

Decentralized governance and climate change in Latin America and the Caribbean



Axel Radics, María Dolores Almeida,
Huascar Eguino and Juan Luis Gomez

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1. Key features of LAC's subnational governments

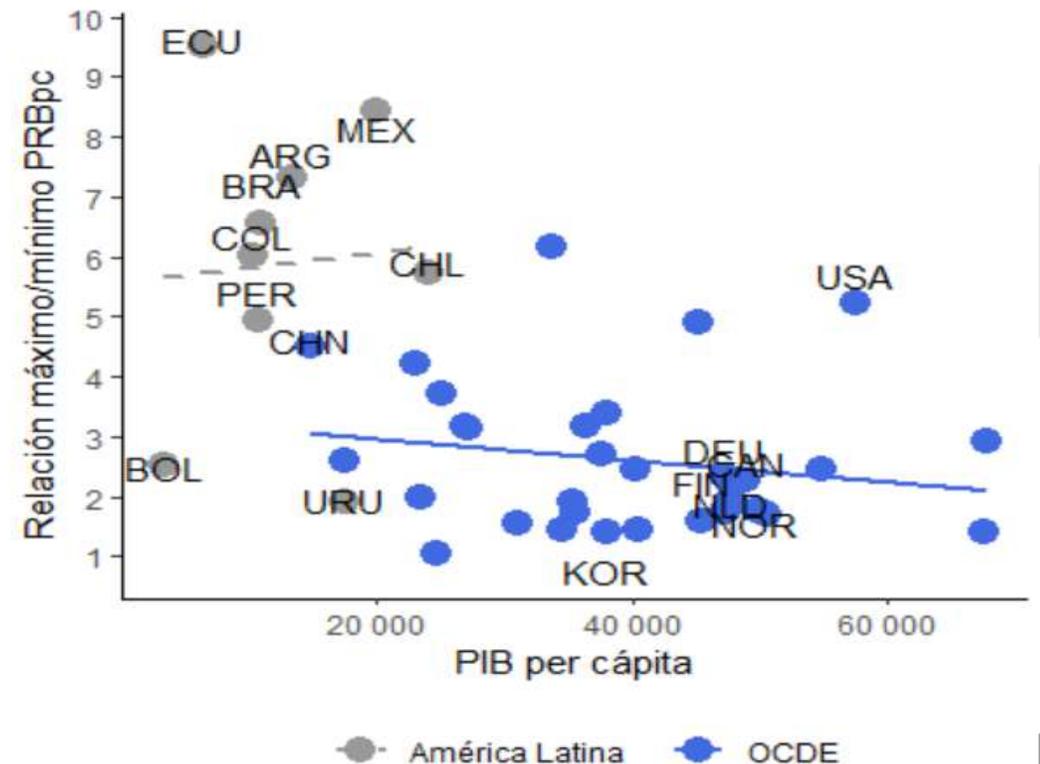
Over 17,500 subnational governments in an increasingly urban region

High concentration of population in capital of countries

High territorial inequality

Popular election of SNG authorities in almost all countries

Regional disparities – LAC vs. OECD (2017)
Max/min Regional GDP/capita (intermediate govts)

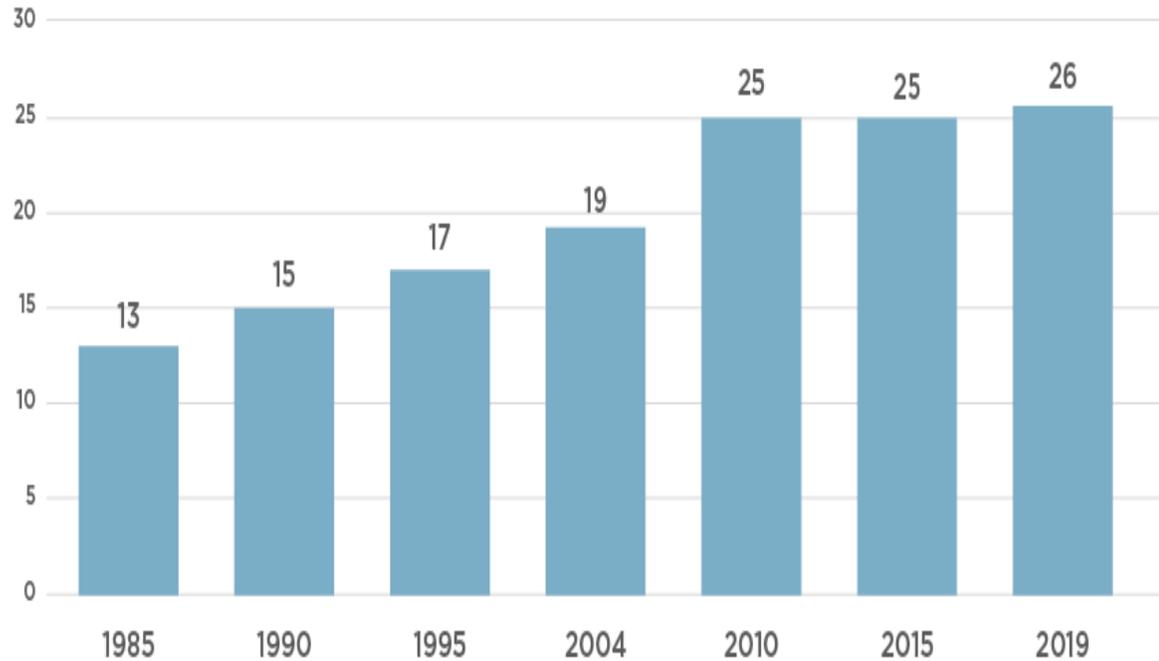


Source: own elaboration based on subnational.iadb.org and OECD Stat.

2. Key features of subnational finances

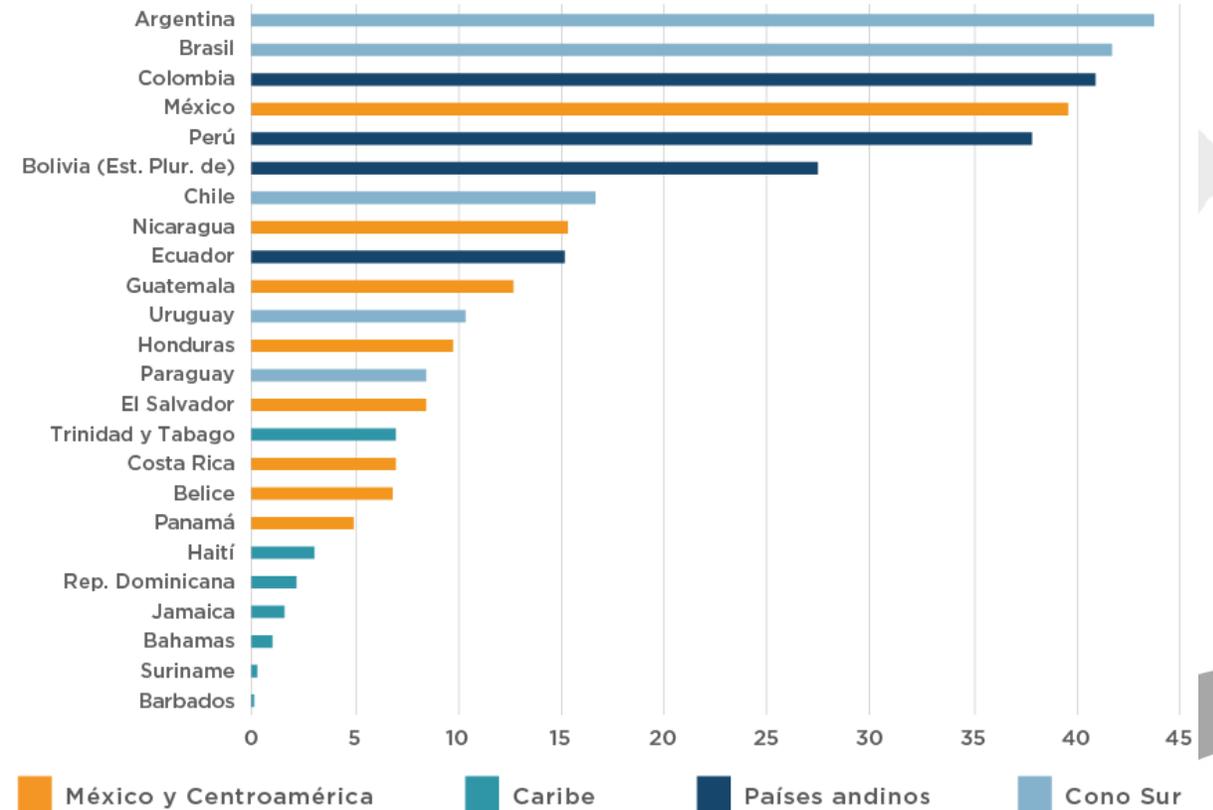
A relevant subnational public sector...

Subnational expenditure as % of general government



...with high heterogeneity...

Subnational expenditure as % of aggregate govt. (by country)



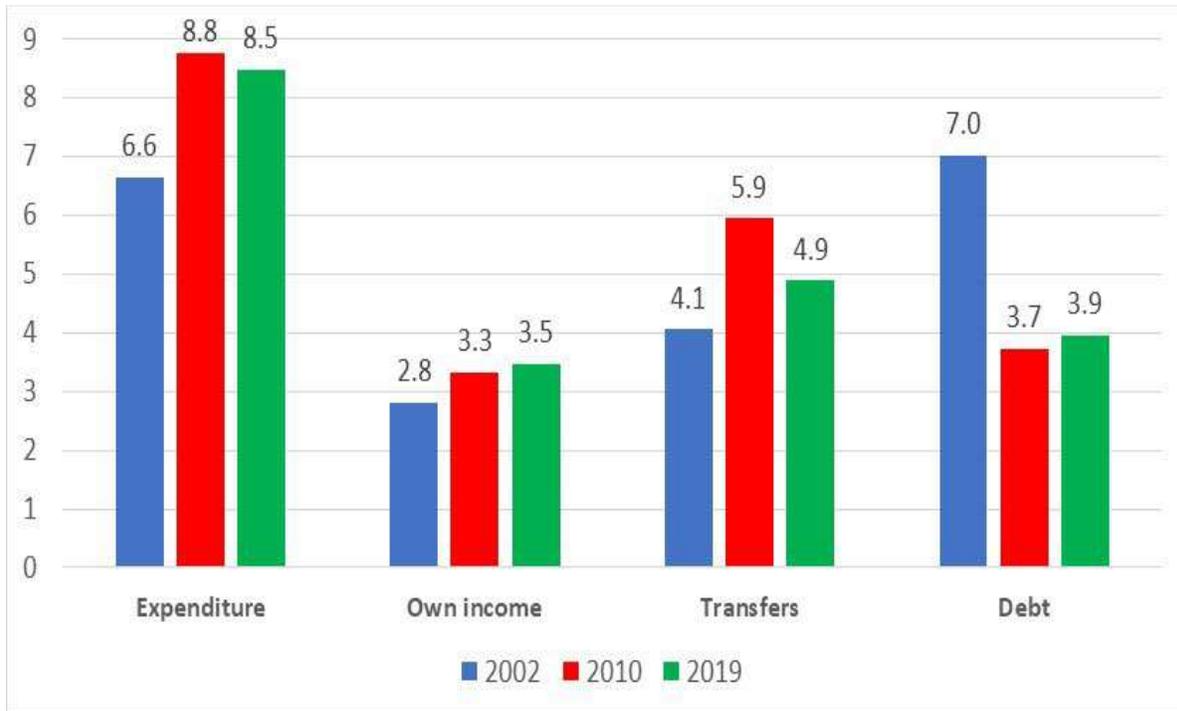
Source: Outlook, based on IADB (1997), Daughters y Harper (2006), IADB (2018) and own elaboration based on national sources for 12 LAC countries.

Source: Outlook, based on national sources (2019)

2. Key features of subnational finances (cont.)

...high dependence on transfers, in spite of improvements in fiscal sustainability...

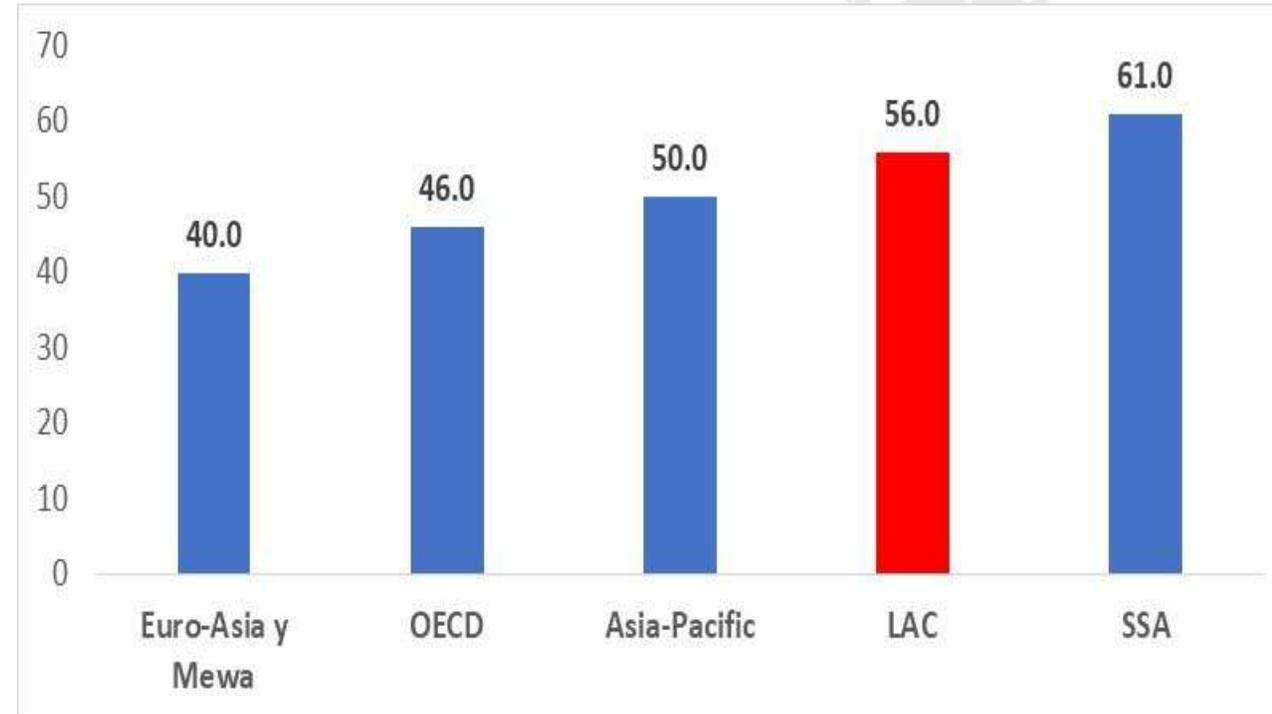
Subnational fiscal aggregates as % of GDP



Source: Outlook, based on IADB (1997), Daughters y Harper (2006), IADB (2018) and own elaboration based on national sources for 12 LAC countries.

...higher than in other regions

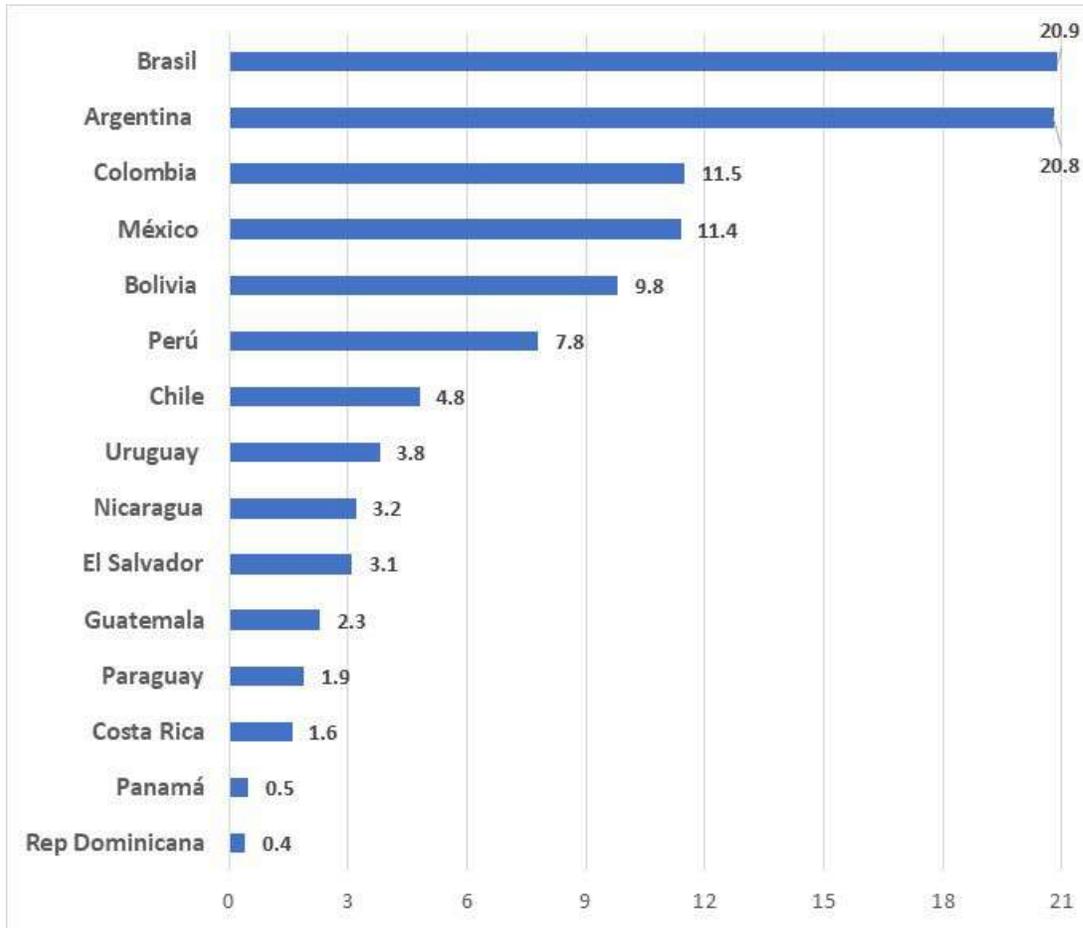
Transfers as % of total subnational income



Source: Outlook, based on OECD – Fiscal decentralization database, SNG-WOFI and own elaboration based on country sources – 2019 or closest available year.

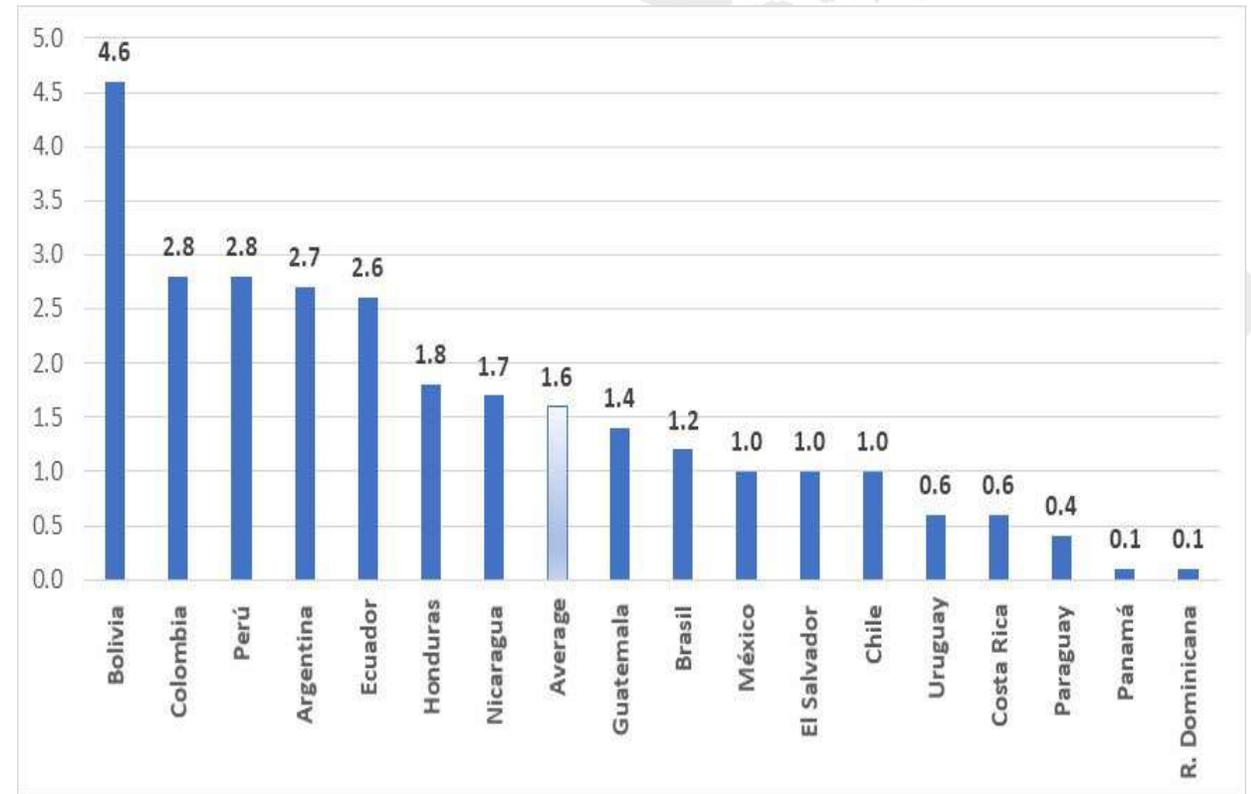
3. LAC subnational government expenditure

Subnational expenditure as % of GDP



Source: Outlook, based on national sources (average 2015-19)

Subnational investment as % of GDP



Source: Outlook, based on national sources (average 2015-19)

3. LAC subnational climate expenditure – mitigation

Functions

Urban public transportation

Solid waste management

Energy

Examples

Focus on construction: examples of intermodal integration, urban electromobility, use of low-emission vehicles

A third ends up in open dumps; 90% is not used or recovered. Good examples in Curitiba, Bogotá and Santiago de Chile

Focus on self-distributed energy projects and energy-efficient infrastructure

3. LAC subnational climate expenditure – adaptation

Functions

Local public infrastructure

Climate risk management

Emergency response and disaster recovery

Examples

Resilient and green infrastructure

Subnational disaster management strategies (9 countries)

Examples in Mexico and Colombia. Limited use of insurance and counter-cyclical funds

3. LAC subnational climate expenditure – cross-cutting

Functions

Water and sanitation

Environmental protection

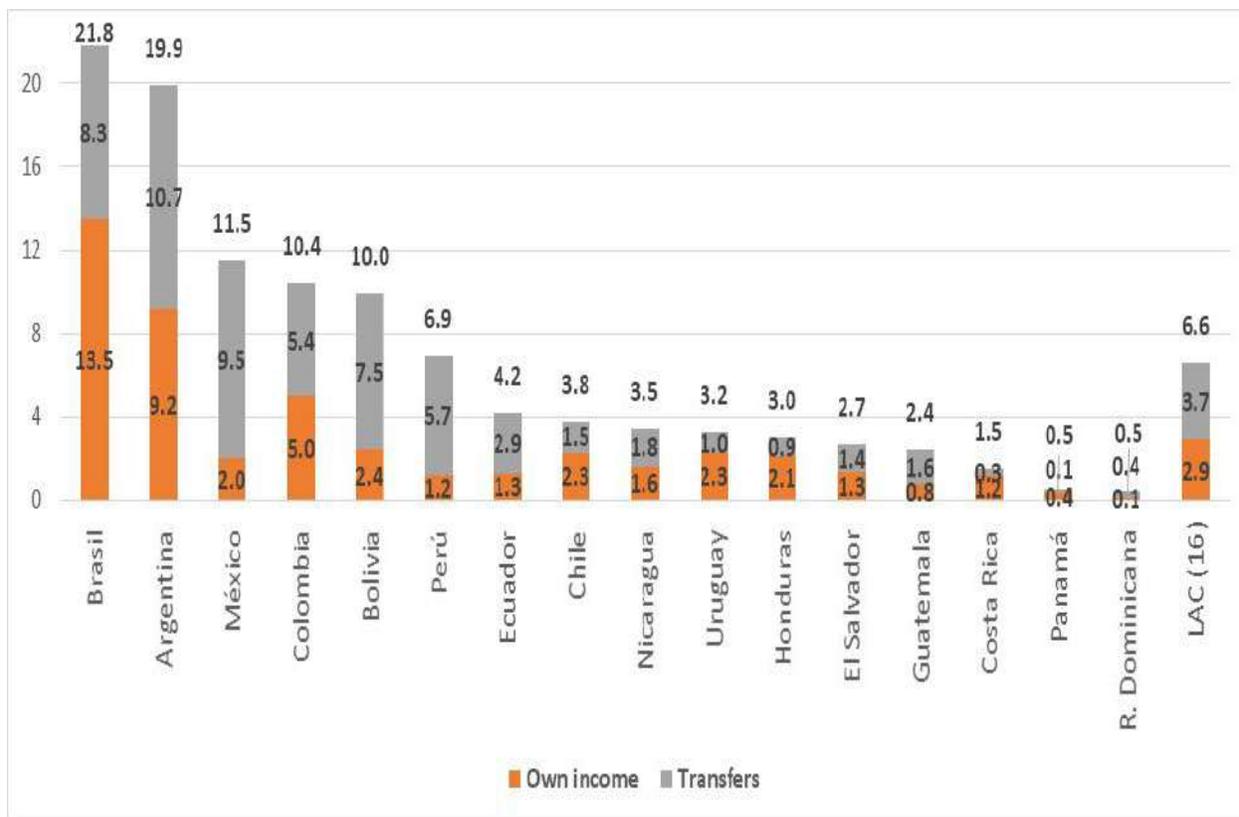
Examples

Preservation of water sources and W&S systems that are resilient to climate change

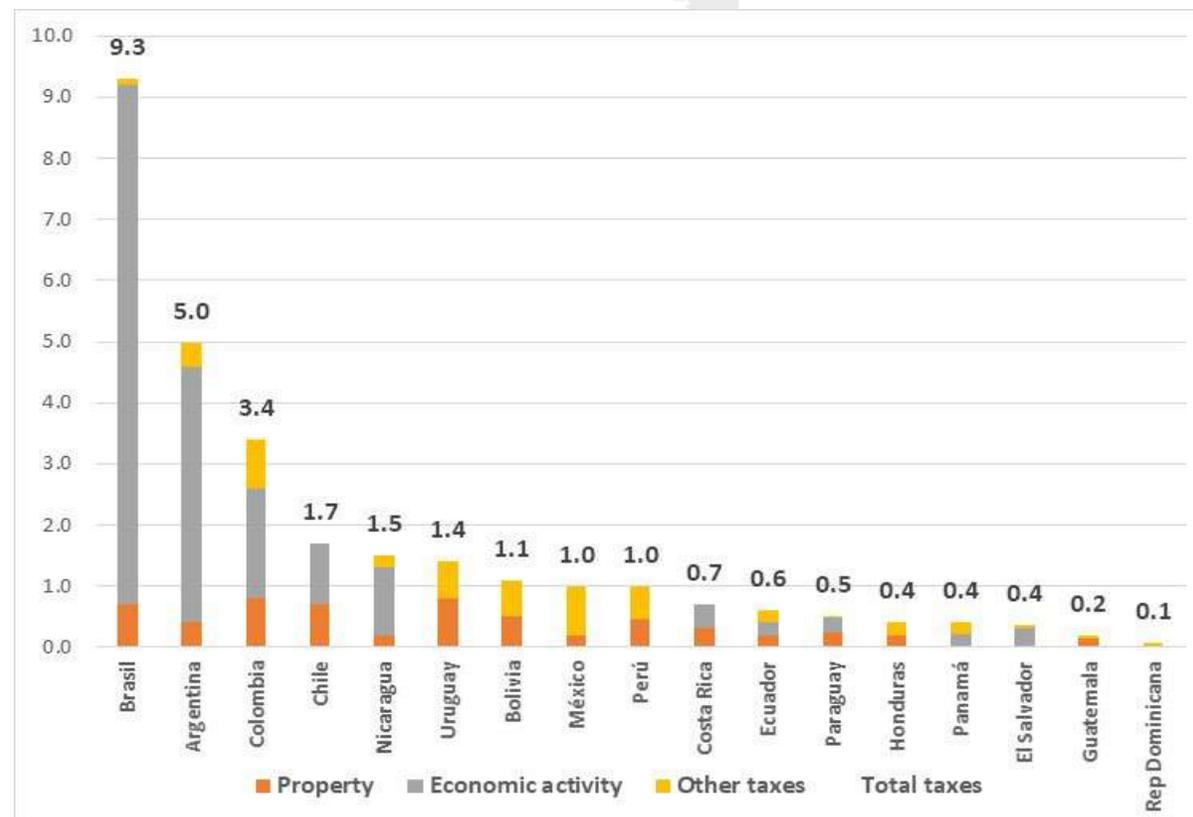
Regulatory and policy actions related to forest, water and soil conservation

4. LAC subnational income

Income by source as % of GDP



Subnational taxes as % of GDP



Source: Outlook, based on national data (average 2015-19)

4. Subnational level climate-related own revenue

Categories

Examples

Energy and transportation taxes

Gasoline surcharge (Colombia); carbon taxes (Mexico), motor vehicles (12 countries)

Pollution taxes

Non-recyclable and non-reusable waste (Argentina)

Taxes on resource extraction

Irrigation fee, forestry products, resource extraction (Argentina, Mexico and Honduras)

Fees for climate-related competencies

Cost-recovery fees-for-services (drinking water, solid waste, public lighting, parks and public spaces)

4. LAC transfers to subnational governments

Most countries have tax-sharing systems

Systems have some distributive capacity, but no country has equalization transfers

Many transfers are conditioned to certain functions or expenditure categories

Relevance in Andean countries of natural-resource based transfers

Discretionary transfers continue to be relevant in many countries



4. Transfer systems related to climate change in LAC

Tax-sharing of ICMS in Brazil with ecological indicators (land area under protection, indigenous land, forest areas, fire control, etc.)

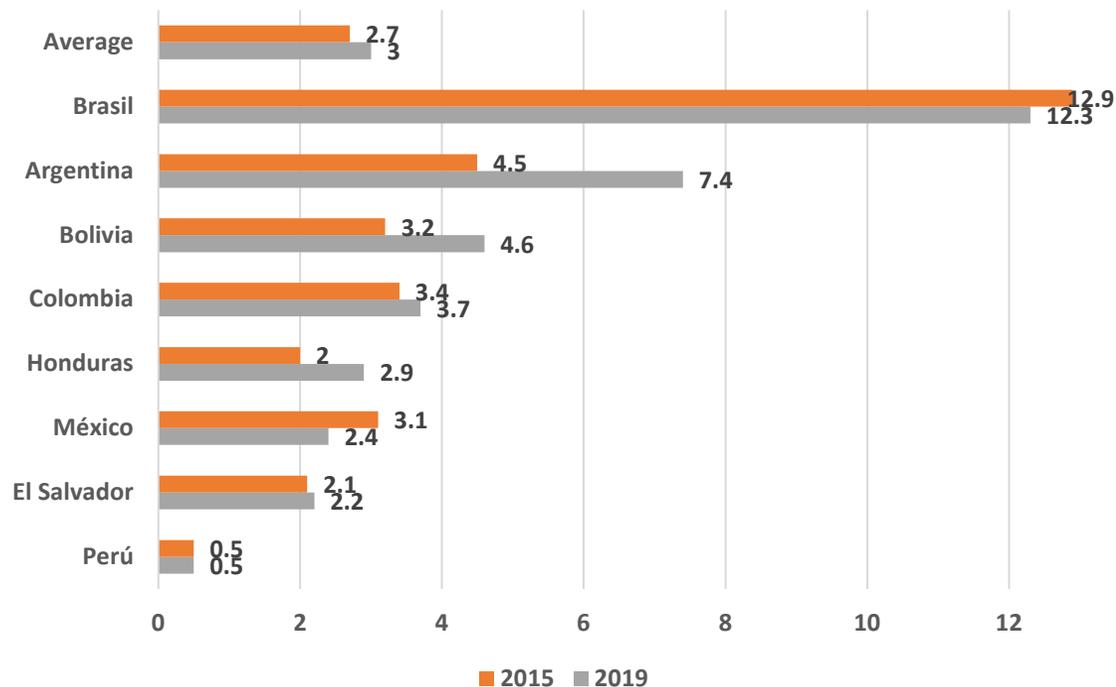
Nicaragua earmarks 5% of transfers for the environment and 7.5% for water and sanitation.

In Bolivia, patents from forest resources are earmarked to support and promote sustainable use of forest resources

NRNR transfers with some earmark for environmental development and conservation in Colombia and Ecuador

5. Subnational debt and access to climate finance

Subnational debt as percent of GDP



Source: Outlook, based on national data

Subnational access to climate finance

Green bonds examples in Argentina (Jujuy – Solar project and La Rioja – Wind farm, 2017) and Mexico City (flood mitigation, energy efficiency and clean transportation, 2016 and 2017)

6. Policies and instruments of administrative decentralization

Subnational regulatory frameworks: Zoning and land use; energy saving policies and emission standards; caps on pollution levels; prohibition of certain polluting products

Subnational planning and land management functions: Limit deforestation; territorial management; adaptation plans; climate expenditure budgeting; guidelines for subnational public investment; green subnational public procurement; GHG subnational reporting

Intergovernmental coordination of climate actions: Multilevel coordination initiatives; subnational networks for the climate; international climate networks or platforms

7. Prospective actions in decentralization and climate change in LAC



Strengthen intergovernmental coordination for climate action

Increase the quality of spending through climate-resilient subnational public investment

Implement subnational environmental taxes and fees with a climate impact

7. Prospective actions in decentralization and climate change in LAC

Strengthen transfer systems, especially those linked to NRNR, to effectively contribute to mitigate environmental and social costs

Promote the mobilization of subnational climate finance

Develop technical and institutional capacities related to subnational climate change responsibilities

Improve transparency and accountability processes for SNG climate efforts

THANK YOU

