

Roles of local and regional governments

- Degree and evolution of local and regional governments' autonomy

- Patterns in the allocation of functions across government levels

- Urban planning and local government functions

- Responsibilities in education, health, and security

- The roles of subnational governments and Sustainable Development Goals

2

Key messages

1 The autonomy of regional governments in Latin America and the Caribbean (LAC) increased in the 1980s when more began to have democratically elected authorities and in the 1990s with expanded responsibilities. However, their autonomy remains lower than that of their OECD counterparts, especially in terms of tax collection and borrowing.

2 Local governments have a core set of responsibilities, such as constructing and maintaining local infrastructure and public spaces, managing transportation, and collecting solid waste. These tasks are particularly important in cities, with urban planning playing an integrating role.

3 In the Caribbean, Central America, Paraguay, and Uruguay, local government roles are generally limited to these core functions. Meanwhile, local governments in Brazil, Chile, Colombia, and Peru enjoy broader powers, including responsibilities in primary education and health.

4

The policy scope of regional governments varies more across countries than that of local governments. In Argentina, Brazil, and Mexico, they take on more responsibilities than in other LAC countries, with substantive mandates in education, health, and security.

5

Evidence indicates that the capacity of local and regional governments determines whether decentralization has positive or negative effects. Without sufficient local governance capacity, decentralization risks deteriorating public policies.

6

Asymmetric decentralization can help close gaps and foster learning across jurisdictions by granting greater powers to governments with higher capacities. Despite its potential benefits, this type of decentralization is uncommon in the region, with Colombia being a notable exception.

Roles of local and regional governments¹

Introduction

Chapter 1 of this report described local and regional governments and their roles in the governmental structure of Latin America and the Caribbean (LAC). This chapter examines the level of autonomy and the responsibilities of these governments.

Describing subnational government autonomy is a complex task for two reasons. First, contemporary states perform multiple and diverse functions, and the level of autonomy of subnational governments varies depending on the function and even within the same function. For example, in several countries, regional governments are responsible for primary education but not higher education; within the primary level, they manage infrastructure and teaching staff but do not determine content or curricula. Second, overlapping responsibilities among different levels of government and discrepancies between *de jure* (legal) and *de facto* (actual) assignments of these responsibilities are common (Allain-Dupré, 2018).

The theoretical mechanisms explaining differences in local and regional government autonomy across countries are similar to those introduced in Chapter 1. That chapter presented the fundamental tension between economies of scale and geographic distance in explaining decentralization levels. It also highlighted the main advantages of decentralized governance: access to local information and citizen engagement, which improve public services. In addition to explaining these theoretical mechanisms, Chapter 1 emphasized the challenge of decentralizing responsibilities in a region marked by significant territorial inequalities. This chapter will also address these forces that influence/shape decentralization levels and present key challenges, with a focus on three critical functions: education, health, and security.

¹ This chapter was written by Guillermo Alves and Gustavo Fajardo, with assistance from Facundo Lurgo.

Autonomy of local and regional governments in Latin America and the Caribbean

This section assesses the autonomy of local and regional governments using two synthetic indices, one for each level. These indices have two advantages. First, they provide an overall view of autonomy levels, simplifying the complexity posed

by the numerous functions, subfunctions, and tasks. Second, both indices enable comparisons of current autonomy levels in LAC countries with those of other regions and track their evolution over recent decades.

The autonomy of regional governments

The Regional Authority Index (RAI) measures the legal autonomy of regional or intermediate-level jurisdictions in 81 countries from 1950 to 2018 (Hooghe et al., 2016; Hooghe and Marks, 2016). This broad sample includes countries where regional authorities are elected (i.e., autonomous governments as defined in this report) and others where they are not elected. The index is calculated for each regional government, as it allows for documenting differences in autonomy levels within the same country—a phenomenon known as asymmetric decentralization.

The following analysis focuses on the autonomy component of this index (“self-rule”) rather than the component measuring participation in national governance (“shared rule”). This autonomy component of the RAI assesses five dimensions: the extent to which jurisdictions have a general-purpose administration free from central government veto (institutional depth), the range of policies under their control (policy scope), their ability to make decisions on taxation matters (fiscal autonomy), their power to borrow without national government restrictions (borrowing autonomy), and whether they have legislative and executive authorities elected by the residents of their territories (representation).

Panel A of Graph 2.1 shows the evolution of the RAI from 1950 to 2018 for the average of countries in Latin America and the Caribbean, the Organisation for Economic Cooperation and Development (OECD) excluding LAC members, and Asia excluding OECD members. The autonomy of regional authorities in Latin America and the Caribbean declined in

the latter half of the 1960s, reaching its lowest point in the 1970s. Since the early 1980s, there has been a clear upward trend, which continued strongly in the following decade and leveled off after 2000. Throughout the analyzed period, regional jurisdictions in LAC had substantially less autonomy than those in the OECD. The comparison with Asia shows a very similar trajectory until the late 2000s, after which the gap with the OECD closed significantly in Asia.

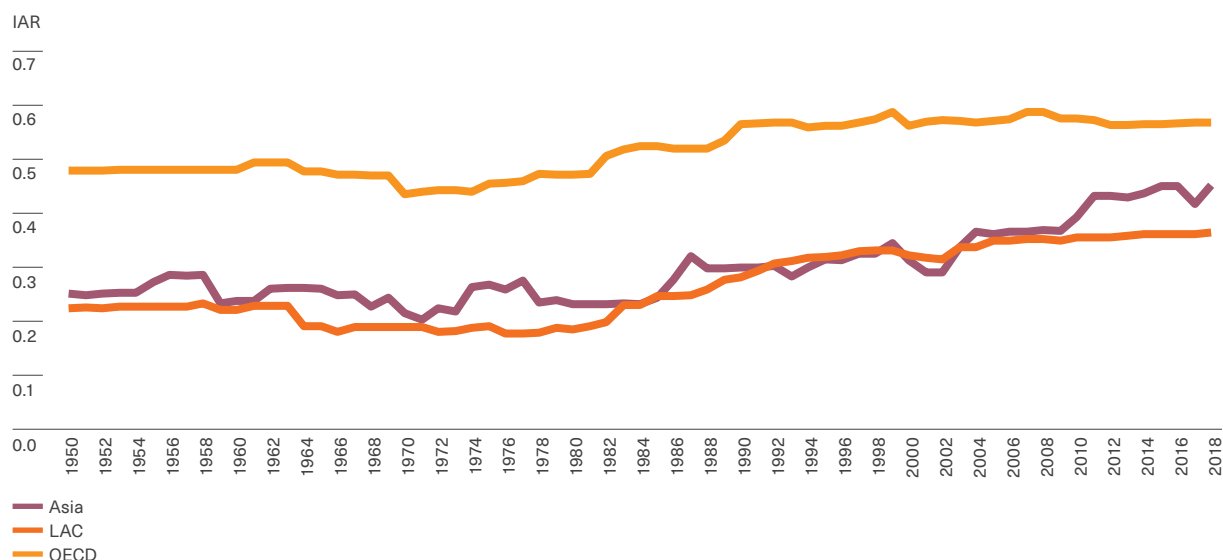
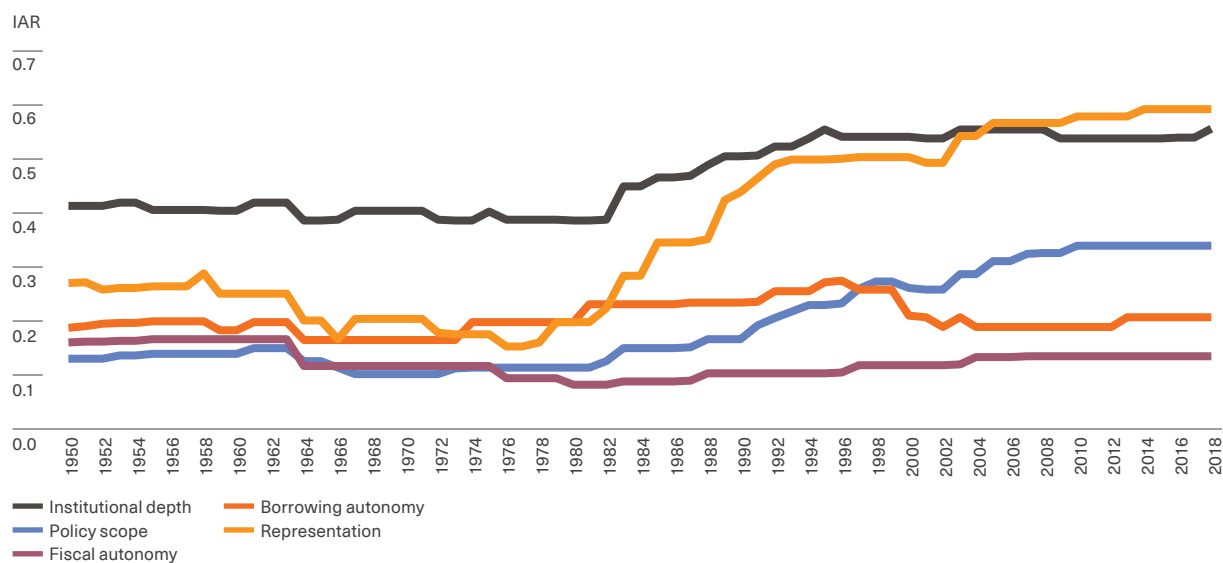


The autonomy of regional governments in Latin America and the Caribbean increased significantly during the 1980s and 1990s

The RAI shows that asymmetric decentralization is less prevalent in Latin America and the Caribbean than in developed countries. In the latter, differences in regional autonomy are linked to two main factors. In Belgium, Spain, and Italy, asymmetric decentralization corresponds to strong regional identities, often including linguistic differences. In other cases, several instances of regional autonomy involve remote island territories, such as Greenland in Denmark or Puerto Rico in the United States. According to the RAI, the most notable example of asymmetric decentralization at the regional level in LAC is Bogotá, Colombia, due to its greater tax-raising autonomy.

Graph 2.1

Evolution of the self-rule component in the Regional Authority Index (RAI)

**Panel A.
By regions****Panel B.
By component for LAC countries**

Note: The graph shows, in Panel A, the evolution of the self-rule component of the RAI for the average of LAC (covering 20 countries), Asia (11 countries), and the OECD (20 countries) from 1950 to 2018. Panel B focuses on the dimensions that make up the index value for the group of LAC countries. The scale of values has been adjusted to range from 0 to 1. Only countries with complete data for the entire series were included. The index was calculated using the first level of regional government (tier 1 in the original database), except for Ecuador in 2018, where the second level (tier 2) was used to maintain comparability. This adjustment was necessary because, in that year, "provinces" (*provincias*) and "Galápagos" moved to the second level, while the first level was exclusively occupied by a new administrative division: Special Territorial District of the Amazon (*Circunscripción Territorial Especial Amazónica*).

Source: Authors based on Hooghe et al. (2016) and Hooghe and Marks (2016).

Panel B of Graph 2.1 illustrates the evolution of the index's five dimensions. The factors driving the increase in autonomy for regional jurisdictions in LAC varied considerably between the 1980s and 1990s. In the 1980s, the increase was primarily due to advancements in political representation, as regional jurisdictions began to have democratically elected authorities. By contrast, in the 1990s, the rise in the index was mainly attributed to regional governments expanding their policy scope and, to a lesser extent, greater institutional depth.

Graph 2.2 compares the five dimensions using the averages of 21 LAC countries, 31 OECD countries, and

17 Asian countries in 2018. The current levels of the dimensions where regional authorities in LAC gained autonomy during the 1980s and 1990s—institutional depth, policy scope, and political representation—are similar to those in Asia but still lag behind the standards set by the OECD. The largest gap with the OECD is in fiscal autonomy and borrowing autonomy. While fiscal autonomy in LAC has remained stagnant, borrowing autonomy increased slightly but consistently from the 1970s until the mid-1990s, when it experienced a sharp decline in a few short years. Chapter 4 will explain how this decline was a response to subnational debt crises that affected Argentina, Brazil, and Mexico in the 1990s (Waibel and Liu, 2010).

Graph 2.2

Self-rule dimensions in the Regional Authority Index (RAI) in 2018 by region



Note: The graph shows the scores for the dimensions of the self-rule component of the RAI for the average of the OECD (31 countries), LAC (21 countries), and Asia (17 countries) in 2018. The score scale for each category was adjusted so that the minimum and maximum values are 0 and 100.

Source: Authors based on Hooghe et al (2016) and Hooghe and Marks (2016).

Graph 2.3 highlights the significant differences in the autonomy of regional authorities across countries in Latin America and the Caribbean. Argentina, Brazil, and Mexico—three of the four federal countries—have the highest values. The regional governments of these countries do not reach the global maximums

observed in Belgium, Canada, and Switzerland, as they lack authority over immigration and citizenship matters and face borrowing restrictions imposed by national governments. The other federal country in Latin America and the Caribbean is Venezuela. Its regional governments, known as governorships, have

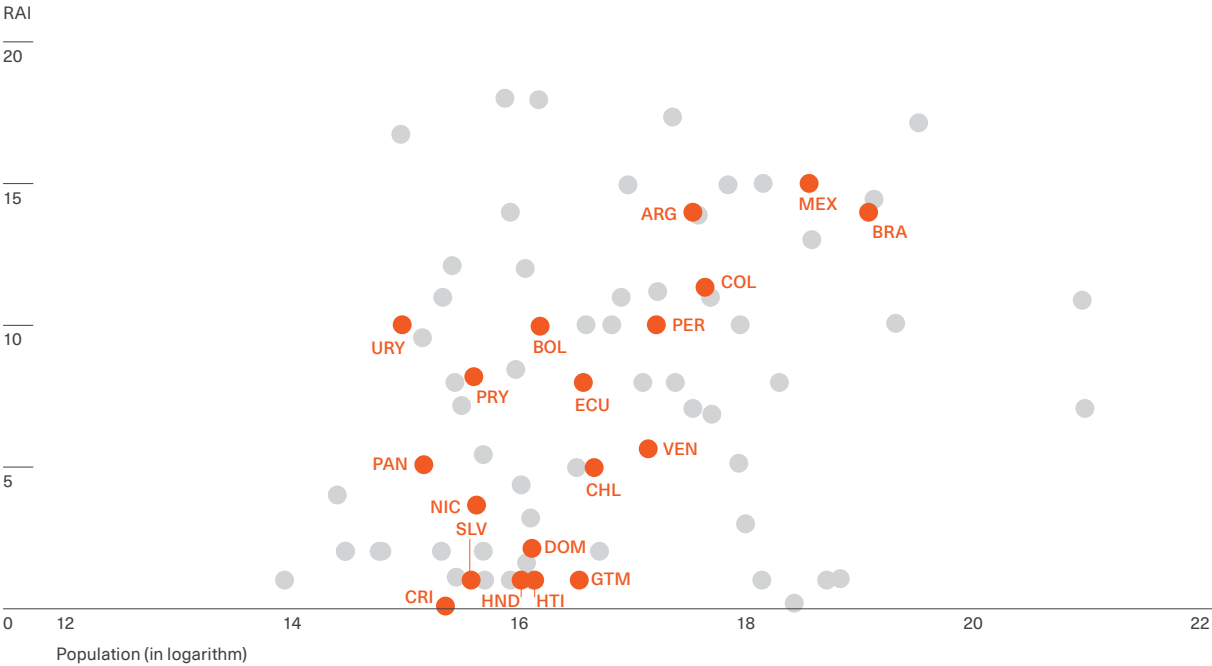
considerably lower autonomy levels compared to their peers in other federal countries and even fall below several unitary countries.

A second group of countries, in terms of the autonomy of their regional governments, includes Bolivia, Colombia, Ecuador, Peru, Paraguay, and Uruguay. This is followed by a third group made up of Chile, Nicaragua, Panama, and Venezuela, where regional authorities have very limited autonomy. Nicaragua deserves special mention, as its two regional governments, the North and South Caribbean Coast Autonomous Regions, have autonomy levels similar to those in the second group. However, the RAI calculated for Nicaragua as a whole is lower because the index weights regional jurisdictions by population, and these two regions account for less than 10%, while the rest of the country has no elected regional authorities. Finally,

the remaining six Central American and Caribbean countries for which the RAI is computed have regional authorities with minimal or no autonomy.

Graph 2.3 also shows a positive relationship between the RAI and a country's population, underscoring the crucial role of scale in decentralization, explored in depth in Chapter 1. The RAI also strongly correlates with a country's territorial size (see Table A.1 in the online appendix). Chapter 1 explained how the vast distances of larger territories create the need for a regional level of government. This analysis confirms that larger territories also demand greater autonomy for regional entities. Lastly, the data reveals a positive link between regional autonomy and country GDP per capita (see Table A.1). Historically, as national per capita income rises, countries tend to increase spending on functions more suited to decentralization, such as education and health (Hooghe y Marks, 2016).

Graph 2.3
Self-rule component of the Regional Authority Index (RAI) and country population in 2018



Note: The graph shows the relationship between the self-rule component of the RAI and the natural logarithm of each country's population, including a total of 77 countries (19 from LAC).
Source: Authors based on World Bank (2024d), Hooghe et al. (2016), and Hooghe and Marks (2016).

These correlations between the RAI and a country's population, size, and wealth are significantly stronger in Latin America and the Caribbean compared to the rest of the world. Chapter 1 also noted this pattern among subnational units, reinforcing the hypothesis that decentralization in Latin America and the Caribbean is more functionalist than in other regions. This concept suggests that observed decentralization is driven more by principles of governmental efficiency and the exercise of authority—such as the

influence of scale and distance—and less by factors related to community identity (Hooghe and Marks, 2016). As discussed in Chapter 1, this pattern may be linked to the impact of the conquest and colonization process on the development of territorial governance structures in Latin American and Caribbean countries. This process established subnational structures focused on governmental efficiency, while simultaneously weakening the autonomy of Indigenous peoples.

The autonomy of local governments

The Local Autonomy Index (LAI) developed by Ladner et al. (2023) measures local government autonomy. This index uses a methodology similar to the RAI but incorporates additional dimensions that are more relevant to local governments. For example, it evaluates how freely local governments can use the transfers they receive and the importance of these funds in their budgets. Like the RAI, the analysis focuses on the autonomy component (self-rule). However, the LAI's informational potential is more limited, as it is only available for four LAC countries (Argentina, Chile, Colombia, and Mexico) and covers a shorter period, from 1990 to 2020.

Globally, local government autonomy, as measured by the LAI, increased on average during the 1990s and 2000s, followed by a positive but more moderate trend in the next decade (Ladner et al., 2023). Although the LAI did not significantly increase during this period for the four Latin American and Caribbean countries studied, at least four others—Bolivia, Brazil, Colombia, and Peru—implemented significant decentralization processes that improved local government autonomy (Faguet, 2004; Moscovich, 2015).

The LAI is higher in countries with a higher GDP per capita but does not correlate with territorial size or population (see Table A.2 in the online appendix). Similar to the regional composite index, LAI autonomy levels are higher in OECD countries than in LAC, primarily because OECD countries have greater powers over taxation and borrowing. However, there are no substantial differences in

the range of policies managed or in their effective discretion over those policies.



Subnational governments in Latin America and the Caribbean have less autonomy than those in the OECD due to their limited capacity to make decisions on taxation and borrowing

The country-specific analysis in the LAI reveals two key points. First, municipalities in Chile and Mexico have very low autonomy levels. These local governments have limited functions, which are strictly defined, and they lack control over the tax rates they collect (Carrera, 2021; Cravacuore, 2021). Second, local governments in Argentina have varying levels of autonomy depending on their province. This asymmetry in decentralization stems from the country's strong federal system, which grants provinces the authority to decide on government decentralization within their territories.

Among the region's unitary countries, Colombia stands out as a prominent example of asymmetric decentralization at the local level. This type of decentralization is explicitly provided for in the country's Constitution. As will be discussed later in the description of decentralization in education and health, municipalities in Colombia have significantly different responsibilities in these two areas of public policy, depending on their institutional capacity.



The municipality of San Pablo la Laguna, Guatemala, is one of the local jurisdictions with the highest proportion of indigenous population in the region.

The functions of local and regional governments

Strong, consistent patterns lie behind the complexities of assigning tasks across government levels. Table 2.1 provides a non-exhaustive selection of government functions, organized by the level to which they are typically assigned. The first row lists functions managed exclusively by national governments, with participation by regional governments increasing in the subsequent rows, followed by local governments.



Regional governments have significant policy responsibilities in the areas of education, road infrastructure, health, and safety

The two middle rows of the table contain functions that show the most variation in terms of the controlling government level. In contrast, the functions listed in the top and bottom rows display limited variation, with making them more of an exception than the rule. Regional governments handle tasks in the central rows, where decentralization varies most widely across countries, while local governments typically manage a core set of functions in the bottom two rows. This pattern confirms greater heterogeneity among countries in the functions assigned to regional governments compared to those assigned to local governments.

Functions exclusively handled by national governments, such as defense, international trade, and immigration, are rarely decentralized because they operate on a national scale. In the second row, national governments play a dominant role, with regional or local participation being uncommon. For example, Brazil's public higher education system includes an extensive network of federal universities, although some state universities exist, particularly in wealthier states. Among these, the University of São Paulo (USP) stands out as one of the region's leaders in scientific output (Scimago, 2024).

Electricity distribution is another function in which national governments play a predominant role, with limited participation from subnational governments. Regulatory oversight is generally exercised at the national level, and most public companies delivering this service are national entities. However, some local and regional governments participate in managing certain public or cooperative electricity distribution companies. For instance, in Colombia, the electricity distribution company for the Meta Department includes regional and local governments as shareholders (EMSA, n.d.).

Regional governments play essential roles in providing education, healthcare, and public safety services in several countries. These functions are critical to public well-being, and the substantial variation in decentralization levels across countries justifies their dedicated analysis in specific sections of this chapter. Regional governments also have important responsibilities in managing infrastructure, particularly in federal countries and larger unitary states. For instance, 58% of Mexico's road network is under state government jurisdiction (Instituto Mexicano del Transporte, 2023).

Education, health, safety, water, and sanitation are the functions that show the greatest variation in assigned government levels across countries, as they can be managed by any of the three levels of government. Like education, health, and safety, the provision of water and sanitation is crucial for public well-being and involves substantial local government involvement, which is why it will be analyzed in detail in Chapter 6.

The last two rows of the table show functions typically managed by local governments. As discussed in Chapter 6, regional or national governments only occasionally participate in managing urban transport. They may also assist with the final disposal stage of solid waste management when its scale extends beyond the local level.

Table 2.1

Distribution of functions by government levels broken down by typical responsibility

Always National	Defense and foreign relations	International trade Immigration
Mostly national	Technical and higher education	Social assistance and protection Electricity transmission
Mostly regional or national	Secondary education Regional road infrastructure	Health beyond primary care
Local, regional, or national	Preschool and primary education Water and sanitation	Security Primary health care
Mostly local	Urban transport	Waste disposal
Always local	Urban planning and land use regulation Licenses or permits for economic activities Cultural activities, sports, and local events	Maintenance and cleaning of public spaces Garbage collection Urban infrastructure: roads, lighting, and parks

Note: Education and health refer to the public provision of these services.

Functions exclusively managed by local governments include local land use planning, public space maintenance, provision and upkeep of local roads and urban infrastructure, and solid waste collection. These functions are essential to urban local governments, which, as noted in Chapter 1, are where most of the region's population is concentrated. Given their importance, these functions are discussed in more detail in a specific section of this chapter.

Another function exclusive to local governments is granting permits, licenses, and authorizations for economic activities within their jurisdictions. These licenses influence the costs of starting and operating businesses, which is a determinant of territorial productivity levels (Álvarez et al., 2018; Alves and López, 2021a). Typical examples include permits that require compliance with safety and hygiene standards, such as food safety regulations, for businesses involved in food preparation. Other important licenses include construction permits and authorizations for public markets or fairs operating in public spaces.



The policy responsibilities of subnational governments increase with the size of the country and are lower in functions with greater complexity

The middle rows of Table 2.1 leave many functions unassigned to a specific level of government. The detailed analysis of decentralization in education, health, and safety, presented later, reveals two main principles that govern this assignment: the degree of decentralization increases with the size of the country and decreases with the scale or complexity of the function.

Urban planning as an integrator of urban local government functions

Urban planning is the process of designing and regulating land use and construction within a city. Land and construction include residential buildings as well as commercial and industrial facilities, along with transportation infrastructure, recreational areas, and basic public services, such as water, energy, and sanitation. In this way, urban planning plays an integrative role in the various functions that form the core responsibilities of urban local governments, outlined in the bottom two rows of Table 2.1.

A key tool in urban planning is the master or land-use plan. These plans define the types of permissible land use (residential, commercial, or industrial) and the allowable size of buildings, including their height. They also set the boundaries of urban areas, paying special attention to preserving areas of ecological or heritage value and demarcating risk zones for natural hazards such as floods or earthquakes.

Good urban policy, including planning, can be conceived to maximize the benefits and minimize the costs associated with high population concentrations in cities (Daude et al., 2017). Benefits include the increased productivity generated by agglomeration economies, as well as access to employment, education, health, culture, and recreation opportunities (Alves and López, 2021b). The two main costs are longer commuting times and the rising cost of housing.

Urban planning has three fundamental roles in minimizing the negative effects of population density on transportation times and housing affordability, on the one hand, and maximizing access to the opportunities for well-being and productivity that cities offer, on the other.

The first essential role of urban planning is to promote the abundant production of housing. As discussed in Chapter 1, cities in the region will face a growing demand for new housing due to population growth and urbanization rates. Additional factors driving this demand include smaller household sizes and the natural depreciation of the housing stock.

To ensure the abundant production of affordable housing, it is essential that land-use regulations support this goal by defining building size, height, and other aspects of building morphology (Baum-Snow and Han, 2024; Saiz, 2010). Revitalization plans for central areas are also crucial, as they increase housing supply by leveraging existing infrastructure without expanding the urban footprint. Additionally, as outlined in Chapter 8, local governments require a series of procedures and permits that affect production times and costs. This is another way they influence housing affordability and the production costs of urban economic activities.

The second role is to ensure that the locations designated for residential buildings in the master plan are equipped with public services (water, sanitation, etc.) and are close to educational and health facilities, as well as recreational spaces such as parks and public squares. If only a few areas in the city have these attributes, both commuting times and housing affordability will be negatively affected. Commuting times will increase as people must travel farther to access opportunities, and housing with services will become scarce and thus expensive. Beyond the master plan, coordination between this plan and infrastructure investments in water and sanitation, schools, hospitals, parks, and public squares is essential for this role of urban planning.

The third fundamental role of urban planning is to integrate master plans with transportation infrastructure. In large cities, not all economic and social opportunities are within close proximity to residential areas. This is particularly relevant for accessing employment, as well as more complex social infrastructure, such as universities and hospitals. Therefore, accessing these opportunities requires an urban transportation system that enables people to reach them within a short time (Vanoli and Anapolsky, 2023). Chapter 6 addresses the specific challenges of the urban transport sector, while this section emphasizes its coordination with land-use planning.



Successful urban planning is that which generates abundant affordable housing with public services, including transportation

One particularly notable way to illustrate the necessary integration between transportation and land-use planning is through transit-oriented development. This concept suggests that land-use regulations should promote higher density in areas with access to mass public transportation. This density includes not only residential buildings but also commercial properties and employment-intensive economic sectors.

Estimates suggest that implementing this approach could have increased welfare gains in one of the region's most iconic transportation projects: the TransMilenio bus rapid transit system in Bogotá. As discussed in more detail in Chapter 6, this project succeeded in enhancing welfare and economic activity. However, it is estimated that these welfare gains could have been 44% higher if the government had sold densification rights near the bus stops (Tsivanidis, 2023). This densification and value capture strategy would also have enabled the recovery of up to one-fifth of the initial investment.

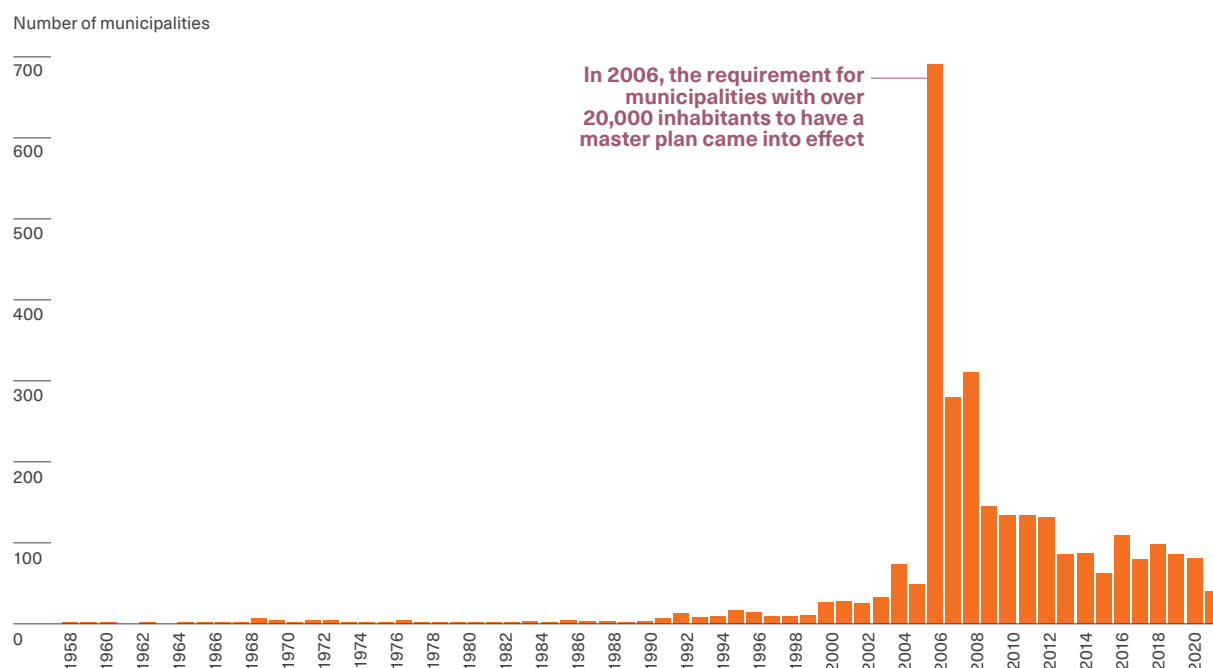
In addition to these three central roles of planning, as noted in Chapter 5, the regulations included in urban plans have revenue implications (OECD and Lincoln Institute of Land Policy, PKU-Lincoln Institute Center, 2022). As illustrated by the TransMilenio example, urban infrastructure projects offer revenue potential that requires appropriate land-use regulations to unlock this potential. Another typical revenue opportunity associated with land-use planning arises when a real estate developer seeks to build beyond the regulated height limit or construct housing on rural land. In such cases, the local government may grant an exception in exchange for a payment. Brazil's Additional Building Potential Certificate (CEPAC) is one of the world's most notable examples of this type of instrument.

Given the importance of urban planning as a guide for key policies of city governments, it is worth questioning the quality of its implementation in the region. Limited data suggests that this quality is low, and many local governments in the region lack a master or land-use plan altogether.

In Brazil, a 2006 mandate required municipalities with more than 20,000 inhabitants to have a master plan. As a result, the proportion of municipalities with a plan rose from just 14% in 2005 to 53% in 2021, reaching almost 90% among those with more than 20,000 inhabitants in the latter year. Graph 2.4 shows the approval years of municipal master plans and highlights how, in 2006, nearly 700 municipalities created their master plans. This case exemplifies a broader role of the national government in building capacities in local governments. In addition to establishing the requirement by law, the federal government, through its Ministry of Cities, deployed a series of support tools to help local governments formulate their master plans, including a guide for their development and review (Ministry of Regional Development, 2022).

Graph 2.4

Brazilian municipalities by year of creation of their master plan



Note: The graph shows the annual trend in the number of Brazilian municipalities that developed their master plan for the period 1958–2021. This data is based on processing the legislation and planning instruments module from the 2021 MUNIC survey.

Source: Authors based on IBGE (2021).

In Mexico, systematic information is also available on the number of municipalities with urban plans through the National Census of Municipal Governments and Territorial Demarcations, conducted in 2023 (INEGI, 2023a). Slightly less than half of the 2,469 municipalities had some type of urban development plan at the time of the census.² This proportion is much higher among more

populous municipalities, which tend to be more urban and thus have a stronger justification for creating a plan. Among Mexican municipalities with over 50,000 inhabitants, 17% do not have an urban development plan—a relatively low proportion, but one that could be improved, as this is a minimum requirement for implementing urban planning that fulfills the roles outlined above.



CAF Action.
Scan the QR code to see CAF's urban planning projects.

² To calculate these values, local entities with urban development or ecological land-use plans or programs were included, whether applied to the municipality, territorial demarcation, or city. Partial, special, and project-specific plans were also considered.

Three key functions of local and regional governments: Education, health, and safety

Focusing on education, health, and safety clarifies which level of government holds responsibility for these functions in each country in Latin America and the Caribbean³. There are two reasons for choosing these functions out of the various governmental responsibilities. First, as shown in Table 2.1, local and regional governments participate in these functions, but the extent of their involvement varies significantly across countries. Describing their decentralization patterns in detail thus provides valuable insight into the

responsibilities of local and regional governments in LAC. Second, these three functions are among the most essential for public well-being, each linked to a specific Sustainable Development Goal (SDG), and they represent major challenges in the region (Álvarez et al., 2020; Berniell et al., 2016; De la Mata et al., 2022; United Nations, n.d.; Nussbaum, 2013). Additionally, as a consequence of these two reasons, education, health, and safety occupy a substantial portion of subnational government budgets, as discussed in Chapter 3.

The role of local and regional governments in public education provision

The first column of Table 2.2 indicates which level of government holds the primary legal responsibility for managing public primary education in 15 countries in the region. As noted earlier, country size is a key determinant of decentralization in this area. In smaller countries, the provision of primary education falls exclusively under the national government's responsibility. This is the case for all Central American and Caribbean countries, as well as Ecuador, Paraguay, and Uruguay. In larger countries, varying levels of decentralization are observed. Notably, even in the largest and most decentralized countries, the national government retains a regulatory role, with particular influence over educational content.



The overlap of functions between levels of government and the differences between legal and actual responsibilities can impact the quality of education

In countries where subnational governments have responsibilities in providing public primary education, the way these responsibilities are distributed is highly complex and heterogeneous. Differential or partial decentralization is common, where some tasks are decentralized and others remain under national control. In Bolivia, for example, the Popular Participation Law passed in 1994, transferred the physical infrastructure of schools to municipal governments but kept the management of teaching, administrative, and technical staff, as well as curriculum development, under national control (Gorostiaga, n.d.; Rivas and Scasso, 2020). In other countries, responsibilities are not clearly defined, leading to overlaps. This is the case in Peru, where the decentralization process assigned functions to both local and regional governments in managing primary education, resulting in significant overlap and discrepancies between de jure and de facto management (Apostolou et al., 2010). This lack of clarity regarding responsible authority can negatively impact quality.

³ The academic references and official documents consulted in the drafting of this section can be found in the appendix available in the online version of the RED.



The municipality of Santiago, in Chile, is one of the most densely populated local governments in the region.

Decentralization can also be asymmetric, as illustrated by the case of public education in Colombia, where responsibility falls on certain local governments but not on others. In Colombia, public primary education is managed by Certified Territorial Entities (ETCs), which include all departments, municipalities with over 100,000 inhabitants, and those municipalities that have demonstrated the necessary technical, administrative, and financial capacity to take on this responsibility.

This asymmetric design of educational decentralization in Colombia has enabled an evaluation of its effects by comparing the development of municipalities with fewer and more than 100,000 inhabitants. Elacqua et al. (2021) find that municipalities with greater autonomy achieved better results by hiring more qualified teachers. However, Brutti (2020) shows that within this group, the effect was not uniform, and a quality gap emerged between those with higher and lower baseline development levels. The findings of both studies support the hypothesis that local government capacity determines whether

decentralization has positive or negative effects on public policy outcomes. This evidence also reinforces the challenge, discussed in Chapter 1, regarding the potential impact of decentralization on widening well-being gaps in the region.

In four other countries, responsibilities are clearly assigned, either at the local level (in Brazil and Chile) or the regional level (in Argentina and Mexico). The case of Chile requires two clarifications. First, while municipalities are responsible for the public provider subsector, publicly funded education provided by private entities also plays a significant role in the system. Second, Chile is undergoing a reform process that reduces the degree of decentralization in public primary education provision. Under this process, municipalities are being replaced by deconcentrated entities called Local Public Education Services (SLEP), which operate on a larger geographic scale. The SLEP serves as an example of a deconcentrated, rather than decentralized, government entity, as they have some autonomy but remain administratively dependent on the national Ministry of Education (Rivas and Scasso, 2020).

Table 2.2

Primary responsibility for the provision of education, health, and safety

Responsibility	Primary education	Secondary education	Primary healthcare	Hospitals	Police
National	El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Dominican Rep., and Uruguay				
National with local participation	Bolivia				Bolivia, Costa Rica, Ecuador, Peru, and Venezuela
Regional	Argentina and Mexico	Argentina, Brazil, and Mexico	Mexico and Peru	Argentina, Colombia, Mexico, and Peru	
Regional con local participation	Colombia and Peru	Colombia and Peru	Argentina and Colombia		Argentina, Brazil, and Mexico
Local	Brazil and Chile*	Chile*	Bolivia, Brasil and Chile	Brazil	

Note: *Chile is currently undergoing a reform process.

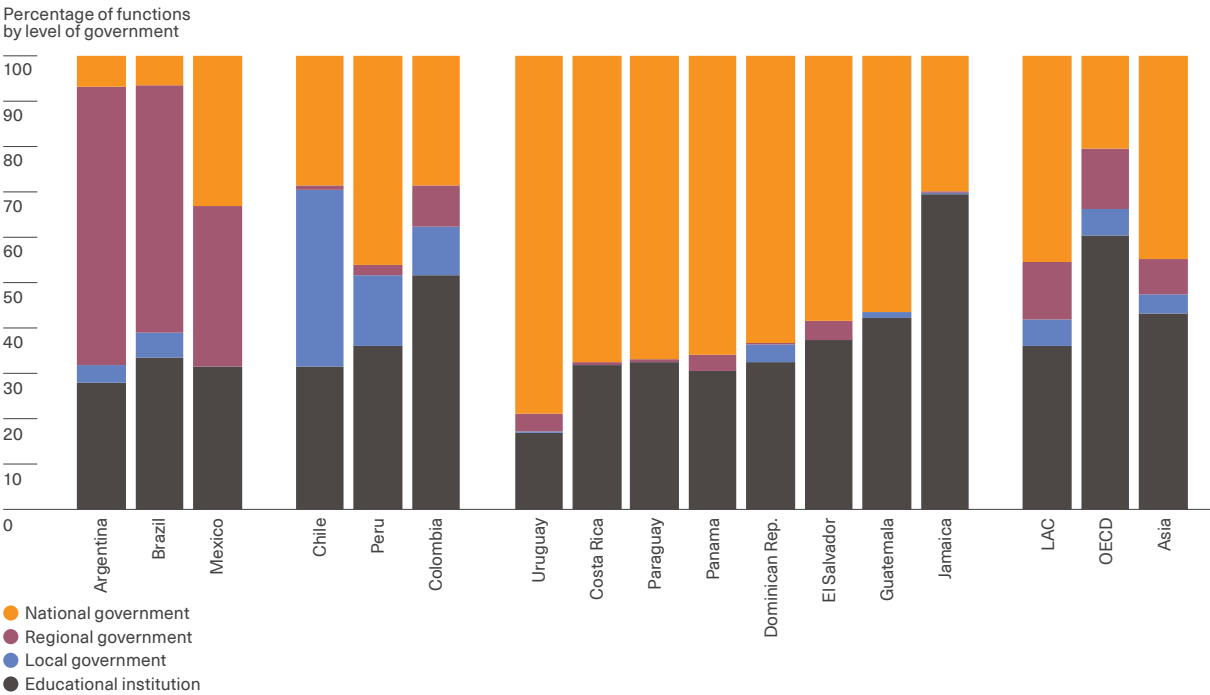
Source: Authors based on references provided in the chapter appendix available online.

To analyze decentralization in secondary education, data was drawn from the school principal survey included in the 2022 Programme for International Student Assessment (PISA). This standardized assessment investigated who holds responsibility for educational management decisions across 12 key dimensions (OECD, 2022). These dimensions include, for example, hiring teachers, evaluating students, and deciding which courses are offered. Principals reported, for each of the 12 dimensions, whether the responsibility lies with a local, regional, or national authority, the school's teachers, the principal, or a governing entity of the school. Although PISA surveys both public and private schools, the analysis here focuses on the former. A key advantage of this survey is that it provides insight into the de facto dimension of

autonomy, contrasting with the de jure perspective summarized in Table 2.2.

Graph 2.5 shows, for each country, the percentage of responses that assign responsibility to the school, the local government, the regional government, or the national government across the 12 dimensions collected by PISA. In this graph, the “educational institution” category aggregates responses attributing responsibility to teachers, the principal, and the school's governing entity. The task distribution across these four levels in the average of Latin American and Caribbean countries is very similar to that in 19 Asian countries outside the OECD. The main difference between these two regions and the OECD is that in the latter, educational institutions (i.e., schools) play a much larger role.

Graph 2.5
Management responsibilities for secondary education according to PISA 2022 data



Note: The graph shows, for 14 LAC countries and the average of the OECD group (28 countries) and Asia (19 countries) in 2022, the percentage of 15-year-old students attending public schools where management responsibilities fall on government authorities at the local, regional, or national level, or on the educational institution themselves. The values are calculated by averaging 12 categories of functions. For Guatemala, responses in the regional government category are assigned to the national government, as the regional entity in that country is deconcentrated.

Source: Authors based on data from PISA 2022 (OECD, 2022).

The Latin America and Caribbean average masks significant differences between countries, which can be divided into three groups. The first group, consisting of Argentina, Brazil, and Mexico, assigns a greater proportion of tasks to regional governments than to the other three actors. The role of regional governments is particularly strong in Argentina and Brazil, where only 6% of tasks are managed at the national level. Their role is somewhat less dominant in Mexico, where the federal government handles nearly a third of the tasks.

The strong role of Argentine provinces in managing public education is due to the transfer of educational institutions previously under national government control, which took place between 1992 and 1994. The transferred institutions served 55% of the country's students. Galiani et al. (2008) analyzed the effects of this decentralization process by comparing the educational outcomes over time of the transferred institutions with those already under provincial control. The authors found that decentralization improved average results on standardized math and language exams across the country. However, as seen with Colombia's local-level reform, this regional-level decentralization

episode had negative effects on poorer municipalities with fewer resources.

In Chile, Colombia, and Peru, the proportion of tasks assigned to local governments is higher than in other countries. However, the role of these local governments in this second group is more moderate compared to the role of regional governments in the first group, with only Chile surpassing the other three actors. In Colombia, the educational institutions hold the dominant role, while in Peru, the national government does. In Peru, PISA data suggest that de facto responsibilities, at least in secondary education, may contradict the de jure dominant role of regional governments as shown in Table 2.2.

In a third group—consisting of Costa Rica, El Salvador, Guatemala, Jamaica, Panama, Paraguay, the Dominican Republic, and Uruguay—the combined proportion of tasks handled by local and regional governments never exceeds 5%. As a result, the national government overwhelmingly dominates the management of public secondary education, handling more than 50% of tasks in each country. The only exception is Jamaica, where educational institutions take on the largest share of tasks across all countries in the region.

The role of local and regional governments in health service provision

In line with the established pattern between decentralization and country size, local and regional governments in Paraguay and most Central American and Caribbean countries have very limited or no involvement in public health service provision.⁴ In these countries, there are varying levels of deconcentration of health services, which occurs in geographic areas larger than those of subnational governments (such as in Belize, Costa Rica, El Salvador, Jamaica, Nicaragua, and Trinidad and Tobago), within the same geographic area but with parallel structures (as in Honduras and Paraguay), or sometimes at the level of individual health facilities, as seen in Suriname.

Some cantons in Ecuador and departments in Uruguay manage primary care facilities alongside national services. Unlike the overlap of undefined responsibilities seen with primary education in Peru, this overlap occurs because two different government levels provide the same service within the same territory. The challenges of decentralization with overlapping services differ from those associated with poorly defined responsibilities. Here, the primary challenges involve coordination and the potential for diseconomies of scale due to the presence of multiple service units.

4 The public sector also plays a key role in funding and regulating health services, including social security systems (Álvarez et al., 2020). Local and regional governments have minimal or no involvement in these tasks.



In Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, and Peru, subnational governments play significant roles in managing public health

In Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Mexico, and Peru, local and regional governments play significant roles in managing public health, although with substantial variation across countries and levels of service provision. In the first four countries, local governments are responsible for primary care, while other government levels provide secondary and tertiary services. In Colombia, at the local level, there is a system of asymmetric decentralization similar to that in education, where only certified municipalities are responsible for primary healthcare in their territories. These

more complex services are managed by regional governments in Argentina and Colombia, and by national governments in Bolivia and Chile. In Mexico and Peru, regional governments are responsible for health services at all levels.

As with education, Brazil shows the highest levels of decentralization in public health. Brazilian municipalities not only manage primary care but also operate hospitals with support from the regional level. In 2015, 4% of public hospitals in Brazil were federal, 25% were operated by the states, and 70% were municipal (Tikkanen et al., 2020). A constitutional amendment requiring municipalities to allocate at least 15% of their budgets to health led to increased investments in health infrastructure and staffing, significantly reducing infant mortality. The authors also found that municipal capacity played a key role in the outcomes of this reform (Clarke et al., 2024).

The role of local and regional governments in police force management

The degree of decentralization in police forces is lower than in education and health. Of the 32 LAC countries analyzed, only Argentina, Brazil, and Mexico assign primary police responsibilities to subnational governments (e.g., provinces or states), aligning with their federal structures. In Bolivia, Costa Rica, Ecuador, Peru, and Venezuela, the police are nationally managed, though local governments may control smaller, less powerful police forces. In the remaining countries, only national police forces exist. Additionally, certain territories within Argentina, Brazil, and Mexico have local police forces with limited powers, operating alongside the primary subnational police forces.

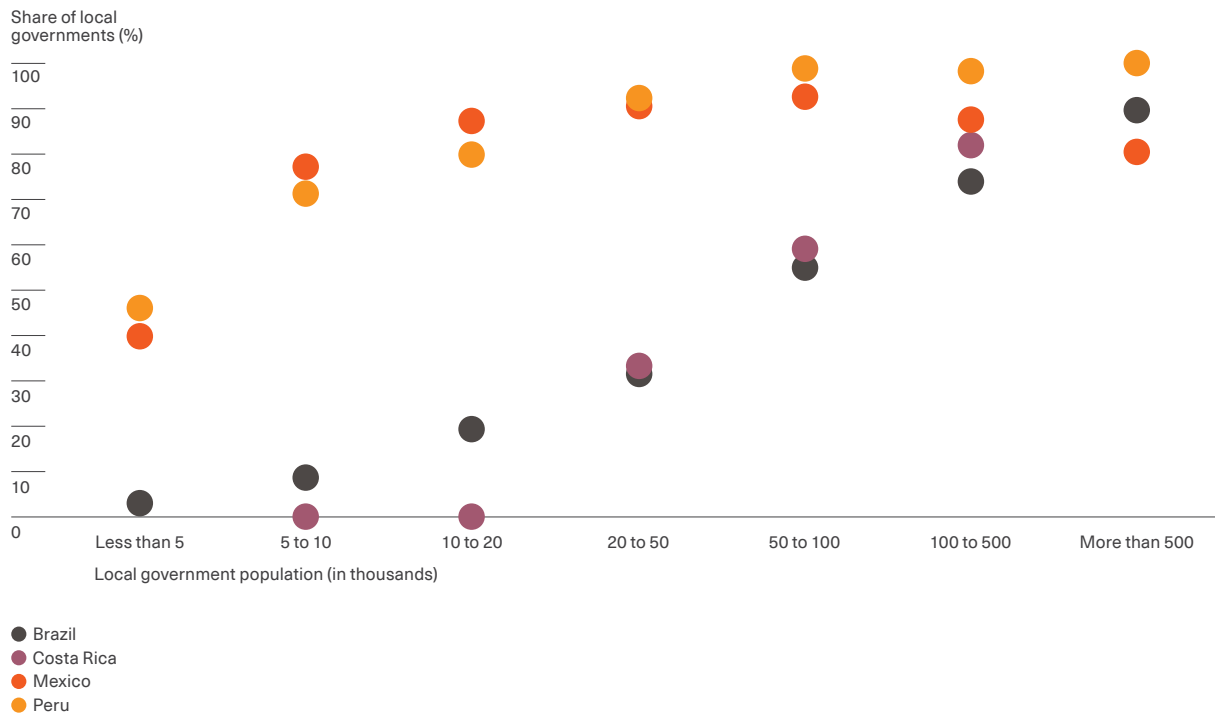
The presence of local police forces illustrates another case of asymmetric decentralization, as not all municipalities have their own police institution. Of the four countries with available data, Mexico and Peru have the highest proportion of local governments controlling police forces. In 2019, 1,805 out of 2,455 municipalities in Mexico had their own police, known as the Municipal Preventive Police (INEGI, 2023a). In Peru, 1,153 out of 1,891

municipalities had public surveillance and security services known as *serenazgo* in 2023 (INEI, 2023b). In Costa Rica, this proportion is slightly lower, with 34 out of 82 cantons maintaining local police (UNGL, n.d.), and in Brazil, where just over 1,000 municipalities—approximately one-fifth of the total—have municipal guards (IBGE, 2021).

Graph 2.6 illustrates that municipal security forces are more commonly found in larger municipalities across these four countries. In Brazil, local police forces were present in over half of the municipalities with populations exceeding 50,000 and in 90% of those with more than 500,000 residents. In Costa Rica, no municipal police forces exist in any of the 13 cantons with populations under 20,000; however, they are present in 13 out of 22 cantons with populations between 50,000 and 100,000, as well as in nine of the 11 cantons with populations over 100,000.

Graph 2.6

Proportion of local governments in Brazil, Costa Rica, Mexico, and Peru with police forces by population size



Note: The graph shows the percentage of local governments with police forces (also known as civil or urban guards), categorized by population size.

Source: Authors based on CAF (2025), IBGE (2021), INEGI (2023a), INEI (2023b), and UNGL (n.d.).

Local police forces have a more limited scope of action compared to their higher-level counterparts, generally focusing on prevention and surveillance rather than enforcement, in line with restrictions on carrying firearms. For instance, members of urban patrols or local guards in municipalities within the provinces of Buenos Aires, Córdoba, and Santa Fe are prohibited from carrying firearms. Similarly, in Ecuador, municipal police forces, known as *Cuerpos de Control*, are restricted to

less-lethal weapons—batons, chemical irritants, and conducted energy devices (tasers). However, in Costa Rica, municipal police are allowed to carry firearms, and this is common in larger municipalities in Brazil. In 2019, data from Brazil's MUNIC survey on basic municipal information indicated that firearm use was authorized in 45% of municipalities with populations between 100,000 and 500,000, and in 70% of those with over 500,000 inhabitants.



The municipality of São Paulo, in Brazil, is the local government with the largest population in Latin America and the Caribbean.

The capacities of local and regional governments and the sustainable development goals

This chapter has shown that local and regional governments in Latin America and the Caribbean have responsibilities in key sectors essential to the well-being of the population. The overview of their responsibilities across each country reveals a strong alignment with several sector-specific Sustainable Development Goals (SDGs) as well as broader, cross-cutting goals.

In a highly urbanized continent, improving the quality of life in cities is a fundamental development challenge. This challenge is encapsulated in SDG 11: “to make cities inclusive, safe, resilient, and sustainable.” Across all countries, local governments are responsible for a core set of urban tasks, including urban transportation management, with land-use planning serving as an integrating focus. Consequently, these governments play a primary role in achieving this SDG. As discussed in greater detail in Chapter 6, in some countries, local governments are also responsible for providing water and sanitation services, which correspond to another specific SDG (SDG 6).

Specific SDGs also exist for education, health, and security (SDGs 4, 3, and 16, respectively). As highlighted in previous sections, these are areas where local and regional governments in some countries play a significant role.

These are the most direct connections between the SDGs and the sector-specific responsibilities of local and regional governments discussed in this chapter. However, the discussion in this chapter and throughout the report demonstrates that the roles of these governments also align with other SDGs. For instance, Table 2.1 highlights critical subnational responsibilities in infrastructure investments (SDG 9) and in regulations and permits impacting economic growth (SDG 8). Additionally, land-use planning and infrastructure investments are essential for climate change adaptation (SDG 13) and terrestrial ecosystem protection (SDG 15). Finally, local and regional governments can undertake actions to promote gender balance (SDG 5) among their officials and elected authorities, as discussed in Chapter 7.

Progress on several SDGs in the region critically depends on the outcomes of policies managed by local and regional governments. Studies cited in this chapter further indicate that these outcomes are contingent on the institutional capacities of these governments (Brutti, 2020; Clarke et al., 2024; Elacqua et al., 2021; Galiani et al., 2008). These studies also highlight an additional implication: disparities in capacities within countries can cause decentralization to widen existing well-being gaps, sometimes leading to a decline in public service quality in the most disadvantaged areas. This potential reinforces the call to strengthen the capacities of subnational entities.



City Hall of Quito, seat of municipal government
of the Metropolitan District of Quito