

Multilevel Governance of PDPs in LAC

Seminar "Connecting the challenge of productivity with productive development policies in Latin America and the Caribbean".

March 13, 2024



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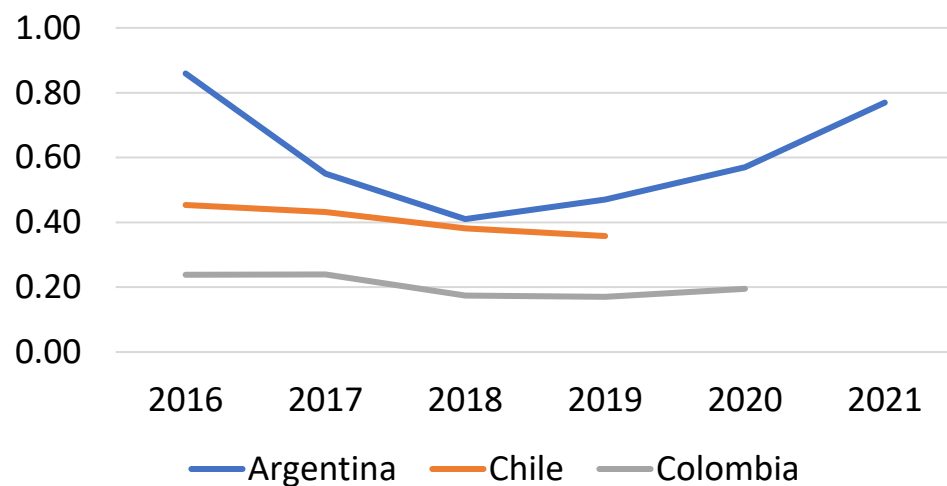


Felipe Correa

Territorial Productive Development and Governance Unit
Division of Production, Productivity and Management

PDP spending in some countries in the region is between 0.2% and 0.8% of GDP

Latin American Countries: Transfer Spending in PDPs, 2016-2021
(As a percentage of GDP)



Source: Own elaboration based on Gómez (2021), Correa, Dini and Letelier (2022) and Cassini (2022).

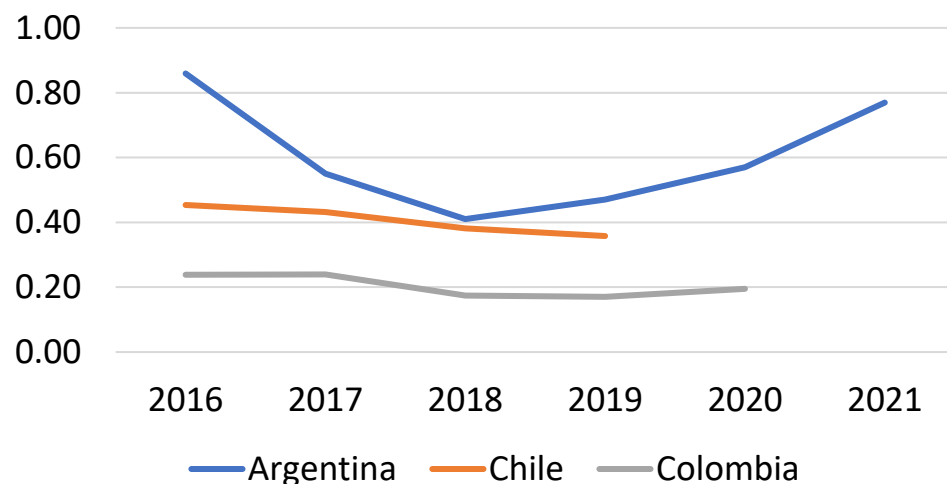


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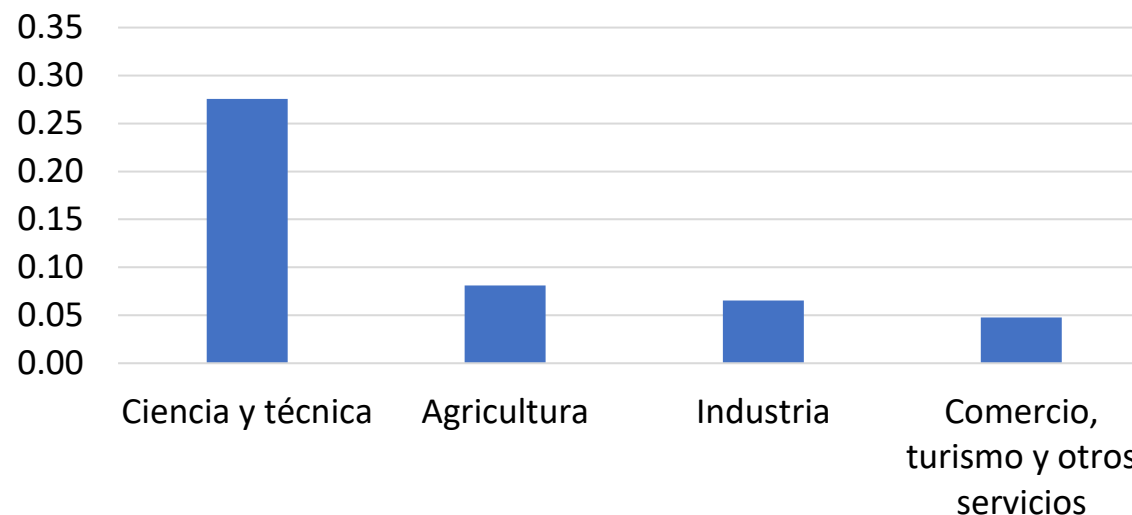
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Argentina: PDP spending by function, 2022
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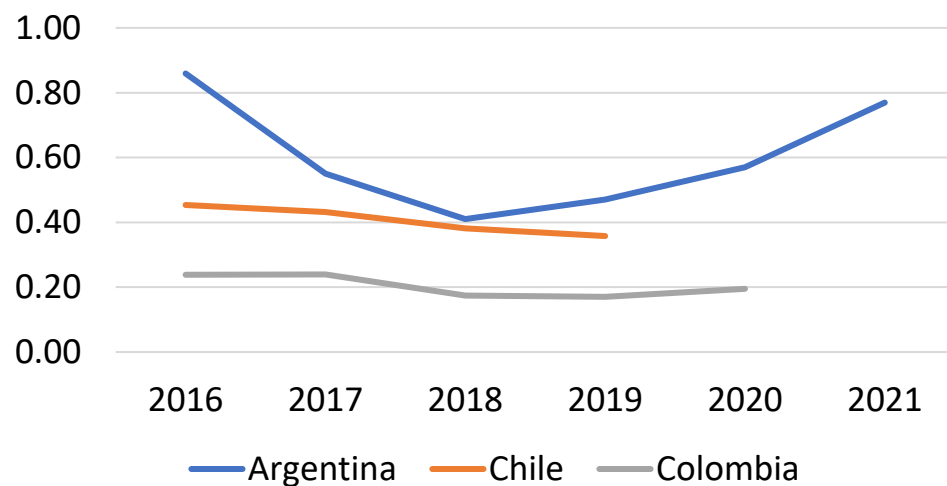


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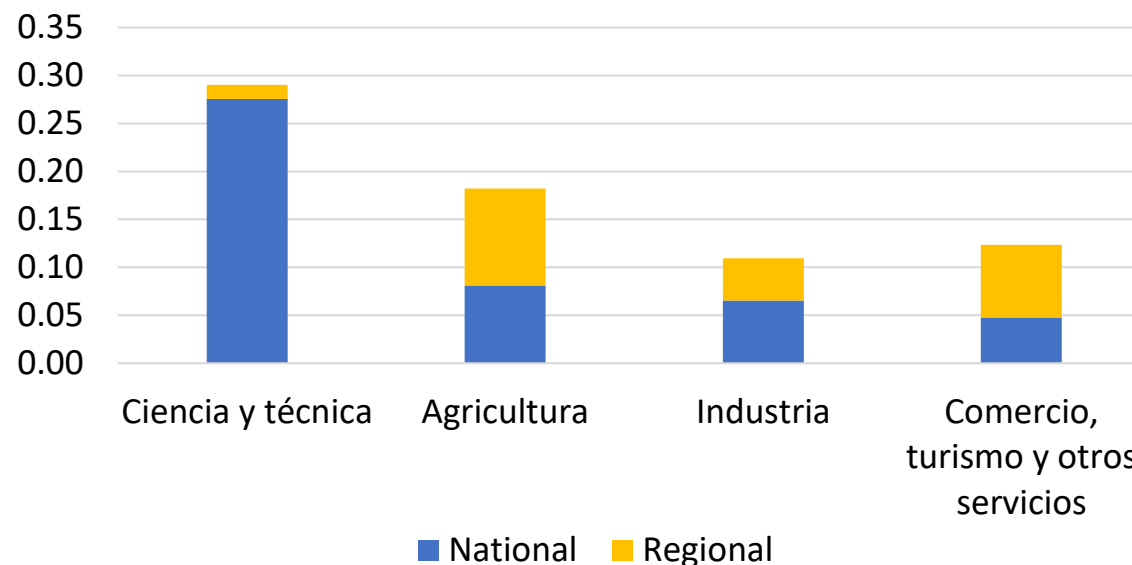
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A complete diagnosis of PDPs also considers the actions of subnational governments

- Reason to have subnational PDPs:
 - The development process of individuals and societies consists of progress towards **self-realization** (Nussbaum, 2011).



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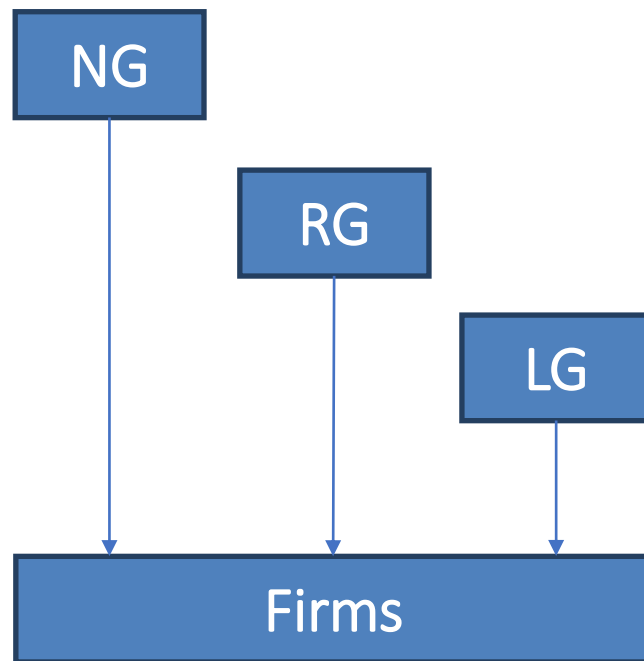
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 - **PDPs** are part of development policy and, as such, pursue integral wellbeing or self-realization through agency, not only of individuals but also of political communities (territories).
- Principle of subsidiarity:
 - Involve lower level **governments** in the design and implementation of policies as much as possible and convenient.



Good multilevel governance is an articulated governance that generates synergies

X *Disarticulated* multilevel
governance **X**



Source: Correa, Dini and Letelier (2022).

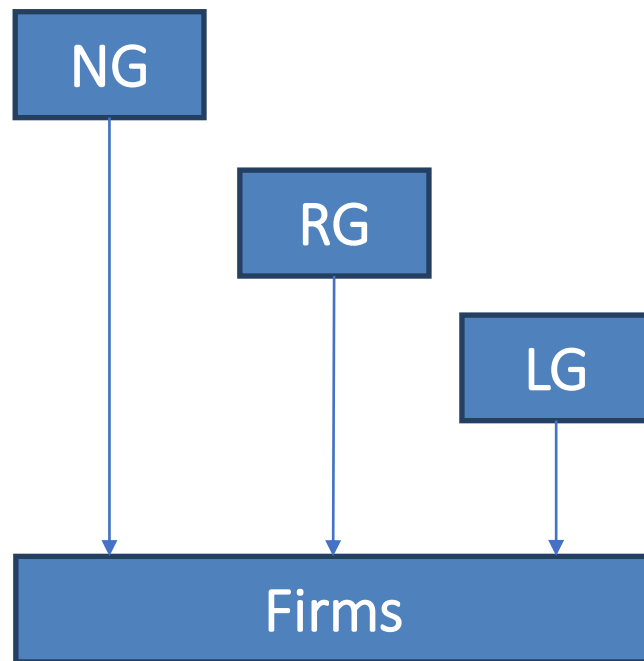


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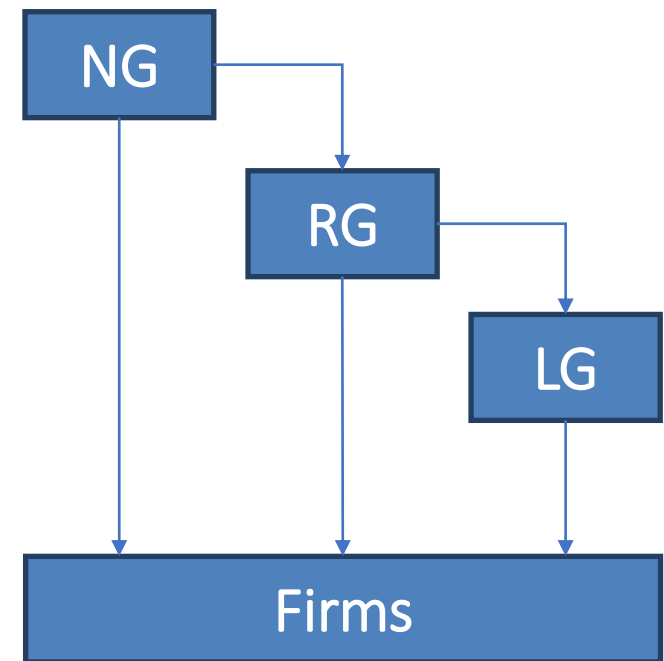
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✗ *Disarticulated multilevel governance* **✗**



✓ *Articulated multilevel governance* **✓**



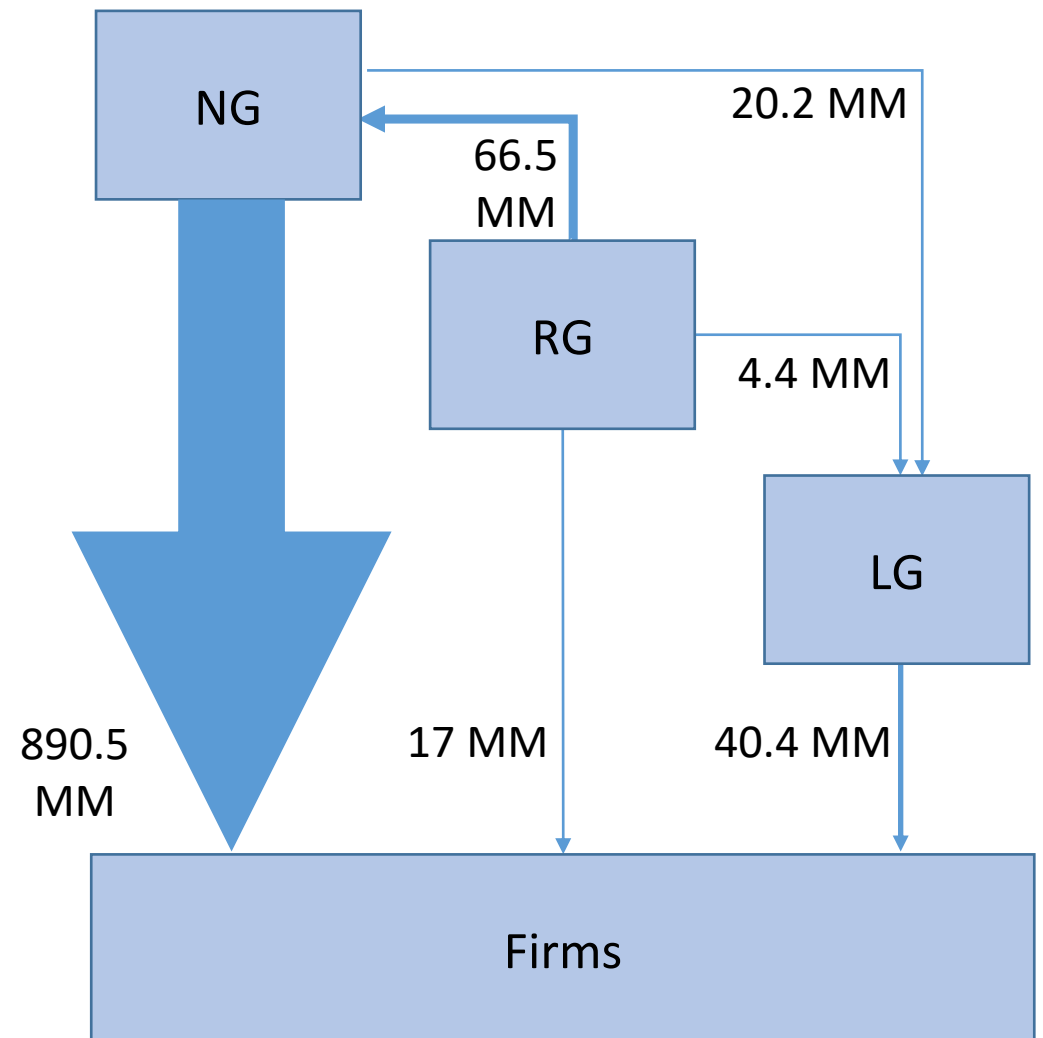
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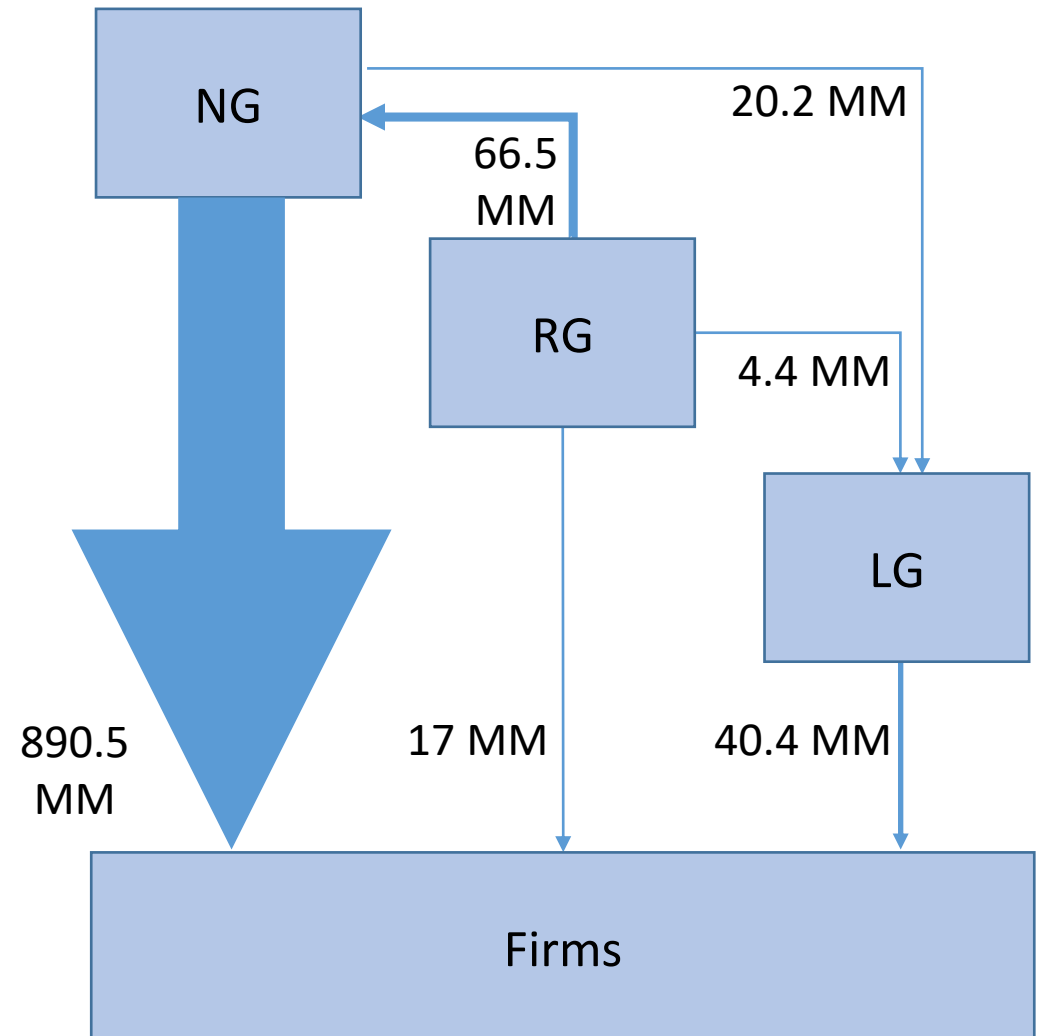
There are countries in the region where PDPs are highly centralized.



Source: Prepared by the authors based on Correa, Dini and Letelier (2021), Correa and Arteaga (2022) and Correa et al. (2024).

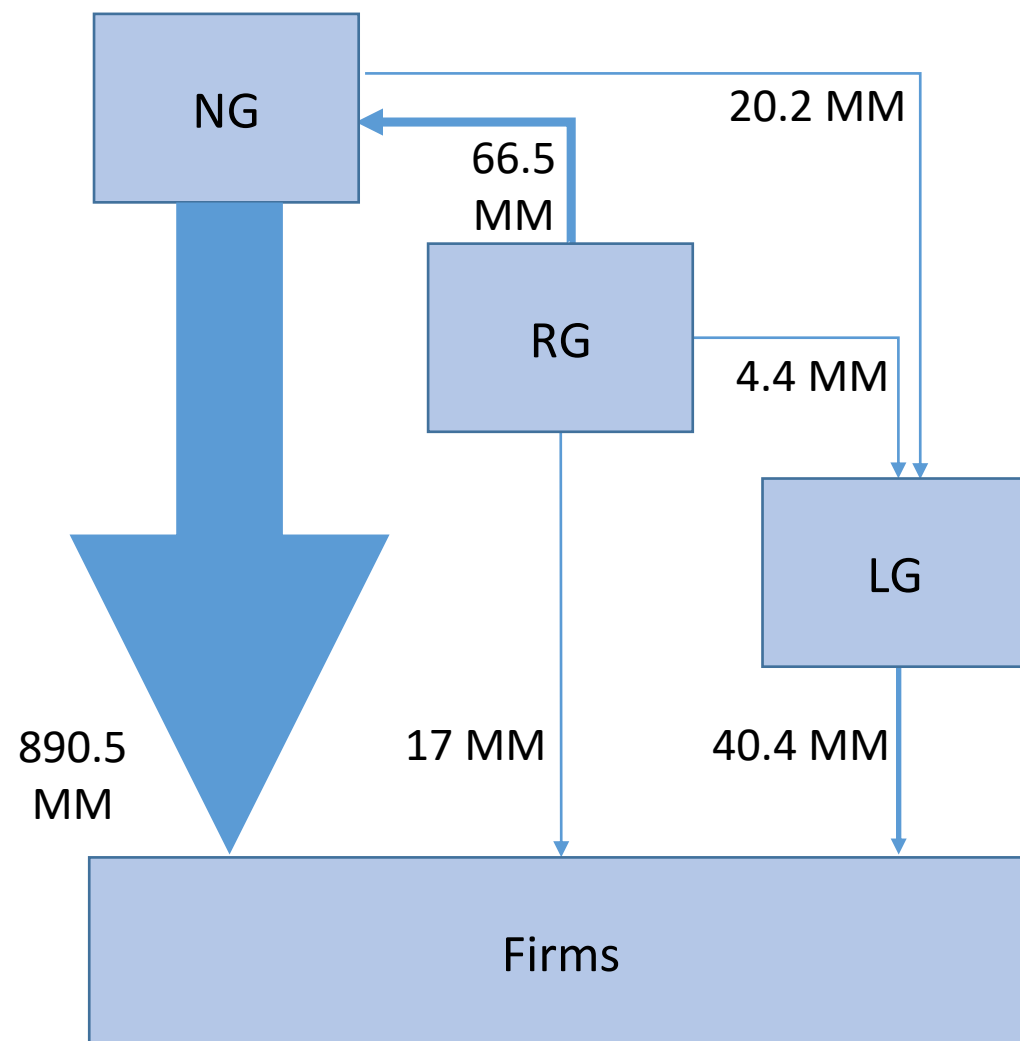
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- Chile, 2019:
 - 94% of PDP spending was executed by the national government (US\$890.5 million).
 - 4.2% by local governments (US\$40.4 million).
 - 1.8% by regional governments (US\$17 million).



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 - 4.2% by local governments (US\$40.4 million).
 - 1.8% by regional governments (US\$17 million).
- **Regional government** officials dedicated to designing and implementing PDPs accounted in 2021 for **2%** of the NG officials dedicated to PDPs *in the regions*.



There are several possible forms of coordination for good multilevel governance



Councils



Groups or networks



Agreements or contracts



Subnational offices



Funds



Plans and strategies



Dialogue

Source: Cassini (2024).

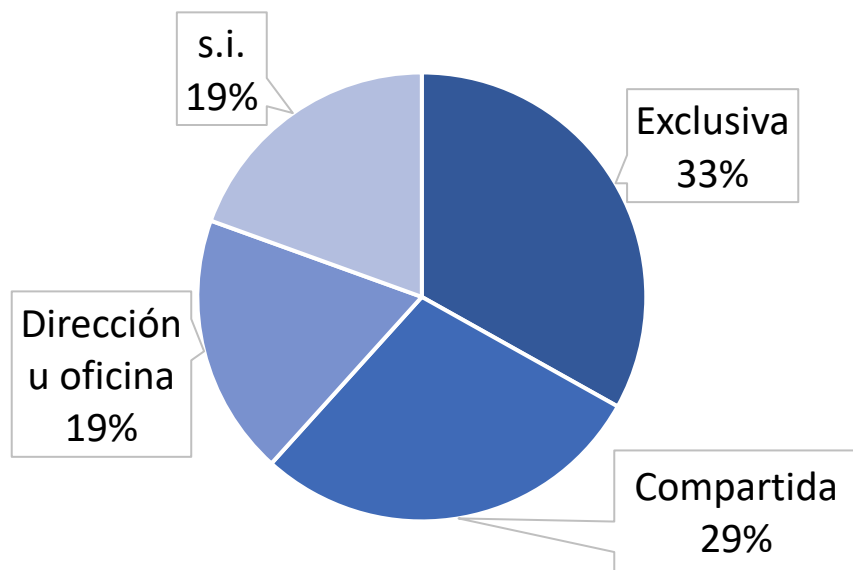


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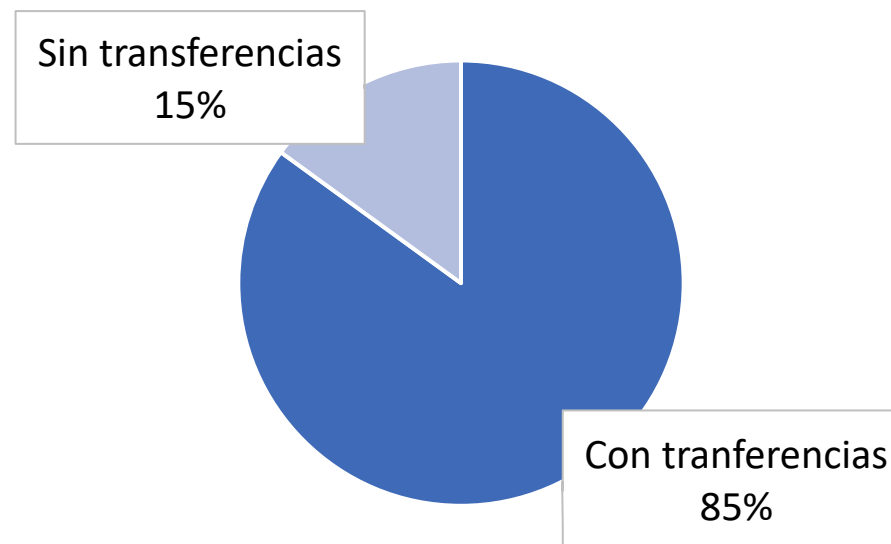
Local governments, in particular, can play an important role in accelerating productive development in LAC

Colombia: Secretaries of Economic Development in local governments, 2024 (Percentages)



Source: Montero and Medina (2024).

Chile: Agreements for PDPs between local governments and national government, 2021 (Percentages)



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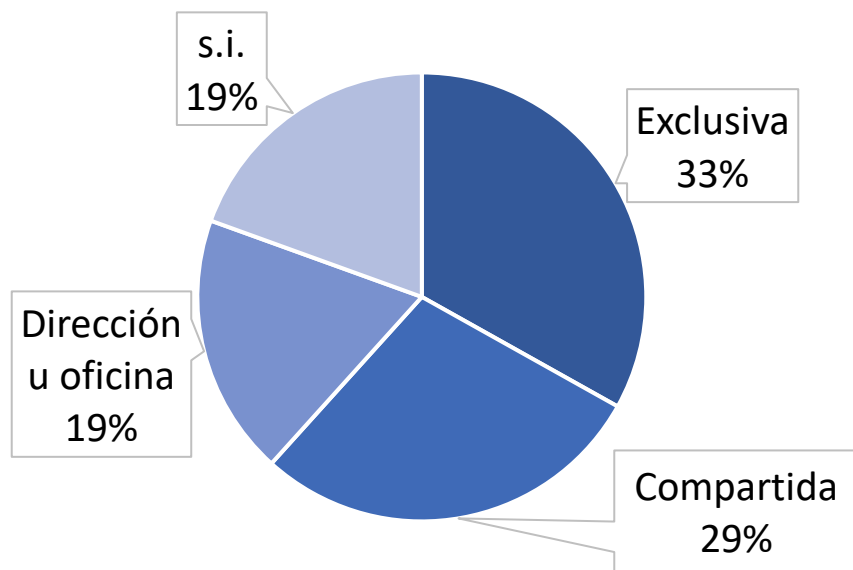


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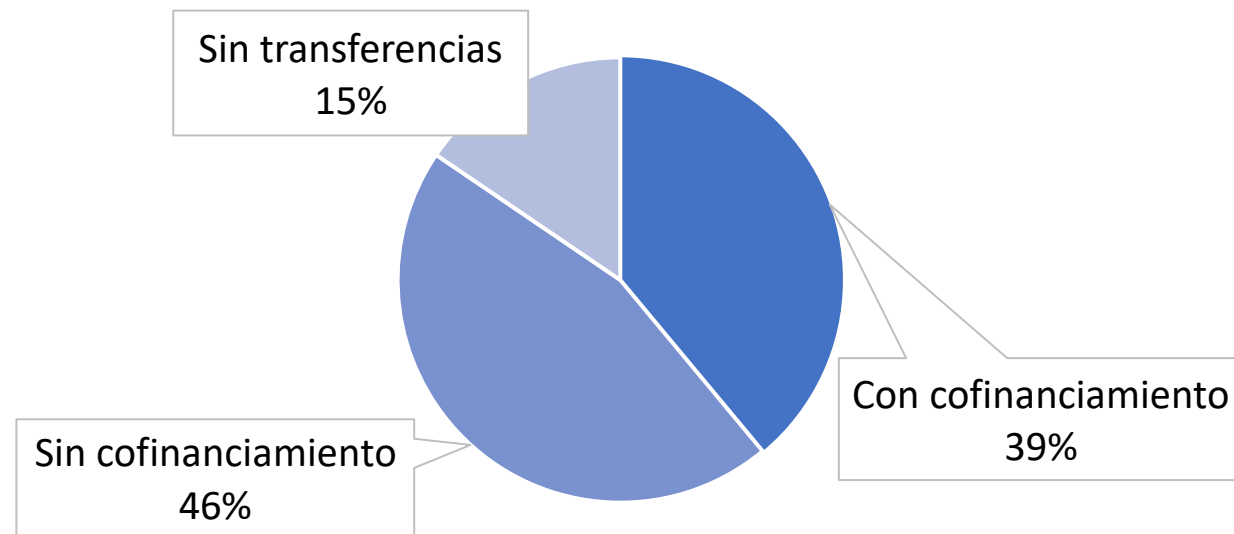
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Articulated multilevel governance that generates synergies emphasizes functions between levels of government

Levels	Non-exclusive emphasis
Local	<ul style="list-style-type: none">• Support for microenterprises.• Incentive entrepreneurship.• Special attention to tourism and agriculture.• Job training and secondary technical education.• Basic infrastructure for marketplaces and rural development.• Formalization.
Regional	<ul style="list-style-type: none">• Support for SMEs.• Initiatives for productive and business articulation (e.g. clústers).• Prioritization of productive activities according to the regional specialization.• Higher technical education.• Support local governments in all their PDPs.
National	<ul style="list-style-type: none">• Major investments in infrastructure.• Adequacy of regulations and standards.• Export promotion and FDI.• Financial institutions for credit and development Banks.• Special attention to manufacturing.• Linking university education with national and long-term productive challenges.• Support regional governments in all their PDPs.

Source: Own elaboration.

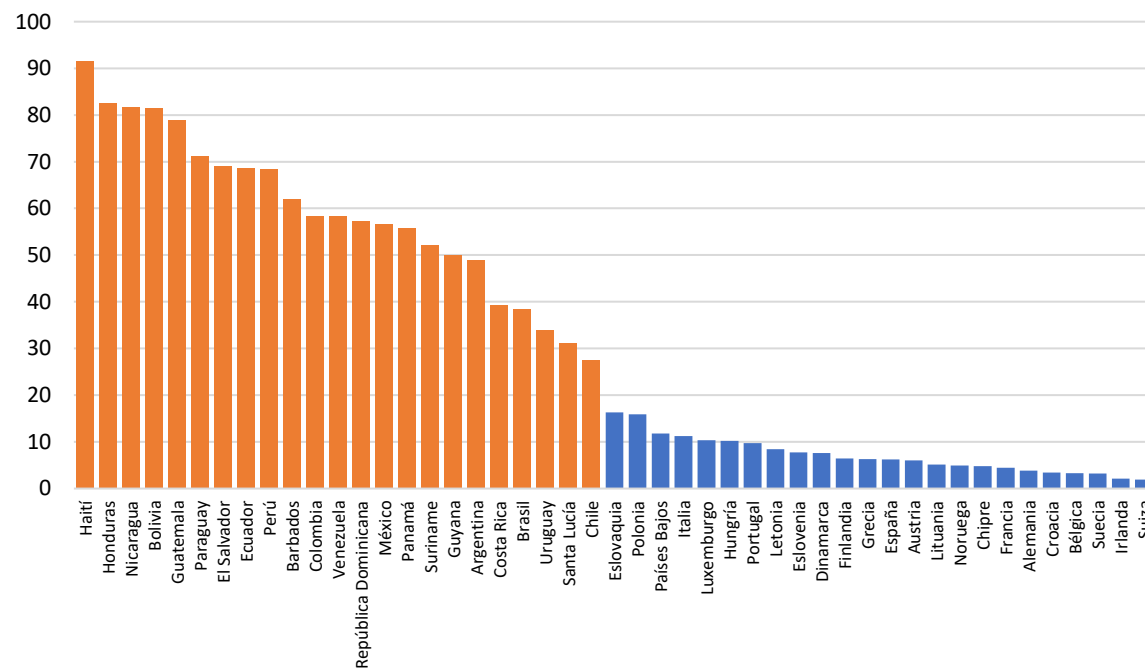


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Action by the regional and local levels of government is even more important in the LAC context

Latin America and the Caribbean and Europe:
Employment informality rate, 2022 or latest available year
(Percentage of employed)



Source: Own elaboration based on ILO Stat.

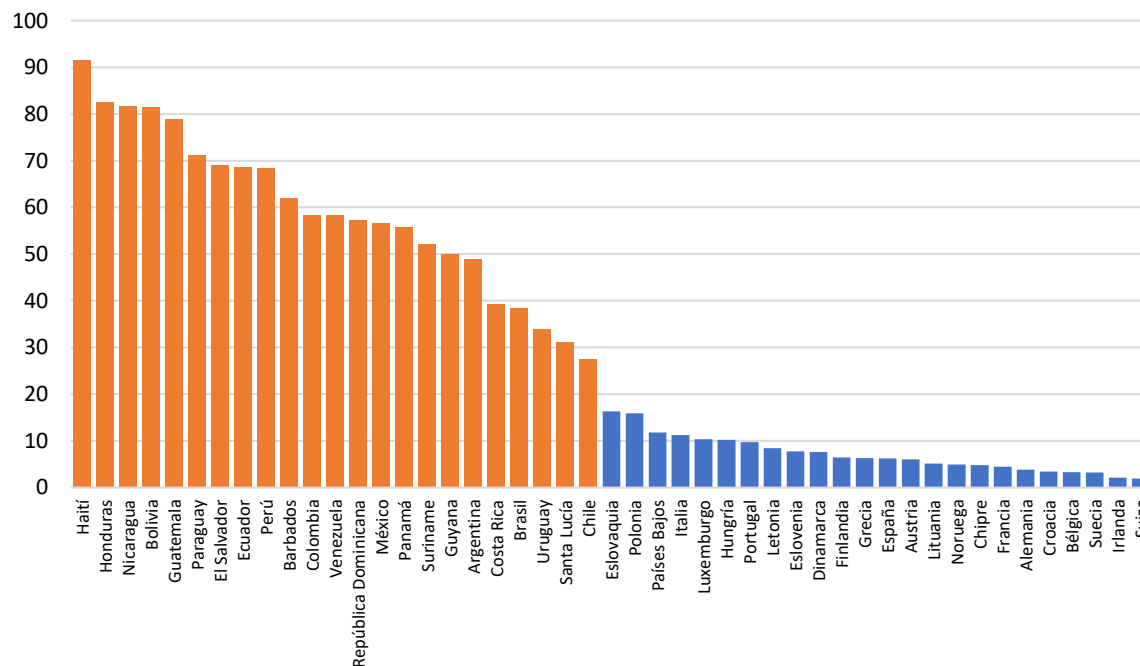


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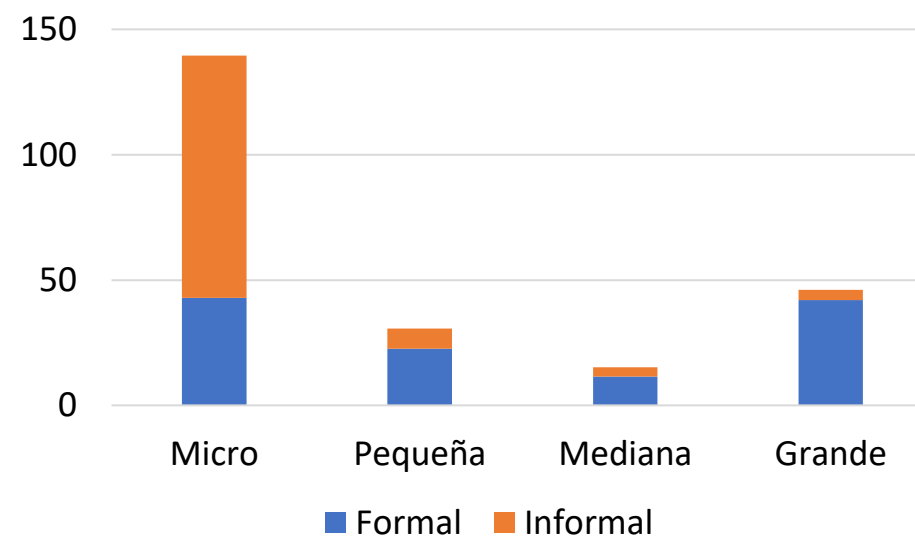
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Latin America and the Caribbean: employment, by firm size and formality status, 2020
(In millions of people)



Source: ECLAC (2022).



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In summary...

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2. Not only is the territorialization of national policy required, but also the action of **subnational governments** in the area of PDPs.
3. A useful approach to address this complexity is that of **multilevel governance**, differentiating between articulated and disarticulated governance.



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4. There are various **forms of coordination** for multilevel governance, most notably those that include financial incentives.
5. A prerequisite for good multilevel governance of PDPs is to define a priori **thematic emphases** for each level of government.
6. **Local governments** in particular are, in the Latin American socioeconomic context, one of the potentially relevant actors.



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Thank you.



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