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# The Transaction Costs of Government Responses to the COVID-19 Emergency in Latin America

## COVID-19 Viewpoint

**Abstract:** *The COVID-19 pandemic has created a crisis that is challenging national and local governments to innovate in their responses to novel problems. Despite similarities to the challenges confronted in developed countries, for Latin American governments, these problems are amplified by structural obstacles such as social inequalities. These countries must respond with capacities and resources that are often limited by spoils systems and by social and political polarization. This essay provides an overview of some innovative practices in Argentina, Brazil, Chile, Colombia, and Mexico. In particular, this essay concentrates on some salient collaborative efforts in the region. To draw lessons from these practices, the authors focus on the formal and informal institutions that facilitate or obstruct collaboration across jurisdictions. The findings are discussed in terms of the transaction costs of collaboration identified in these experiences.*

Local innovation has been relevant to facing the challenges generated by the COVID-19 pandemic. This crisis has challenged municipalities to implement new solutions to respond to a novel problem. In this context, creativity understood as the implementation of modern manners to face specific issues (Kruyen and van Genugten 2017) seems to be an essential administrative and institutional capacity that provides more effective actions from local governments. At the same time, agile-adaptive government can be a useful concept (Moon 2020) since municipalities confront enormous and wicked problems. Governments need to be faster and more transparent, and they need to cooperate with many social actors developing new technologies and tools that generate and increase collective benefits.

Besides innovation, the response to the COVID-19 crisis requires interaction between local authorities and different levels of governments, which has been a concern of public administration scholars for a long time, for instance, by looking at intergovernmental relations (Kincaid and Stenberg 2011; Wright 1974). Interaction between levels of governments or jurisdictions is a significant issue because it often produces inefficiencies in complex urban problems such as economic development (Agranoff and McGuire 1998, 2003). Integrated solutions to complex problems are difficult to adopt and implement because government's individual pursuit of goals and interests frequently results in collectively inefficient outcomes for urban areas.

Similar to many regions in the world, Latin American local governments face significant governance

challenges because of excessive fragmentation (in cities such as Mexico City, São Paulo, Buenos Aires, and Santiago). This region includes several monocentric metropolitan areas, with some exceptions resulting from either intentional design (Lima) or the historical dominance of the central city (Bogotá) (Frey 2014; Nickson 2011). Although certain aspects of urban governance problems faced in Latin America are similar to those encountered in the United States, Canada, and Europe, some are unique. For example, contextual factors such as limited professionalization, particularly in less developed cities, spoils systems, corruption, limited financial resources, involvement of national governments, and political risk aversion from local officials are more salient in urban regions of Latin America.

The institutional collective action (ICA) framework could help identify mechanisms for mitigating these problems by identifying elements that could facilitate collaborative efforts (Feiock 2013; Woods and Bowman 2017). Although the classic public administration literature emphasized centralized solutions to the problems of collective action in urban areas, several alternative governance mechanisms may also be available (Feiock and Scholz 2010). ICA dilemmas are political as well as administrative, since they result from the fragmentation of political and administrative authority; they are also more complicated when government action at one level overlaps with the functions or territory of actions pursued by governmental bodies at a higher or lower level of government (Feiock 2013).

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Therefore, the COVID-19 pandemic response can be framed as an ICA dilemma to provide insights into how to improve the response from subnational governments and interjurisdictional collaborations. Considering collaboration complications in overexpanded and more connected territories, we concentrate on “transaction costs” (Brown and Potoski 2003). Transaction cost analysis assumes that opportunism is present in collaborative efforts and that it is related to the costs of creating, monitoring, enforcing, and governing agreements for delivering public goods and services. The literature suggests several variables that could reduce transaction costs and therefore increase collaboration in developed countries (Col 2007; Klok et al. 2018; Thurmaier and Wood 2002). In countries such as the United States, transaction costs can be linked to the characteristics and heterogeneity of subnational governments (Feiock 2007, 2013; Hawkins 2009, 2010; Ostrom 2010). In this vein, local population size and socioeconomic differences should be considered as relevant issues (Soukopová and Vaceková 2018; Tavares and Feiock 2018). Also, the absence of institutional capacities and fiscal resources could be associated with more considerable transaction costs for collaborative arrangements (Lubell et al. 2002).

Next, we present how local governments in five Latin American countries are dealing with their challenges during this crisis: Argentina, Brazil, Chile, Colombia, and Mexico. Each case includes three elements: first, the institutional and social context in which governments confront the epidemic, with an emphasis on actions taken by subnational governments; second, an overview of local governments’ responses to the crisis; and third, a brief example for each country of interjurisdictional collaboration that could help identify insights for reducing transaction costs and increasing economies of scale. Seen as one significant experience, these examples provide valuable insight into how public officials could use formal and informal institutions and innovative tools to improve the COVID-19 crisis response, and in particular, to improve interjurisdictional collaboration.

### **Argentina**

Argentina faces the COVID-19 pandemic with two weaknesses: a national government that only took office in December 2019, and a precarious economic situation. The Argentinian peso has lost 68 percent of its value since April 2018, annual inflation exceeds 50 percent, and, after a 2.5 percent drop in gross domestic product (GDP) in 2018, the economy contracted an additional 2.2 percent in 2019 (World Bank 2020). In addition to these difficulties, the federal government faces complications in paying external debt, which could have an impact on subnational governments. Moreover, during the past

year, 21 provinces elected governors and more than 2,000 localities elected mayors, who took power under weak fiscal conditions.

The Argentine municipal system has severe problems, despite having an institutional framework with high levels of institutional and political autonomy. Scarcely endowed with resources, it allocates a high proportion to paying wages and current expenses, leaving investment to be resolved by transfers originating discretionarily at other government levels (Cravacuore 2017). Local governments concentrate on service provision such as street cleaning, resource collection, street lighting, primary health, disadvantaged social groups, and additional services depending on resource availability (Cravacuore 2016). A more complex local agenda characterizes municipalities in metropolitan areas, while in rural areas there are significant infrastructure and service shortages.

In the face of the pandemic, the most immediate challenge has been to support health care. Although municipalities are usually in charge of primary health care, leaving more complex care to provincial and private hospitals, health care is a concurrent function among the three government levels (Belló and Becerril-Montekio 2011). This coordination exists despite the absence of formal mechanisms in the municipalities of the Buenos Aires metropolitan area. This area is likely to be the most severely affected by the COVID-19 pandemic, given a combination of population density, weakness of the complex health system, and poverty levels.

In terms of competencies, the municipalities continue to support essential services: collection and final disposal of waste; urban cleaning and maintenance; food delivery to deprived parts of the population; and primary health care, particularly, the general influenza vaccination. As a novel element, during the pandemic the national government expanded municipal capabilities, which allow price controls on food and essential cleaning products (Decree 351/2020).

### ***How Are Local Governments Reacting to the COVID-19 Pandemic?***

Argentinian local governments have demonstrated, in times of severe crisis such as 2002, an essential resilience because of a robust territorial network (Clemente, Girolami, and Arias 2006). However, the recentralization process has complicated intergovernmental coordination, particularly for social policies (Cravacuore 2017). In this crisis, their first reaction was to limit access to localities in order to concentrate control and implement checkpoints on roads to review documentation and assess drivers’ physical condition. However, mayors were warned of

these checkpoints' illegality if they were set on national or provincial jurisdiction routes, because local regulations are only legal if they do not contradict federal or provincial provisions. This situation even motivated judicial decisions to reverse policies adopted by mayors.

In terms of preventive measures, free alcohol gel and sodium hypochlorite delivery for home use is standard. Many municipalities also produced educational materials for homes and businesses, distributing them on social networks. Local governments activated production ventures dedicated to making chinstraps and clothing for health personnel. More recently, some have begun installing tunnels for vehicle disinfection and disinfecting public areas using chlorinated water. In larger municipalities, governments are preparing isolation beds for mildly infected people in hotels, universities, schools, and sports clubs, along with the preparation of graves in cemeteries. In terms of health care, it is worth highlighting the coordination between the three levels of government to build, in 45 days, 12 modular hospitals in the most populous districts of the country. These hospitals added 350 new intensive care beds and 650 intermediate therapy beds to the system; municipalities have been responsible for soil movement and concreting.

Several municipalities have advanced social policies, for instance, by forming volunteer networks to assist older adults in purchasing food and medicine. They have also accelerated the delivery of supplementary food for poor households, in the format of weekly baskets or daily meals. Given the closure of school cafeterias, the municipality of Berazategui provides a checkbook to use in local businesses. These grants complement the Food Card, a recently implemented weekly food voucher for poor households. Regarding mental health care, some municipalities created telephone programs for psychological attention. In the same direction, many cities reinforced telephone attention systems for domestic violence reports, to prevent their increase.

Among tax relief actions, the collection postponement of municipal taxes and fees is widespread, both for households and affected businesses. Municipalities with higher economic capacity announced credits to help companies and jobs, mainly destined for micro-, small, and medium-sized companies, with subsidized interest rates. These measures supplement actions taken by the national government, which is providing part of the monthly salary for workers in companies whose sales income fell.

Finally, municipalities with more significant resources have developed mobile applications to geolocate open stores; others launched, even before the federal government, applications for self-assessment and for detected COVID-19 follow-up cases. Finally, others use technology to implement random controls to verify the mandatory quarantine of people who returned from abroad. In summary, the municipal system has responded to the COVID-19 pandemic with creativity, although generally encapsulated within local jurisdiction, vocation and commitment from public officials, and few resources (Cravacuore 2017).

### **Collaboration between Levels of Government**

A remarkable case of collaboration for Argentina has been the various meetings between mayors and the president, which are not frequent since the municipal regime is a provincial responsibility.

In this exceptional period, the first meeting between mayors of the Metropolitan Area of Buenos Aires, where a third of Argentinian population lives, along with national ministers and governors of the Autonomous City and the Province of Buenos Aires, was a remarkable event. A meeting on March 23 focused on sanitary conditions, the availability of hospital beds, mechanical respirators, and places for isolation of mild patients, as well as territorial control of preventive and compulsory social isolation. "The meeting was incredibly positive, everything is being organized very well and quickly with the municipalities," said an opposition mayor. Another mayor of the same party added, "There were no chicanes or political questions. Fear unites us" (Rosemberg 2020). A mayor said after that meeting, "We are all working together, in permanent communication, so that the quarantine program works better every day." A week later, the president met again with these metropolitan mayors: to the initial public health concern, they added the municipal fiscal situation; given the fiscal collapse, the national government offered to support payments for wages and essential services. After this videoconference, an opposition mayor declared, "The funds for municipalities are guaranteed" (Llorens 2020). This situation contrasts with the lack of coordination verified in the early days, when many local governments advanced regulations that were stricter than those established by the national government regarding the free transit of essential services.

Two weeks later, the president held an extensive virtual meeting with the mayors of several urban municipalities. According to the press, President Alberto Fernández listened to the reports of the municipal chiefs on the situation in each district, took notes, and asked them for details on some specific matters (Nuevo Jujuy 2020). These mayors were from different parties and represented 25 percent of the national population.

In the context of the quarantine, the federal government structured rules to coordinate other collaborative actions in addition to Decree 260/2020. An example is Decree 351/2020, which extended to municipalities the power to control the supplies and maximum prices of food and essential products during the health emergency.

The ending of preventive and compulsory social isolation presents a new intergovernmental coordination challenge. Given that the COVID-19 coronavirus pandemic has not impacted 10 percent of the country's local governments, in some territories conditions existed for a relatively accelerated opening of the economy. The mechanism defined in Decree 408/2020 indicated that governors must present protocols to the chief of the Cabinet of Ministers to reopen industrial, commercial, and leisure activities, which must be authorized according to certain epidemiological conditions. The same happens at the municipal level, where mayors must present reopening operation plans to provincial governments. This new institutional arrangement forced new interactions and revitalized intergovernmental relations.

### **Brazil**

Brazilian municipalities were the most favored federative entity with the return of democracy and the new constitutional pact signed in 1988 (Wilson et al. 2008). They expanded their political autonomy, increased their revenues as well as intergovernmental transfers, and thus became the main level of government responsible for welfare

policy implementation, particularly in education, health, and social assistance (Arretche 2013). However, historical weaknesses and other difficulties regarding their roles in the federation have brought four significant challenges to light: municipal financing, state capacities, provision of public services, and intermunicipal cooperation.

The challenge of fiscal sustainability is a structural issue for local governments. Available evidence shows that financial weaknesses of the vast majority of municipalities were already growing and exposing their financing difficulties. In 2019, about 35 percent of local governments did not maintain their administrative structure, and almost half of all cities spent more than 54 percent of their revenues just on personnel (FIRJAN 2020). According to the Observatory of Municipal Information (2019), in 2018, municipalities with fewer than 50,000 inhabitants (89 percent of the total) collected only 8.4 percent of their own revenue. As for intergovernmental transfers, on average, 66 percent of local resources come from other spheres of government. This dependence on transfers is high for cities with fewer than 20,000 inhabitants (87 percent of the whole). The scarcity of financial resources is likely to stress municipalities even more in pandemic times.

State capacity regarding management and planning is lacking in most localities, and many are ill prepared to deal with the multidimensional effects of the pandemic. For instance, the Millennium Development Goals and Agenda 21 (implemented in 22 percent of municipalities in 2015) and the Master Plan (adopted in 30 percent of municipalities in 2015) can be used as proxies for local planning capacity (Grin and Fernandes 2019). Moreover, it is still necessary to link the constitutional planning instruments, required by the Federal Constitution, to real government planning, as is the case with the multiannual budget and plan. According to Veloso et al. (2011), the use of strategic planning is a privilege of the most organized and largest municipalities (63 percent), while it exists in only 27 percent of the smaller ones.

Regarding public service provision, there are two key issues. The Constitution mandates the decentralization of policies to municipalities in such areas as health, education, and social assistance and by the mechanisms of financing and federal induction (Arretche 1999; Franzese and Abrucio 2013). A level below are policies delivered with more discretion by cities, such as human rights, environmental, and urban development policies. Only affluent municipalities cover the second level of services and deal with problems of different social complexities. Thus, state capacities are insufficient to successfully achieve homogeneous results in their activity areas (Grin and Fernandes 2020).

Finally, intermunicipal collaboration is widespread in Brazil, especially in smaller cities (Grin and Abrucio 2017; Machado and Andrade 2014). However, the extension of the pandemic will require regional responses, so territorial associations should be intensified in quantity and quality. A territorial response by each policy sector will be insufficient to deal with the various connected dimensions that the pandemic will demand from local governments. Thus, responses will require creating new intermunicipal consortia, deepening formulation and implementation of solutions, and moving toward multipurpose consortia.

### ***How Are Local Governments Reacting to the COVID-19 Pandemic?***

Technology has been one of the primary weapons to fight COVID-19 in many municipalities. As an example, the city of Campina Grande (State of Paraíba/northeast region) created a data management system to monitor, in real time, compliance with home isolation. The software uses the GPS of users' cellphones, along with free tools from Google Maps and Google Transit, to monitor displacement of confirmed and suspected COVID-19 cases registered in the municipality. The system was created through a partnership between NGO Digital Citizenship Space, the State Court of Auditors, and the Public Ministry.

Monitoring is done based on users' email and cellphone data, which are provided during the contact of health teams with patients when collecting COVID-19 tests. When monitored people fail to comply with home isolation recommendations, technicians from the Municipal Health Secretariat are notified of the patient's travel to other areas outside their residence. Upon receiving notifications, health surveillance agents make immediate phone or text message contact, alerting patients of the risks caused by noncompliance with medical guidelines. Besides monitoring patients outside their home areas, the system also allows health care teams to identify whether a patient is going toward a crowded area or to a neighborhood with a larger high-risk population.

Other big cities have implemented necessary measures for sustainable local development. The municipality of Santo André (State of São Paulo) implemented two emergency measures through the Bureau Serviços Tecnológica, which is part of the city's Technological Park. The first aims to stimulate local development through a partnership between the city hall and a start-up that makes it available to all existing companies in the city, to use the drive-thru system as a means to sell and deliver products and services. The aim is to ensure that the economy and local companies continue to sell, buy, and publicize their activities while social isolation measures are in place. The project exempts all establishments, stores, and service providers residing in the city from every fee. One of the incentives generated by the initiative is to expand the use of information technology as a resource to keep businesses operating. Among other facilities, a chat was installed so that interested entrepreneurs can have their questions answered quickly.

The second project is a Digital Volunteer Network that was developed in partnership with a start-up and a federal agency to support small businesses. People in need of support can download the Helpers application and request assistance to purchase different kinds of home services, online attendance, or aid in other sorts of demands, preventing people from leaving their houses. These two cases of local innovation make use of the possibilities opened up by the digital economy, to meet two essential objectives: ensure people's lives, and reduce adverse effects on employment and income, especially in the less favored social groups.

### ***Collaboration between Levels of Government***

Small or weak municipalities have relied on previous regional partnerships to pull resources and fight the pandemic. An example is the Santa Catarina Interfederative Consortium (CINCATARINA),

which is a public entity formally constituted for multiple purposes since 2010 in this southern state. Municipalities need to sign a contract that defines rules on duties, rights of membership, and modest financial contributions to participate. Based on collective efforts, it develops programs, government projects, integration initiatives, and it strengthens shared operations, innovation, and public management modernization.

CINCATARINA includes 109 associated municipalities (36 percent of the total in the state, mainly small towns with limited administrative capacities). Sixty-two percent of its members are municipalities with fewer than 10,000 inhabitants, and another 17 percent have a population of fewer than 20,000 people. Since it is a public entity, cities just pay a fee and formalize its adhesion through the approval of the city council to participate in CINCATARINA, regardless of their limited taxing, financial, or bureaucratic capacities.

To support municipalities during the emergency generated by the COVID-19 pandemic, CINCATARINA created a platform called PANEL COVID-19 (<https://www.cincatarina.sc.gov.br/covid19/>) so that information about products, services, and supplies needed for the prevention and treatment of COVID-19 can be found quickly and easily. The panel seeks to promote the administrative rationality of services to optimize the time of public and private agents involved in tackling this pandemic. Also, it facilitates communication between the public authorities, philanthropic entities, and companies by making transparent the purchasing of all materials and goods to face the health crisis. The goal is not to generate a broker business, but to offer a participatory and collaborative database to help municipalities involved in COVID-19 treatment to find supplies to cover current needs. Of particular interest for small towns is the support of the platform providing guidelines and records regarding administrative procedures for acquisitions without the need for bidding.

The most important result of the platform is to enable a collaborative system between companies and suppliers that can be quickly updated. The system already contains registered needs for 125 products, of which only about 14 products do not have a certified supplier. The platform already includes 252 registered suppliers, which can be the same for more than one product, but, on average, there are more than two for each registered need. Thus, the search for suppliers is faster and can be mediated by CINCATARINA, even if purchases are locally executed. Therefore, the expedited procurement processes have helped ensure that lives can be saved based on transparency, integrity, and ethics in purchasing procedures for products and services, which is one of the most relevant results from institutionalized intermunicipal cooperation experience. Moreover, using the consortium's expertise in shared bids is an essential aspect at this point. Still, it only became possible in a short time because of the previous existence of this cooperative arrangement.

## Chile

The COVID-19 pandemic has exposed Chile's institutional capacity because of problems of multilevel governance that affect the ability to articulate and coordinate actions between different government levels (OECD 2017). The origin of this problem is the

managerialist approach utilized since the 1960s, which consistently promoted urban entrepreneurship focused on multiple projects and little urban and territorial planning (Harvey 1989). This approach also supported governance mechanisms for public services in which public organizations take risks and private enterprises capture the benefits of speculative market actions (Harvey 1989).

The structural problems resulted in social protests that began on October 18, 2019, triggered by popular discontent toward price increases of underground transportation and other essential services. The protests led to a crisis of confidence in the authorities and the political class that had not been seen since the recovery of democracy. These protests forced authorities and legislators to elaborate on a social agenda and commit to having a referendum on potential changes or reforms to the Political Constitution. Because the Constitution dates back to the dictatorship (1973–89), it is considered by some to have norms that concentrate power among the country elites, benefiting them by oppressing the rest of the population.

These problems have been blamed for maintaining social inequalities despite stable economic growth and the alternation of political parties. This stability has allowed the country to reach a GDP per capita of around \$27,000, only surpassed in the region by Panama and four small Caribbean states. However, according to a study published by the World Bank (2018), Chile maintains a Gini coefficient of 0.47, which places it among the 10 countries with the worst income distributions in the world, sharing this condition in Latin America and the Caribbean with Haiti, Honduras, Brazil, Colombia, Mexico, and Costa Rica. Inequality is not expressed in terms of extreme poverty, since its level reaches only 16.5 percent, based on the new methodology of ECLAC (2019). This level is below almost all Latin American countries, where only Uruguay presents a better result with 4.5 percent. The fundamental inequalities occur in the provision of public and private goods and in services between communes, where diverse social, economic, and environmental realities are evident in broad gaps in socioterritorial inequality. In particular, in the Chilean case, its most significant expression is manifested in metropolitan areas (Orellana Ossandón et al. 2013).

The inequality between communes has been documented in various studies of urban quality of life, especially in metropolitan areas (Orellana and Marshall 2019; Vicuña et al. 2019). The metropolitan level is also characterized by the absence of leadership because of the lack of regional authority to plan and manage the affairs of cities that involve two or more communes. In this context, conflicts between local jurisdictions and the ministries that depend on the central government are frequent. In particular, local disputes are accentuated by the presence of "intendents," who are administrators of regional governments appointed by the president. For this reason, intendents often lack political legitimacy and were seen by protesters as repressors. For demonstrators in the streets, mayors, who are democratically elected every four years, could play a role as mediators in the conflict.

Urban issues are highly relevant since two out of three people live in the 10 metropolitan areas legally defined. The metropolitan area of Santiago, Valparaíso, along with Concepción, are the most

important because they represent 51.4 percent of the country's population. In addition to this condition of high sociodemographic concentration, inequality is added in terms of urban quality of life in a country that has 90 percent of urban population but where municipalities only have authority to decide on 8 percent of public investment (Horst 2018). Also, differences in terms of per capita budget by commune are substantial and fluctuate between US\$1,300 and \$180 (Orellana and Marshall 2017).

### ***How Are Local Governments Reacting to the COVID-19 Pandemic?***

The COVID-19 virus arrived in Chile at the beginning of March, when local government officials and mayors were mediating the conflict between civil society and the political class. In this dispute, the main problems were complaints from social groups against actions of government authorities and members of Congress. During the social unrest that led to almost daily demonstrations in Santiago and other capitals of the country since October 18, mayors positioned themselves as mediators between these groups. The most significant expression of this leadership was organizing a voluntary citizen consultation on December 15, 2019, regarding the possible adoption of a new constitution. Some 2.15 million people in 226 communes participated in this consultation, and a clear majority (91.3 percent) voted in favor of enacting a new constitution. In this context, President Sebastián Piñera, whose disapproval reached more than 80 percent recently, saw an opportunity to reposition his leadership in the country by managing the COVID-19 crisis using the current institutional arrangement. The Constitution grants the president the authority to establish a state of emergency, which empowered the central government to confront and coordinate under a single command actions to face the crisis.

At that time, the central government unsuccessfully attempted to exclude mayors from participating in the command and coordination panel formed to confront the COVID-19 crisis, relegating them to mere implementors of decisions taken at the central level. These exclusion efforts were unsuccessful, given the mayors' legitimacy and their direct contact with social groups and citizens. The so-called mayors' rebellion has highlighted in Chile, during the health crisis, the need to advance in administrative and fiscal decentralization toward the local level. This decentralization is requested by citizens and local authorities to resolve problems associated with the wide gaps in quality of urban life in terms of health benefits, job accessibility, and protection against crime— aspects affected by the health crisis. Given the level of segregation that exists between communes (Vicuña et al. 2019), it is challenging to apply measures such as quarantine. In many communes, heads of households need to work in the informal economy; otherwise, home overcrowding increases domestic and gender violence, especially in the absence of programs to cover households' requirements of temporary confinement. For this reason, mayors' knowledge of local demands and activities is essential for ethical decision-making regarding local matters such as restricting commercial operations or the transit of people.

Regardless of their capacity, many municipalities took measures even before the central government. Banning temporary operations of large shopping centers, limiting access to public parks, or requesting people to wear masks in public places are some of the

decisions taken by municipalities before the central government. However, only a small number of more affluent communes located in the metropolitan area of Santiago implemented programs such as internet services to facilitate the access of children and adolescents to their online classes in public schools. Home services for influenza vaccination to the higher-risk population, sanitation at the entrances of public offices, and even temporary accommodation for victims of gender violence are examples of actions taken only by more affluent cities. This situation has exposed the inequality of public services managed at the local level in metropolitan areas.

Finally, the coordination problems in multilevel governance already evident in Chile (OECD 2017) added to the social crisis that preceded the situation caused by the COVID-19 pandemic. The role of local governments has been key to containing and directing citizens' demands to the central government, taking advantage above all of the greater legitimacy that mayors currently have concerning other political, legislative, judicial, religious, and uniformed authorities. Moreover, police and military officers have been rejected, and their actions often disapproved by citizens in part because of the social situation prevailing before the crisis. Therefore, one of the lessons of the COVID-19 pandemic for local authorities and society is that strengthening local capacities is urgent and necessary to deal with issues such as those associated with the COVID-19 pandemic. For that reason, it seems imperative to introduce legal reforms to strengthen the country's decentralization and regionalization processes. Also, it is needed to allow the existence of supramunicipal or intermunicipal institutions that give municipalities a more significant role to govern, plan, and manage public policies that reduce the gap in urban quality of life between communes and cities, especially in metropolitan areas.

### ***Collaboration between Levels of Government***

Since the start of the COVID-19 pandemic, one of the central claims of municipalities has been a lack of powers to help confront the crisis. For example, municipalities did not have the authority to prevent people from breaking a quarantine already decreed by the national health authorities. Additionally, mayors of communes with the most vulnerable populations lack powers and resources to face the more significant social demands under this state of exception. In this regard, the president of the Security Commission of the Chilean Association of Municipalities (AChM) and mayor of Talcahuano, Henry Campos, said, "One of the important criticisms that we have made is that today on the streets, according to what they have told all the communes of the country, there is a great number of people that circulate during curfew ... crimes have been committed during the curfew, and it seems that the health objective of the authorities is not being met, which is to reduce the number of people infected with the coronavirus" (Claro 2020).

In this context, municipal associations have been important advocates of local authorities. Chile has had a significant tradition regarding municipal associations since its transition to democracy. Today, there are around 46 associations based on thematic or territorial issues. Two examples of these associations are the Association of Municipalities of Chile and AChM. For instance, AChM brings mayors from all political affiliations to professionalize the local public service. Given this multiplicity of political views, AChM is unique in Latin America, where political party affiliations

often limit the formation of mayors' associations. This variety of associations has allowed it to be influential on issues such as local finances, housing, health, education, and the environment, among others.

The significant increase in leadership and legitimacy before the public opinion of mayors has not been translated into associative practices to combat the pandemic as in other countries. This lack of coordinated efforts is mainly due to the centralist character of the Chilean state. However, media siding with mayors have questioned the institutional framework. For this reason, the national government, in agreement with municipal associations, recently signed a decree giving special funding and greater power for cities to police compliance with curfew and quarantine policies.

Given that policing social distancing seems to be critical to prevent collapsing health systems, the new powers of the municipalities are a substantial accomplishment. The new regulations allow local governments to apply fines for the nonuse of masks in public spaces, sanction those who do not respect the curfew and quarantines, issue permits to citizens to circulate for exceptional reasons, and prevent the formation of crowds or meetings including more than 50 people. Although these powers were exercised previously by some municipalities through special laws, standardizing these powers constitutes a significant advance by the central government toward recognizing the importance of municipalities for the implementation of national policies. Transferring public safety responsibilities to cities to confront the pandemic could be the first step toward greater decentralization and more responsive public policies.

In summary, through associative platforms such as AChM that bring together almost all of the country's municipalities, mayors from all parties have managed to reach agreements to support a common strategy vis-à-vis the central government. These platforms have also provided a forum for them to share experiences and work practices to confront COVID-19.

## Colombia

Colombia is a unitary decentralized country. This definition implies a particular distribution of competencies and roles between the national and the subnational governments (Sanabria 2015). Whereas social policy is highly decentralized, and there is a high proportion of resources transferred from the central government to the subnational units, several aspects remain in charge of the national government. Notably, the executive branch concentrates a greater proportion of power, vis-à-vis other branches and government levels.

The COVID-19 pandemic has revealed an increasing level of tension in intergovernmental relations, in a country with a strong tradition of central versus local government bargaining and historical claims from the regions to increase their autonomy. The 1991 Political Constitution paid attention to those claims and adopted an extensive decentralization focus. In this context, through the new constitution, municipalities acquired a broader set of functions and received greater autonomy (Sanabria 2019). They became the locus of social policy, and more specifically, assumed the implementation of education, health, sanitation, and public utilities.

Thus, Colombia has three levels in its current multilevel governance structure: national, departmental (provincial/state level), and municipal. Since they have incorporated new functions, municipalities have become much more powerful vis-à-vis the central government, particularly concerning the so-called *departamentos*. In Colombia, there are 32 departamentos, one Capital District, Bogotá, and around 1,103 municipalities. Municipalities are classified in seven different levels according to their size and administrative capability. The special category and category 1 gather the larger cities, whereas categories 2 to 6 include smaller municipalities, with categories 5 and 6 being the most frequent, since those are the ones with a smaller size (and with lower institutional capacity).

In this context, Colombia has faced a dynamic (and tense) intergovernmental relations scenario whereby the most developed regions have alleged high levels of centralism, particularly in the executive branch. In this context, the COVID-19 emergency response triggered tensions across government levels. It made more visible the expectation of larger subnational governments (departmental and municipal) to adopt and implement local agendas that, in principle, did not necessarily conform to the goals and programs of the national government. Whereas the response from subnational governments appeared more rapidly and with specific measures (school closing, mobility bans, local curfews, lockdowns, among others), the national government seemingly took a bit longer to announce and execute actions. This gap in response times, and the assortment of the measures taken by municipal/provincial governments, created a perception of dissonance between the different government levels.

### **How Are Local Governments Reacting to the COVID-19 Pandemic?**

The emergency response activated palpable frictions between the national level—namely, the president and his cabinet—and some of the mayors and governors of the subnational units, particularly the mayor of the Capital District of Bogotá. What the responses elicited was a classic clash of competencies among the national level and the government of the main geographic unit of the country in terms of population, GDP contribution, and tax collection. While both actors have publicly attempted to portray a collaborative relationship, decisions regarding mobility restrictions, closure of the country's main airport, and the focus of crisis management brought, in the beginning, public claims and hostile exchanges between the two levels of government in social networks and the media. This situation is not surprising considering that the mayor of Bogotá is regarded as the second most important political position in the country. However, ultimately the government of Bogotá has adhered to the guidelines of the national government.

Furthermore, after the larger cities (Bogotá, Medellín, Cali, Barranquilla) started to individually design and adopt local measures, the national government issued a substantial number of regulations and policy guidelines, amid a state of emergency declaration, mainly through decrees and *circulares* (directives) from the presidency and the ministries. The most active stage of the issue of new regulations and guidelines from the national government started after the risk level increased from low to moderate on

February 24 (Minsalud 2020b), but it particularly accelerated in March 2020.

Considering the perception of anarchy in the various measures taken by local governments, novel guidelines from the national government attempted to outline a framework for action for local governments and to establish clear standards for issues such as subnational plans for contagion control and mitigation (Minsalud 2020a). Among these measures, we can mention the closing of schools (Directive 03/2020, Ministry of National Education), public events (Circular 11/2020, Health and Trade Ministries), law and order measures (Decree 418/2020 and Decree 420/2020), the closing of bars and restaurants (Resolution 453/2020, Health and Trade Ministries), lockdown and confinement of senior citizens over 70 years old (Resolution 464/2020, Ministry of Health), guidelines for health services delivery during the COVID emergency, and action plans by local secretaries of health (Circular 5/2020, Resolution 502/2020, and Resolution 536/2020, Ministry of Health), such as lockdowns among other restrictions (Decree 457/2020). The almost continued issuance of regulation and guidelines depicts a context in which the national government was intending to establish national convergence in measures and intensity.

Moreover, several of those measures attempted to clarify and reaffirm the preeminence of national-level policies over subnational ones, in response to the created confusion between government levels guidelines, particularly regarding the lockdown and restrictions to mobility. Those measures reveal how the presidency deliberately aimed to play, and display, a predominant role over subnational authorities. In fact, the Decree 418/2020 explicitly states that, during the emergency, all national government definitions regarding law and order are superior to those of local authorities and that departmental level definitions supersede municipal level regulations. Also, that all actions were taken by governors and mayors regarding security, public order, and so on, must be reported first to the Ministry of the Interior; otherwise, any violation would imply stringent sanctions upon subnational authorities attempting to violate such mandates.

Nonetheless, multilevel governance has eventually worked despite the struggles mentioned earlier. The national government enacted a series of measures that aimed to provide some leeway and autonomy on certain local government issues. That seems reasonable considering that a number of response measures are either jointly taken, regulated, or either implemented by national and subnational authorities alike. For instance, the national government rules (Decree 419/2020) allowed governors (heads of departmental governments) and mayors (heads of municipalities) to extend for an extra month the period in office for hospital managers who were about to finish their periods (March 2020). Also, amid the declaration of economic and social emergency (special powers to the president), by Decree 512/2020, the national government allowed subnational governments to temporarily make budgetary changes according to the emergency needs. Furthermore, as part of the emergency response, the national government provided local authorities with special powers to temporarily enhance health services, eased the process to contract out human and equipment resources (Decree 538/2020) and the procurement

of health devices and personal protective equipment (Decree 499/2020), as well as to streamlined the process for regional investment projects funded with royalties from the extraction of oil and other natural resources (Decree 513/2020). Accordingly, this indicates that not all the measures from the executive branch were intended to curtail local/subnational responses.

Yet, it has been evident that the competition to provide timely responses remains, even for worthy purposes. For instance, the Colombian model of conditional cash transfers, which has been running for the last two decades at the national level (implemented by subnational governments), generated essential lessons that have been materialized during the emergency. Both national and subnational level agencies (particularly in the largest cities) have designed and implemented relatively sophisticated schemes to provide money and in-kind aid to vulnerable households and individuals. The implementation process has proven effective during the emergency and has showed the capacity that the country has to identify potential beneficiaries effectively and to transfer aid to them. All in all, the context in which such programs have taken place as part of the emergency response revealed a sort of race between the national and local governments about who arrives first. Until now, the decentralization model of Colombia has proven effective for the most developed regions, and particularly for the main cities and their surrounding metropolitan areas.

### ***Collaboration between Levels of Government***

The results of the attention to the emergency of COVID so far show important divergences across cities and regions. One key factor to review is the strength of the national-subnational relationships and the ability of mayors and governors to collaborate with the presidency of the country and the central government. Two key examples epitomize the differences in numbers in terms of the pandemic and regarding intergovernmental relations strategies: the Capital District of Bogotá and the city of Medellín. By the end of May 2020, Bogotá had around 7,000 cases of COVID infection, whereas Medellín had barely exceeded 100 cases. Although both cities have evident differences in size (Bogotá has approximately eight million inhabitants and Medellín nearly four million in the metropolitan area), they concentrate together a high portion of the economic activity in the country and show very different approaches to public policy and management. For instance, while Bogotá has been more active in pursuing tertiarization and private provision of public services, Medellín keeps an almost exclusively public model of public service provision that is the foundation for a renowned local bureaucracy.

The approach of the local governments' relationship with the national government has been dissimilar. On the one hand, the mayor of Bogotá initially adopted measures that were implemented faster than the central government definitions, and it started rivaling some of the national measures in the media. On the other hand, both the mayor of Medellín and the governor of the Departamento of Antioquia, of which Medellín is its capital, adopted a more collaborative outlook with the central government and the presidency of the republic. The latter approach has been mentioned several times by those authorities as one of the key elements that explain the more successful results of the Medellín strategy toward COVID-19 (Diario Económico Portafolio 2020).



Although there are other factors that, by all means, could help describe the effectiveness of the anti-COVID-19 strategy in Medellín (e.g. use of technology in virus tracing, a strong public sector, an entrenched local/regional culture of abidance to collective goals, a long-lasting model of collaborative governance between the public and the private sectors, a robust metropolitan governance structure), the higher level of coordination with the national government has helped the implementation of crucial strategies according to the mayor of Medellín. Medellín adopted the national guidelines immediately after they were issued and received some cooperation from the Ministry of Health and the National Institute of Health to activate most of the testing and tracing strategy. The city also followed (and even anticipated) key national measures regarding the health emergency and has continued in a collaborative model of the three levels of government towards the subsequent gradual reactivation of vital economic sector.

## **Mexico**

The country began to confront the emergency of COVID-19 in a situation that is already exceptional in the government, particularly in the federal public administration. In late 2018, the new federal government began what it called the fourth transformation of Mexico. In the diagnosis presented by President Andrés Manuel López Obrador, the main government problem is the level of corruption, and its most direct and lacerating effect is inequality. The severity of this situation can be summarized in examples. First, according to CONEVAL (2019), in Mexico, almost 49 percent of the population lives on incomes below the poverty line. And, second, 14.6 percent of the adult population who were in contact with a public servant experienced some act of corruption (INEGI 2018).

Under these assumptions, the president's office began a reform of the federal public administration to reduce the size of government and increase the centralization of public policy decisions. For example, with a new Austerity Law, the president introduced ceilings on the salaries of federal public employees, equivalent to the salary of the president of Mexico. This law also eliminated medical and retirement insurance for public officials. Also, the number of employees dismissed since the start of the current government is unknown. However, according to a point of agreement of the Senate, it is estimated that 200,000 public employees could have been fired exclusively from high positions (Senado de la República 2019). This number is equivalent to approximately 12 percent of all federal government public officials (nearly 1.6 million officials). In the particular case of the Ministry of Health, dozens of directors, deputy directors, and top and administrative workers lost their jobs (San Martín 2019). Between December 2018 and July 2019 alone, 1,044 workers were discharged in 17 agencies. Also, intending to fight corruption, the federal government centralized the health policy and the purchasing of medicines and health supplies by restructuring the national procurement system.

In this situation, the National Health System has concentrated the response through public hospitals, which includes the social security institutions and the creation of the National Institute of Health for people outside of social security. At the start of the pandemic, the federal government centralized the response by defining different phases for its attention, which include actions that range from the

suspension of classes in the entire national education system to the suspension of economic activities that may be of state or municipal competence. In each phase, different subnational governments would have to implement them and monitor their compliance in their territories. However, today, there are no guidelines or standards that clearly define what should be the role of state and municipal governments in these measures.

Without clear guidelines, state governments have taken various courses of action, in some cases confronting federal decisions within their jurisdictions. The main actions at the state level are diverse containment and prevention measures. For example, some states began the isolation of people who tested positive for the virus and established preventive measures earlier than the federal government, such as the reduction of educational, economic, commercial, and recreational activities. Also, various actions have been initiated at this level to moderate the health emergency and alleviate the local economy. However, the heterogeneity of capacities between states is remarkable. Metropolitan areas such as the Valley of Mexico, Monterrey, Guadalajara, and Toluca have more significant professional expertise, resources, and experience to face public health problems. For example, according to data from the National Health Information System, most health facilities are concentrated in those urban metropolitan areas.

Inequalities between municipalities in Mexico is a highly recognized and studied topic. In the case of municipal governments, the picture is bleaker because fragility of local governments is present in many ways. Municipalities are characterized by their lack of institutional capacities to provide public goods and services, shortage of financial resources, limited periods of government, and lack of professional public servants. The current institutional design favors that all local actors (mayors, council members, officials, and even citizens) are averse to cooperation dynamics and are generally not willing to build sustained and committed public policies (Arellano et al. 2011).

### ***How Are Local Governments Reacting to the COVID-19 Pandemic?***

Municipalities are responsible for guaranteeing the continuity of public services such as water, sewage, garbage collection, sanitation of public spaces, and monitoring and enforcing social distancing measures, as well as in-home quarantines, cancellation of massive events, and in some cases the transportation of medical personnel. Other actions vary according to the size and resources available to the municipality.

In health matters, municipalities are restricted to preventive issues. However, some generalized actions by municipal governments include the dissemination of information. For example, some urban cities carry out information campaigns about forms of COVID-19 contagion, emergency telephones, available hospitals, and other measures undertaken by different levels of government. Many municipalities are distributing masks or antibacterial gel in public spaces. Also, cities such as the municipality of Centro in Tabasco placed thermostatic arches to detect fever in citizens.

Medium-sized local governments show coordinated care strategies with state governments to complement their technical capacities. For instance, Aguascalientes established an emerging plan aimed

at reviving the local economy. The first measures focus on discounts and extensions of tax payments such as property taxes, and fees for markets, sanitary landfills, and parking services, or pay deferment for licenses such as the sale of alcohol. This municipality also requested loans to development banks to support local entrepreneurs by providing soft loans. In alliance with the private sector, it created a digital business directory to form production chains and online training. Also, the third group of measures is food support programs that provide daily portions of food based on fortified soybeans and rice in coordination with nongovernmental organizations.

Subnational governments of higher technical and financial capabilities have used information technologies, innovation in services and processes, and intersectoral collaboration. For example, Mexico City established programs to support the local economy through various actions such as loans. It also created the MERCOMUNA Program in coordination with *alcaldías* (small local governments) for the biweekly delivery of vouchers, which could be exchanged in food markets, bakeries, and grocery stores. On the other hand, support is also provided to people who live, transit, or temporarily live in the city and suffer some type of effect because of the measures adopted by the COVID 19 contingency, including sex workers.

Concerning sanitary measures, Mexico City offers different communication channels such as text messages for medical guidance (SMS COVID-19). This system is a first step for identifying suspected cases of COVID-19 and, where appropriate, determines who should be tested. Also, the city government developed the CDMX app that provides information about the available capacity of public hospitals. Because of social distancing measures, the CDMX app has also been used to offer medical consultations by video calls to people with possible symptoms and to follow up on people in quarantine confirmed with the virus.

### **Collaboration between Levels of Government**

However, not all subnational governments have an easy relationship with the federal government and look for alternative forms of confronting the crisis, such as Jalisco State. Despite being the fourth subnational government in terms of the population and size of its economy, Jalisco holds the 19th place for infections. One factor that explains the temporary results is the early response. The state began canceling massive events on day 1 of the first confirmed case, the suspension of classes on day 4, the voluntary isolation of the population on day 6, and the request for the cancellation of international flights on day 10.

Later, the Jalisco government came into conflict with the federal government because it did not consider the information generated by the federal government timely or the actions implemented for social distancing sufficient, and, above all, it considered inappropriate the federal government's screening strategy. This constant tension with the federal government encouraged the state government to collaborate with the University of Guadalajara (UdeG), integrating its technical advice in different capacities. The relationship between UdeG and Governor Enrique Alfaro Ramírez originated in the late 1990s, when he was elected mayor of Tlajomulco and appointed several university officials to management positions.

With the support of UdeG, the state government installed a "Situation Room" and established advance preventive measures earlier than the federal government. The Situation Room developed a theoretical model, different from the "sentinel model" of the federal government, to estimate the rate of increase in the number of COVID-19 cases. The model allowed defining scenarios and establishing measures such as access controls to the Guadalajara metropolitan area, the second-largest in the country, and administrative sanctions on people who violated mandatory confinement.

Another result of this collaboration has been the "Radar Jalisco" program. Based on the recommendations of the World Health Organization, the program performs as many tests as possible to have a better diagnosis, locate potential outbreaks more effectively, and give epidemiological follow-up to positive cases. Upon the state's request, the university developed an active surveillance model that includes running a call center, which uses an algorithm to evaluate and determine the severity of cases. The process followed by the system starts from the identification of patients in the call center who can set an appointment for testing in modules or through a home visit; it also provides follow-ups for patients not meeting the testing criteria. This testing provides results within 72 hours and gives epidemiological monitoring of infected patients. The final results of the program will be seen in the following months; however, as of today, the program allowed testing on a larger scale than what the capacities of the state government would allow.

### **Concluding Remarks**

Subnational governments are decisive in reducing the health crisis severity and will be central to ensure the resilience of local economies. The cases presented here provide an overview of the many actions taken by local public officials innovating within their jurisdictional authority and their limited capacity. Heterogeneity also characterizes the limited response. While affluent municipalities introduce technological innovations comparable to that of developed countries, small or poor cities struggle to keep service delivery in an unprecedented fiscal crisis. This heterogeneity is associated with usual suspects, such as variations in the size of the jurisdiction and local economy. However, in all the analyzed countries, there is a quick fiscal revenue deterioration, which will ultimately limit local governments' capacity to innovate and take action to solve the imminent economic crisis.

The difficulties of innovating and providing a coordinated response in the cases of the majority of countries are not only explained by the limited capacities at the local level. An essential characteristic of the current environment is related to the high transaction costs created by social and political cleavages between national and subnational governments. These cleavages are reflected in formal and informal institutional arrangements that have their roots in a tradition of strong central governments in both federal and unitary governments. These institutional arrangements complicated the development of intergovernmental relations based on trust.

For developed countries, the literature suggests some elements that can reduce the transaction costs of establishing collaborative efforts. For instance, opportunities for participants to interact face-to-face, the existence of political homophily among elected or appointed officials, the presence of professional communities of public

servants that bridges across jurisdictions, as well as the preexistence of agreements, contracts, policy networks, or even policy forums, all have a strong potential to reduce the transaction costs of collaboration (Carr and Hawkins 2013; LeRoux, Brandenburger, and Pandey 2010; Lubell et al. 2017; Song, Park, and Jung 2018; Yi et al. 2018). However, we know little about what factors can reduce transaction costs in developing democratic countries. The cases here presented provide insights regarding variables affecting transaction costs for collaborating across jurisdictions.

First, Brazil, Chile, and Mexico began the pandemic under political polarization. Moreover, in all these countries, their national governments are relatively newly elected since none of them took office before 2018. In developed countries with stable bureaucracies, the combination of these two factors would not be a significant issue. However, given the turnover of top positions in national bureaucracies, the transaction costs of establishing collaborative agreements with subnational governments tend to increase significantly. For instance, for national public officials, it is complicated to identify partners in subnational governments and to develop trustworthy relationships with them if they remain characterized by a lack of professionalism. Moreover, the centralist tradition and the resources and information asymmetries make it difficult for local officials to trust the behavior of national-level officials. An example of this lack of trust is the fact that many subnational governments established stronger actions than national governments and often earlier, too.

The cases of Argentina and Chile provide examples of developing practices that can increase trust between levels of government. In both cases, the national government, either by choice or political pressure, provides platforms for direct communication with local authorities. In the case of Chile using existing channels like associations of mayors and in Argentina by the unprecedented face-to-face virtual meeting between the presidents and local authorities. Furthermore, in these two countries and in Colombia, governments modified institutional arrangements to give more power to municipalities. This decision created a credible commitment, reducing transaction costs by making national authorities more trustworthy partners in the eyes of local officials.

Moreover, the case of Medellín exemplifies how a more professional bureaucracy took a more collaborative approach with the national government. A second lesson is how subnational and local governments create local partnerships to deal with the pandemic. In the case of Jalisco (Mexico) and the Santa Catarina Consortium (Brazil), local governments rely on already established relationships to combine and share resources. The role of municipal associations in Chile is also an example of how established relationships are utilized as forums to share experiences and knowledge about local practices. But more importantly, these partnerships are used as instruments to gain scientific and technical legitimacy vis-à-vis central government. In this context, the associations of municipalities seem to reduce some transaction costs, at least those related to identifying reliable partners for initiating new collaborations.

Without question, the remaining part of the public health crisis and the future economic recession will be the hardest part of the COVID-19 pandemic. In defining the strategies for these future challenges, public servants from national and subnational

governments must acknowledge that collaborative and coordinated actions will be crucial to success. Hence, countries need to start adjusting their institutional arrangement to reduce transaction costs for collaboration by creating a more equal distribution of power and more homogeneous capacities between different levels of government. These institutions will also require a better allocation of financial resources and even capabilities and authorities to collect revenues and levy taxes. Moreover, local governments will, more than ever, need to invest heavily in existing and new associations, both profit and nonprofit.

National governments will need to acknowledge that for local government to be more effective and efficient partners in their new responsibilities, they must help develop local professional bureaucracies, particularly in less affluent municipalities. Collaboration and coordination will require professional public servants isolated from political pressures and technically proficient to be considered trustworthy partners. These bureaucracies will need to be more insulated from political pressures and trusted by the citizens they serve and by partners that could contribute to face the new challenges ahead. More than with any other crisis, in confronting the COVID-19 pandemic, without a homogenous response, the health and the next economic recession will be devastating for social equity.

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