



Executive Summary

Territorial Development and Decentralisation in Latin America and the Caribbean:

**A COMPARATIVE STUDY ACROSS
22 COUNTRIES**

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 **tald** territorial approach
to local development
facility


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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 sub-national 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.



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