Latin American Decentralization for the 21st Century

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Can local governments play a role in economic development and poverty reduction in Latin America? The process of decentralization reforms that began in the 1980s and 1990s are incomplete (Finot 2001, Tulchin and Selee 2003, and Wiesner 2003). Policymakers have yet to commit to serious funding for local governments and have no coherent position regarding fiscal federalism and what role local governments have in the development process. This paper argues that with more taxing authority and discretionary funds local governments could have a vital role in fighting poverty and promoting growth. It will review Latin America's decentralization process to-date, describe local governments role in implementing conditional cash transfer programs, highlight current inter-governmental tensions, and finally, provide a policy toolbox for municipal leaders to use in promoting local economic development. Further decentralization—in particular, providing local government with the capacity to raise its own revenue—can assist with economic development.

Key words: Decentralization, Local Development, Economic Growth, and Fiscal Federalism

Peru is the latest in a flurry of Latin American countries to implement decentralization policies—with former President Alejandro Toledo's 2003 decree to set up the *El Consejo Nacional de la Decentralización* (The National Council on Decentralization, CND) which established the country's first consultation process for local priorities. Since the 1980, increasing numbers of countries in the region have entrusted state functions to local governments.[1] Initially, the idea was pushed by the international financial sector. As funds to assist the developing countries decreased, due to problems like the 1980s debt crisis and increasing thrust towards the Washington consensus, policy advisors then suggested social policies, like education and health care, could be implement more efficiently—and directly to the poor—through local governments (Kaufman & Nelson 2004). Yet poverty elimination is still a quandary for many countries in the region.

Decentralization is defined as "the transfer of authority, reasonability and resources through deconcentration, delegation or devolution from the center to the lower levels of administration" (Rondinelli & Shabbir Cheema 1981). Known as the "fair-haired child of development," the decentralization movement embodies neo liberal economics and the ideals considered by Washington consensus, which mimicked the American political technique of new public management. New structural adjustment measures of the 1980s placed pressures on central governments, making them scramble for alternative solutions, i.e. devolution or place their responsibilities on subnational level governments. Often times these deals devolved responsibility and mandated authorized without financial support for initiatives. New management systems would need to be developed within local bureaucracies containing their additional administrative and political power.

The 1990s literature framed decentralization as creating good governance, active decision-making and local control while increasing citizen participation. The idea spread to

[1] "Local governments" is used as a term synonymous with "subnational governments," that is, both municipal and regional levels of government.

Central and Eastern Europe and East Asia as authoritarian regimes collapsed and market based principles took over the state planned systems of the past. The conventional tendency established that governments first create a bureaucratic structure with some discretionary decision-making authority, thereby enabling them to implement the necessary social polices, while reporting results to the central government. To complete the process, the central government would permit the new entities the right to tax its population to pay for is own public programs. The final element, setting up decentralize financial reforms, promoting fiscal incentives and tax revenue systems to emerge from below, has provided to be the most difficult to implement (Falleti 2005).

Although politically challenging to weave through partisan politics, the transfer of authority and responsibility, first encouraged by the international financial institutions (IFIs), has become rather strenuous. Consequently, a recent report by the World Bank Institute provides an in-depth explication of decentralization, highlighting that too much fiscal decentralization could create “moral hazard” for a country (Litvack & Seddon 1998). Providing Mexico’s banking crisis or Argentine’s 2001 economic collapse as examples, where national governments should be concerned of allowing subnational levels manage their own financial recourses could risk the macro-economic stability. Today, although many countries, namely Bolivia, Colombia and federalist states like Argentina, Mexico and Brazil, have devolved its power to the local level, many policy makers are still uncertain to its effects to poverty reduction. (Rondinelli & Shabbir Cheema 1981). What’s further, without the local control of resources and ability to collect local taxes, many states still depend on national governments for financial stability.

This normative paper will address the various perspectives of the decentralization movement, focusing on its political and economic trends. It will describe how conditional cash transfers have driven IFIs to focus on local governments for policy implementation and elaborate on how fiscal federalism is insufficient to devolve local autonomy. Instead, this paper will prescribe that place-based development, which can be used as an international development technique to promote growth in a particular locality.

Political Perspective

Many political analysts have separated the decentralization movement into political, administrative and fiscal devolution. (Rondinelli & Shabbir Cheema 1981;Tulchin & Selee 2004; Falleti 2004). Evaluation of decentralization policy provided great prominence by many political scientists after several countries in Latin America returned to democracy from authoritarian rule in the 1970s and 1980s. Political scientists Tulchin and Selee (2004) suggest in their theoretical framework between decentralization and democracy that Latin American governments heralded the process for five conceptual reasons. First the process served to improve the relationship between citizens and the state with measures to increase accountability, responsiveness, civic engagement, and plurality, while counterweighing authoritarianism. The authors then added that the process could only earn validity if subnational governments had sufficient autonomy to set their own priorities and had the capacity to perform the functions they determined.

Most notably, these last effects altered the entire political system, specifically of which is where many political scientists have focused their time and energy. For example, subnational establishments became strengthened with new authority, which subsequently created a change of power relationships between political parties. The most cited example is Mexico’s politics of the 1980s and 1990s, with the new insurgence of regional politics helped the PAN win local elections and untimely assisted to end the one party rule of the PRI as president of Mexico with the election of PANista Vicente Fox in 2000 (Tulchin & Selee 2004). Current separatist movements in Bolivia are also relevant.

Not without mention, the decentralization movement was fueled by non-governmental organizations, such as human rights advocates and grassroots leaders who aggressively contested for their autonomy and self-management of public resources. Often these groups received financial aid from international development organizations and donors who felt their money was better spent assisting local groups, quantifying every action with each additional dollar spent.

For many, the 1980s style public-private partnerships were viewed as the best way to treat the lack of resource problem at the local level, especially left after the austerity measures produced at the IFIs were in place. At that time, the political and administrative decentralization process had taken place in most locations, but fiscal devolution with local taxing authority still remained at large for many countries. Therefore many cities and local government in LAC scrambled to find resources. Co-assigned agreements between a non-governmental organization, the county or city government were matched by national program dollars. These social programs, whether they were micro credit, school programs or health serves, still only enable aid to reach a small selected portion of the population. Often times these public-private partnerships were also financially matched by international dollars. Thereby supporting the "public portion," and not the local government counterpart, as it occurred in the US.

Subsequently, the 1990s literature framed decentralization as creating good governance, active decision-making and local control while increasing citizen participation. Engrossed by the civil society's mantra of civic participation, the international system was engaged in many new ideas of how to assist the poor. For example, the process of decentralization led to many new innovations at the local level like participatory budgeting practices, civic round tables, open space debates, and the new insurgence of referendums. Furthermore, although there were laws and ordinances instructing local governments to make local development plans and implement participatory budget, they lack capacity and financial autonomy to perform their jobs.

Some argue that for this reason IFIs or their bosses—the member state's presidents, economic ministers, or other cabinet members—still did not want to relinquish power or financial support at the local level. Economist cautioned national politicians of a potential "moral hazard" problem (Litvack & Seddon 1998). Suggesting, if states or subnational governments are authorized to provide debt, they should not be trusted because some might go over board and create macro economic stability for the country. Political parties and members of the central government realized when their opposition was winning elections, as in the case of Mexico, not to allow further authority to the local level, fearing job loss. Therefore, further fights of autonomy and fiscal capacity were much slower than the initial political process, which still allows the central governments to hold the control through its purse strings.

Economist Perspective

Often economists and political scientists hint to the level of decentralization with the level of devolution of funds or the subnational expenditures. Rosenbaum (1997) suggests that before other regions of the world, Latin America "witnessed the emergence of issues of fiscal decentralization—especially in terms of revenue sharing, national grants in aid and various types of privatization." That revenue sharing was the first signs of fiscal federalism, which can be seen by many charts and graphs. Many trends appeared and explanations as to the influences of these increased expenditures. For examples see the World Bank's chart annexed or Tulchin and Selee (2004) chart provided below.

Chart 1: Total Subnational Expenditures*

	Subnational expenditures
Mexico	28.66%
Venezuela	27.07%
Brazil	37%
Argentina	43.9%
Guatemala	20%

Sources: For Mexico: Rowland & Ramírez (2001, 6); figures for 1996; state governments spend 23.30% of total government expenditures; municipalities 5.36%; For Venezuela, Mascareño (2000, 88-89); for Guatemala, Puente and Molina (2000, 269); for Argentina, Falleti (chapter 6); for Brazil, Burki, Perry, and Dillinger (1999, 15).

Note: Data on subnational expenditures are somewhat unreliable and vary depending on the sources used. They are useful for gauging approximate revenues and expenditures by subnational governments, but should be viewed with some caution.

But students of public finance know, there are budgetary expenditures and there is revenue generation. For a long time, economists and policy makers focus less on how the taxes were generated (VAT vs. sales, property, income tax or the like) and at what level, than on possible policy recommendation to implement IFIs funds. At the same time, there has not been sufficient focus on how to generate the most appropriate, market-oriented driven, fiscal policy for the collecting taxes locally. Because of political corruption and lack of transparency, traditional Tieboutism, or the classic theory where "voters move with their feet" when they select the appropriate level of tax vs. service outcome, has not been practiced in the region (Tiebout 1956).

Recent studies have shown that taxation at the local level varies a great deal within the region (Finot 2001; Wiesner 2003; Falleti 2004). For example Wiener (2003) cites that Chile does not allow for much local taxation—less than .6 percent of GNP, while Brazil, which manages a varied hierarchical tax base structure where the sub-national governments (states) manage up to 30 percent of GNP in some locations. It is important to note, the function of the national government is to find the appropriate balance of the fiscal capture and dissemination of funds to be more equitable across sub-national boundaries. At present, fiscal decentralization in Latin America has called attention to the financial discrepancies between jurisdictions, creating huge gaps for many state economies. For example Falleti (2004) point out that in Argentina's main city of Buenos Aires, it raises 92.7 percent of its own revenues and the Province of Buenos Aries generates 56.1 percent, while other location like Catacmarca, La Rioja and Santiago del Estero only raise about 10-15 percent of theirs. These inconsistencies also exist in Brazil, Bolivia and Mexico (Wiener 2003).

New distribution programs for health, education and social policies have emerged, so have evaluations to measure their effectiveness. Although there are variations in the data, which is always a problem when working with the developing world, one can see where the indigent live, enabling policy makers to better target programs. But without local government's ability to raise taxes, the appropriate mixture of market based incentives are difficult to establish and there are fewer public goods that can be produced. Therefore, the national governments now must balance fiscal revenues to meet these people needs.

Conditional Cash Transfer Programs

After Neo-liberal reforms left grave impacts on the social sectors of Latin America, economists developed new welfare programs to reach the poorest of the poor. In the late 1990s, IFIs proposed new redistribution programs to be implemented at the local level. Social programs, primarily in health and education, started to spring up across the hemisphere like ex-Progreso and now Oportunidades in Mexico, Jefes de Hogar in Argentina, Unidos in Peru, and Fame Zero (zero hunger) in Brazil (Kaufman & Nelson 2004).

In the early 2000s, Washington saw a large number of evaluations for these policies. Many evaluated whether they were working and providing positive impacts on the human condition. Evaluations were concerned with who was receiving the financial rewards, how the policies were implemented, and if the programs were effective. Often these programs' assistance was tied. Children would be mandated to attend school and visit the doctor for regular checkups before families received their financial assistance, either with vouchers or direct financial kickbacks. Once there were fairly positive results in one country, additional countries were encouraged to jump on the bandwagon to engage in providing similar programs.

The process created an influx of national dollars to be redistributed to individual people. Instead of maneuvering the state's morass of public health or educations ministries, many countries used their local governments to implement the programs. Beck Fenwick's (2007) dissertation, "Do Municipalities Matter? The Politics of Decentralized Policy Delivery," argues this point. She looks at the role of local governments in the delivery of social policies in Argentina and Brazil. She concludes that Brazil has higher positive outcomes, i.e. better service delivery, than Argentina, due to the inter-governmental cooperation and the level of autonomy of local governments. Although her argument can be politically challenged, she ultimately advocates that it's the nature of the party system and the constitutional status of the local governments, which matter as they are providing public services to poor people. Therefore, many of these social policies have also re-emphasized the role that local governments add to their administrative burden of implementing policies.

Many researchers are now calling these new programs the second generation of reforms after the Washington Consensus debate. Kaufman and Nelson (2004) evaluate how social sector reforms are occurring in Latin America in their recent book comparing education and health care programs in six countries. What is particularly interesting about this study is that they are concerned with the political process and policy outcomes with their evaluation of these social policies. They suggest that democratization and globalization are forcing more governments to clearly define social priorities, but the political process of reform is difficult. The authors agree that the human development of Latin American is a curial need at this time in order for future growth.

What is clear to Kaufman and Nelson (2004), and with implications for the World Bank, is that it is not just important *how much* money is spent for these services but *how*. That is to say that the municipal governments are providing to be in a curial role for the provision of services. They can assist not just to improve the quality of the social services but also the efficiency and cost-effectiveness of the program design. For example, the authors argued that the social policy reforms have "derailed the complex administrative machinery" with new lines of authority of local governments now at the forefront in service delivery. Finally, they agree that decentralization and fiscal autonomy with increases in civic participation can assist with the social sector reforms.

Fiscal Federalism

Whereas decentralization is a process, fiscal federalism is managing the contentious relationship of budget constraints at various levels of government. Ultimately, determining the appropriate tension between using national appropriations or the revenue generated locally will produce the most effective public policies.

Economists suggest there have been two major generations of fiscal federalism. First, Wiesner (2003) suggests that begin in the early 1980s, in the context of the Washington Consensus, which included constitutional reforms incorporated sub-national level governments; local election began, as did the devolution of responsibility, delegation of taxing and spending authority and an independent measurement of results. In addition Wiesner includes in this generation, the targeted fiscal transfers by sector (primarily in education and health) began to assist the lowest income groups. This first generation of decentralization created high expectations for people in the hemisphere.

Yet during the first generation of LAC decentralization, IFIs targeted fiscal transfer and conditional welfare policies, with the exception of Chile, were flawed to make systematic reforms. Without sufficiently understanding the new theory of the firm and institutional economics, while underestimating the risks of public choice, many economists did not provide sufficient support for local governments to manage their resources. Thus causing IFIs and national governments to bail out the subnational level in the time of need. For example see the case of the Mexican peso crisis or the Argentine economic collapse of 2001. While praising the concept of market-based incentives for reforms, like performed in Chile, economists promote "the second generation" of decentralization for Latin America, which in effect is sponsoring fiscal federalism. They suggest that national governments can produce a more appropriate mix of market-based incentives, which local government can grasp and evolve into better policy outcomes.

Economists argue that this second generation, still incipient, began in the late 1990s in Latin America. The basic idea is based on three theoretical constructs: new institutional economics, public choice theory and the "new theory of the firm." Although evaluations still need to be produced on the social and firm costs to any particular policy, this general application of microeconomics into public policy in the context of decentralization is useful. Insomuch as Wiesner (2003) does highlight that it is possible to have a messy array of policy implementation, suggesting that it does not always have to be the federal government to “do the work.” But it is important that the national government stabilize the macro political economy in order to engage in policy implementation at the local level.

One basic criticism of fiscal federalism is that it should be distinctive from fiscal decentralization—or the tax authority at the local level. Academics warn that fiscal federalism should not be confused with fiscal decentralization; but economist frequently do intermingle the two concepts. The Organization for Economic Co-Operation and Development define fiscal federalism as “a system of transfer payments or grants by which a federal government shares its revenues with lower levels of government” (OECD 2007). It is a “general normative framework for assignment of functions to the different levels of government and appropriate fiscal instruments for carrying out these functions” (Oates, 1999: 1120-1). This has been the exact affect of social policies the implemented at the local level. Both have highlighted the important role for local governments and have increased their local budgets, but they have not allowed for local governments to in fact raise their own revenues.

Whereas fiscal federalism is this management of budget constraints and allocation of public finance at the local level, fiscal decentralization is actually local people collecting their own resources. Both are driven from the central governments and IFIs. But only decentralization helps local people to manage their own initiates, which is the key for local economic development. In the new global economy there is a new focus on local economic development. Governments need to manage policy tools to create growth at the local level in order to attract a competitive workforce. Several tools like municipal bonds, tax increment financing, or enterprise zones can be used.

International Development

Many political scientists and economist have reviewed the past fifty years of international development as a dismal failure. Economist in recent books suggested that the process of assisting countries with aid has been not been effective to get countries out of poverty (Stiglitz 2003; Easterly 2006). Each describe the Breton Woods agreements, which first established the World Bank and other IFIs, and explain the disarray of implementing economic policies though the 1970s phase of infrastructure financing, the 1980s debt crisis and structural adjustments, and finally the laagering effect of the Washington consensus in the 1990s. Conceptual frameworks—included physical, human or social capital theories or geography, natural endowments or climate—have been used to described why countries succeeded or fail to receive aid. But few international economists apply what traditionally has been used in the United States to promote growth, known as local economic development (LED) and place-based theory.

Local Economic Development

In the international sphere, LED engages regionalism by encouraging local leaders to promote their own development process while integrating policy incentives from the national government. The World Bank's LED policies consist of a grocery list of ideas such as "improving the local business investment climate, investments in hard strategic infrastructure, investments in sites and premises for business, investment in soft infrastructure, encouraging local business growth, encouraging new enterprise, promoting inward investment, sector (and business cluster) development, area targeting/regeneration, integrating low income or hard-to-employ workers" (World Bank 2007). The list is long, awkward and lacks specific application to be meaningful. But the World Bank's Web site does provide a slur of research, initiatives, case studies and examples. Unfortunately, most of theses exempt the element of sub-national government's management of public recourse or a public administration perspective.

In the US, development, and specifically local development, is always couched in the context of offices in city governments who promote, attract or retain business into their urban area. Typically they will be linked to the local chamber of commerce, engage trade missions to sell commodities into foreign markets, and assist local businesses to set up shop into their metropolitan region. Although more recently, more cities are engaging in strategic development plans. It should be noted, as cities are developing around the world, there is an even playing field for their growth (Sassen 16:1990). In this context, cities have become our proxy for local regional areas (Blakely & Bradshaw 2002). Subnational levels and regional areas are important for understanding positive economic development for the promotion of growth in a country.

What is consistent with many of the theories is that place-based development is crucial. Local cities and communities now can do strategic economic development planning. It consists of quantitative studies like location quotations, investigating industry codes and targeting industries or preparing shift share analysis for redevelopment. In the Latin American perspective, it is questionable whether mayors and other local actors are knowledgeable about these processes, if their legal framework permit reforms of the like and if they have sufficient capacity to orchestrate them.

Not without standing, Location quotient, defined by Blakely and Bradshaw (2002) is the "static measure, picturing the economy at only one point in time." It is a measure of the ratio between the percentage of employment in an industry locally to the percentage of employment of the same industry found in the state or nation, used as a reference. This ratio gages the concentration of a particular good or service in a regional area and helps define which products are exported/imported compared to the nation. This highly quantitative approach uses North American Industry Classification System (NAICS) data, which classifies industries in NAFTA counties with a 7 digit codes. Within the American context, the US Census data is collected and publicized every five years.

A deeper analysis, not just identifying the key industrial areas compared to the national averages, is a shift share analysis. This is the change in the mix of employment in a region (SHIFT) and then compared that with the change with the national (SHARE). This analysis is done with national census data comparing beyond employment information, but also may include a capital analysis and value added to show you a new understanding of the industry. The idea is to plot your industries growth on an X/Y axis, allowing X to represent the region and Y to represent the nation. Therefore, high differential shits show strengths in the local economy. This indicates a more rapid growth for an expected industry compared to the national average. For example, if the tourism industry has high location quotation and high shift-share ratio, it may be inferred that the town has a growth higher than the national average for tourism, which creates a large revenue source for the local economy.

Finally, an additional tool to discern the proximity of multiple industries is the cluster analysis. This involves complex data and statistical techniques to connect the relationship between industries. The purpose of this is to gain a competitive advantage over another region or area in order to link suppliers and buyers of a particular market together. This agglomeration creates a space for policy makers to develop an enabling environment, sometimes favoring the industry and associated firms, to encourage productivity and thereby, increase growth for the area. The objective of cluster analysis is not only to determine the interrelated industries, but also the emerging firms which do not have a high quantitative analysis under the location quotients or shift/share analysis. Arguable, the earlier a community can identify market strengths with which clusters are emerging, the further ahead they will be at positively influence that cluster's growth making it's competitive advantage.

Therefore cities and local governments are now equipped with measurement tools to identify major industries in their area, enabling their comparison to the nation and possible discovery to new sources of future revenue. They can use this data to attract new business or retain existing business through experimental policies. In the global context, the devolution of power and decentralization is key to developing regional development is so necessary in today's economies. Especially with open trade barriers cities and towns are now more vulnerable then ever to the world economy.

Place-Based Theory

Place-based development may be found within the literature of local economic development theory. LED is a technique-dominated field concerned with increasing jobs and the tax based, primarily by marketing and alluring new business development. Place-based development not only encourages national expenditures to invest in infrastructure and match private capital in particular place, such as grants to local governments and business, education and training to workers, but it also concentrates more on people's commitment to longer sustainable growth in their locality (Bolton 1992). Yet both theories deliberate on finding local market incentives to promote growth.

Place-based theory uses a wide gamut of supply-side urban development strategies (e.g. enterprise zones, municipal bonds, business improvement districts, neighborhood investment strategies, infrastructure development or downtown redevelopment) to promote growth in a particular area. But much of these tools do hinge on the fact local municipalities and cities need to be aware of their competitive advantage, their market rate of supplying public goods like the social policies highlighted above, and finally their ability to leverage both national grants in aid and revenue sharing, and most importantly, raise their own taxes.

Incentives offered by the national government to support local goals and priorities are important in place-based theory. On example used in the US are the enterprise zones, which circumvents local taxes, while providing technical assistance to attract new businesses and encourage local economic development (Rich & Stoker 2006). The initiative encourages national governments to be responsive in certifying self-defined and managed local "zones" with high poverty indicators and other determining criteria. Once a zone has been certified, national governments are expected to orient designees toward various financial resources, in addition to respond to requests for organizational and technical assistance. The success of the initiative ultimately depends on the national governments' recognition of the effectiveness, legitimacy and authority of local ownership. Enterprise zones can be seen as the next step in the international decentralization trend, whereby national governments are transferring governance responsibility to the local level.

Another example of an economic development tool is municipal bonds. Bonds are pubic loans often issued to fund either economic development projects, build infrastructure or improve education facilities. They are issued by public institution—whether it's a state, city or local government—with the approval of public support to pay back the loan. At present, IFIs are saturated with loans to the national governments, they should start to assist subnational governments either by guaranteeing loans presented by local people or directly subsiding the loans, though other financial measures. This could also create a new business model for the IFIs. Subsidizing or providing necessary guarantees to private lenders for subnational government loans could be an active and lucrative business. Yet it is important to note that these theories can only be instrumental in assisting with local development and are contingent upon local governments managing their own recourses.

In place-based theory, there are many other models that can be used for economic development. The long list of using local financing mechanisms includes setting up sub-regional development areas, clusters development described above, tax increment financing for projects, using property tax allocations for financing community development corporations or community foundations. The most recent of these models used are the business improvement districts, community development finance institutions, and creative uses of venture capital for the public good.

Conclusions

Today, although many countries, namely Bolivia, Colombia and federalist states like Argentina, Mexico and Brazil, have devolved its power to the local level, many policy makers are still uncertain to its effects to poverty reduction. Without the local control of resources and financial responsibility, few localities entrusted with poverty alleviation can compete.

This paper has addressed the various perspectives of the decentralization movement, focusing on its political and economic trends of the region. It has suggested that the decentralization process is incomplete, specifically focusing current work of fiscal decentralization. Whereas revenue sharing has started, local governments still do not have adequate resources to manage their public obligations. Increasingly the new conditional cash transfer programs established by the IFIs to aid in health and education policy have highlighted local governments importance. Yet they have also created more of a burden, as the local government now must implement these public policies.

Not without standing, economist's efforts at fiscal federalism, or balancing the national revenues between subnational districts, is the next step in this progress. The balancing of national priorities and local autonomy is a politically challenging task. Market based reforms are key to finding the right allocation of public goods, which can only truly be done at the local level. Thus imposing Tiebout's theory of matching public goods (government services) with the appropriate variety of prices (tax rates). Once local governments are autonomous, establishing the correct output of public goods for their tax rates, they can apply techniques from local economic development and place-based theory. Finally, this paper described several place-based techniques (e.g. enterprise zones, municipal bonds, business improvement districts, neighborhood investment strategies, infrastructure development or downtown redevelopment) that can be used by the international development community to promote growth in a particular locality.

Future research will look at the regulatory frameworks to allow for more local autonomy for local governments in addition to fiscal capacity that currently exists. Mayors and local officials may be aware of local development and place-based theories, but they still may not be able to enact these tools because of constitutional and legal constraints or the like. More research needs to be given into these areas to determine the appropriate policy recommendation for Latin American countries.

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Chart 2: World Bank Fiscal Decentralization Indicators

Sub-national Expenditures (% of total expenditures)	2000	1999	1998	1997	19 96	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Argentina			42.26	41.33	40.61	41.40	42.36	43.48	44.82	43.82	44.16	46.75	44.38	39.20	35.34	29.33	38.97	33.78	26.83	33.33	22.22
Bolivia		29.28	31.22	31.86	29.36	21.38	19.11	18.81	16.37	18.34	18.16	17.95	19.97	17.76	14.78						
Brazil				42.80			36.19	34.29	38.00	42.37	34.46	28.65	29.46	35.45	32.20	32.12	32.05	32.34	33.54	31.51	32.43
Chile		8.46	8.52	8.52	8.47	7.87	7.80	7.51	7.22				9.78	8.12	7.61	7.48	7.51	7.85	9.18	6.74	3.72
Colombia															27.67	32.11	28.95	27.87	26.34	29.88	29.90
Costa Rica		3.40	3.21	3.47	2.77	2.44	2.51	3.05	3.07	2.77	3.04	3.29	3.23	2.68		3.83	3.35	2.84	3.18	3.77	3.98
Dominican Republic					2.64	2.08	1.95	2.14	2.50	2.77	1.60	1.71	3.02	3.80	3.97	4.90	5.56	3.98	3.53	3.28	3.48
Ecuador																					18.33
El Salvador																					
Guatemala																		4.68	4.54	3.72	4.51
Honduras																					
Mexico				28.97	27.64	26.98	30.50	28.30	25.37	22.73	18.43	15.61	12.97	10.95	12.38	15.71	17.22	16.35	15.37	22.67	21.95
Netherlands Antilles						58.56	54.59	54.50	53.40	52.71	53.79	58.73	56.90	56.21	57.02	58.46	55.51	53.75	51.58	51.55	47.81
Nicaragua						8.55		9.03	9.62	9.39	3.29	4.57	1.83								
Panama							2.37	2.40	2.63	2.76	2.52	2.42	2.37	1.99	2.04	2.05	1.81	1.95	1.80	1.95	1.96
Paraguay								2.62	1.76	1.82	1.87	2.16	4.75	4.98	5.57	5.91	4.87				5.54
Peru		19.93	19.08	21.68	20.12	19.40	18.97	19.12	20.19	21.76	9.14										
Uruguay				10.96	11.08	10.75	9.60	9.62	9.84	10.63	10.31	9.65					8.30	9.58	7.98	8.32	8.59
Trinidad and Tobago						4.12	4.37	4.82													
Venezuela																					

Source: The data are from the *Government Finance Statistics*, International Monetary Fund. Retrieved in SIMA.

The table itself comes from the http://www1.worldbank.org/publicsector/decentralization/fiscalindicators.htm. This section of the World Bank describes fiscal indicators for decentralization through out the world. Above is the expert of data from 20 Latin American and Caribbean countries. The web site descriptions of the types of indicators used as well as a guideline to use the indicators. Al indicators maybe downloaded from the web site for the world.