

INTERNATIONAL
CENTER FOR
PUBLIC POLICY

—
WITHIN THE
PUBLIC FINANCE
RESEARCH CLUSTER

From Institutional Design to Service Delivery: An Integrated Approach to Decentralization Reform in Latin America

Federico Corredor
Jorge Martínez-Vázquez
Andrés Muñoz

September 2026



ANDREW YOUNG SCHOOL
OF POLICY STUDIES

Tel: 404-413-0233

Website: pfrc.gsu.edu

Address:
55 Park Place NE
7th Floor
Atlanta, GA 30303

Mail:
Public Finance Research Cluster
P.O. Box 3992
Atlanta, GA 30302-3992

International Center for Public Policy Andrew Young School of Policy Studies

The Andrew Young School of Policy Studies was established at Georgia State University with the objective of promoting excellence in the design, implementation, and evaluation of public policy. In addition to four academic departments, including economics and public administration, the Andrew Young School houses nine leading research centers, including the International Center for Public Policy.

The mission of the International Center for Public Policy (ICePP) is to provide academic and professional training, applied research, and technical assistance in support of sound public policy and sustainable economic growth in developing and transitional economies.

ICePP is recognized worldwide for its efforts in support of economic and public policy reforms through technical assistance and training around the world. This reputation has been built serving a diverse client base, including the World Bank, the U.S. Agency for International Development (USAID), the United Nations Development Programme (UNDP), finance ministries, government organizations, legislative bodies, and private sector institutions.

The success of ICePP reflects the breadth and depth of its in-house technical expertise. The Andrew Young School's faculty are leading experts in economics and public policy and have authored books, published in major academic and technical journals, and have extensive experience in designing and implementing technical assistance and training programs. Andrew Young School faculty have been active in policy reform in over 70 countries around the world. Our technical assistance strategy is not merely to provide technical prescriptions for policy reform, but to engage in a collaborative effort with host governments and donor agencies to identify and analyze the issues at hand, arrive at policy solutions, and implement reforms.

ICePP specializes in four broad policy areas:

- Fiscal policy (e.g., tax reforms, public expenditure reviews)
- Fiscal decentralization (e.g., reform, intergovernmental transfer systems, urban finance)
- Budgeting and fiscal management (e.g., local, performance-based, capital, and multi-year budgeting)
- Economic analysis and revenue forecasting (e.g., micro-simulation, time series forecasting)

For more information about our technical assistance activities and training programs, please visit our website at icepp.gsu.edu or contact us at paulbenson@gsu.edu.

From Institutional Design to Service Delivery: An Integrated Approach to Decentralization Reform in Latin America

Federico Corredor, Jorge Martínez-Vázquez, and Andrés Muñoz*

September 2026

Abstract

Despite multiple waves of reform, fiscal decentralization in Latin America has produced mixed and uneven results. This paper argues that understanding the region's persistent decentralization challenges requires moving beyond fiscal design alone to examine how fiscal arrangements interact with political incentives and administrative capacity. Through a panoramic review of the region's experience, we identify vertical fiscal imbalances and horizontal fiscal disparities as two persistent structural challenges and examine how these constraints ultimately shape subnational governments' ability to deliver public services effectively and equitably. Building on recent developments in fiscal federalism, we propose an integrated analytical framework to diagnose decentralization problems and inform reform priorities. Rather than prescribing a uniform package of reforms, the framework begins with the problem to be addressed, identifies the fiscal arrangements, political incentives, and administrative capabilities sustaining it, and uses that diagnosis to inform context-specific reform priorities. Importantly, integration does not require each dimension of decentralization to carry equal explanatory weight across problems or countries. Instead, the framework emphasizes their interaction and the alignment of responsibilities, resources, incentives, and implementation capabilities, with public service delivery as the ultimate test of effective decentralization.

Keywords: fiscal decentralization, Latin America, intergovernmental relations, integrated governance, asymmetric federalism, public financial management

JEL Codes: H70, H77, O54, H11

* Corredor: Public Finance Research Cluster, Andrew Young School of Policy Studies, Georgia State University; Martínez-Vázquez: International Center for Public Policy, Andrew Young School of Policy Studies, Georgia State University and IDEAGOV, Universidad de Santiago de Compostela; Muñoz: Inter-American Development Bank.

1. Introduction: The Latin America Decentralization Puzzle

Since Oates' (1972) Decentralization Theorem, decentralization has been associated with important potential governance benefits, including more responsive public service delivery, stronger accountability, and, under some conditions, higher economic growth and lower poverty. Empirical evidence provides support for some of these expectations: fiscal decentralization has been associated with improvements in education and health outcomes and greater citizen satisfaction with public services, although evidence on broader dimensions of economic performance remains mixed. At the same time, decentralized systems continue to face persistent challenges, including vertical fiscal imbalances, limited subnational revenue autonomy, territorial disparities, and heterogeneous administrative capacity (Martínez-Vázquez et al., 2017a; Martínez-Vázquez, 2025).

Fiscal federalism traditionally approached these challenges primarily as problems of institutional design, emphasizing the efficient assignment of expenditure responsibilities and revenue authority across levels of government. A growing body of research, however, has demonstrated that decentralization is also fundamentally a political and institutional process. Its design and implementation are shaped by electoral incentives, partisan competition, coalition dynamics, and bureaucratic interests that influence both the allocation of authority and the behavior of national and subnational governments (Eaton et al., 2010). The benefits predicted by fiscal federalism therefore depend not only on formal fiscal arrangements, but also on the political incentives under which those arrangements operate and the administrative capacity available to implement them.

Latin America provides a particularly revealing illustration of these tensions. Often characterized as a “silent revolution,” decentralization has transformed subnational governments into central actors in public service delivery, local development, and democratic governance, while enabling institutional innovations such as participatory budgeting and greater citizen engagement (Nickson, 2023). Yet, after more than four decades of reform, outcomes remain highly uneven. Subnational expenditure responsibilities expanded considerably, but revenue autonomy, administrative capacity, and accountability frequently failed to develop in parallel (Eguino & Porto, 2009; Martínez-Vázquez, 2011a, 2011b; Radics et al., 2022). In many cases, responsibilities and resources were transferred without sufficiently clear functional assignments, corresponding own-source revenue authority, adequate implementation capacity, or effective accountability mechanisms (Bahl & Sethi, 2012; Brosio & Jiménez, 2012; Ardanaz et al., 2022). The result has been a persistent gap between the theoretical promise of decentralization and the way decentralized institutions operate in practice.

This paper argues that understanding this gap requires integrating the fiscal, political, and administrative dimensions of decentralization rather than examining them in isolation. Fiscal arrangements determine how responsibilities and resources are distributed across levels of

government; political institutions shape incentives, accountability, and intergovernmental bargaining; and administrative systems condition governments' ability to implement their assigned responsibilities. Their relative importance varies across problems, countries, and territories, but their interaction helps explain why similar formal decentralization arrangements can generate markedly different outcomes. In Latin America, these interactions are particularly visible in persistent vertical fiscal imbalances and horizontal fiscal disparities, while differences in implementation capacity further condition how fiscal resources and responsibilities translate into public services. The ultimate test of decentralization is therefore not how much authority or expenditure has been devolved, but whether decentralized arrangements enable subnational governments to deliver public services effectively and equitably.

The paper revisits Latin America's decentralization experience through the evolution of fiscal federalism thinking, from the normative emphasis on expenditure and revenue assignments to the political-economy focus on incentives and institutions and, more recently, toward a more integrated understanding of fiscal, political, and administrative conditions. Building on these developments, we propose an integrated analytical framework for diagnosing decentralization challenges and translating that diagnosis into reform priorities. Rather than prescribing a uniform package of reforms, the framework begins with the problem to be addressed, identifies the fiscal arrangements, political incentives, and administrative capabilities that sustain it, and uses that diagnosis to inform coherent, context-specific reform priorities. In this sense, the paper's contribution lies less in proposing new decentralization instruments than in providing a structured way to connect existing theoretical insights and policy tools to the institutional constraints under which they must operate.

The remainder of the paper proceeds as follows. Section 2 reviews the evolution of fiscal federalism thinking and its relationship to the trajectory of decentralization reforms in Latin America. Section 3 examines the region's principal structural fiscal challenges, focusing on vertical fiscal imbalances, horizontal disparities, and the institutional conditions that shape their operation in practice. Section 4 evaluates public service delivery as the ultimate test of decentralization and considers emerging challenges facing decentralized systems. Section 5 develops the integrated analytical framework and translates it into principles for context-specific reform. Section 6 concludes.

2. The Fiscal Federalism Debate in Latin America: From Normative Models to Integrated Governance

The evolution of fiscal federalism provides a useful lens for understanding the trajectory of decentralization in Latin America. Although its main perspectives are often described as successive "generations," they are better understood as overlapping analytical lenses that continue to coexist in the region's institutional arrangements. Rather than replacing one another, each broadened the set of factors considered necessary to explain why decentralization succeeds

or fails: from the normative design of fiscal arrangements to the incentives and institutions shaping their operation, and more recently to the interaction of fiscal, political, and administrative dimensions in determining service-delivery outcomes. Table 1 summarizes this evolution and the corresponding shifts in reform priorities in Latin America.

2.1. The Normative Blueprint: Structural Design and the Efficiency Paradigm

The first generation of fiscal federalism provided the normative foundation for decentralization. Building on the Decentralization Theorem, this framework emphasizes the potential efficiency gains from assigning public functions to the lowest level of government capable of internalizing the relevant benefits and costs, allowing policies to respond more closely to differences in local preferences and conditions (Martínez-Vázquez et al., 2017a; Martínez-Vázquez, 2025). Its institutional blueprint centers on the coherent design of the four pillars of fiscal decentralization: expenditure assignments, revenue authority, intergovernmental transfers, and subnational borrowing.

In Latin America, these principles provided an important backdrop to the foundational reforms accompanying democratic transitions and the creation or strengthening of subnational governments. Yet decentralization frequently advanced unevenly across its different components. Expenditure responsibilities expanded substantially, while functional assignments often remained unclear, own-source revenue authority developed more slowly, and administrative capacity received comparatively less attention. Heavy reliance on revenue sharing and transfers further limited effective fiscal autonomy, while episodes of subnational overborrowing in countries such as Argentina, Brazil, and Colombia exposed weaknesses in fiscal discipline and intergovernmental coordination. These experiences revealed the limitations of approaching decentralization primarily as a problem of formal fiscal design and contributed to a growing emphasis on the roles played by incentives, accountability, fiscal rules, and the political economy of intergovernmental relations (Brosio & Jiménez, 2012).

2.2. The Institutional Turn: Incentives, Accountability, and the Reality of Political and Bureaucratic Actors

The second generation of fiscal federalism introduced a political-economy perspective that relaxed the assumption of benevolent governments and emphasized incentives, institutions, and intergovernmental bargaining. Policymakers respond to electoral and fiscal incentives, and fiscal arrangements themselves shape those incentives. Poorly designed transfer systems, for example, may weaken local tax effort, reduce spending efficiency, create soft budget constraints, and undermine fiscal discipline (Weingast, 2009; Martínez-Vázquez et al., 2017a; Porto, 2022; Martínez-Vázquez, 2025). In Latin America, these concerns were compounded by the multidimensional nature of decentralization, as fiscal, administrative, and political reforms frequently advanced at different times and speeds. The sequencing of reforms therefore became

central to understanding their outcomes, since different combinations of political, fiscal, and administrative decentralization can generate distinct incentive structures and effective intergovernmental relationships (Falleti, 2005, 2010).

Political institutions further shape both the form and effectiveness of decentralization. Early research showed how party systems influence the distribution of fiscal authority: decentralized party systems, such as Brazil's, tend to strengthen the bargaining power of subnational politicians and expand fiscal autonomy, whereas more centralized systems, such as Mexico's, allow national executives to retain greater control over intergovernmental affairs (Willis, Garman, & Haggard, 1999). Fiscal and political decentralization may themselves reduce party-system nationalization (Harbers, 2010), while governance outcomes depend on the interaction between locally elected governments and integrated political parties. This combination can create both downward accountability to citizens and upward accountability within party organizations, strengthening incentives for public service delivery and the management of interjurisdictional spillovers (Hankla et al., 2019; Ponce-Rodríguez et al., 2018, 2020).

Political institutions also help explain episodes of recentralization. Strong presidents may centralize fiscal resources during periods of expansion while shifting expenditure responsibilities to subnational governments during periods of fiscal stress (González, 2008). More broadly, the interaction of presidential powers, partisan incentives, bureaucratic conflicts, and economic crises can shift particular resources, responsibilities, or decision-making authority back toward central governments (Eaton & Dickovick, 2004; Dickovick, 2011; Eaton, 2014; Canavire-Bacarreza et al., 2025; Eaton et al., 2025). Venezuela provides an illustrative case: fiscal decentralization emerged later than political-administrative decentralization and began to reverse after only a few years, with fiscal centralization already evident by the early 2000s (Layrisse de Niculescu & Moreno, 2007). These experiences demonstrate that decentralization is neither linear nor irreversible and that revenue authority, expenditure responsibilities, and political control need not move in the same direction and at the same time.

As the limitations of the initial decentralization reforms became apparent, policy attention increasingly extended from the transfer of responsibilities and resources to the institutional rules governing intergovernmental relations. Across the region, governments introduced or strengthened formula-based and earmarked transfers, fiscal responsibility frameworks, borrowing controls, and mechanisms for macro-fiscal coordination. Despite substantial variation across countries, these reforms reflected growing concerns with reducing discretion, strengthening accountability, hardening budget constraints, and containing the macro-fiscal risks associated with decentralized decision-making (Jiménez & Ter-Minassian, 2012). Formula-based transfers sought to improve predictability and reduce discretionary bargaining, while earmarking was used to protect nationally defined expenditure priorities; these mechanisms could strengthen coordination but also constrain subnational discretion and reinforce dependence on transfers (Martínez-Vázquez & Sepúlveda, 2012; Rezende & Veloso, 2012). Fiscal responsibility

frameworks and borrowing controls, in turn, emerged in response to bailout episodes and subnational fiscal stress, with reforms in countries such as Colombia and Mexico strengthening monitoring and constraints on indebtedness (Grembi & Manoel, 2012; Rivetti, 2022).

These developments considerably expanded the analytical scope of fiscal federalism. The central question was no longer simply how responsibilities and revenues should be assigned, but how intergovernmental institutions shape incentives, accountability, bargaining, and fiscal discipline. Yet the institutional turn at this time did not eliminate the structural problems inherited from earlier decentralization efforts: vertical fiscal imbalances, horizontal disparities, and transfer dependence persisted, while formally sound arrangements continued to produce different outcomes across jurisdictions. This experience points toward the need for a broader analytical framework in which fiscal design and political incentives are considered alongside the administrative capacity required to implement decentralized responsibilities and ultimately translate them into public service delivery.

2.3. Toward an Integrated Analytical Framework: From Decentralization Design to Service Delivery

More recent debates point toward an emerging synthesis that brings together the fiscal, political, and administrative dimensions of decentralization. Rather than treating these dimensions independently, an integrated analytical framework emphasizes their interaction: expenditure responsibilities must be supported by adequate revenue arrangements; political institutions shape incentives, accountability, and intergovernmental bargaining; and administrative systems determine governments' capacity to implement their assigned functions effectively (Martínez-Vázquez, 2025). From this perspective, decentralization outcomes depend not simply on how much authority is devolved, but on how responsibilities, resources, incentives, and implementation capabilities are aligned.

The administrative dimension is particularly important in translating formal assignments into actual outcomes. In much of the fiscal federalism literature, administrative and implementation capacity has received less attention than fiscal design and, more recently, political incentives. Yet subnational governments in Latin America differ substantially in their ability to mobilize own revenues, execute budgets, manage public resources, coordinate across jurisdictions, and deliver assigned services. Weak managerial systems, fragmented planning and budgeting processes, and insufficient monitoring mechanisms can prevent formally decentralized responsibilities and transferred resources from producing improvements in service delivery (Smith & Revell, 2016; Ardanaz et al., 2022). Implementation capacity is therefore not a separate dimension of decentralization, but a central component of the administrative conditions under which fiscal and political arrangements operate.

An integrated perspective consequently shifts attention from decentralization as an institutional design exercise toward the conditions under which decentralized governments can translate authority and resources into results. This requires appropriate fiscal arrangements and political accountability, but also administrative systems capable of planning, budgeting, implementing,

monitoring, and coordinating public policies. It also calls into question uniform institutional arrangements across highly heterogeneous jurisdictions. Where fiscal and administrative capacities differ substantially, asymmetric decentralization may better align responsibilities and autonomy with governments' ability to perform them. Emerging challenges—including climate adaptation, surging metropolitan areas, demographic change, and the energy transition—further reinforce the importance of such coordination and differentiation as the demands placed on decentralized governments evolve (Radics et al., 2022; Andrián et al., 2024).

Overall, the evolution of fiscal federalism points toward an integrated analytical framework in which fiscal arrangements determine the distribution of responsibilities and resources, political institutions shape the incentives under which those arrangements operate, and administrative systems condition governments' ability to implement them. The relative importance of these dimensions need not be identical across problems or institutional settings; what matters is how their interaction shapes the operation of decentralization in practice. The relevant outcome is therefore not decentralization itself, but whether and how these arrangements enable subnational governments to perform their assigned functions and deliver public services effectively and equitably. For Latin America, this perspective shifts the analytical focus from the degree of decentralization toward the alignment of responsibilities, resources, incentives, and implementation capacity—and ultimately toward the service-delivery outcomes that these arrangements produce.

Table 1. From Normative Design to Integrated Governance: Fiscal Federalism Lenses and Reform Emphases in Latin America

Fiscal Decentralization: Theoretical Lens	Latin America Fiscal Decentralization: Policy Emphasis
<i>First-Generation Fiscal Federalism (Efficiency)</i> • Decentralization theorem • Normative design of the four pillars: - Expenditure assignments - Revenue assignments and authority - Intergovernmental transfers - Subnational borrowing • Expected gains from devolution and local preference matching	<i>Foundational Reforms</i> • Democratic opening and political decentralization • Creation and strengthening of municipalities • Expansion of subnational spending responsibilities, often without clear functional assignments or coordination mechanisms • Strong reliance on revenue sharing and transfers with limited tax autonomy • Episodes of subnational overborrowing shaping later reforms
<i>Second-Generation Fiscal Federalism (Incentives and Institutions)</i> • Political economy of intergovernmental relations	<i>Institutional and Incentive Reforms</i> • Partial recentralization in response to fiscal stress • Stronger macro-fiscal coordination and central oversight

• Sequencing of fiscal, political and administrative reforms • Interaction between political actors and fiscal arrangements (e.g. party systems and fiscal rules) • Soft budget constraints and fiscal discipline • Transparency, accountability and hard budget constraints	• Greater reliance on formula-based and earmarked transfers • Fiscal responsibility laws and subnational borrowing controls
<i>Toward an Integrated Analytical Framework (Fiscal, Political, and Administrative Dimensions)</i> • Integration of fiscal, political and administrative dimensions • Alignment of responsibilities, resources, incentives, and implementation capacity • Recognition of heterogeneous subnational administrative and fiscal capacities • Asymmetric decentralization where appropriate • Service delivery as the ultimate test of decentralization	<i>Service-Delivery Agenda</i> • Strengthening subnational administrative and PFM systems • Modernization of local revenue systems • Results-oriented accountability and monitoring • Metropolitan and multilevel coordination • Asymmetric arrangements reflecting heterogeneous capacities • Climate resilience and fiscal sustainability • Improved and more equitable public service delivery

Source: Authors' synthesis based on fiscal federalism literature.

3. Structural Challenges of Fiscal Decentralization in Latin America

The previous section argued that the insufficient integration of the fiscal, political, and administrative dimensions of decentralization in Latin America has often produced mismatches among expenditure responsibilities, revenue authority, political incentives, and implementation capacity. These mismatches are reflected in two persistent structural challenges: vertical fiscal imbalances and horizontal fiscal disparities.

Vertical fiscal imbalances arise when the expenditure responsibilities assigned to subnational governments exceed the resources they can mobilize through their own revenue authority. Across Latin America, the expansion of subnational responsibilities in education, health, infrastructure, and social services has frequently outpaced the development of meaningful fiscal autonomy, leaving subnational governments heavily dependent on intergovernmental transfers (Brosio & Jiménez, 2012; Martínez-Vázquez, 2025). Ambiguous and overlapping expenditure

assignments, weak incentives for own-source revenue mobilization, and uneven administrative capacity further complicate this imbalance and weaken fiscal accountability.

Horizontal fiscal disparities arise because subnational governments at the same level differ substantially in their revenue capacity, expenditure needs, natural-resource endowments, and administrative capabilities. Transfer and equalization systems, natural-resource revenue-sharing arrangements, and borrowing frameworks can mitigate or amplify these differences depending on their design and operation. Volatile resource revenues, discretionary transfers, soft budget constraints, and uneven implementation of fiscal rules can therefore contribute to persistent territorial disparities.

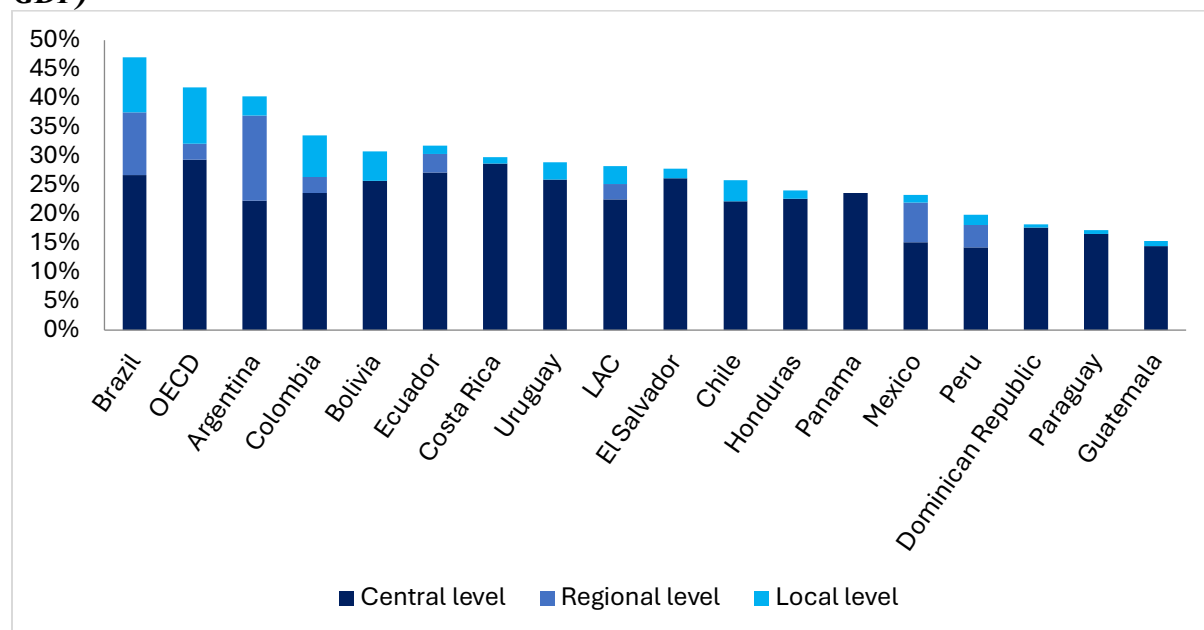
These two challenges are closely interconnected. Mismatches between expenditure responsibilities and revenue authority increase dependence on intergovernmental transfers, while differences in own-source revenue capacity, expenditure needs, and access to other financing sources determine how that dependence is distributed across jurisdictions. Although both challenges are fundamentally fiscal, their persistence and consequences cannot be understood through fiscal design alone. Political incentives and administrative capacity condition how fiscal arrangements operate in practice, with their relative importance varying across problems, countries, and institutional settings. Again, an integrated analytical approach therefore does not require each dimension to carry equal explanatory weight; rather, it examines how fiscal arrangements interact with the political and administrative environments in which they operate.

3.1. Expenditure Assignments: Clarity on Paper, Ambiguity in Practice

A fundamental source of vertical fiscal imbalance is what Martínez-Vázquez (2025) describes as the “*original sin*” of decentralization: failing to define expenditure responsibilities clearly before assigning revenue-sharing and other financing mechanisms. When functional responsibilities are unclear or overlapping, own-source revenues cannot be adequately aligned with service obligations, transfer systems cannot be designed around clearly assigned functions, and accountability for performance becomes difficult to establish.

Most Latin American countries have made significant progress in formally assigning expenditure responsibilities across levels of government. Legal and constitutional frameworks typically assign core functions such as education, health, and infrastructure to subnational governments, which consequently account for a substantial share of public spending. Subnational governments account for a substantial share of public expenditure in Latin America and the Caribbean, although the degree of expenditure decentralization varies considerably across countries, exceeding 40 percent of consolidated public expenditure in some federal countries while remaining below 10 percent in several others (Radics et al., 2022). The importance of subnational governments is also evident in their expenditure relative to GDP, although its magnitude varies considerably across countries (Figure 1).

Figure 1. Public Spending by Government Level in Latin America and the Caribbean (% of GDP)



Source: Authors' adaptation of Figure 3.1 in Alves et al. (2025). Data refer to 2022 except for Peru and Panama (2021) and Honduras (2020).

Formal assignments, however, often conceal substantial ambiguity in implementation, as operational responsibilities remain blurred and coordination across levels of government is often weak. Smoke et al. (2022) show that in countries such as Mexico and Peru almost all functional assignments are shared across levels of government, while in Brazil and Colombia only about half of those responsibilities are exclusive to a single tier. As a result, the existence of assignment rules on paper has not always translated into clear lines of accountability in practice.

Administrative capacity creates a second gap between formal assignment and effective implementation. Subnational governments account for roughly one-third of public investment in Latin America and the Caribbean and more than half in Argentina, Colombia, Ecuador, and Peru, making their capacity to plan, appraise, procure, execute, and monitor investment an important component of effective decentralization (Radics et al., 2022). Yet public investment management generally remains weaker at the subnational level compared to the central level, particularly in project appraisal and evaluation, reducing the efficiency with which assigned responsibilities are implemented (Eguino et al., 2022). Formal expenditure assignments therefore provide only a partial measure of effective decentralization when implementation capabilities differ substantially across jurisdictions.

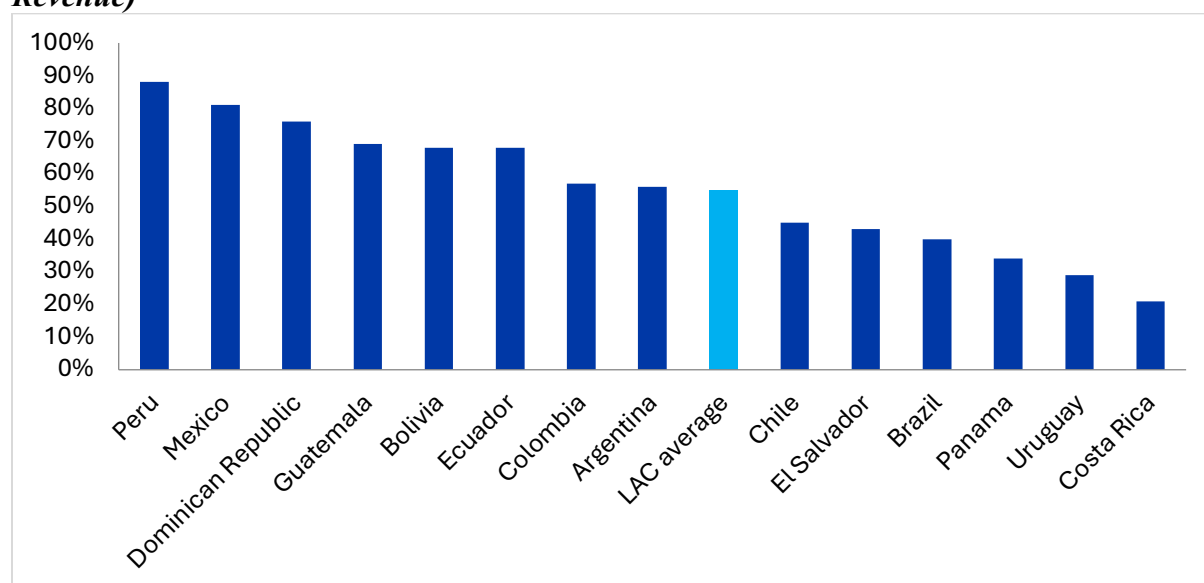
These ambiguities also reflect political choices over the sequencing of decentralization reforms. Fiscal, political, and administrative decentralization have often proceeded at different speeds and in an order shaped by power-sharing strategies and political survival rather than institutional

coherence. National governments may prefer administrative decentralization to fiscal decentralization, and fiscal decentralization to political decentralization, because this sequencing allows expenditure responsibilities to be transferred while greater control over financial resources and political authority remains at the center (Bahl & Martínez-Vázquez, 2006; Eaton et al., 2010). The persistence of unclear or overlapping responsibilities should therefore not be understood solely as a technical design problem, but also the outcome of the political incentives shaping decentralization itself.

3.2. Revenue Autonomy, Transfer Dependence, and the Vertical Fiscal Gap

Revenue decentralization has consistently lagged expenditure decentralization in Latin America, generating substantial vertical fiscal imbalances that are largely filled through intergovernmental transfers (Muñoz et al., 2017). Consequently, subnational governments remain highly dependent on transfers from higher levels of government, although the degree of dependence varies considerably across countries (Radics et al., 2022). Transfers are necessary to address vertical fiscal imbalances, but excessive dependence can weaken fiscal accountability and reduce incentives for own-source revenue mobilization, spending efficiency, and prudent borrowing (Roethlisberger et al., 2011; Fretes Cibils & Ter-Minassian, 2015; Ardanaz et al., 2022; Radics et al., 2022).

Figure 2. Intergovernmental Transfer Dependence, 2020–24 (% of Total Subnational Revenue)



Source: Authors' adaptation based on ECLAC (2026), Fiscal Panorama of Latin America and the Caribbean 2026, Figure I.15.

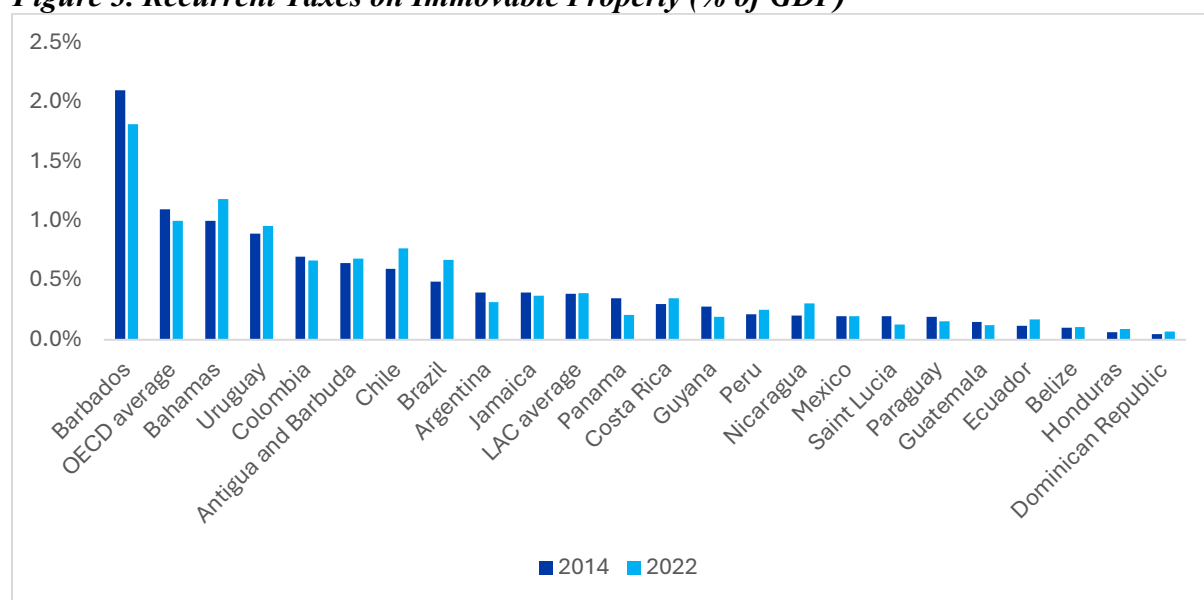
These patterns highlight an important distinction between formal revenue decentralization and effective fiscal autonomy. Effective decentralization requires revenue authority at the margin—that is, the ability of subnational governments to raise additional resources through their own

policy decisions and bear the political consequences of those choices (Martínez-Vázquez, 2025). Conventional measures can obscure this distinction when shared taxes are classified as subnational revenues even though subnational governments exercise little or no control over their bases or rates, creating an appearance of autonomy that does not exist in practice (Martínez-Vázquez et al., 2017a). Moreover, formal revenue authority may have limited practical value where subnational governments lack the administrative capacity to exercise it effectively, including adequate tax administration, cadastral systems, and public financial management capabilities (Ardanaz et al., 2022; Sepúlveda & Martínez-Vázquez, 2011).

The persistence of this gap reflects not only fiscal design but also the political incentives surrounding intergovernmental finance. Central governments tend to retain control over the most productive tax bases, particularly VAT and income taxes, while transfers can serve territorial, political, and macro-fiscal objectives. At the same time, subnational politicians may have limited incentives to strengthen politically costly own-source taxation when transfers provide an alternative source of financing (Sepúlveda & Martínez-Vázquez, 2011; Bonet et al., 2014; Ardanaz et al., 2022). The resulting equilibrium can therefore reinforce the gap between substantial expenditure responsibilities and limited effective revenue autonomy.

Property taxation illustrates this interaction particularly clearly. Despite being widely regarded as one of the most suitable taxes for local governments, property tax revenues in Latin America have averaged only about 0.37–0.40 percent of GDP and have remained broadly stagnant at those levels over recent decades, substantially below OECD levels (Ardanaz et al., 2022). Weak performance reflects administrative constraints, including outdated cadastral systems and weak valuation practices, with collection efficiency varying substantially across jurisdictions (Beltrán et al., 2026). Political incentives reinforce these constraints: in Mexico, for example, subnational governments may avoid politically costly taxation and rely instead on intergovernmental transfers (Cruz Olmeda, 2024). Property taxation therefore illustrates why assigning an appropriate local tax base is not sufficient to generate effective revenue autonomy when administrative capacity is weak and political incentives discourage its use.

Figure 3. Recurrent Taxes on Immovable Property (% of GDP)



Source: Authors' calculations based on OECD et al. (2024), Latin American Economic Outlook 2024, Figure 2.8 and underlying data (OECD tax classification 4100).

Regional averages nevertheless conceal considerable variation in the structure of vertical fiscal relations. The Dominican Republic remains highly centralized, with municipalities playing a limited role in public spending and exercising little tax autonomy (Martínez-Vázquez et al., 2017b). Mexico combines substantial subnational expenditure responsibilities with limited own-source revenue mobilization and continued dependence on intergovernmental transfers (Revilla, 2012; Pineda et al., 2015; Blanco et al., 2016). Colombia similarly exhibits relatively high expenditure decentralization but limited revenue authority and extensive reliance on earmarked transfers, a configuration characterized by Bird (2012) as “decentralization without devolution.” Argentina, by contrast, grants provinces comparatively greater fiscal autonomy, although provincial finances remain strongly embedded in a complex system of tax sharing and intergovernmental transfers (Tommasi et al., 2001). These cases illustrate that vertical fiscal imbalances can arise within markedly different combinations of expenditure responsibilities, revenue authority, and transfer arrangements.

3.3. Horizontal Disparities, Equalization, and Natural-Resource Revenues

Vertical fiscal imbalances are closely intertwined with horizontal disparities in fiscal capacity and expenditure needs. As subnational governments rely on intergovernmental transfers to finance decentralized responsibilities, the design of those transfers determines not only how the vertical fiscal gap is closed, but also how resources are distributed across jurisdictions with markedly different fiscal capacities and service-delivery needs. Latin American countries have developed increasingly sophisticated systems of revenue sharing, equalization, and conditional transfers. Their equalizing effects, however, have often remained limited because allocation

mechanisms do not fully account for differences in fiscal capacity and expenditure needs, while discretionary and procyclical components can weaken predictability and the correct fiscal incentives.

Natural-resource revenues introduce an additional source of horizontal inequality and fiscal volatility. The sharing of royalties from oil, gas, and mining can generate large disparities between resource-producing and non-producing jurisdictions, particularly where revenues are allocated predominantly according to the location of production. Their volatility can also complicate long-term fiscal planning, generate unstable investment patterns, and intensify intergovernmental conflict over the territorial distribution of resource rents (Brosio & Jiménez, 2012; Brosio et al., 2018; Martínez-Vázquez, 2025). Evidence from Peru and Argentina suggests that the asymmetric allocation of resource rents can account for a substantial share of subnational fiscal inequality (Jiménez et al., 2022), while evidence from Brazil and Colombia shows that revenue windfalls can also create challenges for the efficiency and quality of public spending (Ardanaz, 2014; Ardanaz & Tolsa Caballero, 2015).

Peru illustrates particularly clearly how vertical and horizontal imbalances can interact. Subnational governments execute a substantial share of public expenditure while collecting only a small fraction of public revenues, creating strong dependence on intergovernmental financing. At the same time, the *canon* system distributes a significant share of natural-resource revenues according to the location of production, generating substantial disparities across jurisdictions and complicating the efficient allocation of public investment (Martínez-Vázquez, 2012; Blanco et al., 2017; Andrián et al., 2024). Thus, a system designed to share resource revenues with producing territories can coexist with substantial vertical dependence while simultaneously widening horizontal differences in fiscal resources and service provision.

Argentina illustrates a different mechanism through which horizontal disparities can persist: the institutional design and political economy of the transfer system itself. The federal co-participation system combines revenue sharing and equalization within a historically contingent arrangement based on fixed coefficients that are only weakly connected to objective measures of fiscal capacity and expenditure needs, limiting its redistributive effectiveness and weakening incentives for subnational revenue mobilization (Porto, 2016; Martínez-Vázquez et al., 2018). These arrangements are also embedded in political bargaining. Legislative malapportionment has historically strengthened the representation of peripheral provinces, enabling provincial political elites to exchange legislative support for fiscal transfers from the national executive (Ardanaz et al., 2010). Shortcomings in equalization may therefore reflect not only transfer-formula design, but also the political institutions and bargaining incentives that sustain existing allocation rules.

Horizontal disparities may also reflect unequal stocks of public infrastructure accumulated over time. Equalization systems focused exclusively on recurrent expenditure needs may therefore overlook important differences in the capital required to provide comparable public services

across jurisdictions (Martínez-Vázquez & Timofeev, 2014; Martínez-Vázquez et al., 2022). This further reinforces the need to understand equalization in terms of jurisdictions' capacity to provide comparable services rather than revenue differences alone.

Taken together, these patterns show why vertical and horizontal fiscal imbalances cannot be treated as independent problems. The transfer systems used to close vertical financing gaps simultaneously shape the distribution of resources across jurisdictions, while natural-resource revenue arrangements and political bargaining can reinforce territorial disparities. These same intergovernmental arrangements can also affect fiscal discipline: where transfers become sources of discretionary support or recurrent fiscal rescue, they may soften budget constraints and alter borrowing incentives. This connection leads directly to the role of borrowing frameworks and fiscal rules in the region's decentralization systems.

3.4. Borrowing, Fiscal Rules, and Soft Budget Constraints

Following the subnational debt crises of the 1980s and 1990s, most Latin American countries adopted fiscal responsibility frameworks incorporating debt ceilings, borrowing controls, and balanced-budget requirements. These reforms represented an important step toward stronger macro-fiscal coordination and harder subnational budget constraints. At the same time, borrowing remains a legitimate component of decentralized public finance because it allows the costs of long-lived investments to be shared across the generations that benefit from them (Martínez-Vázquez, 2025). The policy challenge is therefore not to eliminate subnational borrowing, but to establish rules that permit sustainable financing while preventing excessive indebtedness and expectations of central-government bailouts.

The effectiveness of these frameworks depends critically on credible enforcement and the ability of central governments to commit against recurrent bailouts. When subnational governments expect deficits or debt obligations to be covered through extraordinary assistance, debt restructuring, or discretionary transfers, the link between borrowing decisions and their fiscal consequences is weakened, generating soft budget constraints and reducing incentives for fiscal discipline. Conditional adjustment programs and contractual arrangements between national and subnational governments helped restore fiscal balance in countries such as Argentina, Brazil, Colombia, and Mexico, but their longer-term effectiveness depends on credible no-bailout commitments and consistent enforcement (Grembi & Manoel, 2012; Martínez-Vázquez et al., 2017a).

Colombia illustrates both the achievements and limitations of this approach. Subnational fiscal rules have contributed to lower indebtedness, smaller fiscal deficits, and greater fiscal stability at the territorial level (Bonet, 2025). Compliance with fiscal rules has also reduced operating expenditures and the probability of current deficits without meaningful deterioration in local public goods or living standards, while increasing electoral support for incumbent mayors,

suggesting that fiscal discipline need not necessarily impose large political costs (Carreri & Martínez, 2021). Yet borrowing outcomes remain conditioned by the political environment in which these rules operate. Bonet et al. (2026) find that political continuity increases municipal indebtedness, with stronger effects where governing parties enjoy greater electoral and legislative support. At the same time, Colombia's fiscal framework remains relatively rigid, with limited flexibility to accommodate macroeconomic shocks because of the absence of well-designed escape clauses (Ayala-García et al., 2022; Pérez-Valbuena et al., 2024). The Colombian experience thus illustrates that borrowing rules operate through, rather than independently of, the political and institutional environment in which they are enforced.

Formal borrowing limits may also shift fiscal pressures toward liabilities that are less visible in conventional debt statistics. In Chile, strict municipal borrowing constraints have encouraged the accumulation of obligations through arrears and leasing arrangements, exposing gaps in solvency monitoring (Letelier, 2022). Similar concerns arise in Brazil, where certain *precatórios* and other financially relevant obligations fall outside the conventional measure of consolidated debt used to assess compliance with debt limits. More broadly, subnational fiscal risks may arise through expenditure arrears, off-budget borrowing, public enterprises, public-private partnerships, guarantees, and other contingent liabilities that are not fully captured by conventional debt measures (Saxena, 2022). These experiences suggest that effective fiscal discipline requires comprehensive fiscal reporting and monitoring rather than narrow compliance with numerical debt ceilings.

Borrowing arrangements also interact with the broader vertical fiscal structure. In Mexico, subnational debt has relied heavily on federal transfers as collateral rather than on own-source revenues, weakening the connection between borrowing decisions and local revenue capacity (Smith & Jiménez Quiroga, 2022). High transfer dependence can therefore affect not only subnational fiscal autonomy but also the incentives surrounding debt accumulation and repayment, linking the operation of borrowing frameworks directly to the revenue and transfer arrangements discussed above.

Overall, the regional experience suggests that the effectiveness of fiscal responsibility frameworks depends less on the existence of numerical rules alone than on the institutions that make those rules credible. Transparent and comprehensive fiscal information, effective monitoring, enforceable sanctions, and credible limits on bailouts are necessary to harden subnational budget constraints, while appropriate flexibility is needed to preserve legitimate borrowing for public investment and responses to major shocks. Although subnational debt levels in Latin America remain relatively low compared with advanced economies, persistent gaps in fiscal reporting and oversight continue to limit the effectiveness of these frameworks (Radics et al., 2022).

3.5. From Fiscal Design to Service Delivery: An Integrated Analytical Approach

Taken together, these patterns show that the persistent challenges of fiscal decentralization in Latin America cannot be understood solely as failures of fiscal design. Vertical imbalances and horizontal disparities are directly shaped by expenditure assignments, revenue authority, transfer and equalization systems, natural-resource revenue sharing, and borrowing arrangements, but the operation of these instruments is conditioned by political incentives and administrative capacity. The preceding examples illustrate these interactions in different ways: formal revenue authority may generate little effective autonomy when political incentives discourage local taxation or administrative constraints limit revenue mobilization, while borrowing rules may fail to harden budget constraints when monitoring and enforcement are weak or bailout expectations persist. An integrated analytical framework therefore does not imply that fiscal, political, and administrative factors must carry equal explanatory weight in every problem or country; rather, it asks how their interaction shapes the operation and outcomes of formal decentralization arrangements.

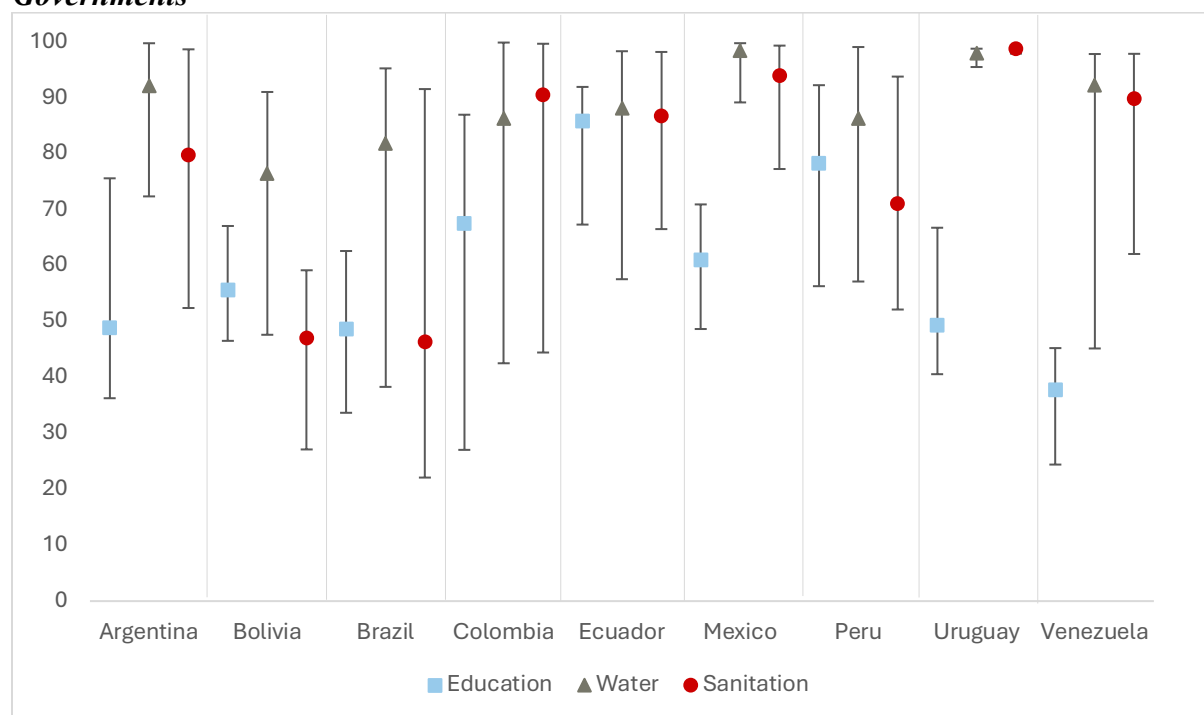
This perspective shifts the relevant question from how much decentralization has occurred to how decentralization works in practice: whether responsibilities, resources, incentives, and implementation capabilities are sufficiently aligned for subnational governments to perform their assigned functions. Vertical fiscal balance, horizontal equity, and fiscal discipline are important conditions for effective decentralization, but they are not final measures of its success. Ultimately, decentralization must be assessed by whether these institutional arrangements translate into effective, equitable, and responsive public service delivery. The following section examines service-delivery outcomes from this perspective.

4. Service Delivery: The Ultimate Test of Decentralization

One of the principal justifications for decentralization is its potential to improve public service delivery by increasing responsiveness to local preferences and allowing resources to be allocated more efficiently across sectors such as education, health, water, and local infrastructure. Cross-country evidence generally associates decentralization with better education and health outcomes, higher citizen satisfaction with public services, and greater trust in government institutions (Martínez-Vázquez et al., 2017a). In infrastructure, decentralization does not necessarily increase the overall volume of investment but may improve project quality and reduce production costs by shortening bureaucratic chains and allowing projects to respond more closely to local conditions (Martínez-Vázquez et al., 2017a). Realizing these potential gains, however, depends on implementation. Public investment management at the subnational level in Latin America, as we have seen, generally remains weaker than at the center, particularly in project appraisal and evaluation, reducing the efficiency with which resources are translated into infrastructure (Eguino et al., 2022). Evidence from water-sector reforms similarly shows that

improvements in technical efficiency do not necessarily translate into lower costs or broader access, particularly for rural populations (García Valiñas & Suárez Fernández, 2022).

Figure 4. Territorial Disparities in Education and Basic Service Coverage across Regional Governments



Source: Authors' calculations based on CAF (2025), Atlas of Local and Regional Governments in Latin America and the Caribbean, accompanying Alves et al. (2025).

Note: Markers indicate the median across regional governments; vertical lines indicate the minimum–maximum range. Education is the percentage of people aged 20–22 who completed secondary education. Water is the percentage of households obtaining water from the public network or other improved sources. Sanitation is the percentage of households connected to the sanitary sewer network or using other improved sanitation systems. The sample includes countries with at least five regional governments and complete information for all three indicators. Reference years correspond to the latest census available in the CAF Atlas and vary across countries.

Despite substantial progress in decentralization and the expansion of subnational responsibilities, access to and quality of basic public services remain highly uneven across Latin American territories. Figure 4 illustrates these disparities in education, sanitation and water, revealing substantial differences not only across countries but also across regions and jurisdictions within them. These outcomes cannot be attributed to the degree of fiscal decentralization alone. Rather, they reflect the interaction of the institutional conditions discussed above. Vertical fiscal imbalances constrain the resources available to finance assigned responsibilities; horizontal disparities generate unequal fiscal capacity across territories; political incentives shape the allocation and use of those resources; and differences in administrative capacity affect how effectively resources are ultimately translated into services. Service delivery therefore provides

the ultimate test of whether responsibilities, resources, incentives, and implementation capabilities are effectively aligned.

Evidence from Colombia illustrates both the potential gains from decentralization and their dependence on these institutional conditions. Faguet and Sánchez (2014) find that decentralization increased public school enrollment and expanded access to public health services among poorer households, with local government financing contributing to these improvements. Their findings illustrate how local information and electoral accountability can improve the allocation of resources and responsiveness to local needs. At the same time, Leyva et al. (2024) highlight persistent weaknesses in the administrative dimension of Colombia's decentralization model. Implementation responsibilities have increasingly rested on subnational governments with highly unequal institutional capacities, while the national government has concentrated on decision-making and monitoring without developing a sufficiently clear capacity-building role. The resulting mismatch has contributed to persistent territorial unevenness in policymaking and service delivery. Taken together, the Colombian experience illustrates why the formal devolution of responsibilities and resources is not sufficient: service-delivery outcomes depend on how fiscal arrangements, political accountability, and implementation capacity interact in practice.

4.1. New Challenges in Decentralized Service Delivery

Emerging challenges place additional demands on decentralized service-delivery systems and make this institutional alignment increasingly important. Climate adaptation is inherently place-specific: subnational governments play central roles in land use, transport, waste management, water resources, and disaster-risk reduction, while the spillovers and scale of environmental problems simultaneously require national coordination (Smoke et al., 2025). Effective responses therefore depend on clear responsibilities, adequate financing, incentives for coordination, and sufficient implementation capacity, while allowing institutional arrangements to reflect heterogeneous territorial risks and capabilities (Martínez-Vázquez et al., 2025). Metropolitan areas, coastal regions, resource-dependent jurisdictions, forested territories, and drought-prone municipalities face different vulnerabilities, reinforcing the case for flexible multilevel arrangements rather than uniform assignments across territories.

The COVID-19 pandemic provided a different stress test of these arrangements. Subnational governments simultaneously faced rising demands for health and social services and declining own-source revenues, producing a “scissor effect” that weakened fiscal positions and reduced public investment (Radics et al., 2022; Smoke et al., 2022). The crisis also exposed weaknesses in intergovernmental coordination and demonstrated the importance of institutions capable of facilitating national-subnational coordination and cooperation during collective shocks (Smoke et al., 2022; Lago-Peñas et al., 2022). Climate risks and the pandemic thus reinforce a broader lesson from the region's decentralization experience: the effectiveness of decentralized service

delivery depends not simply on where responsibilities are formally assigned, but on whether intergovernmental systems can mobilize resources, coordinate across jurisdictions, and adapt implementation to changing territorial needs.

5. From Diagnosis to Reform: Applying an Integrated Analytical Framework

The diagnosis presented in the previous sections shows that the persistent challenges of decentralization in Latin America cannot be addressed through isolated fiscal, political, or administrative reforms. Similar problems may arise from different combinations of institutional constraints across countries and territories, while similar reforms may produce different outcomes depending on the institutional environment in which they operate. A forward-looking reform agenda should therefore begin not with a predefined set of policy prescriptions, but with an integrated diagnosis of the constraints that prevent decentralization from translating into effective and equitable public service delivery.

Building on this perspective, we propose an integrated analytical framework for moving from diagnosis to reform. The framework does not prescribe a universal model of decentralization. Instead, it provides a structured approach for identifying binding constraints and selecting mutually reinforcing policy responses. It proceeds through three questions: What is the problem to be addressed? What combination of fiscal, political, and administrative mechanisms sustains it? And what set of reforms can address those constraints coherently?

5.1. From Problems to Binding Institutional Constraints

The first step is to identify the observable problem or outcome that reform is intended to address. Depending on the country or sector, this may include persistent vertical fiscal imbalances, horizontal fiscal disparities, weak own-source revenue mobilization, fiscal indiscipline, or significant territorial disparities in public service delivery. Again, starting from the observed problem avoids assuming that the same institutional reform is appropriate across different decentralization systems.

The second step is to identify the institutional mechanisms sustaining that problem. This requires examining the relevant combination of fiscal arrangements, political incentives and accountability mechanisms, and administrative capabilities. The political dimension is particularly important at this diagnostic stage. Rather than implying a uniform set of political reforms, the framework calls for identifying how electoral incentives, political continuity, party-system organization, executive–legislative relations, and other features of the political environment condition the operation of fiscal arrangements and the incentives faced by national and subnational governments. Importantly, an integrated diagnosis does not imply that each dimension must have equal explanatory weight in every case. A persistent vertical fiscal imbalance, for example, may primarily reflect inadequate revenue assignments, but may be

reinforced by political incentives for central governments to retain productive tax bases while devolving expenditure responsibilities, as well, for example, by weak local tax administration. Horizontal disparities may similarly reflect the design of equalization and natural-resource revenue-sharing arrangements, political discretion in the allocation of transfers, and limitations in the information and administrative systems required to assess expenditure needs and fiscal capacity.

The third step is to identify a coherent set of reform priorities targeted at the constraints identified through this diagnosis. Fiscal and administrative reforms should therefore be designed considering the political incentives, accountability mechanisms, and implementation capabilities under which they will operate, rather than assuming that formally similar instruments will produce similar outcomes across institutional environments.

Property taxation illustrates the practical potential value of this approach. A conventional reform might focus on a single instrument, such as cadastral modernization or an increase in statutory tax rates. An integrated diagnosis instead examines the combination of constraints sustaining weak collections: whether local governments possess meaningful authority over tax rates and bases; whether transfer arrangements preserve incentives for local revenue mobilization; whether political incentives discourage mayors from updating valuations or strengthening enforcement; and whether municipal administrations possess the technical capacity to maintain cadasters, assess property values, bill taxpayers, and enforce compliance. The resulting reform package may therefore combine greater revenue authority, redesigned transfer incentives, cadastral modernization, administrative support, and accountability mechanisms rather than treating any single intervention as sufficient.

Peru illustrates how horizontal fiscal disparities can interact with administrative capacity to weaken the performance of decentralization. The expansion of natural-resource revenues transferred through the canon, sobre canon, and royalties substantially increased the resources available to subnational governments and shifted an important share of public investment toward the local level. Yet because these revenues are concentrated in the jurisdictions where extractive activity takes place, they have also exacerbated disparities in fiscal capacity, in some cases more than offsetting the equalizing effect of other intergovernmental transfers. Their volatility further complicates subnational budgeting and investment planning. These fiscal imbalances interact with large differences in administrative capacity: municipalities receiving substantial resource revenues may lack the technical and managerial capabilities needed to translate them into efficient public investment and improved services. Peru thus illustrates how decentralization can simultaneously provide substantial resources to some local governments while failing to equalize the effective capacity to deliver public services across territories (Blanco et al., 2017).

Recent evidence suggests that these problems remain substantial and points toward the need for an integrated reform agenda. Around 70 percent of canon resources accrue to only 20 percent of

Peru's districts, while existing equalization mechanisms, particularly FONCOR and FONCOMUN, are too limited and insufficiently targeted to offset the resulting disparities, and furthermore their distribution formulas ignore the differences among districts in fiscal capacity arising from canon revenues. At the same time, canon revenues for the median district fluctuate by nearly 30 percent from year to year, undermining medium-term investment planning. These fiscal constraints are compounded by implementation capacity: district governments execute more than 40 percent of public investment despite their small size and limited technical capacity, and fewer than 40 percent of projects registered before 2010 had been completed by August 2024. Addressing these mutually reinforcing constraints therefore requires a combination of stronger equalization, reform of natural-resource revenue sharing, mechanisms to reduce revenue volatility, improved public-investment management and coordination, and greater subnational implementation capacity (Chin et al., 2025).

5.2. Translating the Framework into Reform Steps

5.2.1. Align Functions, Financing, and Accountability

Effective decentralization requires expenditure responsibilities to be matched not only with adequate financing, but also with meaningful authority at the margin, clear accountability for results, and the administrative capacity to perform assigned functions. Clear functional assignments should therefore be accompanied by revenue arrangements that allow subnational governments to finance additional spending through their own policy choices, while transfer systems should preserve incentives for own-source revenue mobilization. Administrative capabilities, in turn, should be commensurate with the responsibilities assigned. The appropriate balance will differ across countries and jurisdictions, but decentralizing responsibilities without corresponding resources, incentives, and implementation capabilities risks reproducing the vertical imbalances documented in the previous section.

Colombia's 2024 Decentralization Mission provides a concrete example of how such a realignment could be designed. Rather than treating the assignment of functions, financing, and administrative capacity as separate dimensions, the Mission proposed a "decentralization by objectives" framework in which responsibilities across levels of government would be clarified and explicitly linked to the financial, technological, organizational, and human-resource capacities required to exercise them. The proposal would classify expenditures by competencies and programmatic units, allowing the costs and capacities associated with service responsibilities to be identified and incorporated into resource allocation, while adapting intergovernmental coordination and technical assistance to differences in territorial capacity. This represents a shift from the traditional transfer of uniform sectoral responsibilities toward a more capacity-sensitive model in which expenditure assignments, financing, and implementation capabilities are jointly considered (DNP, 2024).

5.2.2. Use Transfers for Clearly Defined Objectives

A central principle of grant design is that distinct policy objectives should generally be pursued through distinct instruments. Equalization, revenue sharing, incentives for service delivery, and compensation for interjurisdictional externalities serve different purposes; requiring a single transfer to perform several of these functions can weaken both transparency and effectiveness (Martínez-Vázquez, 2021). For equalization, the fiscal-gap approach—based on differences between expenditure needs and revenue capacity—provides a conceptually coherent benchmark, although its implementation places substantial demands on fiscal information and administrative capacity (Martínez-Vázquez, 2025). Existing transfer systems in the region frequently fall short of significantly offsetting territorial disparities in fiscal capacity and expenditure needs (Muñoz et al., 2017). Where territorial equity is the objective, a dedicated equalization instrument can make the redistributive objective more transparent and protect it from competing purposes.

Argentina illustrates both the potential and the political difficulty of such reform. Martínez-Vázquez et al. (2018) and Porto (2016) propose an equalization transfer based on fiscal gaps rather than relying on existing co-participation arrangements to pursue multiple objectives simultaneously. Their simulations reveal substantial misalignments in the current distribution and imply significant redistribution across provinces under a reformed system. This illustrates an important implication of the integrated framework: technically sound reforms must also account for the political and fiscal constraints to implementation, including through transition mechanisms where substantial redistribution is involved.

However, separating transfer objectives is only the first step. Moving from design to execution requires considering how transfer arrangements affect incentives and whether governments possess the capacity to respond to them. Reducing reliance on discretionary allocations can strengthen predictability and accountability, while rules-based revenue sharing, equalization transfers, and performance-oriented grants can address different policy objectives and should not be treated as substitutes (Martínez-Vázquez & Porras Mendoza, 2019). Where performance-oriented elements are appropriate, they can strengthen incentives for service delivery or own-source revenue mobilization, while complementary administrative support can target the capabilities needed to respond—for example, cadastral and tax-administration capacity when the objective is to strengthen local revenue mobilization.

5.2.3. Differentiate Arrangements according to Territorial Conditions and Capacity

An integrated framework also calls into question uniform decentralization arrangements across highly heterogeneous jurisdictions. Large metropolitan areas, intermediate cities, resource-rich jurisdictions, and small or lagging municipalities differ substantially in their fiscal capacity, expenditure needs, administrative capabilities, and ability to manage complex responsibilities. Strategic asymmetry provides a mechanism for matching decentralization arrangements to these

differences rather than applying identical assignments and rules regardless of territorial conditions and capacity.

Such differentiation may involve assigning different expenditure responsibilities, providing different degrees of revenue autonomy, adapting borrowing frameworks, or sequencing the transfer of functions according to administrative capacity, fiscal conditions, and scale. Where jurisdictions lack the capacity or scale to perform particular functions effectively, greater intergovernmental coordination or shared provision may be preferable to uniform devolution. Capacity-building programs can, in turn, provide a pathway for jurisdictions to “graduate” toward greater responsibilities and autonomy as their capabilities improve. In this sense, strategic asymmetry need not imply permanently differentiated treatment but can provide a framework for matching responsibilities to current capabilities while creating incentives and support for their development over time (Gómez Reino et al., 2022; Martínez-Vázquez, 2025).

Mexico provides a concrete illustration of how administrative responsibilities can be differentiated according to local capacity. Although municipalities formally hold responsibility for property taxation, their ability to administer the cadastral systems on which effective collection depends varies substantially. Recent evidence shows that higher-capacity municipalities are better able to manage their own cadasters and achieve stronger property-tax performance, whereas lower-capacity municipalities increase property-tax revenues when cadastral management is delegated to state governments. These findings support an asymmetric assignment of responsibilities in which municipalities with sufficient institutional capacity retain cadastral management, while weaker municipalities rely on higher levels of government for this administratively demanding function. Such an arrangement preserves local revenue authority while adapting the administrative structure through which that authority is exercised to differences in local capacity (Beltrán et al., 2026).

5.2.4. Make Rules and Intergovernmental Coordination Operational

Formal rules are effective only when the institutions required to implement and enforce them are credible. Fiscal responsibility laws, borrowing limits, and no-bailout provisions therefore need to be supported by transparent fiscal information, effective monitoring, credible enforcement, and mechanisms capable of responding to shocks. Independent fiscal councils and stabilization or rainy-day funds can strengthen oversight and reduce the procyclical bias of subnational fiscal policy (Martínez-Vázquez, 2025), but their effectiveness likewise depends on administrative capacity, intergovernmental coordination, and political commitment.

The same principle applies when assigned responsibilities generate substantial spillovers across jurisdictions. In areas such as metropolitan transport, infrastructure, environmental management, and land use, effective decentralization may require intermunicipal or metropolitan coordination rather than either further decentralization or recentralization alone. The appropriate institutional

arrangement should therefore reflect the nature and territorial scale of the problem being addressed.

Taken together, these principles illustrate that the contribution of the integrated analytical framework lies less in proposing a new set of decentralization instruments than in providing a structured way to determine which instruments are appropriate, where, in what combination, and under what institutional conditions. Similar problems may require different responses across institutional settings, while formally similar reforms may produce different outcomes depending on the political incentives and implementation capabilities under which they operate. The framework therefore does not prescribe separate fiscal, political, and administrative reform agendas; rather, it uses these dimensions to diagnose binding constraints and design coherent responses. The objective is not to maximize decentralization along any single dimension, but to align responsibilities, resources, incentives, and implementation capabilities in ways that ultimately improve the effectiveness and equity of public service delivery.

6. Conclusion

The central challenge for Latin America is not whether to decentralize, but how to align responsibilities, resources, incentives, and implementation capacity across levels of government. This review has identified vertical fiscal imbalances and horizontal fiscal disparities as two persistent structural challenges of fiscal decentralization in the region. These challenges are fundamentally shaped by expenditure and revenue assignments, transfer and equalization systems, natural-resource sharing, and borrowing arrangements, but their operation cannot be understood through fiscal design alone. Political incentives condition how authority and resources are allocated and used, while administrative capacity determines whether formal responsibilities can be implemented effectively. The relative importance of these dimensions varies across countries and problems, but their interaction helps explain why formally similar decentralization arrangements can produce markedly different outcomes.

This paper therefore proposes an integrated analytical framework that shifts the focus from prescribing standard decentralization reforms to diagnosing the constraints that prevent existing arrangements from working effectively. The framework begins with the problem to be addressed, identifies the fiscal arrangements, political incentives, and administrative capabilities sustaining it, and uses that diagnosis to inform a coherent, context-specific reform package. This perspective has practical implications for reform: functions, financing, and accountability should be aligned; transfer instruments should pursue clearly defined objectives; institutional arrangements should reflect differences in territorial conditions and capacity; and fiscal rules and coordination mechanisms must be supported by the institutions required to make them operational. Integration, in this sense, does not require fiscal, political, and administrative factors to carry equal weight in every setting. It requires recognizing their interactions when diagnosing problems and designing reforms.

Ultimately, the success of decentralization should be judged not by the share of expenditure or revenue assigned to subnational governments, but by whether intergovernmental arrangements enable governments to deliver public services effectively, equitably, and responsively. This criterion becomes increasingly important as Latin American countries confront climate change, surging metropolitan areas, demographic pressures, digitalization, and growing demands for fiscal resilience. Future research should therefore move beyond examining decentralization instruments in isolation and develop stronger evidence on how fiscal arrangements interact with political incentives and administrative capabilities across different territorial settings. The next stage of decentralization in Latin America is thus less about decentralizing more than about making decentralization work better.

References

- Alves, G., Brassiolo, P., Buccari, F., Camacho, C., Cifuentes, R., Estrada, R., & Fajardo, G. (2025). *Nearby solutions: The role of regional and local governments in Latin America and the Caribbean*. CAF—Development Bank of Latin America and the Caribbean.
- Andrián, L. G., Canavire-Bacarreza, G., Jiménez, J. P., Martínez-Vázquez, J., & Muñoz, A. (2024). Dependencia de los recursos naturales a nivel subnacional en la Región Andina: Desafíos y reformas (IDB-MG-1169). Inter-American Development Bank.
- Ardanaz, M. 2014. Fiscal Windfalls, Transparency, and the Efficiency of Public Good Provision: Evidence from Brazilian Local Governments. In *Transparent Governance in the Age of Abundance* (J.C. Vieyra and M. Masson, eds.). Inter-American Development Bank.
- Ardanaz, M. & Tolsa, N. 2015. A Subnational Resource Curse? Revenue Windfalls and the Quality of Public Spending in Colombian Municipalities. Inter-American Development Bank.
- Ardanaz, M., Leiras, M., & Tommasi, M. (2010). The politics of federalism in Argentina and its effects on governance and accountability. Columbia University & Universidad de San Andrés.
- Ardanaz, M., Muñoz, A., & Slack, E. (Eds.). (2022). Municipal fiscal health in Latin America (IDB Monograph No. 1013). Inter-American Development Bank.
- Ayala-García, J., Granger-Castaño, C., & Melo-Becerra, L. A. (2022). Dinámica de las reglas fiscales subnacionales y la nacional. *Documento sobre economía regional y urbana*, (305).
- Bahl, Roy & Martínez-Vázquez, Jorge, 2006. “[Sequencing fiscal decentralization](#),” [Policy Research Working Paper Series](#) 3914, The World Bank
- Bahl, R., & Sethi, G. (2012). Fiscal decentralization in Latin America: An overview. In *fiscal federalism in Latin America: Argentina, Colombia, Mexico, and Peru* (Report No. 66900-LAC). World Bank.
- Beltrán, A., Martínez-Vázquez, J., Muñoz Miranda, A., & Slack, E. (2026). Property tax performance in Mexico: Asymmetric assignment of cadastral management and the role of local capacity. Inter-American Development Bank.
- Bird, R. M. (2012). Fiscal decentralization in Colombia: A work (still) in progress. In *fiscal federalism in Latin America: Argentina, Colombia, Mexico, and Peru* (Report No. 66900-LAC). World Bank.
- Blanco, F., Gonzalez, C., Sanchez, M., Dahlby, B., & Jul, A. M. (2016). Fiscal decentralization and subnational public finances. In *Mexico public expenditure review* (Chapter 3). World Bank Group.
- Blanco, F., Martínez-Vázquez, J., & Porras Mendoza, J. (2017). Peru: Building a more efficient and equitable fiscal decentralization system. World Bank Group.

- Bonet, J., Pérez-Valbuena, G. J., & Ayala-García, J. (2014). *Contexto histórico y evolución del SGP en Colombia*. Documentos de Trabajo sobre Economía Regional y Urbana No. 205. Banco de la República.
- Bonet, J. (2025). Modelo de descentralización en Colombia: Trayectoria, logros y retos. Banco de la República – Centro de Estudios Económicos Regionales (CEER).
- Bonet, J., Ayala-García, J., & Guerra-España, J. (2026). Staying in power: How does political continuity shape debt? *World Development*, 208, 107541.
- Bonet, J., Jiménez, J. P., Letelier, L., & Ruelas Ávila, I. (2022). Experiencias internacionales de las reglas fiscales subnacionales. In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Brosio, G., & Jiménez, J. P. (Eds.). (2012). *Decentralization and reform in Latin America: Improving intergovernmental relations*. Edward Elgar Publishing.
- Brosio, G., Jiménez, J. P., & Suárez Pandiello, J. (2022). El tango de la financiación subcentral entre dos crisis. In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Brosio, G., Jiménez, J. P., & Ruelas, I. (2018). Territorial Inequality, Equalization Transfers and Asymmetric Sharing of Non-Renewable Natural Resources in Latin America. Santiago: Economic Commission for Latin America and the Caribbean (ECLAC).
- Canavire-Bacarreza, G., Evia Salas, P., & Martínez-Vázquez, J. (2025). The effect of crises on fiscal and political re-centralization. *Public Finance Review*, 53(2), 169–199.
- Carreri, M., & Martínez, L. R. (2021). Economic and political effects of fiscal rules: Evidence from a natural experiment in Colombia. SSRN.
- Chin, M., Di Gregorio, E., & Torres, J. L. (2025). Revamping fiscal decentralization to secure Peru's position as a leading critical mineral exporter: Peru. IMF Selected Issues Paper No. 2025/080. International Monetary Fund.
- Cruz Olmeda, J. (2024). Subnational governance in Mexico: The unending persistence of dependency. In *Handbook on Subnational Governments and Governance*. Edward Elgar Publishing.
- Dickovick, J. T. (2011). *Decentralization and recentralization in the developing world: Comparative studies from Africa and Latin America*. Pennsylvania State University Press.
- Departamento Nacional de Planeación. (2024). Informe final: Misión de Descentralización. Departamento Nacional de Planeación.
- Eaton, K., Kaiser, K., & Smoke, P. (2010). The political economy of decentralization reforms: Implications for aid effectiveness. World Bank.

- Eaton, K., Olmeda, J. C., & Armesto, A. (2025). The Politics of Recentralization: Definitions, Actors, and Strategies. In *Recentralization Around the World* (pp. 11-40). Cham: Springer Nature Switzerland.
- Eaton, K., & Dickovick, J. T. (2004). The politics of re-centralization in Argentina and Brazil. *Latin American Research Review*, 39(1), 90–122.
- Eaton, K. (2014). Recentralization and the left turn in Latin America: Diverging outcomes in Bolivia, Ecuador, and Venezuela. *Comparative Political Studies*, 47(8), 1130-1157.
- Economic Commission for Latin America and the Caribbean (ECLAC). (2026). *Fiscal panorama of Latin America and the Caribbean, 2026: Strengthening tax systems to finance more productive, inclusive and sustainable development* (LC/PUB.2026/4-P). United Nations.
- Eguino, H., Capello, M., Caullo, M. L., & Farfán Mares, G. (2022). Eficiencia en la gestión de la inversión pública: Argentina y México. In *10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos*. Instituto de Estudios Fiscales.
- Eguino, H., & Chona, G. (2022). Los retos fiscales de las ciudades capitales en América Latina. In *10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos*. Instituto de Estudios Fiscales.
- Eguino, H., & Porto, A. (2009). Perfiles del sector público municipal en países del Cono Sur y de la región andina: Documento de síntesis. Inter-American Development Bank.
- Faguet, J.-P., & Sánchez, F. (2014). Decentralization and access to social services in Colombia. *Public Choice*, 160(1–2), 227–249.
- Falleti, T. G. (2005). A sequential theory of decentralization: Latin American cases in comparative perspective. *American Political Science Review*, 99(3), 327–346.
- Falleti, T. G. (2010). *Decentralization and subnational politics in Latin America*. Cambridge University Press.
- Fretes Cibils, V., & Ter-Minassian, T. (Eds.). (2015). *Decentralizing revenue in Latin America: Why and how*. Inter-American Development Bank.
- García Valiñas, M. A., & Suárez Fernández, S. (2022). Provisión de agua y gestión de servicios públicos locales. In *10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos*. Instituto de Estudios Fiscales.
- Gómez Reino, J. L., Martínez-Vázquez, J., Muñoz, A., & Radics, A. (2022). Retos futuros de la descentralización en Latinoamérica. In *10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos*. Instituto de Estudios Fiscales.
- González, L. I. (2008). Political power, fiscal crises, and decentralization in Latin America. *Publius: The Journal of Federalism*, 40(1), 123–147.

- Grempi, V., & Manoel, A. (2012). Fiscal rules for subnational governments? Evidence from Latin America. In G. Brosio & J. P. Jiménez (Eds.), *Decentralization and reform in Latin America*. Edward Elgar.
- Hankla, C. R., Martínez-Vázquez, J., & Ponce-Rodríguez, R. A. (2019). *Local accountability and national coordination in fiscal federalism: A fine balance*. Edward Elgar Publishing.
- Harbers, I. (2010). Decentralization and the development of nationalized party systems in new democracies: Evidence from Latin America. *Comparative Political Studies*, 43(5), 606-627.
- Jiménez, J. P., & Muinelo-Gallo, L. (2022). Descentralización y redistribución: El rol de la calidad de gobierno. In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Jiménez, J. P., Muñoz, A., & Radics, A. (2022). Desigualdad regional, recursos naturales e igualdad fiscal subnacional en América Latina. In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Jiménez, J. P., & Ter-Minassian, T. (2012). Macroeconomic challenges of fiscal decentralization. In G. Brosio & J. P. Jiménez (Eds.), *Decentralization and Reform in Latin America: Improving Intergovernmental Relations* (pp. 321–354). Edward Elgar Publishing.
- Lago-Peñas, S., Martínez-Vázquez, J., & Sacchi, A. (2022). Country performance during the Covid-19 pandemic: Externalities, coordination, and the role of institutions. *Economics of Governance*, 23(1), 17–31.
- Layrisse de Niculescu, I., & Moreno, M. A. (2007). *La descentralización fiscal en Venezuela*. Universidad Central de Venezuela.
- Letelier, L. (2022). Endeudamiento de los gobiernos locales: Experiencia internacional y el caso de Chile. In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Leyva, S., Sanabria-Pulido, P., & Bello-Gómez, R. A. (2024). Unbalanced multilevel governance in Colombia: Fiscal federalism and political bargaining with weak administrative decentralization. In *Handbook on subnational governments and governance* (pp. 89-106). Edward Elgar Publishing.
- Martínez-Vázquez, J. (2011a). Municipal finances in Latin America: Features, issues, and prospects (Working Paper 11-07). Georgia State University.
- Martínez-Vázquez, J. (2011b). Latin America. In *Local government finance: The challenges of the 21st century (Second Global Report on Decentralization and Local Democracy—GOLD II)*, pp. 189–230). Barcelona: United Cities and Local Governments; Cheltenham, UK: Edward Elgar.

- Martínez-Vázquez, J. (2012). Fiscal decentralization in Peru. In *fiscal federalism in Latin America: Argentina, Colombia, Mexico, and Peru* (Report No. 66900-LAC). World Bank.
- Martínez-Vázquez, J. (2021). Adapting fiscal decentralization design to combat climate change. World Bank.
- Martínez-Vázquez, J. (2025). Fiscal decentralization at fifty: Achievements and challenges. *Hacienda Pública Española / Review of Public Economics*.
- Martínez-Vázquez, J., Folgar, J., Porras Mendoza, J., Dborkin, D., & Blanco, F. (2018). Diagnóstico y opciones de reforma del sistema de coparticipación federal de impuestos en Argentina. World Bank.
- Martínez-Vázquez, J., Lago-Peñas, S., & Sacchi, A. (2017a). The impact of fiscal decentralization: A survey. *Journal of Economic Surveys*, 31(4), 1095–1129.
- Martínez-Vázquez, J., & Porras Mendoza, J. (2019). Perú: Reforma del sistema de financiamiento de los gobiernos regionales. World Bank Group.
- Martínez-Vázquez, J., Radics, A., & Pérez Rincón, B. (2017b). Descentralización en República Dominicana: Desempeño actual y perspectivas de reforma (IDB-DP-522). Inter-American Development Bank.
- Martínez-Vázquez, J., & Sepúlveda, C. (2012). Intergovernmental transfers: A policy reform perspective. In G. Brosio & J. P. Jiménez (Eds.), *Decentralization and Reform in Latin America: Improving Intergovernmental Relations* (pp. 260–289). Edward Elgar Publishing.
- Martínez-Vázquez, J., Smoke, P., & Yilmaz, S. (Eds.). (2025). *Decentralized governance and climate change*. Edward Elgar Publishing.
- Martínez-Vázquez, J., & Timofeev, A. (2014). Capital infrastructure and equity objectives in decentralized systems (International Center for Public Policy Working Paper 14-10). Andrew Young School of Policy Studies, Georgia State University.
- Muñoz Miranda, A., Pineda, E., & Radics, A. (2017). Descentralización fiscal y disparidades regionales en América Latina: El potencial de las transferencias de igualación. Banco Interamericano de Desarrollo.
- Nickson, A. (2023). Decentralization in Latin America after 40 years. *Regional Studies*, 57(6), 1032–1043.
- Oates, W. E. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich.
- OECD, Economic Commission for Latin America and the Caribbean, CAF—Development Bank of Latin America and the Caribbean, & European Commission. (2024). *Latin American economic outlook 2024: Financing sustainable development*. OECD Publishing.
- Pérez Benítez, N., Radics, A., Vázquez Ahued, F., & Ruelas Ávila, I. (2022). Las medidas e impactos fiscales en los gobiernos subnacionales de América Latina y el Caribe para

- hacer frente a la pandemia. In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Pérez-Valbuena, G. J., Bonet, J., Ricciulli-Marín, D., & Barrios, P. (2024). Reglas fiscales subnacionales en Colombia: desde su concepción hasta los resultados frente al COVID-19.
- Pineda, E., Ramírez Verdugo, A., & Rasteletti, A. (2015). Subnational revenues in Mexico: The long road to reform. In V. Fretes Cibils & T. Ter-Minassian (Eds.), *Decentralizing revenue in Latin America: Why and how*. Inter-American Development Bank.
- Ponce-Rodríguez, R. A., Hankla, C. R., Martínez-Vázquez, J., & Heredia-Ortiz, E. (2018). Rethinking the political economy of decentralization: How elections and parties shape the provision of local public goods. *Publius: The Journal of Federalism*, 48(4), 523–558.
- Ponce-Rodríguez, R. A., Hankla, C. R., Martínez-Vázquez, J., & Heredia-Ortiz, E. (2020). The politics of fiscal federalism: Building a stronger decentralization theorem. *Journal of Theoretical Politics*, 32(4), 605–639.
- Porto, A. (2016). *Transferencias intergubernamentales y disparidades fiscales a nivel subnacional en Argentina*. Inter-American Development Bank.
- Porto, A. (2022). Gobiernos subnacionales y políticas públicas: Teoría y práctica. In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Radics, A., Vázquez, F., Pérez Benítez, N., & Ruelas, I. (2022). Panorama de las relaciones fiscales entre niveles de gobierno de países de América Latina y el Caribe. Banco Interamericano de Desarrollo & Comisión Económica para América Latina y el Caribe.
- Revilla, E. (2012). Subnational debt management in Mexico: A tale of two crises. In O. Canuto & L. Liu (Eds.), *Until debt do us part: Subnational debt, insolvency, and markets*. World Bank.
- Rezende, F., & Veloso, J. (2012). Intergovernmental transfers in subnational finances. In G. Brosio & J. P. Jiménez (Eds.), *Decentralization and reform in Latin America: Improving intergovernmental relations*. Edward Elgar Publishing.
- Rivetti, D. (2022). *Public Debt Reporting in Developing Countries*. World Bank.
- Roethlisberger, C., Gómez Sabaini, J. C., & Jiménez, J. P. (2011). El financiamiento de los gobiernos subnacionales en América Latina: Un análisis de casos (Serie Macroeconomía del Desarrollo No. 111, LC/L.3336). Comisión Económica para América Latina y el Caribe.
- Saxena, S. (2022). How to manage fiscal risks from subnational governments. IMF How-To Note No. 2022/003. International Monetary Fund.
- Sepúlveda, C., & Martínez-Vázquez, J. (2011). Explaining property tax collections in developing countries. *Environment and Planning C*, 29(2), 321–343.

- Smith, H. J. M., & Jiménez Quiroga, C. (2022). La sostenibilidad fiscal en la toma de decisiones de deuda pública de México: ¿Se recompensa la mala conducta? In 10 años de gestión pública intergubernamental en Iberoamérica: Finanzas, instituciones y nuevos retos. Instituto de Estudios Fiscales.
- Smith, H. J. M., & Revell, K. D. (2016). Micro-incentives and municipal behavior: Political decentralization and fiscal federalism in Argentina and Mexico. *World Development*, 77, 231-248.
- Smoke, P., Gómez Álvarez, D., Muñoz, A. F., & Radics, A. (2022). The role of subnational governments in the COVID-19 pandemic response (IDB Discussion Paper 953). Inter-American Development Bank.
- Smoke, P., Martínez-Vázquez, J., & Yilmaz, S. (2025). Decentralized governance and climate change: Basics, opportunities, and challenges. In J. Martínez-Vázquez, P. Smoke, & S. Yilmaz (Eds.), *Decentralized governance and climate change* (pp. 2–27). Edward Elgar Publishing.
- Ter-Minassian, T. (2020). Intergovernmental fiscal cooperation and subnational revenue autonomy (IDB Discussion Paper 748). Inter-American Development Bank.
- Tommasi, M., Saiegh, S., & Sanguinetti, P. (2001). Fiscal federalism in Argentina. *Economía*, 1(2), 147–201.
- Weingast, B. R. (2009). Second generation fiscal federalism: The implications of fiscal incentives. *Journal of Urban Economics*, 65(3), 279–293.
- Willis, E., Garman, C., & Haggard, S. (1999). The politics of decentralization in Latin America. *Latin American Research Review*, 34(1), 7–56.