

Making Decentralization Work in Latin America and the Caribbean

A Background Paper For the Sub-national Development Strategy

Inter-American Development Bank

Washington, D. C.

Sustainable Development Department

Foreword

The rapid decentralization of political and fiscal decisions occurring in Latin America and the Caribbean and the growing role of the Inter-American Development Bank in assisting this process prompted the Board of Executive Directors to adopt a Subnational Development Strategy to guide Bank action in this sector. The Sustainable Development Department published the strategy document in its Sector Policy and Strategy Series of publications (Nº SOC-124 of May 2001).

As part of the strategy preparation process, the Department undertook several technical studies covering key areas of concern. Topics researched included: the extent of decentralization in the region, the new tasks and challenges faced by subnational governments, intergovernmental relationships, the democratic governance and institutional capacity of these governments, and the issues concerning lending to subnational governments. These studies provided valuable insight to the team drafting the strategy by further delving into the technical aspects of the topics touched upon by the strategy. SDS considers this information very useful for the Regional Operations Departments responsible for the implementation of the strategy. Further, the information gathered can be of value for government officials in borrowing member countries engaged in the formulation and implementation of decentralization policy. Based on these considerations, SDS decided to publish the background studies for the Subnational Development Strategy in the present format that synthesizes the findings of the different technical studies in eight chapters.

It is hoped that this publication will help Bank and government officials in dealing with the complex development issues faced by subnational governments and by central governments who have the task of transferring resources and responsibilities to these territorial entities.

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