

# Institutions for effective intergovernmental cooperation

19th Annual Meeting of the Network on Fiscal Relations across Levels of Government

*Strengthening fiscal relations for future challenges*

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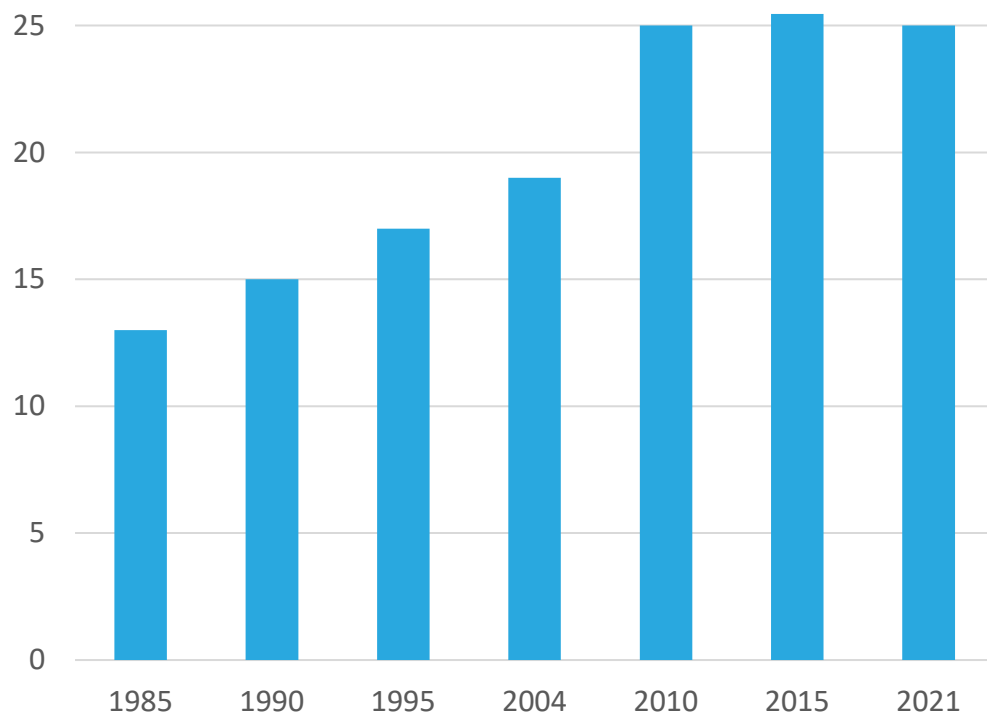
Fiscal and Municipal Management Division – Institutions for Development Department

OECD – Paris, April 2023

# Latin America and the Caribbean has decentralized during the past four decades...

## Latin America (12 countries): Subnational Spending, 1985-2019

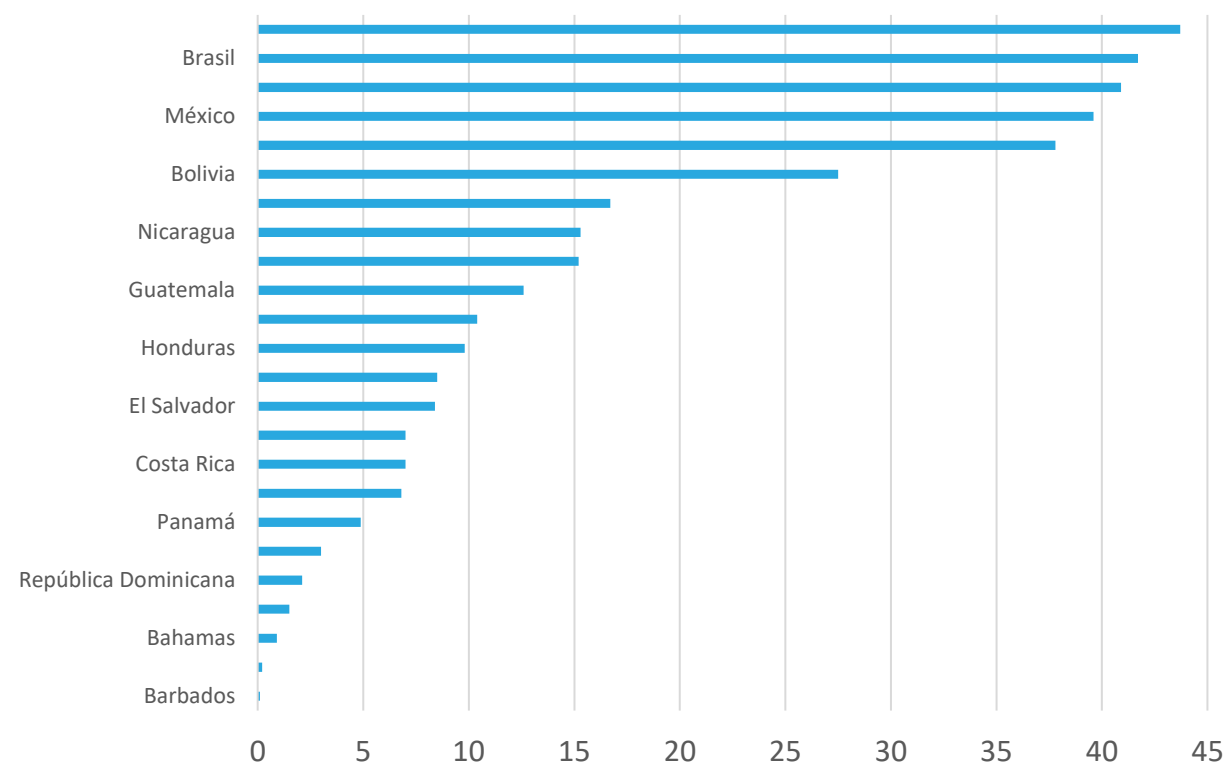
*(As a share of aggregate government)*



Source: Outlook of Fiscal Relations among Government Levels in Latin America and the Caribbean, based upon IDB (1997), Daughters y Harper (2006), IDB (2018), and own elaboration based upon national authorities' data for 12 countries in LAC

## Latin America and the Caribbean (22 countries): Subnational Spending, around 2019

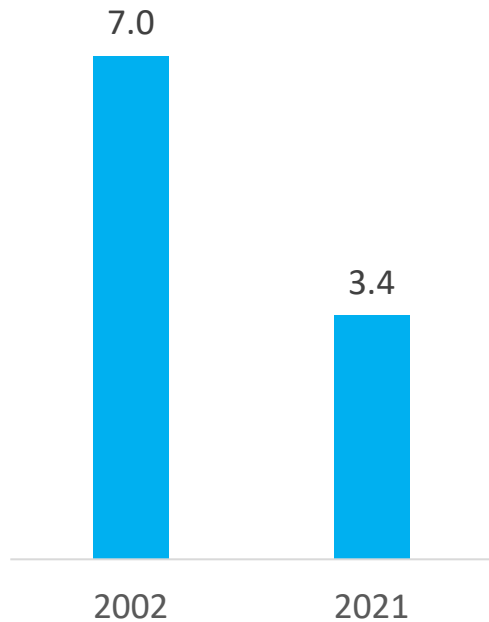
*(As a share of aggregate government)*



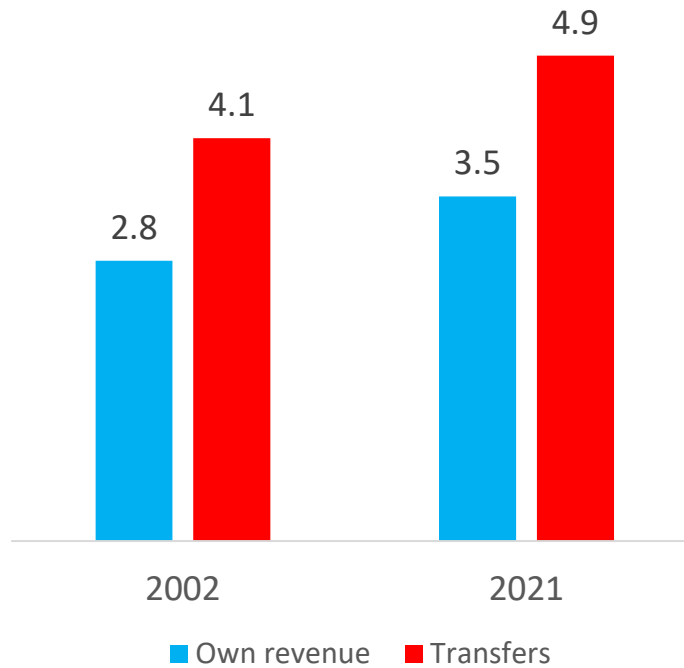
Source: Outlook of Fiscal Relations among Government Levels in Latin America and the Caribbean based upon national authorities' data (average 2015-19)

# ...with some improvements and some “stubborn” challenges

### Subnational debt as % of GDP

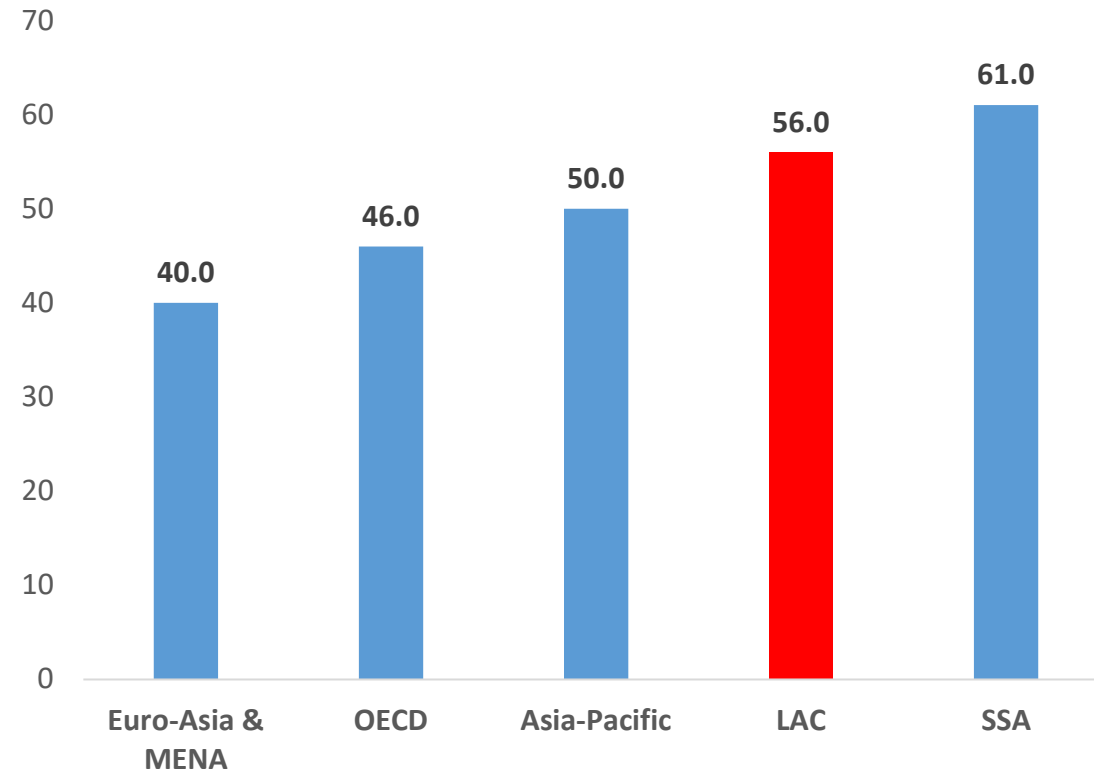


### Subnational income by source as % of GDP



### Transfers to subnational governments, by region of the World

*(As a share of total revenues)*



Source: Outlook of Fiscal Relations among Government Levels in Latin America and the Caribbean, OECD – Fiscal decentralization database, SNG-WOFI, and own elaboration based upon national authorities' data– 2019 or latest year available

# Pandemic brought attention to intergovernmental coordination

Nature of crisis spurred tensions among levels of government. Other sources of tension (climate shocks; migration waves)

Quality of response to pandemic did not depend on degree of decentralization, but on the strength of existing coordination mechanisms (OECD, 2021)

Renewed attention is also an opportunity to tackle “stubborn” challenges

# Stronger intergovernmental coordination requires stronger governing bodies

Governing bodies are country specific – No magic bullet

Subnational associations tend to be stronger in federal and more decentralized countries (Ter-Minassian and De Mello, 2016)

Space for improvement in many LAC countries: (i) insufficient relevance and/or clear mandates; (ii) weak technical capacities; (iii) lack of muscle for technical assistance

# Incentives for stronger governing bodies

Timely information and analysis for decision making and reforms

Capacity to “cut ribbons” (hard and soft) and communicate

Capacity to coordinate vertically and horizontally

Focus on development goals (local-placed development), incorporating cross-cutting challenges (climate change, gender and diversity)

# Resources for Latin America and the Caribbean

<https://subnational.iadb.org/>

