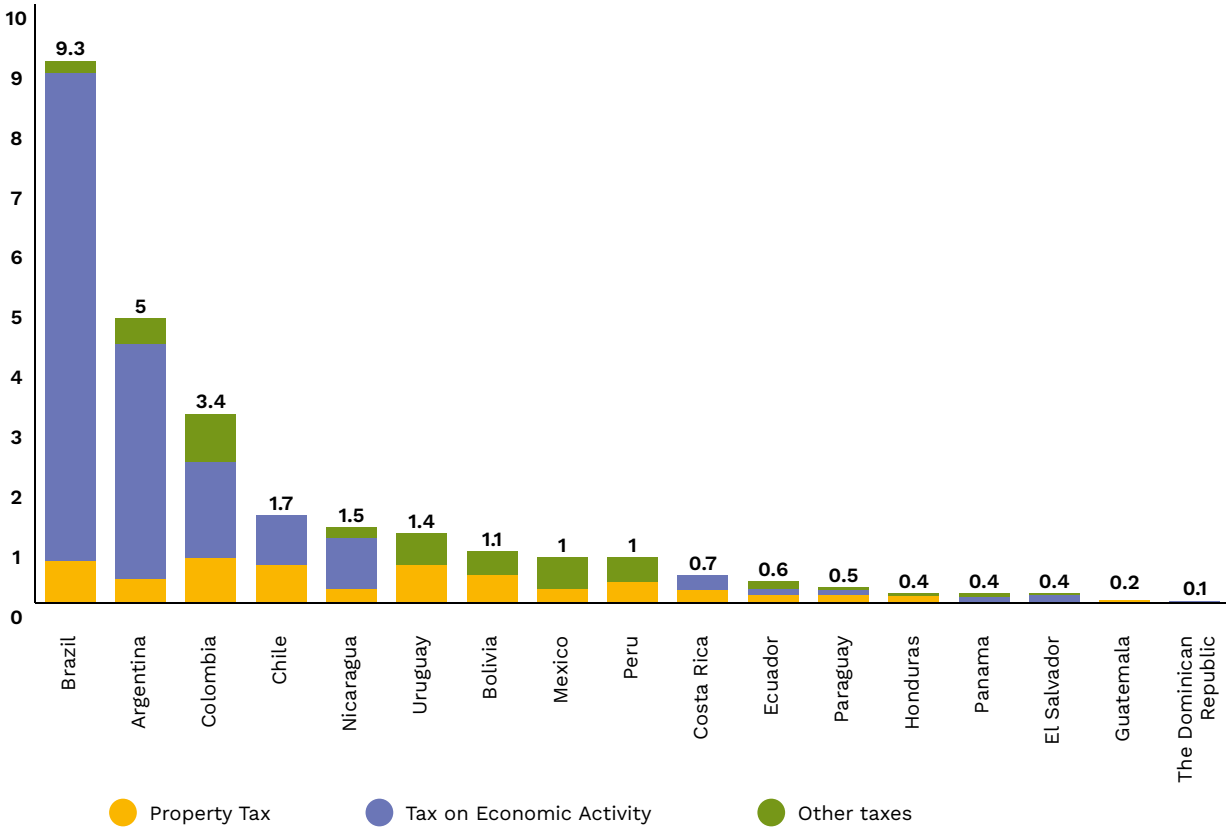
In general, most own-source revenues are derived from taxes. However, the tax-raising powers of subnational governments, particularly municipalities, are typically limited and underutilised. In federal countries, states or provinces usually have more fiscal authority, though this is not the case in Venezuela. Table 10 shows the main types of taxes collected across the region.

Local governments usually have the power to raise taxes related to economic activity and property, including real estate and vehicles. The countries with the highest subnational tax revenues are Argentina, Brazil and Uruguay at the intermediate government level and Colombia, Chile, Uruguay, Nicaragua and Costa Rica at the municipal level, where taxes represent around one-third of total municipal income.²⁸ Almost a third of tax revenue comes from property tax, known as the impuesto predial.

27 OECD-UCLG (2022). The global average for own-source revenues as a share of subnational budgets is 48.5%. In OECD countries, this figure is higher at 62.4% (OECD, 2021, p. 20). Notably, the IDB (2022, p. 29) classifies Bolivia and Peru as countries with low own-source revenues and an extremely high degree of dependence on transfers. Mexico and Ecuador come next in this category.

28 IDB (2022), p. 30.

CHART 10. BREAKDOWN OF AVERAGE TAX REVENUE (AS A PERCENTAGE OF THE TOTAL), 2015–2019 LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES).



SOURCE: IDB (2022): Overview of fiscal relations between levels of government in Latin American and Caribbean countries.

According to the IDB, the revenue performance of this tax still falls far short of its potential.²⁹ In Guatemalan municipalities, this tax accounts for over 80% of local tax revenue. In Peruvian municipalities, it accounts for more than 55%. In most of the countries analysed, administration of the property tax or its equivalent is delegated to local governments. This is not the case in Chile, Haiti, Panama and the Dominican Republic, where collection is handled by the central government. In El Salvador, no property tax is levied; a payment is only required upon transfer of ownership. In Argentina, property tax and vehicle tax are collected at the provincial level across most of the country.³⁰

29 Globally (across 87 countries), property tax accounts for 34% of subnational tax revenues (OECD-UCLG, 2022).

30 IDB (2022), p. 33–34

● Although subnational governments have assigned or delegated responsibilities relating to the environment, they have limited taxation powers in this area and have little experience with green taxes

In other countries, taxes on economic activity are a significant source of revenue. For instance, in Nicaragua and Panama, almost all municipal tax revenue comes from such taxes. The same applies to Chile (commercial licences) and Costa Rica (in addition to property tax, taxes on goods and services), where these types of taxes account for almost two-thirds of tax revenue. In Colombia, the industry and commerce tax accounts for 8% of municipal revenue, rising to 22% in Bogotá, D.C.³¹

Despite their assigned or delegated responsibilities, subnational governments have few environmental taxation powers. However, some do apply energy-related taxes, such as the tax on petroleum-derived fuels in Argentina and the tax on environmental impact caused by motor vehicles in Bolivia. Most subnational governments charge fees for climate-relevant public services, such as the use of drinking water and waste management. In Brazil, states levy a fee for environmental oversight and control. In Colombia, meanwhile, local governments may introduce surcharges on real estate taxes, with a portion earmarked for environmental conservation and renewable natural resources.³²

In terms of differences in taxation between intermediate and local levels of government, Argentina’s provinces and Brazil’s states stand out at the intermediate level for implementing high-revenue consumption taxes, although both systems have certain design flaws. In Brazil, around 92% of state-level tax revenue comes from the tax on the circulation of goods and services (ICMS), followed by the motor vehicle property tax (IPVA). In Argentina, a considerable proportion of provincial tax revenue is derived from the gross turnover tax, which continues to tax gross business sales despite efforts to eliminate or reduce it. In Mexico, the majority of state government tax revenue comes from

the payroll tax levied on formal employment earnings, followed by the vehicle tax. In Colombia, intermediate-level governments (departments) collect selective consumption taxes on beer, spirits, cigarettes and tobacco, as well as on vehicles, vehicle registration and petrol. These taxes are considered “assigned revenues” and, unlike in other countries, they must be earmarked for specific purposes, such as health, sports, public administration and social assistance. In order to prevent departments from competing with each other over vehicle taxation, Uruguay introduced a unified collection system known as the Single Vehicle Revenue Collection System (SUCIVE).

31 Idem. p. 33
32 Idem.

This system centrally defines the tax base and the collection process.³³

Finally, the capital cities of countries such as Argentina, Brazil, Colombia, Mexico and Peru combine the tax-raising powers of intermediate and local levels of government. Among the capitals of LAC, the Autonomous City of Buenos Aires stands out for its strong revenue-raising capacity, thanks to its population size, wealth and the types of taxes it collects.³⁴

Transfers from the state to subnational governments

As previously noted, transfers play a decisive role in financing local governments across the globe. In LAC, they have increased in recent decades, reflecting the expanding responsibilities of subnational governments and their heightened reliance on national funding. Several countries experienced disruptions in the volume and regularity of transfers due to the Covid-19 pandemic, and some countries have reformed their transfer systems in recent years (e.g. Ecuador, El Salvador, Nicaragua and Paraguay).

On average, transfers account for 51% of subnational government budgets in the region (compared to an OECD average of 37.6%), equivalent to 4.5% of GDP.³⁵ Six countries (Brazil, Colombia, Chile, Nicaragua, Paraguay and Venezuela) sit close to this average, with transfers financing between 45% and 60% of their budgets.³⁶ Below this group, indicating lower dependence on transfers, are

33 Idem. p. 32 and 34. OCDE-UCLG (2022) (See corresponding country profiles)
34 Idem. p. 32
35 OECD-UCLG (2022), IDB (2022). The IDB estimates that transfers contribute 56% of local budgets and represent 3.7% of GDP (p. 35). The regional average for transfers to local budgets is in line with the global average: 51.5% (OECD-UCLG, 2022, op. cit., p. 20). The IDB also estimates that transfers to intermediate-level governments equate to 4% of GDP, while transfers to local governments equate to 5.3% (p. 35)
36 In Brazil, transfers account for 44% of subnational budgets, though this figure rises to 70% for municipalities and falls to 25% for states. (OECD-UCLG, 2022)

THE STATE FISCAL MODEL FOR SOCIAL COHESION (MEXICO)¹

Diagnostic assessment for strengthening the finances of Mexican subnational governments

Mexico’s State Fiscal Model for Social Cohesion is supported by the Territorial Approach to Local Development (TALD), a facility operated by the European Commission. It brings together the finance and treasury authorities of most of the country’s federal states, serving as a platform for exchange and learning. Its goal is to strengthen the capacities and legal frameworks of federated entities in order to increase tax collection, enhance the quality and efficiency of public spending, and promote greater decentralisation and local autonomy.

The model is based on a nationwide diagnostic assessment of state-level revenues and expenditure. It considers the national economic context and fiscal situation, as well as potential future challenges facing governments at the federal and local levels. Based on available resources, it also explores expenditure priorities and fiscal space within the federated entities. The model’s overarching goal is to strengthen the economy and increase democratic transparency in the management of subnational public finances in Mexico.

REFERENCE: TALD, INTPA G2, European Commission.

1 More information at: https://internationaleuropa.eu/policies/programming/programmes/partnerships-sustainable-cities_en#related-documents

● Subnational governments in Mexico, the Dominican Republic and Peru exhibit the highest levels of dependence on transfers from the central government

Honduras, Panama and Paraguay, where transfers represent between 30% and 43% of subnational budgets. Costa Rica and Uruguay follow with around 25%, and Bolivia with 18%.³⁷ As previously mentioned, Argentina is a special case: its unusually low level of transfers (8%) conceals the fact that a large proportion of transferred funds are classified as shared taxes (impuestos coparticipados). At the other extreme are the countries where local governments are overly reliant on transfers, namely the Dominican Republic, Mexico and Peru, where transfers account for between 80% and 92% of subnational budgets. Below these are Guatemala and Ecuador, where 65% to 70% of budgets come from transfers.³⁸

Most countries calculate transfers by defining a percentage of centrally collected revenues from various sources, such as the national budget, specific taxes, exports or income from non-renewable resources. In some cases, multiple sources are combined. Regrettably, the management of these transfers can be affected by economic and political circumstances, which undermines their consistency and transparency. For instance, several countries in

Central America and the Caribbean have constitutional or legislative provisions setting transfers at around 10% of the national budget (e.g. Guatemala, Honduras, Nicaragua, the Dominican Republic and, before 2021, El Salvador) or at a percentage of tax revenues (Costa Rica).³⁹

In Ecuador, the territorial equity model sets transfers at 21% of permanent state revenues, 10% of non-permanent state revenues and a proportion of royalties from the exploitation of non-renewable resources. In Uruguay, the

allocation is set at 3.33% of the five-year national budget. In other countries, transfers are dependent on tax revenue. In Argentina, the revenue-sharing

37 According to the IDB (2022, p. 35), transfers in Bolivia amounted to 5% of GDP, predominantly from royalties and tax revenue sharing. This contrasts with the figures reported by the OECD-UCLG (2022) and highlights the extreme dependence of subnational governments on transfers.
38 OECD-UCLG (2022)

39 In Honduras, the constitution sets transfers at 11%. In the Dominican Republic, actual transfers failed to reach 3% of the central government’s current revenues even in 2022. In Nicaragua, the legal threshold of 10% has not been met (in 2024, it stood at 6%). In El Salvador, a 2021 legislative reform reduced the previous allocation of 10% to 1.5% for municipalities and 3% for projects transferred to the National Directorate of Municipal Works, which is managed directly by the central government. In Costa Rica, various laws regulate transfers, which declined between 2020 and 2024. However, the legislation governing the transfer of responsibilities for the cantonal road network specifies that 22.25% of fuel tax revenues must be allocated to municipalities for road maintenance.

system (coparticipación) is based on percentages of major national taxes. In Brazil, the main participation funds for states and municipalities are financed through a share of federal income tax and the tax on industrialised goods. In Peru, the Municipal Compensation Fund receives two percentage points of revenue from the general sales tax. Mexico’s General Participation Fund receives 20% of revenue from various federal taxes, which are then transferred to states and passed on to municipalities. Elsewhere, transfers are financed through revenues from the exploitation of non-renewable resources. Colombia’s General Royalties System, originally established for this purpose, was later revised to introduce a new resource allocation formula based on growth. In Paraguay, the main revenue-sharing systems are based on the income generated by hydroelectric companies through taxation.⁴⁰ Some of these funds are subject to the volatility of commodity prices, the geographic concentration of these raw materials, and the fact that a portion of the revenue is returned to the regions where the non-renewable resources are extracted.

In order to understand the impact of transfers on local autonomy, it is necessary to distinguish between three types of transfer: unconditional transfers, which subnational governments can use at their discretion to meet their own priorities; conditional transfers, which can only be used for specific purposes defined by legislation and the central government; and compensatory transfers, intended to cover costs associated with activities such as resource extraction. In most countries, all or a significant proportion of transfers are heavily conditional, as is the case in Bolivia, Brazil, Chile, Colombia, El Salvador, Ecuador, Honduras, Mexico, Nicaragua, Peru and the Dominican Republic. In Peru, some funds are freely available, one example being the Municipal Compensation Fund (FONCOMUN). Other funds, such as the Regional Compensation Fund (FONCOR), are earmarked for investment.

In Mexico, 62% of transfers correspond to “assigned” funds and 28% to “unassigned” funds. Many of these funds can only be used for infrastructure investment. For example, 70% of transfers in Ecuador are allocated for this purpose. In other cases, funds are allocated to specific sectors, such as education and health. Examples include Brazil’s Fund for the Maintenance and Development of Basic Education and the Valorisation of Education Professionals (FUNDEB) and the Unified Health System (SUS). In countries such as Chile and Uruguay, funds may be earmarked to support regional development projects.⁴¹

These funds’ redistribution mechanisms include equalisation measures based on indicators designed to compensate for territorial disparities, such as demographics,

40 IDB (2022, p. 36) and OECD-UCLG (2022)
41 IDB (2022, p. 37) and OECD-UCLG (2022)

poverty levels, land area or fiscal capacity. Some transfers are conditional on their use for promoting territorial convergence or compensation (i.e. Chile’s National Regional Development Fund, Uruguay’s Interior Development Fund, Peru’s Regional Compensation Fund and Mexico’s Social Infrastructure Contributions Fund). Others incorporate solidarity mechanisms that allocate a portion of revenues for redistribution among the poorest municipalities (as seen in Chile, Panama and Paraguay). Nevertheless, few of these mechanisms meaningfully reduce fiscal disparities or regional inequalities. In some instances, they may even worsen them. This occurs when distribution formulas rely on fixed coefficients or allocate equal amounts to all municipalities regardless of need. Similar issues arise when royalty redistribution funds are distributed primarily in regions where non-renewable resources are extracted.⁴²

In short, transfer systems can be improved to enable more effective funding, better access to services, and stronger technical and distributive capacities.

Debt and borrowing capacity

Subnational borrowing is permitted in most of the countries analysed, though the degree of autonomy from the national government varies. Borrowing from national entities is generally prioritised. However, in some countries, subnational governments may borrow from multilateral development institutions, provided a sovereign guarantee from the national government is secured. Direct borrowing from international banks remains rare, with few exceptions (e.g. states in Brazil). In recent years, the average subnational government debt in the region has remained around 3.5% of GDP. By comparison, the average among OECD countries stood at 27% of GDP in 2020, declining to 22.7% by 2024.⁴³

Six of the most decentralised countries in the region (Argentina, Brazil, Colombia, Ecuador, Mexico and Peru) have introduced fiscal responsibility laws for subnational governments, along with early warning systems to mitigate the risk of subnational over-indebtedness. These measures aim to prevent situations similar to those experienced in the late 1990s and early 2000s.⁴⁴

Brazilian state governments have the highest levels of debt, equivalent to 11.1% of GDP, a figure nine times greater than that recorded for the country’s local governments (1.2% of GDP). Next in line are Argentina, where provincial debt amounts to 6.3% of

GDP, and Colombia, where the combined debt of subnational governments stood at 3.7% of GDP in 2019.⁴⁵

The fiscal pressures triggered by the Covid-19 crisis, combined with rising inflation, are likely to prompt a re-evaluation of existing regulatory frameworks. The aim would be to promote more thorough and timely monitoring of subnational liabilities, not only to ensure sound fiscal oversight, but also to better harness the potential of responsible borrowing as a development tool for subnational governments.⁴⁶

Fiscal transparency remains a challenge. Although integrated subnational financial management systems have been created (e.g. in Brazil, Peru, Ecuador and in several countries in Central America and the Caribbean), issues persist regarding the regularity, quality and completeness of the reported information. These include how investment spending is classified, the lack of detailed expenditure data by functional classification, and insufficient information on the stock and status of subnational government debt. Strengthening government oversight bodies and increasing civil society participation could lead to greater transparency in public finances and, consequently, improved accountability.

● Although most subnational governments in LAC are not heavily in debt, few have access to international financing without a sovereign guarantee

42 IDB (2022, p. 37-38)
43 OECD-UCLG (2022), IDB (2022, p. 39), OECD (2021, p. 24). The IDB capped subnational government debt at 3% of GDP in 2019.
44 IDB (2022), p. 17-18 and 41

45 IDB (2022) p. 39
46 Idem.

3.6 Multilevel and multistakeholder governance

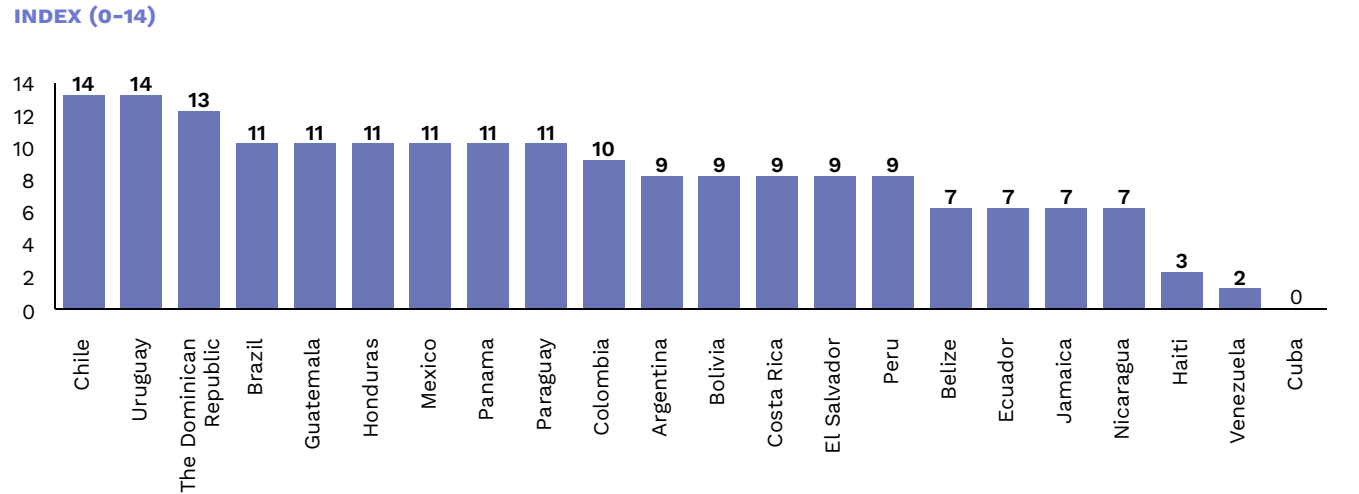
The OECD defines multilevel governance as the interaction between different levels of government in designing and implementing public policies with a subnational impact.⁴⁷ This interaction is characterised by interdependence, which can occur in three ways: vertically, between different levels of government; horizontally, within the same level of government; and through networks involving a broader range of stakeholders, including citizens, academia and the private sector. Multilevel governance practices are present across the vast majority of world regions and form part of each country’s governance system, regardless of its institutional structure (whether federal or unitary, centralised or decentralised).

An important factor that facilitates the participation of subnational governments in governance is the existence of representative and effective national associations capable of playing a leading role in intergovernmental dialogue. With the exception of Cuba, all countries in the region have one or more associations or networks that bring together local and intermediate-level governments. The following table provides an indicative (non-exhaustive) list of the main associations in the region.

These associations are generally recognised as dialogue partners of national governments, other social actors and international cooperation agencies. In addition to the associations listed, there are numerous state- or department-level networks, as well as thematic networks focused on areas such as climate change and culture. Regional networks include Mercociudades for cities, Zicosur for regions in the Southern Cone, and the Confederation of Associations of Municipalities of Central America and the Caribbean (CAMCAYCA). At the continental level, there is also the Latin American

⁴⁷ Claire Charbit (2011), Governance of Public Policies in Decentralise Contexts – The Multilevel Approach, OECD. OECD (2017), Multilevel governance reforms. Overview of OECD country experiences. https://www.oecd.org/en/publications/multi-level-governance-reforms_9789264272866-en.html

TABLE AND CHART 11. MULTILEVEL AND MULTISTAKEHOLDER GOVERNANCE			POINTS
6.1	Existence of one (or more) national associations of subnational governments		2
	• Not constitutionally recognised	(1 point)	
	• Constitutionally recognised	(2 points)	
6.2	Existence of institutional mechanisms for coordination and consultation between levels of government		4
	• By decision of the national executive	(2 points)	
	• By legal mandate	(4 points)	
6.3	Existence of territorial, supramunicipal, intermunicipal or cross-border association and cooperation mechanisms (2 points)		2
6.4	Existence of citizen participation instruments regulated by law		4
	• At the discretion of subnational governments	(2 points)	
	• By legal mandate	(4 points)	
6.5	Existence of public-private coordination mechanisms for subnational governments established by law (national legislation mentions subnational governments)		2
MAXIMUM SCORE			14



SOURCE: Authors’ own work.

TABLE 12. ASSOCIATIONS OF LOCAL AND INTERMEDIATE-LEVEL GOVERNMENTS IN LATIN AMERICA AND THE CARIBBEAN (NON-EXHAUSTIVE LIST)			
COUNTRY	ASSOCIATIONS OF INTERMEDIATE-LEVEL GOVERNMENTS (1)	NATIONAL ASSOCIATIONS OF MUNICIPALITIES (2)	OTHER ASSOCIATIONS (3)
ARGENTINA	Conference of Governors of the Argentine Republic (<i>Conferencia de Gobernadores de la República Argentina</i>)	Argentine Federation of Municipalities (<i>Federación Argentina de Municipios, FAM</i>)	
BELIZE		Belize Mayors' Association (<i>Asociación de Alcaldes de Belice, BMA</i>)	National Association of Village Councils (<i>Asociación Nacional de Concejos de Aldea, NAVCO</i>)
BOLIVIA		Federation of Municipal Associations (<i>Federación de Asociaciones de Municipios, FAM</i>)¹	- Association of Municipalities of Bolivia (<i>Asociación de Municipios de Bolivia, AMB</i>) - Association of Women Mayors and Councillors of Bolivia (<i>Asociación de Alcaldesas y Concejales de Bolivia, ACOBOL</i>)
BRAZIL	- Governors' Forum (<i>Fórum de Governadores</i>) - Brazilian Association of State Environmental Entities (<i>Associação Brasileira de Entidades Estaduais de Meio Ambiente, ABEMA</i>)	- Brazilian Association of Municipalities (<i>Associação Brasileira de Municipios, ABM</i>) - National Confederation of Municipalities (<i>Confederação Nacional de Municipios, CNM</i>)	National Front of Mayors (<i>Frente Nacional de Prefeitas e Prefeitos, FNP</i>)
CHILE	- Association of Regional Governors (<i>Asociación de Gobernadores y Gobernadoras Regionales</i>) - National Association of Regional Councillors (<i>Asociación Nacional de Consejeros Regionales, ANCORE</i>)	- Chilean Association of Municipalities (<i>Asociación Chilena de Municipios, ACHM</i>) - Association of Municipalities of Chile (<i>Asociación de Municipios de Chile, AMUCH</i>)	Chilean Association of Rural Municipalities (<i>Asociación Chilena de Municipios Rurales, AMUR</i>)
COLOMBIA	National Federation of Departments (<i>Federación Nacional de Departamentos, FND</i>)	- Colombian Federation of Municipalities (<i>Federación Colombiana de Municipios, FCM</i>) - Association of Capital Cities (<i>Asociación de Ciudades Capitales, Asocapitales</i>)	- Association of Intermediate Cities (<i>Asociación de Ciudades Intermedias</i>) - National Federation of Councils and Councillors (<i>Federación Nacional de Concejos y Concejales</i>)

1 Includes nine departmental associations, AMB and ACOBOL.

TABLE 12. ASSOCIATIONS OF LOCAL AND INTERMEDIATE-LEVEL GOVERNMENTS IN LATIN AMERICA AND THE CARIBBEAN (CONTINUATION)			
COUNTRY	ASSOCIATIONS OF INTERMEDIATE-LEVEL GOVERNMENTS (1)	NATIONAL ASSOCIATIONS OF MUNICIPALITIES (2)	OTHER ASSOCIATIONS (3)
COSTA RICA		- National Union of Local Governments (<i>Unión Nacional de Gobiernos Locales, UNGL</i>) - National Association of Mayors and Intendants (<i>Asociación Nacional de Alcaldías e Intendencias, ANAI</i>)	Network of Women in Municipal Government (<i>Red de Mujeres Municipalistas, RECOMM</i>)
ECUADOR	Consortium of Provincial Governments (<i>Consortio de Gobiernos Provinciales, CONGOPE</i>)	Association of Municipalities of Ecuador (<i>Asociación de Municipios de Ecuador, AME</i>)	National Council of Rural Parish Governments (<i>Concejo Nacional de Gobiernos Parroquiales Rurales, CONAGOPARE</i>)
EL SALVADOR		Corporation of Municipalities of the Republic of El Salvador (<i>Corporación de Municipalidades de la República de El Salvador, COMURES</i>) (<i>Inactive</i>)	Network of Municipal Associations of El Salvador¹ (<i>Red de Asociaciones de Municipios de El Salvador</i>)
GUATEMALA		National Association of Municipalities (<i>Asociación Nacional de Municipalidades, ANAM</i>)	Association of Mayors and Indigenous Authorities (<i>Asociación de Alcaldes y Autoridades Indígenas, AGAAI</i>)
HAITI			- National Federation of Mayors of Haiti (<i>Fédération Nationale des Maires d'Haïti, FENAMH</i>) - National Federation of Women Mayors of Haiti (<i>Fédération Nationale des Femmes Maires d'Haïti, FENAFEMH</i>)
HONDURAS		Association of Municipalities of Hounduras (<i>Asociación de Municipios de Honduras, AMHON</i>)	
JAMAICA		Association of Local Government Authorities of Jamaica (ALGAJ)	

2 Includes 23 departmental associations.

3 Coordination platform for the associations listed in column 3.

TABLE 12. ASSOCIATIONS OF LOCAL AND INTERMEDIATE-LEVEL GOVERNMENTS IN LATIN AMERICA AND THE CARIBBEAN (CONTINUATION)			
COUNTRY	ASSOCIATIONS OF INTERMEDIATE-LEVEL GOVERNMENTS (1)	NATIONAL ASSOCIATIONS OF MUNICIPALITIES (2)	OTHER ASSOCIATIONS (3)
MEXICO	National Conference of Governors (<i>Conferencia Nacional de Gobernadores</i>, CONAGO)	National Conference of Municipalities of Mexico¹ (<i>Conferencia Nacional de Municipios de México</i>, CONAMM) (<i>Inactive</i>)	- Association of Municipalities of Mexico (<i>Asociación de Municipios de México</i>, AMMAC) - National Association of Mayors and Municipalities of Mexico (<i>Asociación Nacional de Alcaldías y Municipios de México</i>, ANAMM) - National Federation of Municipalities of Mexico (<i>Federación Nacional de Municipios de México</i>, FENAMM) - Association of Local Authorities of Mexico (<i>Asociación de Autoridades Locales de México</i>, AALMAC) - National Association of Capital Cities (<i>Asociación Nacional de Ciudades Capitales</i>)
NICARAGUA		Association of Municipalities of Nicaragua (<i>Asociación de Municipios de Nicaragua</i>, AMUNIC)	Nicaraguan Association of Democratic Mayors (<i>Asociación Nicaragüense de Alcaldes Democráticos</i>, ANAD)
PANAMA		Association of Municipalities of Panama (<i>Asociación de Municipios de Panamá</i>, AMUPA)	Panama’s Mayors’ Association (<i>Asociación de Alcaldes de Panamá</i>, ADALPA)
PARAGUAY	Council of Governors of Paraguay (<i>Concejo de Gobernadores de Paraguay</i>)		- Association of Municipal Boards of Paraguay (<i>Asociación de Juntas Municipales del Paraguay</i>, Ajumpa) - Women’s Municipal Network of Paraguay (<i>Red de Mujeres Múicipes del Paraguay</i>, RMMP) - Paraguayan Organisation for Intermunicipal Cooperation (<i>Organización Paraguaya de Cooperación Intermunicipal</i>, OPACI)
PERU	National Assembly of Regional Governments (<i>Asamblea Nacional de Gobiernos Regionales</i>, ANGR)	Association of Municipalities of Peru (<i>Asociación de Municipios del Perú</i>) (AMPE)	- Network of Urban and Rural Municipalities of Peru (<i>Red de Municipalidades Urbanas y Rurales del Perú</i>, REMURPE) - Networked Municipalities Association (<i>Asociación de Municipalidades en Red</i>, MUNIRED)

TABLE 12. ASSOCIATIONS OF LOCAL AND INTERMEDIATE-LEVEL GOVERNMENTS IN LATIN AMERICA AND THE CARIBBEAN (CONTINUATION)			
COUNTRY	ASSOCIATIONS OF INTERMEDIATE-LEVEL GOVERNMENTS (1)	NATIONAL ASSOCIATIONS OF MUNICIPALITIES (2)	OTHER ASSOCIATIONS (3)
THE DOMINICAN REPUBLIC		Dominican Federation of Municipalities (<i>Federación Dominicana de Municipios</i>, FEDOMU)	Dominican Federation of Municipal Districts (<i>Federación Dominicana de Distritos Municipales</i>, FEDODIM)
URUGUAY	Congress of Mayors (<i>Congreso de Intendentes</i>)	National Plenary of Municipalities (<i>Plenario Nacional de Municipios</i>)	National Congress of Councillors (<i>Congreso Nacional de Ediles</i>)
VENEZUELA		- Bolivarian Association of Mayors (<i>Asociación Bolivariana de Alcaldes</i>) (<i>Inactive</i>) - Association of Mayors of Venezuela (<i>Asociación de Alcaldes de Venezuela</i>, ADAVE) (<i>Inactive</i>)	

SOURCE: Compiled by the authors from the study’s country profiles.

Federation of Cities, Municipalities and Associations of Local Governments (FLACMA). Most of the associations listed in the table aim to represent the full range of gov-ernments at their respective level, e.g. intermediate-level governments (column 1) or municipalities (column 2).

Some of these associations have a long-standing tradition and are formally recog-nised in national legislation, with their funding even mandated by law. A prime exam-ple is Ecuador’s AME, founded in 1941. However, the majority have been established within the past 20 to 30 years and are recognised as non-profit public organisations. Some are highly representative, while others have more limited reach. This has led to the emergence of alternative organisations. In Peru, for example, the older association AMPE has declined in influence, giving rise to REMURPE. Similarly, in Brazil, the older ABM now coexists with the newer CNM, which brings together all state-level municipal associations. Some associations have a well-developed organisational structure that enables them to provide legal, technical and training sup-port, as well as cooperation and project assistance, to their members. Others operate with minimal staffing.

In some countries, associations bring together specific groups. For instance, mayors and executive authorities are united by Brazil’s National Front of Mayors (FNP), the Belize Mayors’ Association (BMA), Costa Rica’s National Association of Mayors and Intendants (ANAI), and Panama’s Mayors’ Association (ADALPA). Other associations specifically represent councillors, as with Uruguay’s National Congress of Councillors, or Indigenous leaders, as with Guatemala’s Association of Mayors and Indigenous Authorities (AGAAI). Several associations focus on a single type of local

● All countries studied except Cuba have one or more associations of subnational governments

government. Examples from Colombia include Asocapitales, which represents departmental capitals, and the Association of Intermediate Cities. Others bring together submunicipal governments, such as the National Association of Village Councils (NAVCO) in Belize, the National Council of Rural Parish Governments (CONAGOPARE) in Ecuador, the Association of Municipal Boards (Ajumpa) in Paraguay and the Federation of Municipal Districts (FEDODIM) in the Dominican Republic. Some associations are party-affiliated. These include four of the Mexican entities listed in column 3 (AMMAC, ANAMM, FENAMM and AALMAC) and the Nicaraguan Association of Democratic Mayors (ANAD). Finally, several countries have created associations of women in elected positions. Examples include ACOBOL in Bolivia, RECOMM in Costa Rica, FENAFEMH in Haiti and the Women's Municipal Network in Paraguay. In Bolivia, the nine departmental associations are grouped together under the Federation of Municipal Associations (FAM). In Brazil, where each state or region has its own federation, these are collectively represented by the National Confederation of Municipalities (CNM). In countries with authoritarian regimes, such as Venezuela, Nicaragua and El Salvador, national associations have become weaker or inactive (e.g. COMURES in El Salvador and ADAVE in Venezuela).

All the aforementioned associations engage in lobbying, advocacy and monitoring of institutional dialogue with the executive and legislative branches. Many participate in parity-based mechanisms established at the national level to facilitate discussion and coordination between national and subnational governments, with the aim of advancing decentralisation processes, promoting the transfer of responsibilities and improving the management of funds. Examples include the National Council of Autonomous Entities in Bolivia, the National Competencies Council in Ecuador, the Special Commission on State Decentralisation and its Consultative Forum in Honduras, the Intergovernmental Coordination Council in Peru, and the Sectoral Commission on Decentralisation in Uruguay. A wide range of commissions also promote consensus on matters such as financing and sector-specific policies (e.g. in health, education, public works, rural development or the rights of ethnic communities) at various territorial levels. In Colombia, for instance, the National Commission on Land Use Planning was created in 2011 with the adoption of the Organic Law on Land Use Planning (LOOT), followed in 2012 by the establishment of the collegiate bodies for administration and decision (OCADs). These bodies operate across territorial levels, with equal representation from the national government and subnational authorities, and are responsible for evaluating and approving projects financed through the General System of Royalties. In Costa Rica, the cantonal councils for interinstitutional coordination facilitate coordination between national and local public bodies. Colombia, Ecuador and Guatemala have developed territorial planning systems that include parity-based councils extending from the national level down to municipal and community levels (see below “3.7. Performance and management capacity”).

In all countries, a ministry is responsible for institutional coordination between the central government and subnational authorities. This role is typically carried out by a ministry of the interior or planning, while financial matters generally fall under the remit of the ministry of finance or the economy. Such coordination may also be the responsibility of an agency that reports directly to the presidency (as in Bolivia, Guatemala and Panama), the office of the president of the council of ministers (as in Peru, where it is the Secretariat for Decentralisation), or the Federal Council of Government (as in Venezuela). Often, responsibility lies with ministries, secretariats or institutions in charge of development planning (Cuba, Colombia, Costa Rica, Ecuador and Uruguay), the ministry of the interior (Argentina, Chile and Haiti), or the ministry of “governance” (El Salvador and Honduras, where it is officially titled the Secretaría de Gobernación, Justicia y Descentralización). The Dominican Republic is an exception, as coordination is entrusted to the Ministry of Public Administration. In Nicaragua, responsibility for relations with municipalities has recently been transferred to the Office of the Attorney General, which now assumes this role in addition to those traditionally carried out by the ministries of the interior and finance. In Paraguay, the Directorate of Departments and Municipalities is housed within the Ministry of the Economy. In Brazil, the relationship with states and local governments is managed by multiple sectoral institutions, such as the National Council for Fiscal Policy, and by the Ministry of Cities. Originally established in 2003 and re-established in 2023, this ministry coordinates urban policy and efforts to combat social inequality, fostering dialogue among the federal government, territorial entities and civil society.

In Mexico, several institutions are also involved. These include the Secretariat of Finance, which reports to the Presidency and operates through the Unit for Coordination with Federal Entities (which oversees the National System for Fiscal Coordination); the Secretariat of the Interior (through the National Institute for Federalism and Municipal Development, INAFED); and the Secretariat for Agrarian, Territorial and Urban Development. In Belize, coordination falls under the Ministry of Rural and Community Development, Labour and Local Government, which has set up the Local Government Monitoring Council with civil society participation. In Jamaica, this responsibility lies with the Ministry of Local Government. Several countries have created national institutions to provide municipalities with legal, technical and financial support. Examples include the Institute for Municipal Promotion and Advisory Services (IFAM) in Costa Rica; the Municipal Development Institute (INFOM) in Guatemala; the Municipal Development Institute (IDEM) in Honduras; the National Institute for Federalism and Municipal Development (INAFED) in Mexico; and the Dominican Municipal League (LMD) in the Dominican Republic.

Eighteen of the region’s 22 countries have mechanisms for intermunicipal or supranational association and cooperation, aimed at jointly managing public services, infrastructure projects, economic development initiatives or natural resource stewardship. The form these take depends on the legal framework and available financing mechanisms. In some countries, legislation promotes municipal associations in order to achieve economies of scale and gain access to resources (such as fiscal co-participation in Bolivia). In Honduras, forming an intermunicipal association is compulsory if two municipalities do not meet the minimum requirements to fulfil certain responsibilities. However, local conditions, the political will of the authorities involved and the existence of legal and financial incentives matter more than size.

Rather than a single model of intergovernmental association, there is a range of institutional options, including intermunicipal associations, consortia and partnerships. The specific form taken by each of these depends on factors such as legal personality, organisational structure, financing and geographical proximity. There are exceptions, such as in Ecuador, where consortia may comprise autonomous governments from different provinces, even if they are not geographically close. In Colombia, Law 1454 on Land Use Planning (2011) gave fresh impetus to associations between territorial entities (departments, districts, municipalities and metropolitan areas). Other models also exist, including federations (of which there are 12 in Costa Rica), micro-regions (in Argentina, Brazil and El Salvador), networks (in Argentina and Uruguay), and cross-border municipal associations (for example, between Mercosur countries or between the Dominican Republic and Haiti). Figures from the early 2020s

illustrate this diversity: Brazil had 601 consortia involving 4,723 municipalities, Colombia had 81 territorial associative schemes, Peru had 209 intermunicipal associations, Ecuador had 66 associations, and El Salvador had 24 intermunicipal associations and micro-regions. Guatemala established its Presidential Commission on Municipal Affairs (COPRESAM) to facilitate intermunicipal cooperation, and currently has 46 intermunicipal associations. Metropolitan areas are also particularly relevant in this region due to the growth of large urban agglomerations and their social and economic impact.

Large cities present unique management challenges. Several countries encourage the creation of metropolitan areas when neighbouring municipalities reach a certain population threshold (e.g. 500,000 in Bolivia and 250,000 in Chile). In Brazil, following the enactment of the Metropolis Statute in 2015, 76 metropolitan regions, three integrated development regions (RIDEs) and five urban agglomerations were officially recognised. Metropolitan regions are also found in Mexico (where there are 74), Colombia (9),

Venezuela (7, though with limited powers), Chile (7), Bolivia and Peru (3 each), Ecuador (2), and Costa Rica, El Salvador and Panama (1 each).

Citizen participation at the subnational level, particularly in municipalities, is fundamental to strengthening local democracy and fostering public engagement in the social construction of public policy. As set out in the Ibero-American Charter for Citizen Participation in Public Management (2009), participation of this kind is a right, a responsibility and a complement to traditional forms of political representation. Citizen participation is regulated by law in all countries across the region, and in several cases its principles are enshrined in national constitutions (e.g. Brazil and Bolivia). Many countries also have specific legislation governing participation; for instance, 30 of Mexico’s federal entities have adopted their own laws on citizen participation. The table below highlights the diversity of mechanisms established in law.

The list of mechanisms in the table is not exhaustive. Some are one-off instruments, such as public hearings, consultations, open councils, referenda and plebiscites, while others involve recurrent processes, such as development councils and participatory budgeting. Several countries also recognise other citizen oversight mechanisms, such as *veedurías ciudadanas* (citizen watchdogs) in Colombia and Ecuador, and municipal social audits and citizen transparency commissions in Honduras. In Ecuador, the *silla vacía* (empty chair) mechanism enables citizens to submit petitions during municipal council meetings. There are also institutional figures designed to bring authorities closer to the public (e.g. *auxiliares de barrio*, or neighbourhood auxiliaries, in Honduras) or specific communities (*alcaldes pedáneos*, or hamlet mayors, in rural areas or those inhabited by Indigenous communities in Guatemala). In several countries, municipalities are obliged to support community associations, neighbourhood groups, resident associations, and organisations of women and young people financially and otherwise (e.g. in Chile and Nicaragua). Digital tools have also been developed to facilitate participation. For example, the cities of Montevideo and Canelones in Uruguay have a platform called “Decide” through which citizens can express their views on important issues. In Colombia, the *Ciudades Cómo Vamos* civil society network was established to regularly monitor local public policies.

Recurrent mechanisms merit special attention, particularly development councils established at municipal, departmental, regional or even community (or parish, in the case of Jamaica) levels. These councils facilitate participatory planning processes within territories, encouraging dialogue between civil society organisations and local governments regarding priorities, projects and budgets. A prime example of this is Colombia’s territorial councils for participatory planning. In some cases, these processes grant access to competitive funding (e.g. in Chile, via community development plans and neighbourhood development funds). In Costa Rica, the Law on

● Significant potential remains for the development of intermunicipal associations, metropolitan coordination mechanisms and forms of intermunicipal cooperation, particularly for the joint delivery of basic services

Transfers requires municipalities to consult citizens on the project portfolio through municipal development councils (COMUDES) as part of the annual budgeting process. The COMUDES, in turn, is part of the wider Development Council System (SICODE). In Panama, planning and municipal development boards are mandatory at the submunicipal level (corregimiento). Their role is to contribute to the District Strategic Plan and to approve the participatory budget for public investment. In Haiti, alongside the development councils, the assemblées de la section communale (communal section assemblies, ASEC) are designed to promote community engagement in local development.

One of the most renowned practices in the region—and indeed globally—is participatory budgeting, referenced in legislation or implemented in municipalities in nearly every country (see Table 4). In Brazil, the country of its origin, participatory budgeting was inconsistently practised in 482 cities (8.6% of municipalities) by the mid-2010s. In 2007, the Dominican Republic adopted Law No. 170-07, establishing the Municipal Participatory Budgeting System. In most countries, implementation tends to be limited to a relatively small group of municipalities.

Participation depends on the will of local authorities and is not necessarily widespread in most countries. On a global level, citizen engagement may decline due to socioeconomic crises, discontinuous participatory processes or failed commitments, all of which breed mistrust. Participation may also be distorted by local caudillismo (strongman politics) or clientelism practices. In some countries, the institutionalisation of citizen participation has been contentious due to national political contexts. Not uncommonly, these spaces have also been subject to government co-optation. In Nicaragua, citizen participation spaces have been shut down in recent years.

Finally, it is worth mentioning several public-private coordination mechanisms involving municipal governments. Public-private partnerships (PPPs) “have been promoted globally as a solution for states to meet their infrastructure and public service needs through private-sector participation. Latin America is no exception to the implementation of this formula, and in recent years has become a leader in PPP among its fellow developing regions”.⁴⁸ In this context, it is important to note that 16 of the region’s 22 countries explicitly include municipalities or

48 José Manuel Vassallo (2018), Public-Private Partnership in Latin America. Facing the challenge of connecting and improving cities, Bogotá: CAF https://scioteca.caf.com/bitstream/handle/123456789/1549/Public-Private_Partnership_in_Latin_America_Facing_the_challenge_of_connecting_and_improving_cities..pdf?sequence=1&isAllowed=y

TABLE 13. SELECTION OF CITIZEN PARTICIPATION MECHANISMS AND PROCESSES MENTIONED IN LEGISLATION

	Mechanisms							Processes	
	PUBLIC HEARINGS	PUBLIC CONSULTATIONS	OPEN COUNCILS	CITIZENS' INITIATIVE /RIGHT TO PETITION	REFERENDUM	PLEBISCITE	RECALL OF MANDATE	DEVELOPMENT COUNCILS	PARTICIPATORY BUDGETING*
ARGENTINA	●						●		●
BELIZE			●						
BOLIVIA								●	●
BRAZIL	●			●	●	●			●
CHILE	●	●				●			●
COLOMBIA	●		●	●	●	●	●	●	●
COSTA RICA			●		●	●		●	●
CUBA		●		●					
ECUADOR	●	●	●	●				●	●
EL SALVADOR		●	●				●	●	●
GUATEMALA		●	●					●	●
HAITI								●	
HONDURAS			●			●		●	●
JAMAICA								●	
MEXICO	●	●		●	●	●		●	●
NICARAGUA		●	●	●				●	●
PANAMA	●		●	●	●	●		●	●
PARAGUAY								●	●
PERU	●				●		●		●
THE DOMINICAN REPUBLIC			●		●	●			●
URUGUAY	●			●					●
VENEZUELA		●			●			●	

NOTE: “Mechanisms” refers to actions that may be occasional (such as a public hearing, an open council once a year, or a public consultation every five years) or recurrent. “Processes” refers to participatory mechanisms that unfold over time, for example, participatory budgeting involves selecting representatives, proposing projects, debating them, and holding neighbourhood or sectoral meetings. “Participatory budgeting” is not always referenced in legislation, but countries with concrete experience are included.

SOURCE: Own elaboration based on country fiches.



MUNICIPAL SYSTEM OF CITIZEN PARTICIPATION (SMPC). MEDELLÍN, COLOMBIA

The SMPC aims to strengthen and coordinate participatory processes across the city, creating conditions that allow citizens to engage with public matters through spaces that foster the exchange of opinions and knowledge. This system enables all participants to pursue a shared goal and work collectively towards a solution that improves, addresses or transforms the public issue that motivated their involvement.

The SMPC serves as a coordination tool between the Medellín Mayor’s Office and the city’s residents, enabling them to collaborate to improve, transform or resolve matters of public concern.

SOURCE: Medellín Mayor’s Office¹

¹ More information at: <https://www.medellin.gov.co/irj/portal/medellin?NavigationTarget=contenido/6718-Sistema-Municipal-de-Participacion-Ciudadana-SMPC>



Most countries in the region have laws that encourage public-private partnerships at the subnational level

decentralised territorial entities in their PPP legislation as contracting parties and key stakeholders. These countries are Argentina, Brazil, Bolivia (territorial autonomous entities), Colombia (territorial public entities), Costa Rica (territorial decentralised bodies), Ecuador, El Salvador and Guatemala (municipalities and intermunicipal associations), Honduras, Mexico (states and municipalities), Jamaica, Panama (municipalities), Peru (regional or local governments as promoting bodies), the Dominican Republic (municipal councils) and Uruguay (intendencias, or departmental governments). In Brazil, for example, 24.3% of municipalities outsourced public transport services in 2017, 86% outsourced waste management and cleaning services, and 39% outsourced social services.



Juan Mosquera, Cuenca, Azuay, Ecuador

3.7 Performance and management capacity

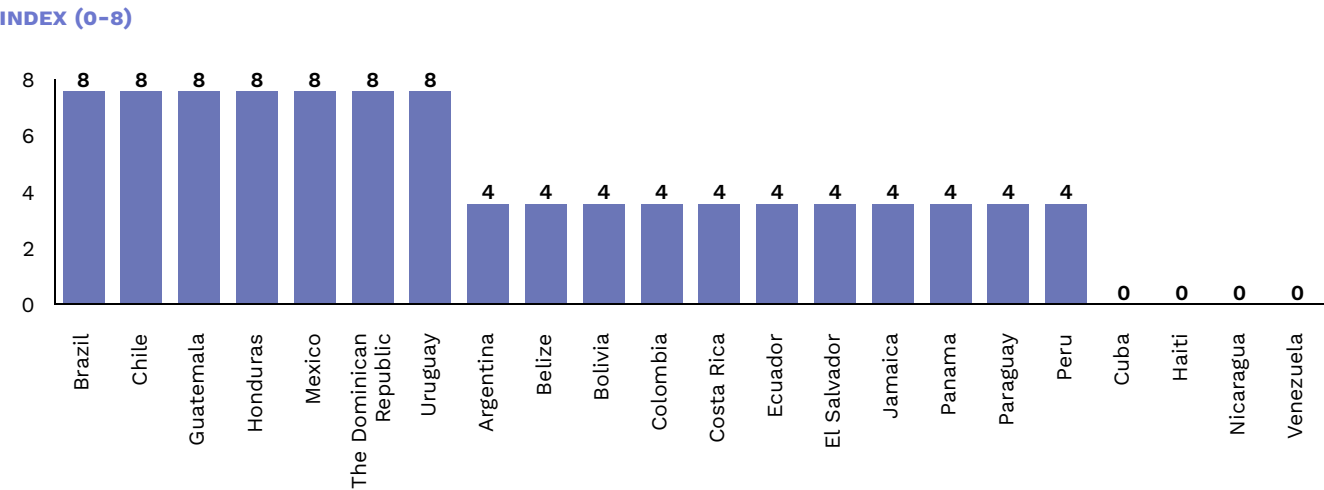
To assess the performance and management capacity of subnational authorities in LAC countries, two aspects have been considered: development and land use planning systems, and the promotion of results-based budgeting.

Development planning

Development planning at the subnational level is making progress across the region, albeit with varying characteristics and uneven advances. After a period of relative convergence around territorial development in the 2000s, disparities have once again widened between central regions and major cities (where resources and wealth are concentrated) and other areas. This makes land use planning processes all the more essential.⁴⁹ There is an urgent need to design strategies that promote stronger vertical and horizontal coordination between territories, linking large urban agglomerations, intermediate cities, towns and rural areas, while taking into account the asymmetries between them. Territories function as components within a country’s broader national system, making the integration of plans across different territorial scales essential for achieving more inclusive and sustainable development. At present, most planning legislation in the region includes provisions that establish mechanisms to link national and subnational planning, aiming to reduce disparities in territorial development. Some countries have a long-standing tradition of fostering regional dialogue and development policies (e.g. Brazil), while others prioritise territorial strategies in their national development plans (e.g. Ecuador). Several countries have recently strengthened these dimensions, for example the Dominican Republic with its 2022 regionalisation law and Chile with the creation of the National Council for Territorial Development in 2023.⁵⁰

⁴⁹ E. Diez Pinto, L. Riffo Pérez, A. Williner, C. Sandoval y M. Délano (2024) Panorama del desarrollo territorial de América Latina y el Caribe, 2024, ECLAC. <https://repositorio.cepal.org/server/api/core/bitstreams/e13309d6-d4c3-406f-9d2b-503b9a01afc1/content>
⁵⁰ Eighteen countries have national development programmes, and at least 16 have plans for development and land use planning. See Diez Pinto, Riffo Pérez et. al. (2024); and ECLAC, Regional Observatory on Planning for Development in Latin America and the Caribbean. <https://observatorioplanificacion.cepal.org/en>

TABLE AND CHART 14. PERFORMANCE AND CAPACITIES		POINTS
7.1	Existence of local or regional public policy planning systems	4
7.2	Existence of results-based budgeting systems	4
MAXIMUM SCORE		8



SOURCE: Authors’ own work.

At the institutional level, Colombia, for example, adopted Law 1454 on Land Use Planning in 2011. This law strengthens coordination between regional, departmental and municipal commissions on land use planning and redefines competencies in this area to promote complementary efforts, creating administrative and planning regions in the process. The country’s National Development Strategy focuses on regional development and establishes pathways for dialogue and alignment around strategic agreements. To this end, the government promotes “territorial pacts” and “plan for peace agreements” to harmonise local, departmental, regional and national plans, identify shared initiatives and accelerate the implementation of national development goals, which are supported by financial incentives. The National Planning Department uses the SINERGIA Territorial system to monitor and evaluate the achievement of objectives set out in the National Development Plan and the peace agreements with territorial impact.

In the Andean region, Ecuador’s Development Plan 2024-2025 devotes a substantial portion of its National Territorial Strategy to developing regional spaces through an



Israel Torres, Ciudad de México, México

integrated approach, with the aim of enhancing multilevel governance. The National Secretariat for Planning and Development (SENPLADES) coordinates and oversees the National Decentralised System for Participatory Planning. One of the system’s objectives is to align local and provincial plans with the National Development Plan and the Territorial Strategy. However, these coordination efforts are hindered by institutional weaknesses and a centralised management structure. The Amazonian territories benefit from an integrated planning system designed specifically to protect ecosystems and traditional cultures. In May 2021, the Peruvian government issued the Guide to Concerted Regional Development Plans, which aims to provide a clear methodology for formulating such plans. The overarching goal is to align national objectives, as set out in the National Strategic Development Plan 2050, with regional, provincial and district-level plans. Municipalities are required to establish local provincial coordination councils, which include district mayors, and local district coordination councils. Both must include civil society representatives, who make up 40% of their membership.

In Costa Rica, the National Development and Public Investment Plan 2023-2026 (PNDIP) and the National Regional Development Policy 2024-2034, together with the National Strategic Plan 2050, aim to reduce regional disparities and address governance challenges by strengthening coordination with the “collaborating” institutions that are part of the regional planning subsystem, such as municipalities and civil society organisations. These institutions are coordinated through regional development agencies and rural territorial development councils. At the local level, cantonal councils

for interinstitutional coordination facilitate strategy consultation and project monitoring. In Guatemala, the Katún National Development Plan 2032 seeks to achieve greater harmony and balance between rural areas and urban systems, placing increased emphasis on land use planning. The country has had its System of Urban and Rural Development Councils in place for decades. These councils bring together central government entities, local authorities and civil society organisations at all territorial levels (regional, departmental, municipal and community) to promote alignment between planning and investment across the country.

In Panama, the National Decentralisation Authority is promoting strategic district development plans (involving 81 municipalities in the second half of 2024). Meanwhile, the Directorate of Regional Planning is developing national development policy proposals for the regions, which will be incorporated into the National Strategic Plan (PEG 2030). In Nicaragua, the National Development Plan 2022-2026 aims to strengthen municipal development plans (PDMS) and resilient land use planning or urban development plans. In the autonomous Atlantic regions, the Economic and Social Planning Councils (CORPES) are responsible for planning. Similarly, the Dominican Republic’s National Development Strategy 2030 adopts a territorial approach. In 2022, a new organic law on unified regions, incorporating municipalities and districts, was enacted to enhance coordination between municipal and district development plans. The Ministry of Economy, Planning and Development, through the Office of the Deputy Minister for Land Use Planning and Regional Development, assumes the lead role in coordinating regional planning efforts.

Mexico has a General Law on Human Settlements, Land Use Planning and Urban Development, as well as a National Land Use Planning Strategy. Most federated states have their own planning law or equivalent legislation defining how state governments should coordinate the planning activities that municipalities are required to undertake. Federal public spending policies, which directly impact territories, are determined by the Secretariat of Finance and Public Credit based on the National Development Plan (PND). At the municipal level, tools typically used for drafting local plans include municipal development planning committees (COPLADEMUN) and state-municipality coordination agreements (CODEM). These committees are responsible for promoting and coordinating the formulation, implementation and evaluation of such plans, while agreements are signed between state and municipal governments to transfer resources and carry out joint actions/projects for the benefit of both state and municipal development.

● There are frameworks in place for public policy planning at the subnational level in all countries, though these plans are frequently subject to change as a result of electoral turnover

In the Southern Cone, Brazil adopted its new National Regional Development Policy (PNDR) in 2024, updating strategies that had been in place since the early 2000s. The policy reaffirms the need to “reduce economic and social inequalities, both within and between regions” in order to address the issue of limited capacity at subnational levels. Among its objectives is a programme for intermediate cities, aimed at promoting regional integration and development.⁵¹ All cities with more than 20,000 inhabitants are required to adopt a master plan.

In Argentina, a Territorial Strategic Plan was approved in 2008 and has since been updated periodically (most recently in 2018). Supported by the Federal Council for Planning and Land Use Planning (COFEPLAN) and the National System for Development and Land Use Planning (SINDOT), the plan aims to coordinate plans and projects at national, provincial and local levels. However, its impact on municipal management has been minimal. In Paraguay, the National Development Plan 2030 (PND 2030) identifies productive diversification as a key pillar of regional development. The municipal organic law stipulates that municipalities must undertake local planning using tools such as the Plan for Urban and Land Use Planning (POUT) and the Sustainable Development Plan (PDS). In Chile, the National Council for Territorial Development was established to coordinate the objectives and implementation processes of urban development, rural development and land use planning policies, within the broader framework of decentralisation. Local governments are required to define a community development plan (PLADECO), which must be approved by the municipal council and have a minimum duration of four years.

In short, multilevel coordination and alignment are integral to the planning process and essential for establishing institutional foundations that support more equitable territorial development and promote national and regional integration. Basic national agreements enriched by local processes are needed to ensure that forward-looking planning and the necessary alignment of territorial scales prevail, to avoid the risk of short-term stagnation or excessive focus on immediate political pressures and demands.

51 E. Díez Pinto, L. Riffo Pérez, A. Williner, C. Sandoval y M. Délano (2024) Panorama del desarrollo territorial de América Latina y el Caribe, 2024, p. 77-81

Results-based budgeting

Local development planning should also be linked to results-based budgeting. The public budget is an instrument of development policy, reflecting how governments finance their activities and allocate resources to deliver public goods and services and ultimately foster more inclusive societies. In recent years, both Europe and Latin America have begun introducing results-based budgeting as a means to enhance efficiency and effectiveness in the public sector.

Despite efforts and support from international organisations, such as the Economic Commission for Latin America and the Caribbean (ECLAC), the introduction of results-based budgeting has been slow and uneven. Several countries have implemented this type of budgeting or are in the process of doing so. Among the most advanced in this respect are Brazil, Chile, Colombia and Mexico. However, many others are still in the process of adapting to and implementing this approach, particularly at the intermediate and municipal levels of government. According to the available information, results-based budgeting is currently only carried out at the local level in five countries: Colombia, Honduras, Paraguay, Peru and Mexico.

● Only a small number of countries have seen subnational governments adopt results-based budgeting

In Colombia, the city of Medellín is a notable example: “the results-based budgeting tool has had a positive influence on the municipal planning and implementation system of Medellín, as evidenced by various local and national indicators”.⁵² In Honduras, the Association of Municipalities of Honduras (AMHON) has supported concrete efforts to promote results-based budgeting since 2012. A regulatory framework for results-based municipal development planning is now in place, governing the preparation and certification of municipal development plans and municipal strategic plans. Paraguay has implemented a series of fiscal and financial reforms aimed at strengthening its fiscal framework and improving public expenditure management. As part of this effort, public financial management and fiscal transparency were improved at both national and municipal levels, most notably by integrating results-based budgeting into the Integrated Financial Administration System (SIAF).

In Peru, the Public Sector Budget Law for the 2008 Fiscal Year paved the way for the progressive implementation of results-based budgeting across all public administration entities, including regional and local governments. This was accompanied by the Incentives Programme for the Improvement of Municipal Management. In Mexico,

52 Patiño Muñoz, L. A. (2017) Influencia del presupuesto por resultados en la calidad del gasto público del municipio de Medellín, p. 33

reforms were introduced to the legal framework, particularly the constitution and various federal laws, to implement results-based budgeting at all levels of government, including the municipal level. These reforms have provided the scaffolding for its implementation throughout the country. This approach is currently being advanced in several states and municipalities, with Mexico City standing out as a leading example.

Finally, several countries in the region are making progress in developing local performance monitoring systems. In Mexico, for example, the Secretariat of Finance and Public Credit manages the Performance Evaluation System, enabling the government to assess its progress in meeting the objectives of the National Development Plan and sectoral programmes. The Dominican Republic established the Municipal Public Administration Monitoring System (SISMAP Municipal) in 2015. This system analyses 40 performance areas, including budgeting, planning, expenditure and service delivery quality, human resources, transparency and citizen participation, through regular quarterly progress reports. It also produces a ranking that now covers 158 municipalities and 235 district boards. Costa Rica's Office of the Comptroller General has developed the Municipal Services Management Index (IGSM) to monitor local government performance. Ecuador has designed the Operational Capacity Index to track the performance of decentralised autonomous governments in terms of land use planning, financial management and citizen participation. The system produces a capacity ranking which highlights disparities, for example between Quito and Guayaquil and the rest of the country.



Random Institute, Bogotá, Colombia

3.8 Human resources

Career civil service at the subnational level

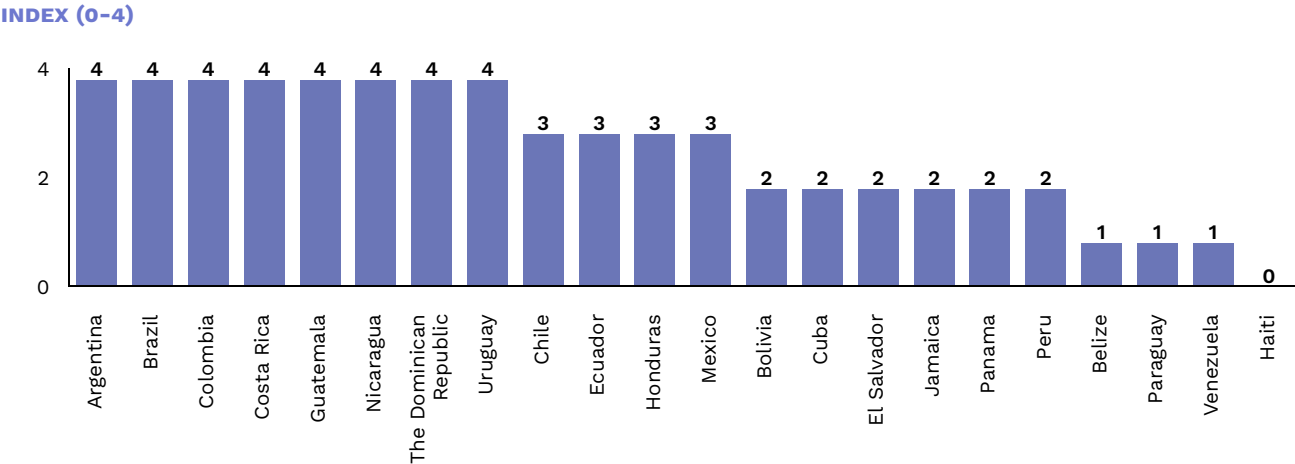
The constitutions of Brazil, Colombia, Guatemala, Honduras and Ecuador recognise career public servants at the subnational level. In most other countries, civil service laws have been adopted that apply to subnational governments, or specific legisla- tion has been passed regarding municipal careers. However, with limited exceptions, subnational government staff, particularly in municipalities, have a wide range of employment statuses (career, temporary or political appointees) and often experience instability following political transitions.

In Brazil, as in all federal countries, the legal framework and career structures for public administration staff are defined by the states, the Federal District and the municipalities. The vast majority of public servants hold statutory positions, although there are also temporary employees and political appointees whose positions are more precarious. In Argentina and Mexico, provinces and states respectively are re- sponsible for legislating on labour relations at the local level. In Argentina, there is a stark contrast between provincial and municipal employees. In Mexico, only nine states have adopted legislation to regulate or mandate the implementation of civil service careers. At the municipal level, these careers are virtually non-existent.

● Subnational government staff in most countries in LAC face job insecurity linked to political turnover, particularly at the municipal level

In Colombia, Law 909 of 2004 is the primary legislation governing civil service careers. Although local authorities determine employment structures and job categories, the National Civil Service Commission (CNSC) spear- heads training and oversees the National School of Public Administration. In Ecuador, entry into the civil service career is established by the Organic Law on Public Service (LOSEP) through merit-based competitive examinations, which ensure a degree of sta- bility and continuity in the performance of duties, except for political appointees.

TABLE AND CHART 15. HUMAN RESOURCES IN LOCAL ADMINISTRATIONS			POINTS
8.1	Existence of local career public servants		
	• Mentioned in national law	(1 point)	2
	• By specific regulation or law	(2 points)	
8.2	Existence of systems to strengthen the skills of elected subnational authorities and civil servants		
	• Through national programs	(2 points)	2
	• Only through associations of subnational governments or similar	(1 point)	
MAXIMUM SCORE			4



SOURCE: Authors' own work.

Paradoxically, in Guatemala and Honduras, where the constitution appears to protect public servants and where laws on the civil service and municipal civil service careers exist, actual implementation is weak, as reflected by the excessive prevalence of temporary staff. Costa Rica established a municipal career civil service in 2010, which covers all personnel except temporary staff and political appointees. El Salvador's Municipal Career Civil Service Law, adopted in 2006 and last amended in 2019, defines the legal framework for municipal public employees and applies to all municipalities. It was originally administered by the Salvadoran Institute for Municipal Development (ISDEM). However, following its dissolution, responsibility was transferred to the Ministry of Labour and Social Welfare. After the municipal restructuring in 2023, mu- nicipal employees from former mayoralties that were merged into new municipalities

retained their length of service, except for politically appointed staff. In Nicaragua, the Municipal Career Civil Service Law (2004) is overseen by a National Commission, as well as by departmental and municipal career commissions.

In Panama, the Decentralisation Law (2009) stipulates that municipal public servants must be governed by the Career Service Law. However, with the exception of the municipalities of Panama City and Santa María, there is no evidence that the career system has been implemented at a local level. In the Dominican Republic, the municipal career civil service has been in place since 2007. In 2022, the Ministry of Public Administration launched a pilot programme to incorporate local governments into the municipal career service, as well as a programme to professionalise municipal public servants in border municipalities with Haiti. In Jamaica, local government staff are managed by a central body: the Local Government Services Commission. While some employees are hired under formal statutes, many public employees are hired on short-term contracts across various sectors and levels. In Haiti, local government employees are not classified as civil servants. This, combined with financial constraints, contributes to high staff turnover and a lack of institutional memory.

In Uruguay, the situation is governed by the Public Servants Law of 1990 and the specific statutes of each departmental government. Where there is no local statute, the general statute for central government civil servants applies instead. In Chile, municipal employees are covered by the Administrative Statute for Municipal Officials, which establishes a transparent selection process for local public servants. In both countries, recruitment to the civil service is merit-based, involving competitive examinations for permanent or temporary positions. Final selection lies with the mayor. In Paraguay, permanent civil service positions in government bodies, decentralised institutions and local governments are officially appointed through administrative acts and are included in the General Budget of the Nation as per Law No. 1626 on the Civil Service. In Bolivia, the civil service statute was suspended in 2020. Lower-level technical staff working in departmental capitals and the municipality of El Alto have been incorporated into the general labour regime. However, the same does not apply to senior technical professionals and specialised personnel. In Peru, temporary hiring is the prevailing trend at the municipal level, while regional governments tend to recruit under the career civil service system.

● Subnational governments struggle to attract professionals and young talent to critical areas such as administration, finance, engineering, digitalisation and environmental management

Across most countries in the region, subnational governments struggle to attract professionals and young talent with advanced training in critical areas such as administration, finance, engineering, technology, digitalisation and environmental management. They are unable to compete with the private sector—or even national government institutions—which offer far more attractive salaries, career progression opportunities and workplaces.

Capacity-building systems

Well-trained authorities and officials are essential for implementing public policies that effectively address today’s challenges and respond to citizens’ needs. However, given the increasing diversity and complexity of government agendas, the professional training and development of public employees remains a challenge for all countries.

Generally speaking, few countries have training systems for subnational government staff that adequately meet their needs. A good number of countries rely on national institutes of public administration, such as Argentina, Brazil and Colombia, while others use universities or have created specialised institutes to promote or develop local government. These institutes are staffed by professionals who provide technical assistance to local authorities. Examples include Costa Rica (IFAM), Honduras (IDEM), Guatemala (INFOM), Mexico (INAFED) and the Dominican Republic (LMD). In Mexico, the Local Public Servant Training Programme is overseen by the National Institute for Federalism and Municipal Development (INAFED).⁵³ Brazil’s federal government runs the Escola Federativa⁵⁴ through the Special Secretary for Federal Affairs (SEAF). This school provides training for municipal officials and political representatives. Municipal associations such as the National Confederation of Municipalities (CNM) and the Brazilian Association of Municipalities (ABM) also run their own training programmes.

In Colombia, the National Civil Service Commission (CNSC) is responsible for training and oversees the activities of the National School of Public Administration. The National Training and Capacity-Building Plan 2020-2030 covers subnational government employees (in 2018, 573 territorial entities were involved). Associations such as the Colombian Federation of Municipalities manage the Integrated Virtual System for Municipal Training, organise seminars on developing smart municipalities and hold workshops across different regions. In Ecuador, the National Training and Capacity-Building Plan for the Public Sector 2022-2025 aims to improve public services by promoting efficient, effective and high-quality service delivery through enhanced knowledge.

⁵³ More information at: <https://www.gob.mx/inafed>
⁵⁴ More information at: <https://www.gov.br/sri/pt-br/SEAF/escola-federativa>



LAC offers a wide range of training courses for subnational authorities, though these are not always tailored to the real needs of local territories

Several Central American countries have sought to combine different approaches by creating municipal training systems to promote and sustain capacity building at different administrative, financial and technical levels, offering diploma programmes of varying duration. Costa Rica, Honduras and Nicaragua, for example, have all established national municipal training systems. In Costa Rica, the National Council for Municipal Training (CONACAM), created in 2010, is managed by the National Union of Local Governments (UNGL) in partnership with institutions such as the Central American Institute of Public Administration (ICAP) and the National Distance Education University (UNED). However, due to limited results, discussions are under way regarding the possible transfer of responsibility to the Institute for Municipal Promotion and Advisory Services (IFAM).⁵⁵

In Honduras, the Technical Secretariat for the Municipal Career Civil Service (SETCAM) was established in 2016 and is managed by the Association of Municipalities of Honduras (AMHON).⁵⁶ In Nicaragua, the National Municipal Training System (SINACAM), which was created in 2012, is overseen by the Municipal Career Civil Service (CAM), in collaboration with the National Autonomous University of Nicaragua (UNAN).⁵⁷ In Guatemala, INFOM and the National Institute of Public Administration implement the National Training and Institutional Strengthening Plan. Municipal associations such as ANAM and AGAAI also carry out targeted training initiatives with support from international cooperation. In the Dominican Republic, the Municipal Training Institute (ICAM)⁵⁸ of the Dominican Municipal League (LMD), the National Institute of Public Administration (INAP)⁵⁹ and the Ministry of Public Administration (MAP) run training programmes for municipal staff. The Institute for Technical and Vocational Training (INFOTEP) and the municipal associations FEDOMU (Dominican Federation of Municipalities) and FEDODIM (Dominican Federation of Municipal Districts) support these efforts.

⁵⁵ More information at https://www.ungl.or.cr/images/centro_de_informacion/informes_de_gestion/informes_de%20_junta_directiva/informes_de_representacion_ungl_conacam/presentacio_n_conacam_16mayo2019.pdf
⁵⁶ More information at: <https://setcam.app/>. Its Strategic Plan 2023-2027 seeks to strengthen intermunicipal association management and establishes the Network of Intermunicipal Technical Units.
⁵⁷ <https://cam.gob.ni/>
⁵⁸ More information at: <https://lmd.gob.do/servicios/icam/>
⁵⁹ More information at: <https://inap.gob.do/>

Local government associations in all countries across the region implement training programmes, workshops and various types of courses, which are generally short or medium in duration. These include AME in Ecuador, ACHM in Chile, FAM in Argentina, OPACI in Paraguay and several municipal associations in Mexico. Mercociudades⁶⁰ is a particularly noteworthy case, given its important work in fostering exchange, knowledge production and capacity building among its members from a regional perspective. FLACMA⁶¹ also offers training activities for its member organisations at the regional level. Some subnational governments stand out for promoting and funding their own training spaces for public officials and the general public—an innovative development in the region. One such example is the School of Governance in San José, Uruguay, a laboratory that fosters citizen engagement in advancing key territorial policies. Another is the School of Public Administration in Mexico City. Mexico has also hosted the National Forum for the Professionalisation of Local Public Servants for over a decade. This event provides an informal setting in which states of the republic and local training institutes can come together.

Finally, it is worth noting that international cooperation has played a role in training subnational governments. For example, in Paraguay, the Spanish Agency for International Development Cooperation (AECID) supports a National and International Forum on Decentralisation and Local Development and offers courses such as Public Management Refresher Training, in collaboration with the Council of Governors of Paraguay (CGP) and the Secretariat for Public Service (SFP). In Jamaica, as part of local government reform, a training mechanism has been developed for municipalities in collaboration with the Commonwealth Fund for Technical Cooperation⁶² and the Ministry of Local Government and Community Development.

It is important to recall at this point that the URB-AL programme, which was promoted by the European Commission until 2013, supported the training and capacity building of subnational governments that participated in its various thematic networks. Similarly, various United Nations agencies and programmes, including the United Nations Development Programme (UNDP) and UN-Habitat, as well as development banks such as the Development Bank of Latin America and the Caribbean (Andean Development Corporation, CAF) and the Inter-American Development Bank (IDB), have run training programmes for subnational governments in the region.

⁶⁰ More information at: <https://mercociudades.org/>
⁶¹ More information at: <https://cc-flacma.org/>
⁶² More information at: <https://commonwealtheducation.org/portfolio-items/commonwealth-fund-for-technical-co-operation-cftc/>

3.9 Transparency and accountability

Transparency and accountability are the foundations of good governance and strong democracies. The countries in LAC have made significant efforts in this area as part of broader processes to sharpen democratic oversight and promote citizen participation. All of the countries analysed have adopted legal provisions (at varying stages of development) to ensure transparency, accountability and oversight of public action, with the overarching goal of combating one of the region’s greatest challenges: corruption. These provisions also extend to subnational governments, supporting access to public information, the promotion of open government initiatives and the introduction of accountability mechanisms. Across the region, subnational governments are subject to increasing public scrutiny.

● Although all countries have legal provisions in place to ensure transparency and accountability, corruption remains a critical issue

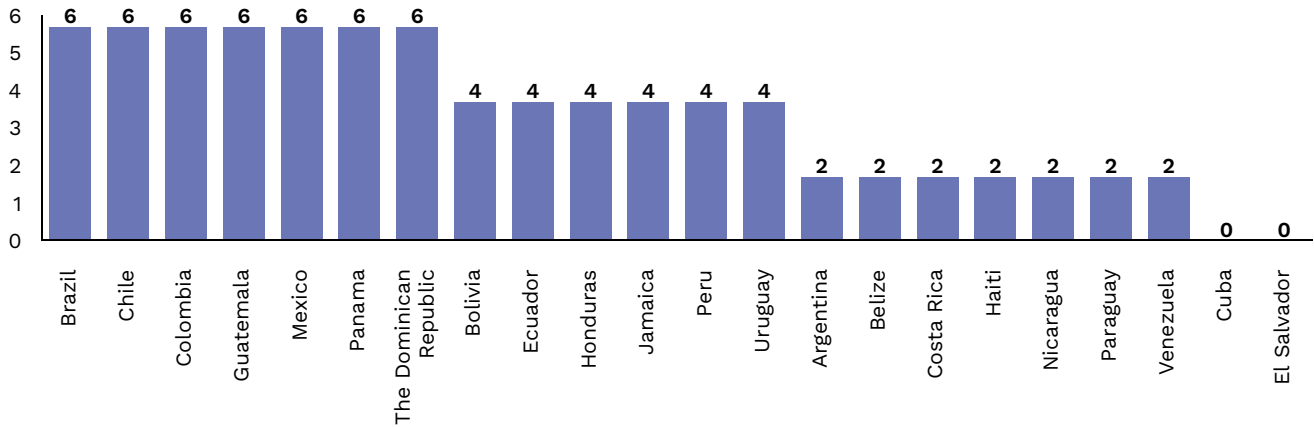
In many countries, the power of national government institutions to oversee and intervene in subnational government affairs extends beyond mere legality checks, thereby undermining local autonomy. For example, ministries of finance, audit offices and similar bodies are often tasked with supervising and approving subnational government budgets (as in Cuba, Costa Rica, El Salvador, Guatemala, Haiti, Nicaragua, Peru, the Dominican Republic and Uruguay).

In numerous countries, oversight of subnational government affairs is carried out by central bodies that are formally independent of the national executive (or, in federal countries, of the provincial or state executive). Such control is usually exercised by the Office of the Comptroller General,⁶³ the Auditor General (as in Belize and

⁶³ Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Guatemala, Nicaragua, Panama, Paraguay, Peru, the Dominican Republic, Venezuela

TABLE AND CHART 16. TRANSPARENCY AND ACCOUNTABILITY		POINTS
9.1 Legal requirement to establish mechanisms for monitoring and evaluating public policies		2
9.2 Legal requirement to ensure open government, digitalisation and public access to information		2
9.3 Legal requirement to have good governance and accountability mechanisms in place		2
MAXIMUM SCORE		6

INDEX (0-6)



SOURCE: Authors’ own work.

Jamaica) or the Supreme Audit Institution (as in Brazil, El Salvador, Haiti, Honduras and Uruguay). In federal countries, oversight exists at various levels of government. In Argentina, for example, it is the national level that audits subnational government accounts. In Brazil, each level—federal, state and municipal—has its own audit institution. In Mexico, oversight is exercised at state level alongside the Superior Auditor of the Federation, a specialised body of the Chamber of Deputies with technical and administrative autonomy, empowered to audit subnational governments. However, its enforcement and sanctioning powers remain limited.

In some countries, a dual system of oversight exists. In the Dominican Republic, for instance, this is carried out by the Dominican Municipal League; in Belize, by the National Directorate of Local Governments; in Venezuela, by the Municipal Comptroller General, who is appointed by the National Assembly; and in Jamaica,

by local public accounts committees. Whether these mechanisms are effective and independent, however, is not always readily verifiable.

In Colombia, oversight is undertaken not only by the Office of the Comptroller General, but also by departmental and municipal audit institutions. District and municipal ombudsmen have also been established, liaising with the Attorney General and the National Ombudsman to safeguard citizens’ rights (Law 136/1994). Chile has the Council for Transparency, a national body that audits public institutions, including municipalities, to assess their compliance with regulations on active transparency and the right of access to information. In Bolivia, local transparency and anti-corruption units have been created to monitor and evaluate public policies (Law 974). In Honduras, legislation provides for the appointment of a social comptroller, social audits and an annual accountability day before municipal councils and the public.

Over the past decade, digital systems for collecting financial and/or performance data have become widespread across Central America and the Caribbean, enabling direct oversight of local governance. These include the Information System on Plans and Budgets (SIPP), managed by the Office of the Comptroller General in Costa Rica; the Municipal Financial Administration System (SAFIM), overseen by the Directorate-General for Government Accounting within the Ministry of Finance in El Salvador; the Integrated Financial Administration System (SIAF), managed by the Directorate of Assistance to Municipal Financial Administration within the Ministry of Finance in Guatemala; the Integrated Municipal Administration System (SAMI), overseen by the Finance Secretariat in Honduras; the Municipal Transfers System (TRASMUNI), run by Nicaragua’s Ministry of Finance and Credit, which allows transfers to be managed against the submission of budgetary reports; and the SISMAP Municipal system, managed by the Directorate-General for Budget within the Ministry of Finance in the Dominican Republic. However, not all of these systems are regularly updated or accessible to the public. Similar systems exist in the Southern Cone, exemplified by Paraguay’s Integrated Financial Administration System.

Some countries have also developed mechanisms enabling subnational governments to self-monitor and self-evaluate their own public policies. In Mexico, the federal government has established a system of results-based indicators known as the Results Indicator Matrix (MIR) to track the implementation of local development plans. In Colombia, all departments and the Bogotá Mayor’s Office use tracking tools ranging from standardised control sheets to advanced platforms and online software to monitor the execution of their departmental development plans. Bogotá, specifically, uses a technological tool known as the District Development Plan Monitoring System (SEGPLAN) to oversee the implementation of its development plan.

Oversight is generally carried out at three levels: internally, where the local council is expected to hold members of the executive to account; externally, through public scrutiny; and vertically, in the form of oversight directed towards higher levels of government (national, state or provincial, depending on the country’s federal structure). However, accountability remains fragile in many countries and is seldom intended for citizens. This is because it often comes down to justifying expenditure, with no link to performance or results, and with little scope to influence day-to-day decisions successfully. The distance still to be travelled is evident in public perception. According to Transparency International’s 2022 Corruption Perceptions Index,⁶⁴ Uruguay and Chile are the only countries in the region with low levels of perceived corruption, while most others score high or very high. Nicaragua and Venezuela are among the worst worldwide, ranking 167th and 177th out of 180 countries.

Most countries in the region have made progress in developing transparency and accountability legislation that requires subnational governments to grant public access to information. Almost all have adopted such laws. Several countries have also joined the Open Government Partnership and are currently implementing their sixth biennial action plan (e.g. Brazil, Chile, Ecuador, Guatemala and Mexico). Nevertheless, no consistent standard exists for the type, quality or relevance of the public information provided. This largely depends on the specific country and subnational government in question.

In federal countries such as Argentina, Mexico and Brazil, individual provinces or states have the power to pass their own transparency and accountability legislation. Mexico was one of the Open Government Partnership’s founding members, and Mexico City has adopted the Transparency, Access to Public Information and Accountability Law.⁶⁵ However, progress among other subnational governments is still in its early stages. Argentina’s coordination efforts through the Federal Council for Transparency are also noteworthy. This body was established under the Law on the Right of Access to Public Information (2016) and is composed of one representative from each province and one from the Autonomous City of Buenos Aires. Argentina is also implementing the Federal Programme for Digital Public Transformation, which



TRANSPARENCY IN THE IMPLEMENTATION OF BOGOTÁ’S DEVELOPMENT PLAN

Bogotá’s open government portal provides detailed information on the city’s development plan. Citizens can access projected investment levels broken down by sector, as well as details of funds already allocated.

The portal also offers geolocated data on district-level investment and its contribution to the SDGs. The data presented on the portal are updated twice a year.

SOURCE: Open Government of Bogotá¹

¹ More information at: <https://asivaelplan.sdp.gov.co/index.php>

⁶⁴ More information at: <https://www.transparency.org/en/cpi/2022>

⁶⁵ More information at: <https://transparencia.cdmx.gob.mx/>



OPEN GOVERNMENT PARTNERSHIP

In 2016, the Open Government Partnership launched a pilot project to involve subnational governments in global efforts to promote open governance and strengthen democracy. Of the 20 participants in the global pilot, five were subnational governments from Latin America, namely Jalisco (Mexico), Buenos Aires (Argentina), Nariño (Colombia), La Libertad (Peru) and São Paulo (Brazil).

In order to encourage more subnational territories to commit to open government and improve public governance, the Latin American and Caribbean Institute for Economic and Social Planning (ILPES)—part of the Economic Commission for Latin America and the Caribbean (ECLAC)—joined forces with the Tribu Foundation to produce a resource titled Management of Local Open Government Action Plans: Tools for Co-creation, Monitoring and Evaluation, designed as a tool/guide to support the development of initiatives that promote greater openness in public institutions.

It draws on lessons learned during the co-creation process of the Open Government Action Plan for the commune of Renca, located in the Santiago de Chile metropolitan area.¹

¹ More information at: <https://repositorio.cepal.org/server/api/core/bitstreams/6161d8e9-a602-41de-a639-4c8b921cbb07/content>

aims to digitalise administrative processes in provinces and municipalities and thereby streamline procedures for citizens. Brazil has implemented its Fifth National Open Government Action Plan (2021-2023), and 99% of its cities now publish budget data, with 92% doing so via transparency portals. However, only 45% of cities comply with the Access to Information Law.

Chile has also made significant progress. The Fourth Open Government Action Plan (2018-2020) involved expanding the Municipal Open Government Model, with a particular focus on remote regions. The Sixth Action Plan (2023-2027) features a municipal improvement programme aimed at improving the Social Household Registry. Law 21.534 requires the public disclosure of regional and communal council meetings. Additionally, the Chilean Association of Municipalities has launched the Municipalities of the Future programme in collaboration with DO! Smart City. In Costa Rica, Law 12.205 (2022) has improved access to public information at the municipal level. However, a report from the Office of the Comptroller General indicates that both municipalities and the central government are still in the early stages of digital transformation. Guatemala is currently developing its Sixth National Action Plan (2023-2025), the implementation of which at local government level is being led by INFOM. The plan includes access to information and transparency portals, as well as municipal-level “ideathons” to enhance local services.

In Panama, the Association of Municipalities of Panama (AMUPA) supported municipalities in 2020 through a plan aimed at strengthening transparency management mechanisms. In Paraguay, despite existing legislation, monitoring shows that most municipalities are at an intermediate level of compliance, with some still lacking official websites. In Peru, the transparency portal and the website of the General Account of the Republic provide access to subnational fiscal information, including budget execution data

types of public information, typically budgets and other relevant documents, only Montevideo currently has a transparency portal under development.

In practice, the ability to provide access to public information and ensure accountability is closely linked to the resources available to subnational governments, despite the existence of relevant legislation. In this regard, major cities and intermediate-level governments in federal or decentralised unitary countries possess more tools to guarantee transparency, access to public information and accountability. A review of the websites of the most populous cities in each of the 22 countries analysed shows that 15 have a transparency portal, though the type of information provided varies enormously. In cities such as Belize City, Caracas, Havana, Kingston, Managua and Tegucigalpa, there is no formal space dedicated to public access to information. The most striking case is Port-au-Prince in Haiti, which lacks a municipal website but has two social media accounts.

for each regional government and municipality. Nevertheless, progress towards open government and digitalisation at the subnational level remains uneven and relatively limited. In Uruguay, while several departmental governments offer access to certain

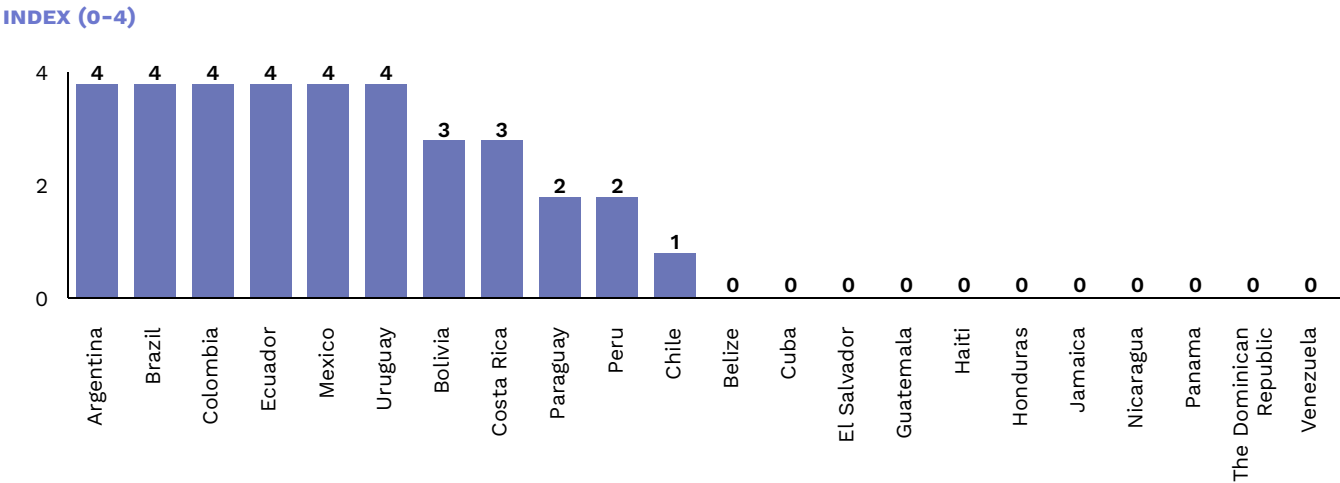
3.10 International engagement and global agendas

Several Latin American countries formally or informally recognise the international engagement of their subnational governments and have cities, provinces or states with an established presence on the international stage. There is a clear link between the extent and quality of a country’s decentralisation and the international standing of its local and regional governments. In recent years, a number of subnational governments have formulated strategic plans for their international affairs and have reinforced their commitment to global agendas on sustainable development, particularly the 2030 Agenda, the New Urban Agenda and the Paris Agreement on Climate Change.

The legal frameworks of federal countries such as Argentina and Mexico, and of countries that have undertaken significant decentralisation reforms such as Bolivia and Ecuador, recognise subnational governments as actors in international relations, albeit always within the parameters set by the national government. The constitutions of Argentina, Mexico and Bolivia explicitly allow subnational governments to sign international agreements, provided they safeguard national interests and credit, remain within their areas of competence, and respect the foreign policy principles established at the national level. Ecuador’s constitution grants autonomous decentralised governments exclusive authority to manage international cooperation within their territories, in accordance with their respective areas of competence. Brazil is a particularly noteworthy case: although neither the constitution nor federal legislation explicitly recognises these powers, subnational governments operate internationally based on their constitutionally recognised and protected autonomy.

● There is a clear link between the extent and quality of a country’s decentralisation and the international standing of its subnational governments

TABLE AND CHART 17. INTERNATIONAL ENGAGEMENT AND GLOBAL AGENDAS			POINTS
10.1 Existence of tools to support the localisation of the SDGs by subnational governments			2
• +2 local voluntary reports in a unitary country		(2 points)	
• +5 local voluntary reports in a unitary country		(2 points)	
10.2 Degree of international engagement by subnational governments			2
Unitary country:			
• There is at least one internationalisation plan or dedicated office for international matters		(1 point)	
• There is more than one plan or office		(2 points)	
Federal country:			
• There are more than five plans or offices		(2 points)	
MAXIMUM SCORE			4



SOURCE: Authors’ own work.

An innovative development in the region has been the inclusion of provisions recognising international engagement in the constitutions of certain Argentinian provinces and Mexican states. Article 20 of the Political Constitution of Mexico City defines the capital as a “global city”, promotes its international presence, and supports its integration into global systems and networks of cities and local governments. The article also supports the establishment of technical cooperation agreements with multilateral bodies, foreign institutions and international organisations in accordance with relevant legislation. Furthermore, it affirms the city’s shared responsibility in addressing global challenges, guided by the principles of foreign policy. A similar provision can be found in the Constitution of the Autonomous City of Buenos Aires, where Article 104 grants the head of government the power to “conclude and sign treaties,

agreements and international accords with foreign public entities and international organisations”. Of all the states in Mexico, Campeche was the first to adopt an international action strategy, paving the way for a comprehensive public policy on international engagement for all federated states.

In most countries in LAC, subnational governments engage in foreign affairs or participate in international cooperation without having been granted explicit legal authority to do so. They operate in a grey area, sometimes coordinating with the national government, sometimes acting with its knowledge and often openly conflicting with it. Some countries, such as Chile, Colombia and Uruguay, encourage and facilitate the international engagement of their local and regional governments. Others, including El Salvador, Nicaragua and Venezuela, obstruct such efforts. In countries such as Cuba, municipalities and provinces engage internationally, but under the strict supervision of the national government. The largest group comprises Belize, Costa Rica, Guatemala, Haiti, Honduras, Jamaica, Panama, Paraguay and Peru, where subnational governments only participate sporadically and with limited strategic direction in international arenas, mostly through cooperation projects or networks.

International cooperation is undoubtedly the primary channel through which subnational governments in LAC connect with the world. Except for a very small number of cases, most countries in the region have built up significant experience in decentralised cooperation, whether through twinning arrangements or other bilateral partnerships, participation in city networks, or support from multilateral bodies such as the European Union. Unfortunately, national governments in countries such as El Salvador, Nicaragua and Venezuela, which were once notable for their decentralised cooperation, now impede local authorities from continuing to benefit from such exchanges.

It is also important to highlight the key role played by networks of local and subnational governments. Examples include Mercociudades, which brings together major cities across South America; FLACMA, which operates through national associations of local governments; the

Ibero-American Centre for Urban Strategic Development (CIDEU),⁶⁶ the Union of Ibero-American Capital Cities (UCCI)⁶⁷ and the Ibero-American Union of Municipalists (UIM),⁶⁸ all of which are active in the Ibero-American sphere; the Commonwealth

Local Government Forum (CLGF)⁶⁹ within the Commonwealth context; and Local Governments for Sustainability (ICLEI),⁷⁰ C40,⁷¹ Regions4⁷² and the Resilient Cities Network,⁷³ all of which are engaged in areas such as climate policy and resilience.

In recent years, efforts to localise major global agendas linked to sustainable development have become another key factor in the increasing international engagement of subnational governments in LAC. A considerable number of countries have sought to bring these agendas (including the SDGs and the New Urban Agenda adopted by the UN in Quito in 2016) down to the local level. With the exception of Haiti, Nicaragua and Venezuela, all the countries analysed have implemented actions—of greater or lesser relevance—to align subnational government policies and strategies with the SDGs and to account for their role in supporting them.

A growing number of subnational governments in LAC are producing and submitting voluntary subnational reviews (VSRs), through which they report on their contributions to the SDGs. By 2024, 92 such reviews had been published, accounting for 27% of all subnational reporting worldwide. Many of the municipalities, provinces, departments and states that have produced VSRs (or are in the process of doing so) are either in highly decentralised countries or have subnational governments with substantial resources and strong capacities. Large cities and intermediate-level governments in Argentina, Brazil, Mexico and Colombia generally have the knowledge and resources needed to generate SDG indicators, link them to reliable data sources, create opportunities for citizen and stakeholder participation, and prepare reports. The same is true of certain highly active medium-sized cities in these countries.

National governments in countries such as Argentina, Uruguay and Colombia are supporting the efforts of subnational governments in the region to engage and report. They are joined in this endeavour by multilateral organisations such as UNDP and UN-Habitat, as well as by networks of cities and regional governments, including UCLG, Mercociudades and the CLGF. This support has enabled the involvement of inland departments in Uruguay, such as San José; medium-sized municipalities in Argentina, Brazil and Ecuador; and larger cities with scarce resources, such as Belmopan in Belize and Port-au-Prince in Haiti.

● In most countries, subnational governments engage in international relations without having been explicitly granted the power to do so

66 More information at: <https://www.cideu.org/>
67 More information at: <https://ciudadesiberoamericanas.org/>
68 More information at: <https://www.uimunicipalistas.org/>

69 More information at: <https://www.clgf.org.uk/>
70 More information at: <https://iclei.org/>
71 More information at: <https://www.c40.org/>
72 More information at: <https://regions4.org/>
73 More information at: <https://resilientcitiesnetwork.org/>



Eduardo Sánchez, La Boca, Buenos Aires, Argentina

Cities and regions in LAC display enormous disparities in their capacity to operate on the international stage. One group of leaders in this area includes major metropolises such as Buenos Aires, Bogotá, Quito, Medellín, Mexico City, Montevideo, Porto Alegre, Rio de Janeiro and São Paulo, as well as certain Argentinian provinces and Brazilian and Mexican states. These governments are firmly committed to international engagement, supported by professional teams, dedicated funding and a network of international allies. Most operate on the basis of foreign action strategies developed with key territorial stakeholders.

A second group comprises certain capital cities, such as Asunción, La Paz, Panama City, Santiago de Chile and San José in Costa Rica; highly active medium-sized cities,

including Belo Horizonte, Córdoba, Guadalajara, Mérida, Cuenca and Rosario; and a number of intermediate-level governments. Although they operate with more limited resources, these actors have made notable efforts to extend their reach and influence, particularly at the regional level.

However, the vast majority of subnational governments lack the legal and institutional frameworks, not to mention the human and financial resources, needed to develop and implement genuine public policies for international engagement.

A final mention should be given to national associations of subnational governments, which are active both within Latin America and on the international stage. Most operate with limited resources, but are genuinely representative. Over the years, they have led actions to advance decentralisation processes, strengthen local governance and encourage their members' international engagement. Indeed, seven national associations have submitted VSRS on their local contributions to the SDGs.⁷⁴ At the continental level, there are two major associations of subnational governments: FLACMA and Mercociudades. FLACMA brings together national associations of municipalities, whereas Mercociudades comprises cities and subnational governments with direct membership. However, in the context of Latin American regional integration, a more consolidated coordination platform is still needed to enable more concerted and effective action towards territorial development.

⁷⁴ These associations are CONGOPE (Ecuador), which has submitted five reports; UNGL (Costa Rica), which has submitted two; and CONAMM (Mexico), FAM (Argentina), the Congress of Mayors (Uruguay), the Chilean Association of Municipalities (Chile) and CNM (Brazil), each of which has submitted one.

4.

Comparative results by country

This study's comparative analysis provides an overview of decentralisation and the conditions for territorial development across the various subregions of LAC, highlighting progress and setbacks. It showcases the steps taken by several countries to develop more efficient, transparent and impactful public policies at the subnational level. However, it also underscores ongoing structural deficits in critical areas such as the local civil service, results-based planning and budgeting, and accountability.

While many countries in the region have made significant efforts to advance decentralisation processes and improve the legal and institutional environment in which subnational governments operate, disparities in the powers, resources and capacities available to these governments remain a barrier to the region's future prosperity.



Decentralisation has progressed in some countries over the past decade, while it has suffered severe setbacks in others

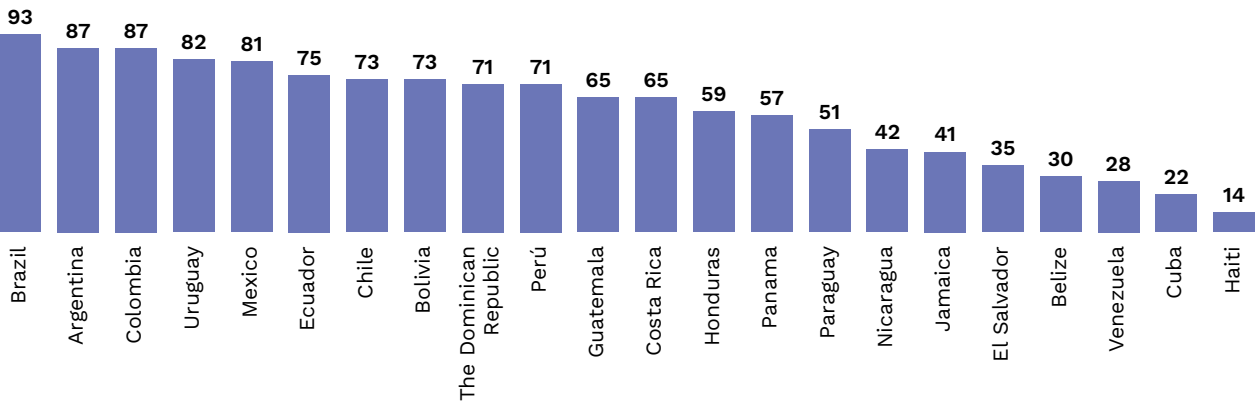
In addition to governance challenges, the region faces major issues such as persistent economic and social inequality and wide gaps in access to basic services, including health and education. There are also high levels of informal employment and unemployment, exacerbated by the lack of quality job opportunities. Furthermore, insecurity and violence continue to plague the region, often in association with organised crime and drug trafficking. Climate change represents another serious challenge, marked by an in-

creasing number of hurricanes, droughts and wildfires. Lastly, political instability and corruption hinder development and effective governance in many countries.

Tackling these challenges will not be possible without strong and efficient subnational governments. The region urgently needs to strengthen these levels of government by promoting long-term territorial development policies.



CHART 18. GLOBAL INDEX OF DECENTRALISATION AND TERRITORIAL DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN (22 countries analysed). (Global index out of 100).



SOURCE: Authors' own work.

Even with the limited and often outdated data available for this study, it is clear that decentralisation has experienced both progress and setbacks in LAC over the past decade. Within this broader picture, some countries stand out for their significant advances, such as Brazil and Colombia, though both continue to face considerable challenges. Others, such as Argentina and Mexico, have federal systems that provide initial advantages in terms of decentralisation, but progress at the municipal level has stalled. More recently, Uruguay and Chile have embraced decentralisation efforts, strengthening their overall scores thanks to the quality of their democratic institutions.

Bolivia, Ecuador and Peru have also undertaken decentralisation reforms in recent decades, but these have seen both progress and setbacks across different areas, shaped by a context of heightened political instability. In Central America, Honduras has recently resumed its decentralisation agenda, while Costa Rica, despite its centralist history, draws strength from its democratic institutions. At the opposite end of the spectrum are countries that remain far behind the rest (Haiti, Cuba, Belize and Jamaica), as well as those that have backslid in recent years (Venezuela, Nicaragua and El Salvador).

In short, the degree of decentralisation varies widely across the region, and federal status does not necessarily make a country more decentralised than its unitary counterparts. Colombia, for instance, is a unitary state yet ranks among the most decentralised countries in the region, alongside Brazil. Mexico, despite its well-established

federal structure, is not immune to centralising tendencies in sensitive areas, such as subnational government financing.

While the study recognises progress in certain areas, it also draws attention to the structural deficits that persist in key domains such as financing, human resource management, results-based planning and budgeting, and accountability.

The table below provides a schematic overview of how the 22 countries can be split into three broad groups. The first group comprises countries with an index score above 80 out of 100. These include the federal states of Brazil, Argentina and Mexico, as well as Colombia and Uruguay. The second group encompasses more centralised countries that have made some progress towards decentralisation over the past decade, scoring above the regional average but below 80 points. Lastly, the third group consists of nine countries that fall below the regional average, representing nearly half of LAC. These countries have made only modest advances in decentralisation or have experienced sharp setbacks.

TABLE 19. COUNTRY GROUPINGS BY DECENTRALISATION STATUS (2025)		
GROUP 1	GROUP 2	GROUP 3
Consolidating	Developing	Stagnant or declining
1. Brazil	6. Ecuador	14. Panamá
2. Argentina	7. Chile	15. Paraguay
3. Colombia	8. Bolivia	16. Nicaragua
4. Uruguay	9. The Dom. Republic	17. Jamaica
5. Mexico	10. Peru	18. El Salvador
	11. Guatemala	19. Belize
	12. Costa rica	20. Venezuela
	13. Honduras	21. Cuba
		22. Haiti

SOURCE: Authors' own work.

● Decentralisation is either stagnant or in decline in 41% of the countries analysed, under development in 36% and in the process of consolidation in 23%

5.

Key findings of the study

5.1 A challenge-filled agenda

Decentralisation: *de jure* or *de facto*?

LAC exhibits considerable institutional diversity in how its nation-states are organised. Four countries are federal (Argentina, Brazil, Mexico and Venezuela), two are constitutional monarchies (Belize and Jamaica), and the remaining 16 are unitary states with two, three or even four levels of subnational government (departments, municipalities, provinces, districts, parishes, Indigenous territories or collective landholdings known as *resguardos*). In recent decades, many Latin American constitutions have recognised the autonomy of subnational governments. In all of the analysed countries (except Cuba) local authorities are elected through free and democratic elections. However, a gap often remains between *de jure* decentralisation (what is established in law) and *de facto* decentralisation (what occurs in practice).

● Although legal frameworks may favour decentralisation, the institutional reality is still shaped by a strong tradition of centralism and entrenched presidentialism

any reference to municipal autonomy from its constitution, thereby consolidating centralised control. In most countries, whether federal or unitary, presidential tradition enables the national executive to concentrate political and financial power. This limits the autonomy of subnational governments through mechanisms such as conditional funding and *ex ante* controls—for example, requiring central approval of local



budgets or imposing limits on tax-raising powers. In other words, while many legal frameworks promise autonomy, the institutional reality remains shaped by a history of presidential dominance.

In short, the legal and institutional landscape of decentralisation in LAC is marked by both progress—reflected in the adoption of more inclusive legal frameworks—and setbacks. In this context, legal provisions that support decentralisation and recognise local autonomy coexist alongside practices that uphold the region’s historically centralised governance structures.

Multilevel governance: moving away from hierarchical, top-down political tendencies

A critical aspect of the LAC landscape is weak multilevel governance, which refers to interaction between national, intermediate and local authorities, as well as cooperation among peers at the same level. Across the region, the system of powers spans a broad and heterogeneous spectrum of responsibilities, with their allocation across levels of government often marked by ambiguity, overlaps and shortcomings. Strong coordination and complementary efforts between government levels is essential in key areas such as poverty reduction, inequality, economic development, climate change, and even the delivery of basic services such as access to drinking water, education, health and security—but this is not always achieved.

Currently, vertical coordination in many countries is ineffective. While formal coordination mechanisms do exist in some cases, national policies are often designed and imposed from above, without sufficient regard for local priorities. Associations of municipalities or intermediate-level governments often lack the recognition or capacity to influence national agendas. This power imbalance gives national strategies dominance, leading to top-down policies that are poorly adapted to local contexts and suboptimal synergies between levels of government. Consultative bodies have been established in some countries, but their efficiency and responsiveness remain limited.

● Due to the power imbalance between different levels of government, national strategies are often imposed without regard for local contexts

Meanwhile, horizontal multilevel governance, or cooperation among governments at the same level, is equally vital yet underutilised. Although there are valuable examples of intermunicipal associations and local networks in the region, these initiatives need to be strengthened and scaled up to realise their full potential.

The participation of citizens and local stakeholders is another pillar of multilevel governance. LAC pioneered mechanisms such as participatory budgeting, and today most countries have legal frameworks that promote citizen engagement at the local level. In practice, however, there are still barriers that limit civil society’s ability to meaningfully influence local public policy. Apart from a few innovative cities, participatory platforms in many municipalities are in short supply or tokenistic, and are sometimes manipulated or used for clientelist purposes. The absence of adequate channels for dialogue between subnational governments, communities, businesses and universities remains a weakness that undermines effective governance.

In summary, multilevel governance in the region faces three main challenges: improving national-subnational coordination (vertical challenge), encouraging cooperation between territories (horizontal challenge) and ensuring citizen participation in decision-making (social challenge). Weak intergovernmental coordination hampers synergies between national and local policies, resulting in fragmented resources, duplicated efforts and, ultimately, conflict.

Subnational governments with scattered powers and weak finances

Except for a handful of cases, subnational governments in LAC have limited fiscal autonomy. They account for only a small proportion of national public expenditure (18.2%) and their total revenues amount to just 5.6% of GDP, compared to 15.7% in developed countries. Data on public spending and revenue reflect limited fiscal power and constrained local spending capacity. This undermines the political autonomy of subnational authorities to respond to the needs of their populations and leaves them highly dependent on decisions made by central governments.

In several cases, reliance on national transfers is extreme. Moreover, many of these transfers are earmarked for specific purposes, such as education, infrastructure or health, which restricts local decision-making and may even discourage efficiency and accountability.

Another chronic problem is unfunded or inadequately funded mandates resulting from delegated powers. This happens when national governments, whether unitary or federal, transfer responsibilities down to lower levels without providing them with sufficient resources. Municipalities are often pressured by urgent public needs to spend more on education, health or social care than

● Subnational governments are often pressured by urgent public needs to spend more on education, health or social care than their legal responsibilities require, despite lacking adequate funding

their legal responsibilities require, despite lacking adequate funding. The response of local governments to the COVID-19 pandemic and their provision of migrant aid exemplify these burdens.

Fiscal decentralisation is vital to striking greater territorial balance and offsetting disparities within a country. Differences in economic and administrative capacity mean that, even with similar powers, some subnational governments can raise revenue and deliver services far more effectively than others. Current mechanisms for interterritorial compensation and solidarity, such as transfer funds and equalisation formulas, are often not enough to close these gaps and imbalances. As a result, the availability and quality of public services differ greatly between wealthy and poorer areas, exacerbating the territorial divide.

- Inadequate access to financing at the subnational level is a serious warning sign for the future of territorial development in LAC
- Decentralisation assigns revenue-raising powers and expenditure responsibilities to subnational governments with varying capacities and needs, determined by factors such as population, wealth and geographic location. The measures typically put forward to mitigate these differences, through equalisation or fiscal solidarity mechanisms, must be improved.

In conclusion, subnational financing in LAC is characterised by weak local resource bases, limited own-source revenues, an overwhelming reliance on national transfers (often conditional), decentralised mandates through delegated powers without adequate funding, and an unequal distribution of resources that perpetuates regional inequalities. This fiscal dimension is one of the most sensitive and critical aspects of the current landscape, and a serious warning sign for the future of territorial development in LAC.

Poor professionalisation

In many LAC countries, both the professionalisation of local public workforces and the development of conditions to ensure their job stability remain at an early stage. Only seven countries have specific legislation regulating the careers of civil servants at the subnational level. In most cases, employment in subnational governments is covered by either general national public service legislation or standard labour law. In federal countries, each state or province may have its own statute, resulting in multiple applicable frameworks (in Brazil, even municipalities have powers in labour matters). In practice, the establishment of a career civil service at the subnational level remains limited.

In many countries, the short or intermittent tenure of contracted staff hinders the maintenance of long-term quality standards in public services. Even career staff may be affected by changes in the electoral cycle, except in a handful of countries. Providing stability for professional teams to consolidate installed capacity remains an unresolved challenge across much of the region.

A variety of initiatives aimed at strengthening local capacities can be observed throughout LAC, ranging from national public administration institutes and sectoral ministry programmes to the efforts of municipal associations and international cooperation. However, taken as a whole, training tends to be ad hoc and fragmented. Except for a few well-established national schools, many training programmes lack continuity and are not linked to long-term careers in the civil service. They also sometimes fail to address the most pressing needs of subnational governments. Outside major cities and certain intermediate-level governments, there is a shortage of qualified personnel and opportunities for continuous training. In Central America, some countries have taken steps towards integrated local training systems, but these are still in their infancy.

The lack of qualified personnel makes it difficult to plan and manage territories effectively. Few subnational governments have the technical capacity to prepare medium- or long-term strategic development plans, implement results-based budgeting, monitor and assess the impact of their policies, and ensure transparent accountability. Countries such as Colombia have developed reference frameworks and tools to support local and territorial planning, while Mexico provides its states and municipalities with assistance in defining budget performance indicators. Nevertheless, a substantial gap remains between the capacities available to major cities and state/provincial governments, and those available to medium- and small-sized municipalities.

Transparency and accountability at the subnational level also reflect this disparity. While LAC has made progress in establishing legal frameworks to combat corruption and champion open government, in practice very few local governments provide up-to-date public information, accessible online procedures and permanent mechanisms for accountability to citizens. The main cities in more decentralised countries tend to have transparency portals and even open government platforms, whereas at least seven capitals in the region lack any public online access to government information.

- In most subnational governments, employees fall into one of two groups: a minority of permanent staff with job stability and a majority hired on temporary contracts or through political appointments



Legal frameworks alone cannot guarantee transparency; effective implementation requires technical capacity and investment

Shortcomings in information sharing and digitalisation are even greater in medium-sized cities and rural municipalities. This situation proves that legal frameworks alone cannot guarantee transparency, and that technical capacity and investment are required for effective implementation. Digitalising public policies is also imperative, both to streamline internal government processes and to improve procedures available to citizens. However, the enormous

cost of acquiring modern, fit-for-purpose infrastructure is compounded by the massive regular expenses involved in updating software and applications and covering maintenance services. While the advent of artificial intelligence certainly offers a great opportunity to address this challenge, it will also pose difficulties that are only just coming into focus.

Women and minorities in local leadership: the glass ceiling

In recent decades, many of the countries analysed have introduced measures to promote the participation of women and minority groups in subnational governments. This is achieved through local legislation on reserved quotas, gender-balanced electoral lists or the mandatory alternation of male and female candidates. In some cases, seats or posts have also been reserved for representatives of Indigenous peoples or ethnic minorities to ensure their presence in subnational representative bodies. These measures have led to notable improvements in collegiate bodies, such as municipal councils, where female representation averages close to 30%, and in some countries, has reached parity.



Although the region has made regulatory advances towards including women and people from diverse backgrounds in subnational politics, representation remains insufficient in practice, particularly in executive positions

However, a significant gender gap persists in local executive positions. The proportion of women serving as mayors or governors is still extremely low, revealing the existence of a “glass ceiling” that limits women’s access to the highest offices. This inequality is exacerbated when it intersects with other forms of discrimination, such as that based on ethnic or racial origin.

Although the region has made regulatory advances towards including women and people from diverse backgrounds in subnational politics, representation remains insufficient in practice, especially in the most powerful positions.



Susan Flores, Ciudad de México, México

Meanwhile, several countries have introduced constitutional reforms recognising the rights and autonomy of Indigenous peoples’ territories, as well as the participation of vulnerable groups and minorities. Officially acknowledging the cultural diversity and traditions of these populations represents a long-demanded legal update that safeguards their ancestral forms of organisation and protects their collective and individual rights. These are important steps, though much remains to be done to overcome the historical exclusion of minorities from positions of power.

5.2 Outlook for opportunities

Embracing the territorial approach to achieve greater regional development

The territorial approach to development represents a key opportunity for LAC to address the challenges outlined above.¹ In order to tackle the region’s development issues (low growth, high inequality and weak institutions), countries must adopt a territorial approach that strengthens the link between local development and national development strategies, supported by effective multilevel governance. This means that subnational authorities, including municipalities, provinces, departments and regions, must be regarded as key partners of the national government when designing and deploying solutions to economic, social, cultural and environmental problems that vary from place to place. Integrating subnational governments with national

policies in a coordinated manner can lead to more coherent and inclusive development by tailoring interventions to local realities.

There is an urgent need to shift the public policy paradigm towards a territorial development perspective based on collaborative and inclusive governance

For subnational governments to take on this strategic role in developing their territories, they must be empowered to do so. This requires progressively increasing their political, administrative and financial autonomy, as well as strengthening their institutional capacities. It also means reviewing legal frameworks and practices to decentralise powers where this

is most efficient, and ensuring that subnational levels have the necessary resources to exercise these powers fully.

To achieve greater regional development, the autonomy of local and regional governments should be gradually expanded, enabling them to test and explore innovative approaches to public policy and management. Greater autonomy should go hand in hand with clear responsibilities, as well as the freedom to foster local creativity in developing solutions tailored to each territory.

¹ For more on this, see: Fernandez de Losada, Agusti. *Modelo para la territorialización de políticas públicas nacionales en América Latina. Guía para la implementación*. EUROSOCIAL Tools No. 75. Spain, 2021; and TALD Territorial Approach to Local Development, promoted by the European Union (www.taldfacility.eu).

Empowering local governments also requires investment in institutional development, including human capital, management systems and organisational culture. This will allow them to lead inclusive and sustainable development strategies in the medium and long term and beyond electoral cycles. With greater autonomy and capacity, subnational governments will be better positioned to mobilise their communities’ potential, unite local stakeholders (public, private and community) on territorial projects, and play a leading role in making a real difference.

Strengthening subnational institutions as pillars of democracy

In recent years, LAC has experienced a period of democratic disaffection. According to *Latinobarómetro*,² only 52% of the population supported democracy in 2024 (although this figure had increased from a low of 48% in 2018). A quarter of citizens declared themselves indifferent to a democratic regime, stating that it “makes no difference to them”, while 16% preferred an authoritarian government. At the same time, 65% expressed dissatisfaction with the way democracy functions. Against this backdrop, a form of diffuse authoritarianism is emerging, characterised by a growing tolerance of strong leaders who “get things done”, sometimes at the expense of democratic institutions and respect for human rights. Subnational governments are not immune to this reality: public distrust and indifference are also evident at the local level.

Recentralisation trends in some LAC countries have trickled down to shape local realities. For example, the national governments of Nicaragua, El Salvador and Venezuela have curtailed the political and operational capacity of their subnational governments. In Haiti, the state crisis has engulfed the country’s municipalities. Such developments undermine the necessary democratic balance between the different levels of government.

When municipalities or intermediate-level authorities (states, provinces, departments, etc.) fail to respond effectively to the needs of the population, they can contribute to institutional backsliding, instability or a loss of trust in the political system. This is reflected in the proliferation of independent candidacies in some elections.

Conversely, subnational governments with political autonomy, clear powers and responsibilities, sufficient resources and democratic legitimacy are better able to defend people’s rights and guarantee essential public services, even in contexts of inaction or regression at the central level.

² More information at: <https://www.latinobarometro.org/lat.jsp>

● **Strong, effective subnational governments are important for a country’s overall democratic resilience**

At this point, it is worth noting the increasing political influence of certain local leaders on the national stage. Several mayors of capitals or major cities have gone on to become presidents of their respective countries, including Gustavo Petro in Colombia, Claudia Sheinbaum in Mexico, Nayib Bukele in El Salvador and Yamandú Orsi in Uruguay. This phenomenon demonstrates that local politics can elevate individuals to a national stature, reaffirming the importance of maintaining channels of dialogue between central and local government spheres. Interaction between prominent local leaders and national authorities can enrich the multilevel nature of democratic governance by incorporating diverse local perspectives.

Increasing own-source revenues and enhancing spending efficiency

More effective and equitable financing is needed to bolster strategies for sustainable territorial development. This is one of the most sensitive issues, given the context of limited fiscal resources and escalating social demands. Particular attention should be given to proposals that gradually strengthen the financial capacity of subnational governments while ensuring interterritorial solidarity.

First, subnational fiscal autonomy must be progressively expanded, which could be achieved by enabling local and regional governments to raise more revenue. One approach would be to improve the administration of existing local taxes (such as property tax) and service fees to boost effective collection. Another would be to grant new taxing powers in areas with growth potential, such as green taxes. Increasing own-source revenues would strengthen fiscal co-responsibility while potentially encouraging more efficient management and greater accountability to citizens.

Second, the subnational share of national revenues should be gradually increased, either through permanent, unconditional transfers or by raising the percentage of federal/provincial revenue-sharing in certain taxes, depending on the circumstances of each country. This would provide territories with greater budgetary certainty.

However, as transfers will remain a key pillar, it is important to improve their design to ensure more balanced development. For example, investment should target priority territorial programmes and projects that are managed transparently and evaluated on the basis of results, so that national resources act as a catalyst for local development rather than becoming fragmented and diluted.

Third, subnational authorities need greater capacity for responsible borrowing. With more robust finances and sound regulatory frameworks, local governments could access external financing or collaborate with the private sector on infrastructure and service investments, thereby attracting new investment partners to their regions. This would require them to raise their credit profile by increasing their own-source revenues and maintaining fiscal discipline. It is also necessary to rethink the requirement for sovereign guarantees, as these can hinder external borrowing by subnational governments with sound finances who could benefit from access to international capital markets if managed responsibly.

Fourth, it is crucial to support disadvantaged areas by adopting robust interregional equalisation mechanisms, such as compensation funds that redistribute resources from prosperous to poorer regions, improvements in the use of royalties from extractive industries to benefit local communities, and other redistributive policies. Territorial solidarity should be reflected in transfers that genuinely close gaps in access to basic services and opportunities. The region already offers interesting examples of regional development funds and solidarity-based revenue-sharing schemes that could be replicated or adapted.

Finally, in order to increase their resources, countries must ensure greater spending efficiency. Otherwise, decentralisation reforms are unlikely to deliver results. For this reason, restructuring the intergovernmental fiscal system must be central to every country’s sustainable territorial agenda.

Accelerating mechanisms for cooperation between territorial levels and between regions and municipalities

Effective multilevel governance requires institutionalised coordination mechanisms, both vertically (between levels of government) and horizontally (between territories and local stakeholders). It is essential to recognise the role and legitimacy of all actors, and to set shared objectives to guide collective action. Clearly distributing powers and resources between levels and creating joint monitoring and assessment systems will enable more balanced and effective cooperation. A key approach is to promote the exchange of experiences with successful cooperation models so that lessons can be learned and adapted to local contexts.

● **Without adequate resources, decentralisation will not succeed: restructuring the intergovernmental fiscal system must be central to every country’s sustainable territorial agenda**

- It is vital to strengthen territorial, intermunicipal and metropolitan associations and other cooperation frameworks
- In LAC, fostering horizontal cooperation between territories remains crucial. Intraregional and interregional integration has been shown to drive more balanced territorial development. It is necessary to create or strengthen territorial systems of intermunicipal cooperation. In practice, this means encouraging the formation of intermunicipal associations, municipal consortia, multi-municipal regions and other horizontal alliances, which can then plan and implement joint projects and public services. By working together, neighbouring municipalities can achieve economies of scale in public service provision, such as waste management and transport; share higher-quality infrastructure, such as regional markets, treatment plants and roads; and address challenges that transcend their boundaries, such as watershed management and regional tourism. Cross-border cooperation is also an effective way for territories to collaborate and deliver public services across different countries.
- Finally, the exchange of experiences between territories should be viewed as a powerful catalyst for local innovation. For example, forums and networks of municipalities can showcase successful policies and inspire their adoption. Participatory budgeting, local renewable energy initiatives and community policing models are just some of the possibilities. Horizontal learning between municipalities, regions or other territories complements vertical cooperation, broadening the outlook of local stakeholders and enabling improved policy tools based on shared experiences. Intermunicipal and interregional cooperation offers opportunities for more integrated and mutually supportive development within countries, enabling territories to make the most of locally available resources and knowledge.

Moving towards the notion of “r-urban” territories, with better integration between rural and urban areas

The ecological transition presents both an urgent challenge and a strategic opportunity for the territories of LAC. Although the region contributes only a small amount to global greenhouse gas emissions, it is highly vulnerable to the effects of climate change. Extreme weather events such as hurricanes, droughts and floods threaten entire cities and regions, particularly coastal communities, Caribbean islands and fragile agricultural areas. In this context, subnational governments are on the front line in terms of both mitigation (reducing emissions) and adaptation (helping communities prepare for the impacts of climate change). Many are already putting forward local climate plans, green ordinances and risk-reduction strategies. They can also access international climate funds, although many smaller municipalities require technical assistance to devise viable projects.

Decarbonising the economy and adapting to climate change can generate economic opportunities within these territories. For example, promoting decentralised clean energy (solar, wind and biomass) can attract local investment and green jobs. Implementing nature-based solutions, such as mangrove restoration, community forestry and urban green infrastructure, reduces risks and improves quality of life and ecosystem services.

In light of the above, it is essential to ensure a balance between rural and urban environments. Given the challenges that climate change poses to agriculture, livestock and food production chains, cities cannot remain concrete islands cut off from their natural surroundings. This underscores the importance of promoting the concept of “r-urban” territories, where rural and urban life coexist in symbiosis.

Rural-urban cooperation deserves special attention. Linking cities with their rural and peri-urban surroundings can revitalise production chains, agricultural markets and joint environmental protection initiatives. Likewise, identifying and strengthening regional or territorial development hubs, such as medium-sized cities or economically promising localities, can help to decentralise growth, create alternatives to megacities and encourage a more balanced distribution of opportunities. This is particularly pertinent in LAC, as it is the most urbanised region in the world. In depopulated areas, interregional cooperation can stimulate local employment, reduce forced migration and prevent the formation of urban enclaves that are disconnected from their rural hinterlands.

In metropolitan areas, major cities can and should strengthen their ties with suburbs and satellite towns to create integrated metropolitan systems. Substantial progress can be made through metropolitan planning in areas such as transport, land use, housing and the environment, and the governance of extended urban areas.

Navigating the tsunami of digitalisation and artificial intelligence

Digitalisation equips subnational governments with unparalleled tools for improving public management and fostering development. In the age of artificial intelligence, many cities and regions have started to embrace technological solutions to streamline their administrations and increase transparency. In order to reduce the digital divide between metropolitan areas and smaller municipalities in LAC, international institutions and development banks are supporting subnational digital innovation

- It is necessary to promote the concept of “r-urban” territories, where rural and urban life exist in balanced symbiosis

projects. These efforts must be scaled up and multiplied, and technical assistance, financing and shared platforms need to be provided for less advanced municipalities.

At the same time, subnational management must be modernised by incorporating data and information systems that facilitate evidence-based decision-making. Technology can enhance the efficiency and transparency of subnational administration, for example through open budgets and georeferenced expenditure.

Institutional innovation is key. Local governments can test out new approaches to citizen participation, such as virtual consultations and online participatory budgeting. They can also explore public-private partnerships to incubate local technology-based enterprises. In addition, public innovation labs can bring together universities and start-ups to solve municipal problems. Fostering a culture of innovation requires stimulating creativity and calculated risk-taking in local public management. Some subnational governments have set up innovation units to implement pilot projects in areas such as sustainable mobility, renewable energy and smart agriculture.

In short, the digital transition offers territories abundant opportunities, provided they can leverage technological tools to serve their own interests. However, the challenge is not to be taken lightly. The costs of digitalisation are steep, and the race to keep systems current is relentless. With the advent of artificial intelligence, digital communications have brought serious challenges for democracy, with the spread of false information proving impossible to stop for now. To address this, subnational governments will need to invest in connectivity to optimise their processes and institutional communications. It is also essential to understand the externalities of digitalisation in terms of new forms of inequality. Subnational governments must incorporate digital rights into their agendas, given the threat that disinformation and polarisation, fueled by social media, can pose to democracy.

Digital literacy development in rural areas and smaller municipalities cannot be delayed. Subnational governments will also need to develop open-source software solutions or shared platforms to bring down costs; foster communities of practice and networks of innovative cities to share experiences; and ensure that technological innovation is accompanied by organisational innovation, including new processes, adapted regulations and continuous training. Integrating the digital agenda into local development plans will make territories more competitive, transparent and resilient in the face of future challenges.

Raising the profile of subnational governments on the global agenda

In an interconnected world, global challenges such as climate change, migration crises, technological disruption, inequality and geopolitical tensions have a direct impact on LAC territories. For this reason, it is becoming ever more crucial for subnational governments in the region to engage with international agendas and cooperate beyond their borders, particularly on issues that affect them.

This study shows that some subnational governments in LAC have already committed to global agendas. They actively participate in international networks of local governments, establish partnerships with counterparts from other regions, collaborate with multilateral organisations and international civil society bodies, and even take on leadership roles in global forums and agendas. Many have joined decentralised international cooperation schemes and have brought their development plans into line with global frameworks, such as the SDGs.

However, a significant gap in international engagement separates large cities and intermediate-level governments from the majority of medium- and small-sized municipalities. Besides a handful of exceptional cases, most municipalities and departments in the region are not currently involved in international matters or participating in global networks. This disparity stems partly from capacity constraints: larger, more developed local governments have the staff and interest to manage international cooperation, while smaller municipalities are often consumed by immediate local concerns and lack the resources to plan any form of international engagement.

Although internationalisation has not been a priority for many local governments and national legal frameworks rarely encourage it, it is clear that regional challenges cannot be tackled in isolation. Municipalities, departments and regional governments in LAC must connect with the global agendas that affect them. The key to doing so is building their own internal capacity to establish cooperation links and international relations, and coordinating with others to create a critical mass. The challenges facing the region transcend national borders and cannot be overcome without strong, efficient subnational governments. Now, more than ever, the region urgently needs to strengthen this level of government by promoting long-term territorial development policies.

- Digitalisation and artificial intelligence equip subnational governments with unparalleled tools for improving public management and fostering development

Annex 1

Analysis matrix by
factor | indicator | country



FACTORS	INDICATORS*	POINTS	ARGENTINA	BELIZE	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	CUBA	REP DOM	ECUADOR	EL SALVADOR	GUATEMALA	HAITI	HONDURAS	JAMAICA	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY	VENEZUELA
1. CONSTITUTIONAL SYSTEM AND LEGAL FRAMEWORK	1.1 The national constitution mentions local governments	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
	1.2 The constitution recognises the autonomy of subnational governments, and this is effective in practice	4	4	0	4	4	4	4	4	0	4	4	0	4	0	4	0	4	0	4	0	4	4	0
	1.3 The constitution regulates core aspects of decentralisation, and these are effectively applied	4	4	0	4	4	4	4	4	0	0	4	0	0	0	0	0	4	0	4	0	4	4	0
	1.4 There is a developed body of legislation governing how subnational governments should function	4	4	4	4	4	4	4	4	4	4	4	4	4	0	4	4	4	4	0	4	4	4	4
	1.5 There are additional sector-specific laws that impact and improve local governance	2	2	2	2	2	2	2	0	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2
2. SUBNATIONAL ELECTORAL SYSTEM	2.1 Local authorities are elected	2	2	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2
	2.2 No systemic electoral fraud is reported	4	4	4	4	4	4	4	4	0	4	4	4	4	0	4	4	4	0	4	4	4	4	0
	2.3 Democratic pluralism is guaranteed	3	3	0	3	3	3	3	3	0	3	3	3	3	0	3	3	3	0	3	3	3	3	0
	2.4 The opposition has a recognised role	3	3	0	3	3	3	3	3	0	3	3	3	3	0	3	3	3	0	3	3	3	3	0
3. WOMEN'S PARTICIPATION IN SUBNATIONAL GOVERNANCE	3.1 Percentage of women mayors: • 8-10 % (1 point) • 11-20 % (2 points) • 21-40 % (3 points) • +40 % (6 points)	6	2	0	1	2	2	2	3	6	2	2	2	0	1	0	0	3	6	2	2	0	2	2

FACTORS	INDICATORS*	POINTS	ARGENTINA	BELIZE	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	CUBA	REP DOM	ECUADOR	EL SALVADOR	GUATEMALA	HAITI	HONDURAS	JAMAICA	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY	VENEZUELA
4. POWERS AND RESPONSIBILITIES	4.1 Closed system of exclusive subnational powers	2	2	2	2	2	2	2	2	0	2	2	2	2	0	2	2	2	2	2	0	2	2	2
	4.2 Exclusive subnational powers in: • education (2 points)* • healthcare (2 points)* • justice (2 points)* *Cumulative points	6	6	0	4	6	2	4	0	0	0	0	0	0	4	0	0	4	0	0	0	4	0	0
	4.3 Competencias atribuidas por delegación	2	2	2	2	2	2	2	2	2	2	2	0	2	2	2	2	2	2	2	0	2	2	0
	4.4 Mechanisms for resolving jurisdictional disputes	4	4	0	0	4	0	4	0	0	4	4	0	0	0	0	0	4	0	0	0	0	2	0

* No up-to-date information was found.

FACTORS	INDICATORS*	POINTS	ARGENTINA	BELIZE	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	CUBA	REP DOM	ECUADOR	EL SALVADOR	GUATEMALA	HAITI	HONDURAS	JAMAICA	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY	VENEZUELA
5. SUBNATIONAL FINANCES AND AUTONOMY	5.1 Percentage of subnational public expenditure over total public expenditure: • 0-5 % (1 point) • 5-10 % (2 points) • 10-15 % (3 points) • 15-20 % (4 points) • 20-30 % (5 points) • +30 % (6 points)	6	6	*	5	6	3	6	1	*	1	4	*	3	*	2	*	6	3	1	1	6	3	2
	5.2 Share of national government transfers in subnational government revenues: • 100-80 % (1 point) • 80-60 % (2 points) • 60-50 % (3 points) • -50 % (4 points)	4	4	*	4	4	3	2	4	*	2	2	*	2	*	4	*	1	3	3	4	1	4	1
	5.3 Level of local fiscal autonomy measured by the share of own-source revenues in total subnational income: • 10 % (1 point) • 10-30 % (2 points) • 30-50 % (3 points) • +50 % (4 points)	4	4	*	4	4	3	3	4	*	2	3	*	2	*	4	*	1	3	3	4	2	4	2
	5.4 Legal capacity to borrow: • Subnational debt between 0% and 1% of GDP or legal provision allowing borrowing (1 point) • Subnational debt exceeding 1% of GDP (2 points)	2	2	*	1	2	0	2	1	*	1	2	*	1	*	1	*	2	*	1	0	1	1	0

FACTORS	INDICATORS*	POINTS	ARGENTINA	BELIZE	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	CUBA	REP DOM	ECUADOR	EL SALVADOR	GUATEMALA	HAITI	HONDURAS	JAMAICA	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY	VENEZUELA
6. MULTILEVEL AND M ULTISTAKEHOLDER GOVERNANCE	6.1 Existence of one (or more) national associations of subnational governments • Not constitutionally recognised (1 point) • Constitutionally recognised (2 points)	2	1	1	1	1	2	2	1	0	1	1	1	1	1	1	1	1	1	1	1	1	2	0
	6.2 Existence of institutional mechanisms for coordination and consultation between levels of government • By decision of the national executive (2 points) • By legal mandate (4 points)	4	2	2	2	4	4	2	0	0	4	2	0	2	0	2	2	2	2	2	4	2	4	0
	6.3 Existence of territorial, supramunicipal, intermunicipal or cross-border association and cooperation mechanisms	2	2	0	2	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	0	2	2	0
	6.4 Existence of citizen participation instruments regulated by law • At the discretion of subnational governments (2 points) • By legal mandate (4 points)	4	2	4	2	2	4	2	4	0	4	2	4	4	0	4	2	4	2	4	4	4	4	2
	6.5 Existence of public-private coordination mechanisms for subnational governments established by law	2	2	0	2	2	2	2	2	0	2	0	2	2	0	2	0	2	0	2	2	0	2	0
7. PERFORMANCE AND CAPACITIES	7.1 Existence of local or regional public policy planning systems	4	4	4	0	4	4	4	0	4	4	4	0	4	0	0	4	0	0	0	4	4	4	0
	7.2 Existence of results-based budgeting systems	4	4	0	4	4	0	4	4	0	4	4	0	0	0	4	0	4	0	0	0	4	4	4

* No up-to-date information was found.

FACTORS	INDICATORS*	POINTS	ARGENTINA	BELIZE	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	CUBA	REP DOM	ECUADOR	EL SALVADOR	GUATEMALA	HAITI	HONDURAS	JAMAICA	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY	VENEZUELA
8. HUMAN RESOURCES IN LOCAL ADMINISTRATIONS	8.1 Existence of local career publics servants • Mentioned in the national law (1 point) • By specific regulation or law (2 points)	2	2	0	1	2	1	2	2	0	2	1	2	2	0	2	1	1	2	0	1	0	2	1
	8.2 Existence of systems to strengthen the skills of elected subnational authorities and civil servants • Through national programs (2 points) • Only through associations of subnational governments or similar (1 point)	2	2	1	1	2	2	2	2	2	2	2	0	2	0	1	1	2	2	2	0	2	2	0
9. TRANSPARENCY AND ACCOUNTABILITY	9.1 Legal requirement to ensure open government, digitalisation and public access to information	2	0	0	2	2	2	2	0	0	2	2	0	2	2	0	2	2	2	2	0	2	0	2
	9.2 Legal requirement to ensure open government, digitalisation and public access to information	2	2	0	0	2	2	2	0	0	2	0	0	2	0	2	0	2	0	2	2	0	2	0
	9.3 Legal requirement to have good governance and accountability mechanisms in place	2	0	2	2	2	2	2	2	0	2	2	0	2	0	2	2	2	2	0	2	0	2	0

FACTORS	INDICATORS*	POINTS	ARGENTINA	BELIZE	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	CUBA	REP DOM	ECUADOR	EL SALVADOR	GUATEMALA	HAITI	HONDURAS	JAMAICA	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY	VENEZUELA
10. INTERNATIONAL ENGAGEMENT AND GLOBAL AGENDAS	10.1 Existence of tools to support the localisation of the SDGs by subnational governments • +2 local voluntary reports in a unitary country (2 points) • +5 local voluntary reports in a unitary country (2 points)	2	2	0	2	2	0	2	2	0	0	2	0	0	0	0	0	2	0	0	0	2	2	0
	10.2 Degree of international engagement by subnational governments Unitary country: • There is at least one internationalisation plan or dedicated office for international matters (1 point) • There is more than one plan or office (2 points) Federal country: • There are more than five plans or offices (2 points)	2	2	0	1	2	1	2	1	0	0	2	0	0	0	0	0	2	0	0	2	0	2	0
TOTAL		100	87	30	73	93	73	87	65	22	71	75	35	65	14	59	41	81	42	57	51	71	82	28

* No up-to-date information was found.



ARGENTINA
BELIZE
BOLIVIA
BRAZIL
CHILE
COLOMBIA
COSTA RICA
CUBA
THE DOMINICAN REPUBLIC
ECUADOR
EL SALVADOR
GUATEMALA
HAITI
HONDURAS
JAMAICA
MEXICO
NICARAGUA
PANAMA
PARAGUAY
PERU
URUGUAY
VENEZUELA

This study provides valuable insight into the current state of decentralisation and territorial development in Latin America and the Caribbean, as well as the legal and institutional framework encompassing subnational governments in the region.

Given the significant diversity of nation-state models in LAC, the analysis focuses on how powers, responsibilities and resources have evolved in terms of their allocation to subnational governments. It also looks at the capacity of these governments to operate effectively and implement public policy. All of this is done through the lens of sustainable territorial development.

The study draws on a comparative analysis of ten factors considered essential to understanding the situation in each country: 1) Constitutional system and legal framework; 2) System for electing subnational authorities; 3) Women's participation in subnational governance; 4) Powers and responsibilities; 5) Subnational finances and fiscal autonomy; 6) Multilevel and multistakeholder governance; 7) Performance and management capacity; 8) Human resources in subnational administrations; 9) Transparency and accountability; and 10) International engagement and global agendas.

The comparative analysis covers 22 countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

This document has been produced by the Territorial Approach to Local Development, a facility operating under Unit G2 (*Local Authorities, Civil Society Organisations and Foundations*) of the European Commission's Directorate-General for International Partnerships (DG INTPA). The TALD Facility is implemented by the German Agency for International Cooperation, GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit).

Against a backdrop of scarce and often outdated data, this study aims to inform policymakers, researchers and the general public of the importance of decentralisation and a territorial approach as key components of inclusive development in Latin America and the Caribbean.

