Chapter 1.

Strengthening participation, public management and integrity to build trust and support the green transition in Latin America and the Caribbean

The need for a green transition represents both a challenge and an opportunity for countries in Latin America and the Caribbean (LAC). The region faces unique structural challenges including fragile social protection systems, low productivity and weak trust in institutions. It is also one of the most vulnerable regions to the impact of climate change (OECD et al., 2022[1]). Governments need to ensure that they use the green transition as an opportunity to address structural inequalities while also fostering sustainability.

Democracies in the LAC region have become more firmly established. They have stronger institutional systems for protecting and promoting individual rights and freedoms while allowing long-term sustainable gains in well-being. At the same time, countries in the region operate in an environment of multiple crises deepened by high levels of interdependency and exposure to external shocks. In a democracy, resilience ensures that the system can withstand challenges and threats while remaining responsive to the needs and aspirations of their citizens. This resilience fosters an environment of stability and predictability, which is essential if people are to have faith in the institutions that govern them and for building trust.

Maintaining democratic resilience is key for countries in the LAC region to successfully implement a just green transition. This means maintaining high-quality institutions that ensure representative government and participatory engagement alongside respect for fundamental rights, encourage governance practices that can address emerging issues and adapt to changing circumstances, and promote equitable and inclusive policies. In democracies, the continuous search for trust allows governments to build and improve public consensus to implement the ambitious combination of climate, energy, social, macroeconomic and tax policies that the green transition requires (OECD et al., 2022[2]).

This chapter considers how governments in LAC countries can best harness sound public governance to pursue a green and equitable economic transition while addressing the region's underlying inequalities and structural challenges. The section that follows describes the key challenges faced by the region and outlines a path towards a just green transition to overcome those challenges, emphasising the role of public governance. The chapter then explores three dimensions for action. First, enhancing inclusive and participatory processes and policies to overcome representation gaps and build trust. Second, reinforcing key competencies in public institutions to deliver sustainable and inclusive growth. Third, protecting the public interest against corruption, the erosion of public integrity and undue influence. By prioritising all of these areas together, governments in the LAC region can contribute to achieving the dual goals of democratic stability and sustainable and inclusive growth.

1.1. Harnessing public governance for a sustainable and inclusive socio-economic transition

1.1.1. Inequalities, climate change and lack of trust

Income inequality continues to be a major issue in many LAC countries. In the two decades running up to the COVID-19 pandemic, most countries in the region made significant progress in reducing income inequality (OECD, 2021[3]; OECD, 2020[4]). Nonetheless, it remains high and continues to hinder social and economic cohesion among population groups (Figure 1.1). High levels of inflation during 2022 and 2023 reduced real incomes across the region and worsened levels of income inequality, especially among those at the lower end of the scale. During the initial five months of 2022, the average price increase experienced by households in extreme poverty in the LAC region was 3.6 percentage points (p.p.) higher than the increase for the average household (Figure 1.2). This can be explained by the fact that price increases mainly affected basic resources such as food and energy, which make up a greater share of the spending of poorer households. Overall, poverty rates at the end of 2022 remained above pre-pandemic levels, with 32.1% of the region's population living in poverty, and 13.1% in extreme poverty (UN Economic Commission for Latin America and the Caribbean, 2022[5]).

Figure 1.1. Income inequality in Latin American and Caribbean countries, 2008 and 2021

Gini index for LAC countries
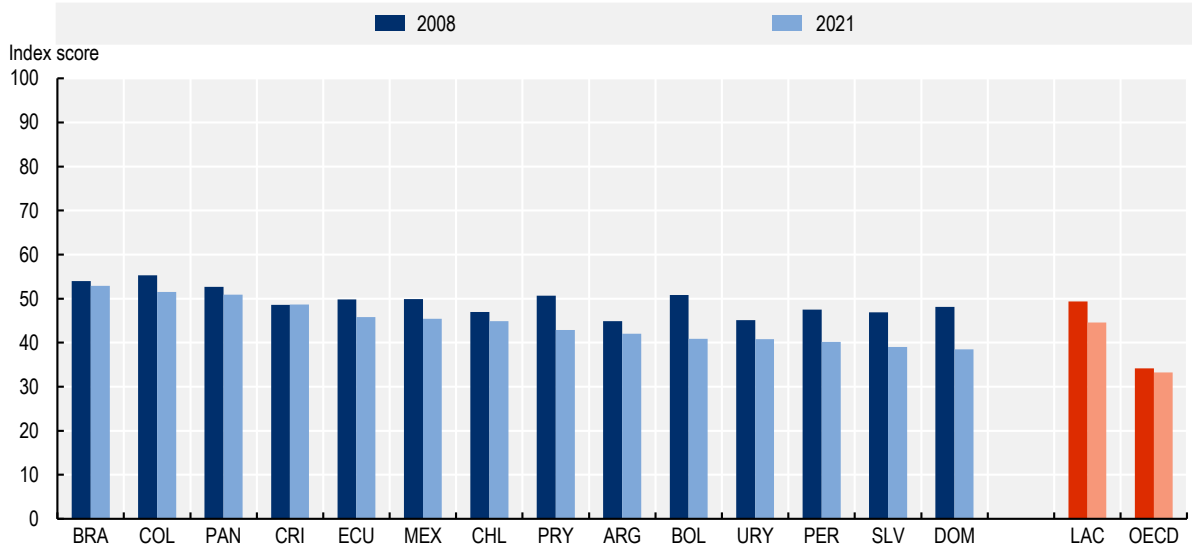
Note: Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. Thus, a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. 2021 data for Chile and Mexico are for 2020. 2008 data for Chile are from 2009. The 2021 OECD average is for 2020.

Source: World Bank, Poverty and Inequality Platform. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments. Data for OECD countries are mostly from the Luxembourg Income Study database. For more information and methodology, see https://pip.worldbank.org/.

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Figure 1.2. Inflation levels for the general population and the extreme poor in selected LAC countries, first five months of 2022
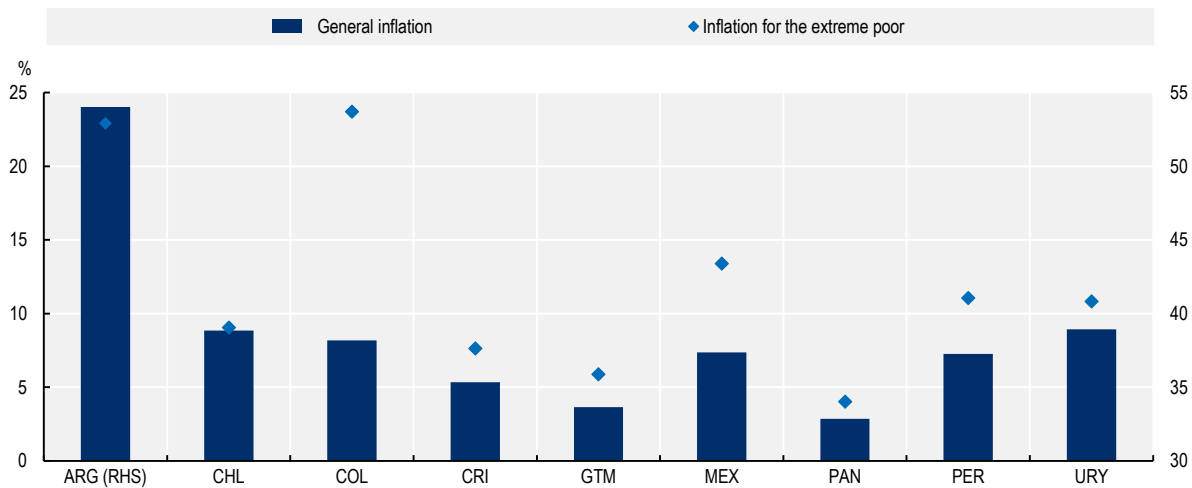
Note: Argentina is plotted on the right-hand side (RHS) axis. Year-to-date average of year-on-year growth of national consumer price indexes (CPI) vs. growth of extreme poverty lines 2022. Extreme poverty lines are based on the cost of a basic food basket that covers basic food needs and provides the minimum caloric requirement of the members of a reference household. The Chilean extreme poverty line also includes a share of non-food basic goods and services. For Colombia and Peru, the food and non-alcoholic beverages division of their CPI was used. For Panama, the data cover the districts of Panama and San Miguelito.

Source: OECD et al. (2022[2]), *Latin American Economic Outlook 2022: Towards a Green and Just Transition*, https://doi.org/10.1787/3d5554fc-en.

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The prospects for addressing inequality and poverty levels are affected by the weak outlook for economic growth. The LAC region experienced a severe downturn during COVID-19, with gross domestic product (GDP) falling by 7.0% in 2020. After a strong rebound in 2021 (7.4%), growth slowed during the shocks of 2022. Over the medium term, growth in the LAC region is forecast to remain at 2.3-2.6% for the next five years, below the world average (IMF, 2023[6]). Growth in the region appears to face structural challenges. The OECD has previously estimated that potential growth rates per capita in LAC are substantially lower than in advanced economies (OECD et al., 2022[2]).

Economic inequality frequently acts as a catalyst for social disparities, as income gaps impede access to essential resources and services. Consequently, the LAC region sees lower levels of satisfaction with health, and less confidence in the judicial system, than on average in OECD countries (see Chapter 2). The intersection of economic disparities and social inequalities also compounds the challenges faced by marginalised groups in LAC countries, including women, minorities and indigenous communities. For instance, inequalities intersect at all stages of women's lives, limiting their access to justice, rights and empowerment opportunities and perpetuating gaps in areas such as education, employment and health, hindering progress towards a rights-based social transformation that would benefit all social groups (OECD, 2023[7]). Low levels of education can also significantly affect these populations' political decision-making ability and hinder levels of participation, leaving the underprivileged with limited political agency. Data from the OECD Trust Survey show that political efficacy has significant implications for the strength of representative democracy (OECD, 2022[8]). For example, in Colombia, 61% of individuals with high education levels consider themselves well-equipped to understand politics, compared to 45% of those with low levels.

A second major set of challenges facing the LAC region are the impacts of climate change. Much of the region is located in a zone which is highly vulnerable to climate-related problems (OECD, 2023[9]), from rising sea levels affecting low-lying coastal areas to increasingly frequent and severe extreme weather events such as hurricanes and droughts. Indeed, compared to the decades between 1980-2000, the average number of extreme climate-related weather events has already increased by 60.2% on average in the LAC region between 2001 and 2022 and is rising in most countries (Figure 1.3) (OECD et al., 2022[1]). The region's vulnerability stems from a combination of factors, starting with geographical location but also including limited infrastructure for disaster resilience, economic reliance on climate-sensitive sectors such as agriculture and densely populated coastal urban centres. The consequences of climate change are already being felt in the form of disrupted ecosystems, water scarcity, food insecurity and population displacement.

Climate change is likely to exacerbate already high levels of inequality within countries. Vulnerable groups are usually the most affected by natural disasters, for example, through land loss and lack of access to food or water (OECD et al., 2022[1]). Climate change is projected to push 5 million more Latin Americans into poverty by 2030 (Jafino et al., 2020[10]).

## Figure 1.3. Frequency of climate-related extreme weather events in LAC, 1980-2000 and 2001-22
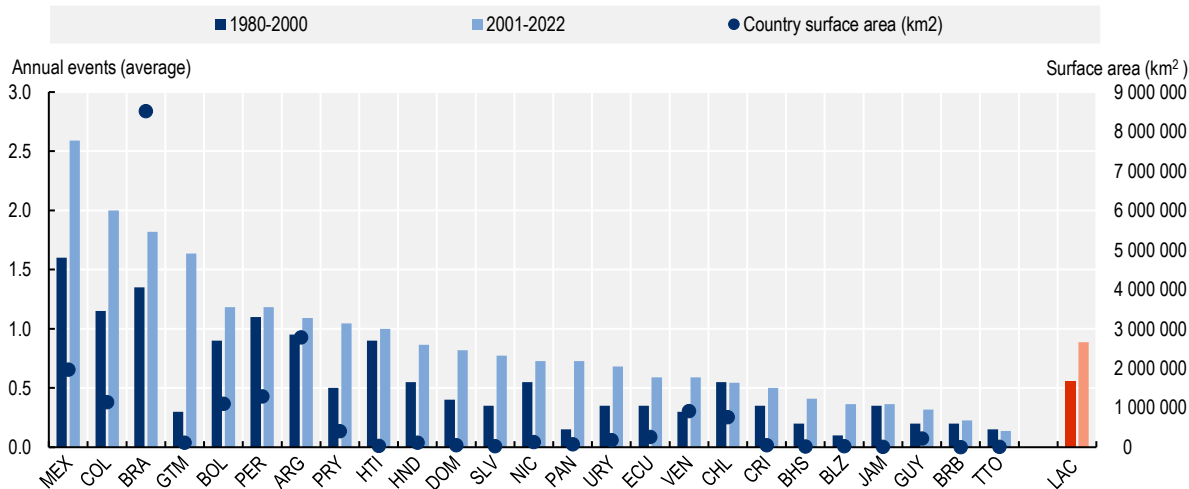
Note: Based on Alejos (2018[11]), extreme weather events were defined as a natural disaster affecting 100 000 or more people, or resulting in 1 000 or more deaths, or causing estimated economic damages of at least 2% of GDP. The following natural disasters were considered: landslides, storms, droughts and floods. The secondary axis refers to the countries' surface area.
Source: OECD et al. (2022[2]), *Latin American Economic Outlook 2022: Towards a Green and Just Transition*, https://doi.org/10.1787/3d5554fc-en.

Governments also have limited fiscal space to finance their responses to inequality, climate change and other environmental issues. LAC governments face the twin challenges of increased debt burdens and low levels of domestic revenue mobilisation. General government gross debt in the LAC region has risen from 46% of GDP in 2007, prior to the global financial crisis, to around 66% of GDP in 2022. Although there are many countries with higher debt levels, this issue is compounded by low levels of domestic revenue mobilisation. In 2021, the average tax-to-GDP ratio in LAC countries was 21.7% of GDP compared to 34.2% among OECD countries (see Chapter 10). The difference is mainly explained by the region's low revenues from income taxes and social security contributions compared to the OECD average. As a result, debt-to-tax ratios have risen sharply in most LAC countries (Figure 1.4). High debt ratios require governments to devote a substantial proportion of expenditure to debt repayment, leaving less funding for other issues. This issue will have been exacerbated by the rises in interest rates experienced in 2022.

Figure 1.4. Gross public debt-to-tax ratio in selected Latin American and Caribbean countries, 2013, 2019 and 2020
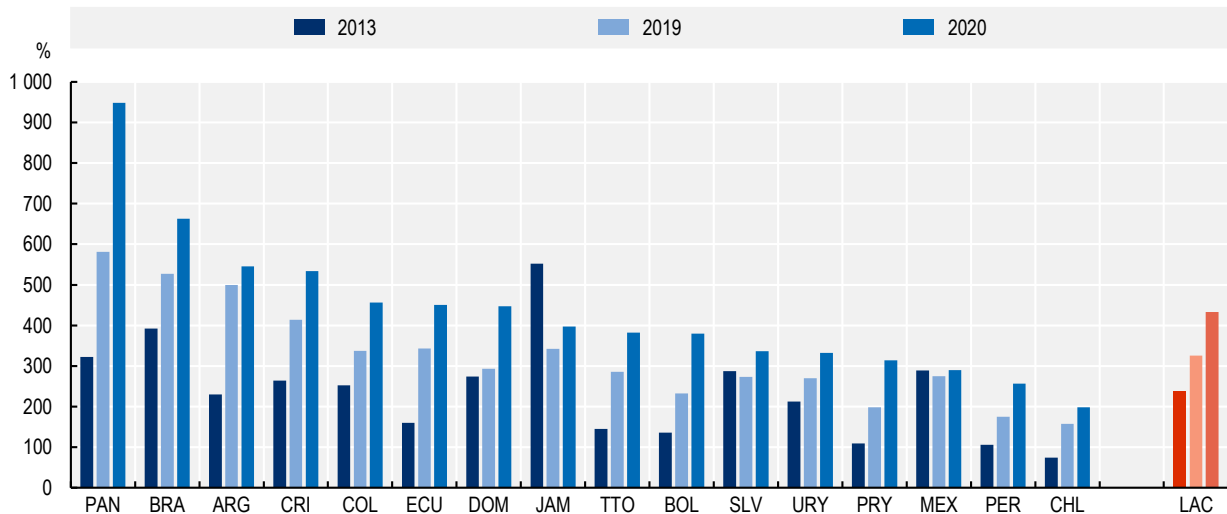
Source: OECD et al. (2022[2]), *Latin American Economic Outlook 2022: Towards a Green and Just Transition*, https://doi.org/10.1787/3d5554fc-en.

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The third challenge that the LAC region faces is people's lack of trust in their governments and in public institutions. In democratic countries, trust is an important indicator of how people perceive the quality of, and how they interact with, public institutions. Although robust institutional reforms have allowed more Latin Americans to exercise their political rights, and electoral procedures have worked reasonably well in the continent, levels of public trust in Latin America continue to be lower than in OECD countries and other regions (OECD, 2023[12]). Furthermore, trust in the region has declined over the last decade, with only 36.3% of those in LAC countries on average expressing confidence in their government in 2022, 3.9 p.p. below the average share in 2008 (Figure 1.5).

Figure 1.5. Trust in national government, 2022 and its change since 2008
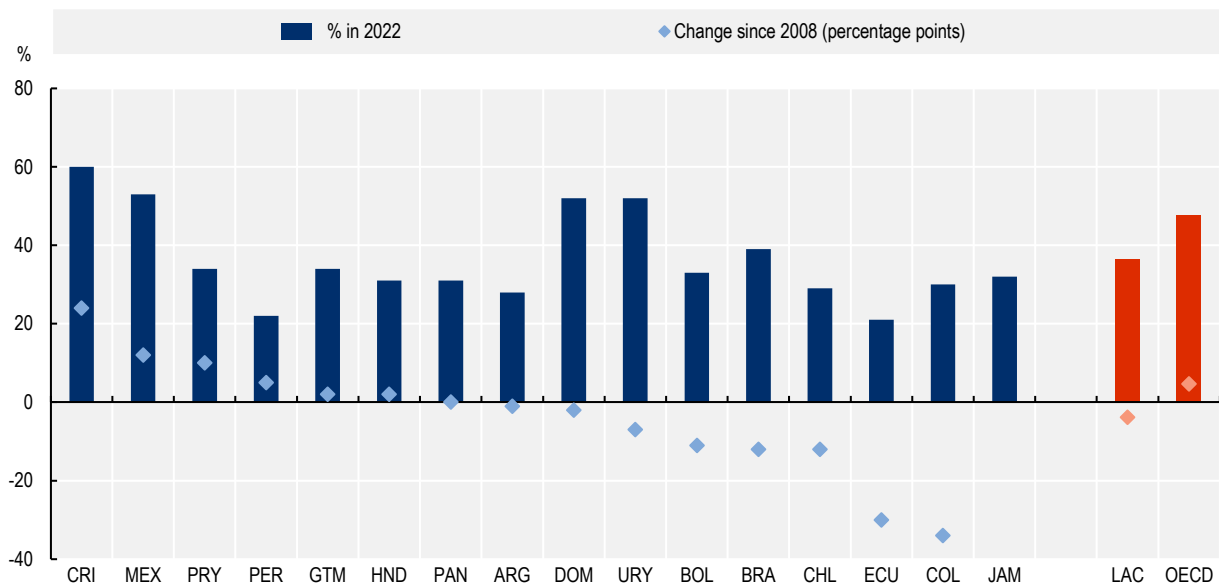
Source: Gallup World Poll 2023 (database).

A certain level of trust is required to carry out reforms and set priorities with legitimacy. Without sufficient trust in public institutions, the effectiveness of public policies and initiatives could be compromised. This is particularly true for policies where the time profile of payoffs is uncertain, where the public are incurring costs now, in the hope of generating benefits in the future. All future payoffs come with a degree of uncertainty, and the public will only support such investment if they believe government has the competence and values to deliver them. Higher levels of trust in government facilitate consensus and collective action, as well as a willingness to support policy reforms that entail short-term sacrifices for specific groups, in exchange for very significant but diffuse long-term payoffs. (OECD, 2022[8]). If governments make clear promises about what people can expect from them and implement reforms that enable them to keep their promises, this can build public trust (Keefer and Scartascini, 2022[13]).

In turn, trust levels and effective action on climate are interdependent. There is broad consensus in LAC countries that climate change is a major issue that requires a whole of government, and society, response. Yet, consensus on the desirability of tackling the climate crisis is not sufficient to ensure effective policy responses – much of the success hinges on government's capacity to build trust and consensus for action. Specifically, trust in public institutions can improve the feasibility and effectiveness of climate policies by a) overcoming conflicting interests among population groups (collective action problems); b) creating space for sustainable long-term policies; c) increasing the acceptability of environmental policies; d) facilitating the creation of broad coalitions in favour of climate change policies that exceed electoral cycles (GOV/PGC/RPC/SBO(2021)1).

The erosion of trust in public institutions and the persistence of high levels of inequality in the LAC region are not isolated phenomena. In fact, they are deeply interconnected, creating a feedback loop that compounds the region's challenges. The mistrust that citizens feel toward their governments is often rooted in a perception that they are not effectively addressing inequality (Keefer and Scartascini, 2022[13]), and that public institutions lack either the competence or the values to improve living standards. When people see that economic disparities persist, that opportunities are unequally distributed and that marginalised groups continue to face discrimination, it erodes their faith in the ability of public institutions to bring about positive change. This, in turn, makes it more difficult to enact the policies required to address regional issues, specifically because of the costs these policies impose upfront on large segments of the population. This lack of trust can also lead to reduced compliance with policies and less willingness to co-operate with government initiatives aimed at reducing inequality (Keefer and Scartascini, 2022[13]).

Trust in democratic public institutions is a multidimensional concept driven by two complementary components that can be addressed by governments: competence and values. Competence can be understood as having the ability, capacity and good judgement required to fulfil a specific mandate. Public institutions demonstrate competence by being responsive to citizens' needs and reliable in tackling complex challenges, anticipating risks and minimising uncertainties. Values mean the underlying intentions and principles that guide public actions. Values are reflected in the openness, transparency, integrity and fairness of government operations (OECD, 2023[12]). Levels of trust are also influenced by a country's broader economic, cultural and institutional conditions (Brezzi et al., 2021[14]).

Lessons from other countries are important. The OECD Trust Survey found that in 2021 50% of people in 22 OECD countries believed that their governments should do more to fight climate change, but only just over one-third (35.5%), on average, were confident that their country would succeed in reducing greenhouse gas (GHG) emissions (OECD, 2022[8]). People may not be confident that public institutions are competent and reliable enough to deliver policies effectively, and for long enough, to generate benefits (OECD, 2022[15]). Cross-nationally, people's confidence that their country will reduce GHG emissions has a positive impact on trust in national government. In other words, investing in public governance to deliver more effective policies to flight climate change may pay off in securing more credibility and trust in government more widely (OECD, 2022[15]).

1.1.2. Towards a just green transition

A successful just green transition in LAC will require a combination of substantial financial resources, clear policy frameworks and international co-operation. To lead such a transition, LAC countries need to have a co-ordinated strategy, good regulations that consider all groups of the population and, most importantly, coherent public governance to efficiently manage these resources. Transition efforts should aim to create opportunities for sustainable economic growth and address environmental challenges, improve the quality of life for different groups living in the region, and support trust in public institutions over the long term. A comprehensive, enduring public governance strategy should aim to achieve both inclusiveness and sustainable development.

Placing inclusiveness at the forefront of policies will be key. A just transition demands a steadfast commitment to inclusiveness, recognising that sustainable and equitable development is only achievable when every segment of society is empowered and given the opportunity to thrive. To bridge existing gaps in access to high-quality services, governments must have strong public governance that actively works to ensure equal access, inclusiveness in public decision making and policies that address people's individual needs to improve their quality of life. Further, a just transition does not only require the benefits of development to be equitably distributed among the population but must also safeguard the well-being of future generations.

The pursuit of a sustainable and resilient future, requires both recovery and rebuilding, focusing on both the economy and the environment. From an economic perspective, the recovery should prioritise job creation, small business support, and overall economic stability, especially in the wake of global crises. On the environmental side, the recovery must emphasise the restoration of ecosystems, the reduction of carbon emissions and the preservation of biodiversity. This dual approach recognises the interconnectedness of economic well-being and environmental health, ensuring that as countries rebuild economies, they do so in harmony with the planet, safeguarding the resources that sustain it in the long term.

The green transition in LAC requires commitment, long-term strategies, plans and programmes to execute priorities on climate neutrality and resilience. The OECD has recently published advice on using governance tools and processes to address the climate crisis, identifying 15 key policy priorities for building climate resilience (OECD, 2023[9]). It has also provided a framework for building consensus and trust among the population for delivering green policies in the next decade, using the right tools for climate and environmental action, and building a more capable, responsive and resilient public sector (see Box 1.1).

> **Box 1.1. A framework for public governance to deliver environmental outcomes.**
>
> The OECD has created a framework spelling out how good public governance can influence environmental outcomes. It has five key components: steering, ensuring implementation, leading by example, building ownership and support, and influencing and co-ordinating at the global level.
>
> **Steering**
>
> - Setting the necessary political ambition and agenda including a strategic long-term vision.
> - Designing and formulating policies and managing their interactions and trade-offs through appropriate planning and strategic co-ordination.
>
> **Ensuring implementation**
>
> - Securing the implementation and enforcement of policies in practice through core and innovative public management tools.
>
> **Leading by example**
>
> - Taking assertive measures to make government procurement, services and assets greener, promoting an adaptation domino effect.
>
> **Building public ownership and support**
>
> - Promoting public acceptance of the reforms and possible trade-offs required for action on climate and other green goals.
>
> **Influencing and co-ordinating at the global level**
>
> - Building government tools and capabilities to address global challenges and consider the international impact of policy actions.
>
> Source: OECD (2022[15]), *Building Trust and Reinforcing Democracy: Preparing the Ground for Government Action*, https://doi.org/10.1787/76972a4a-en.

The transition also requires adaptability. Governments need to be ready to adjust policies and strategies as new environmental, social and economic challenges arise. By enabling flexible reactions and adaptability during crisis, the centre of government (CoG) can serve as the cornerstone for effective responses and transformations. This central administrative body must be able to co-ordinate and integrate various ministries and agencies, breaking down silos to ensure a holistic approach to environmental issues. This entails setting clear sustainability objectives and regularly assessing progress through data-driven metrics. The CoG can facilitate the allocation of resources to priority areas, promote cross-sector collaboration and streamline decision-making processes.

1.2. Strengthen public governance to enhance participation and inclusive policy making

Latin American countries have a rich diversity of ethnic and social groups. Inclusive and democratic decision-making processes in the region should reflect this diversity by actively involving all segments of society in policy discussions, decision-making processes and resource allocation. Inclusive policies, education and employment opportunities empower individuals from all backgrounds, ensuring that they have a fair chance to participate in and benefit from the economic and social fabric of their communities. Further, if they are to achieve sustainable and inclusive growth, and, in particular, be able to address the climate and environmental crises, LAC countries need to make greater use of their citizens' voices. Governments in the region can harness their existing strengths in participation, inclusion, innovation and co-operation to improve their ability to solve complex problems and deliver novel solutions.

This section presents what LAC countries can do to enhance effective democratic participation in politics and decision making. It also covers how they can use public governance to promote inclusiveness by crafting policies that address the needs and challenges of different demographic groups. Participation is considered democratic when everyone affected by the decision has an equal chance to affect the decision itself (Warren, 2022[16]) and when views from different stakeholders are sought in the policy cycle (OECD, 2022[15]). More advanced forms of political participation and representation may help governments in the region to build a just and green transition and strengthen trust.

1.2.1. Participation and stakeholder engagement in public decision making

In many countries, the public see limited opportunities to voice their preferences and participate in democratic processes meaningfully. According to the World Values Survey, only 31.4% of people in seven LAC countries believe they have a say in what the government does (Figure 1.6). Considering that the essence of democracy revolves around the exercise of power through the governed, citizens should expect political representation and participatory processes to offer them sufficient influence over governmental decision making (OECD, 2022[15]). Inclusive public governance should aim to allow a diverse range of groups in society to participate throughout the policy-making cycle, through the use of inclusive and participatory mechanisms. Such mechanisms can foster a stronger sense of belonging, prevent the marginalisation of certain population groups and build trust in public institutions, ultimately strengthening democratic systems and reducing the profound disparities that have long characterised LAC societies.

Many governments are now turning to public participation to further engage citizens. To safeguard support for democratic systems in the face of future shocks, it is important for governments to seek the most effective forms of citizen participation to complement their existing representative democracy processes. Institutionalising effective rules and processes for public participation in a way that is consistent with representative democracy will be key to building democratic resilience for inclusive and sustainable growth.

Figure 1.6. Having a say in what government does, 2022 (or the nearest year)

Share of the population that is confident that the political system allows them to have a say in what the government does
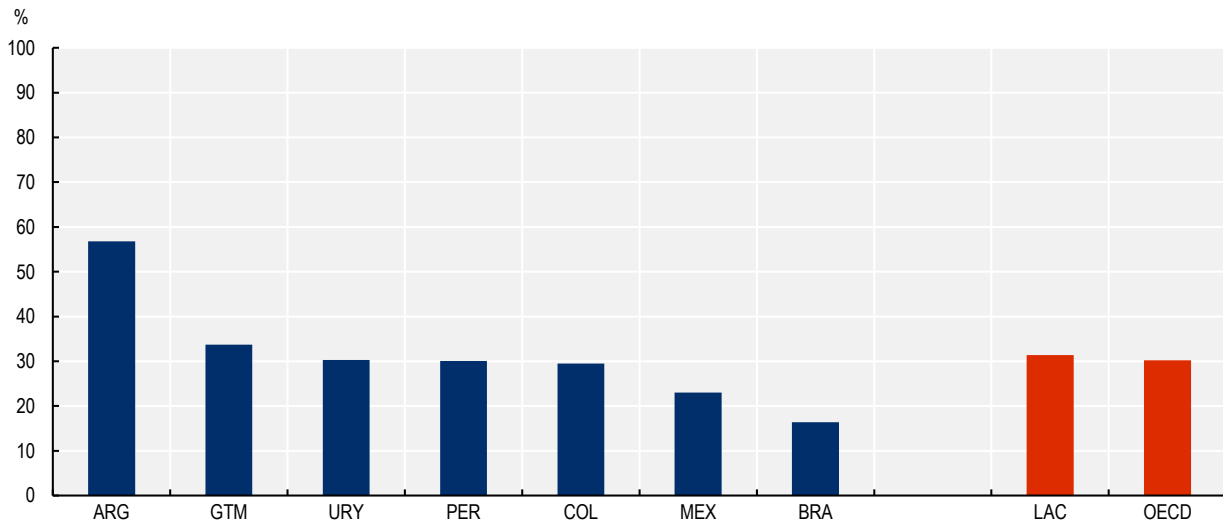
Note: Data for Argentina are from 2017. Data for Brazil, Colombia, Mexico and Peru are from 2018. Data for Uruguay are from 2022. The LAC average is based on the countries shown in the figure.
Source: Own calculations based on the World Values Survey, 2017-22; OECD Trust Survey (http://oe.cd/trust).

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Participatory decision making can make policy processes more inclusive, and their results more aligned with the needs of diverse groups in society. Most LAC countries have a strategy to encourage the participation of women, young people and those with special needs or disabilities in decision making (Figure 1.7). This signals the commitment to promoting equal access to public participation in the region. Such strategies can help governments empower these historically marginalised communities and work towards dismantling barriers that have hindered their full participation in public decision making.

Empowering and engaging youth to address intergenerational considerations in core government functions is also critical to a sustainable and inclusive recover. Many youth organisations are concerned about the lack of opportunities for young people to shape governments' response and recovery measures. For instance, the COVID-19 crisis generated uncertainty for young people, and if their perspectives on policies are not heard in this type of crisis, they are at more risk of exclusion, lower employment and higher poverty rates (OECD, 2022[17]). Only 15% of the population in OECD countries felt their government considered young people's views when adopting lockdown and confinement measures. Likewise, more than one-third of OECD-based youth organisations (38%) estimated their members' trust in government had fallen since the start of the COVID-19 crisis, while only 16% reported an increase (OECD, 2022[17]).

Inclusive governance can also foster trust in public institutions among marginalised communities, giving them a stake in shaping the direction of public policies. When fundamental civic freedoms are assured and marginalised groups gain access to opportunities and resources, it may be easier for them to take part in civic life and democratic processes, potentially enhancing the overall health of democratic institutions (OECD, 2022[18]). This engagement, in turn, can make governments more responsive to the needs of all citizens. Therefore, by embracing inclusiveness, LAC countries could not only take significant steps towards reducing political inequalities but also lay the foundation for enduring democratic resilience in the face of evolving social dynamics. However, only half of the surveyed LAC countries have strategies to involve socially or economically marginalised people in decision making, which limits their opportunity hear from these groups and in turn address their concerns (Figure 1.7).

Figure 1.7. Groups for which there is a dedicated strategy or policy to encourage their participation in decision making, 2021
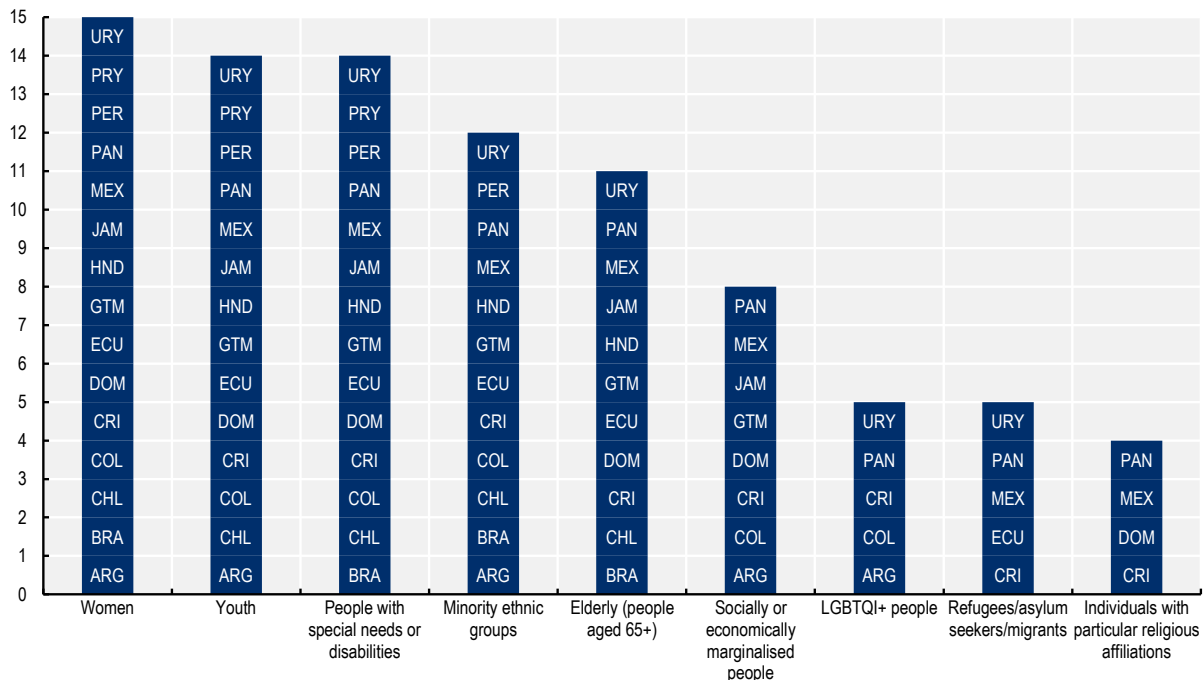
Source: OECD-IDB (2022), Survey on Open Government; OECD (2021), Survey on Open Government.

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Countries should design engagement and consultation processes that allow people to reach a negotiated stance and build consensus for important, and potentially controversial, policy changes such as the green transition. This transition may involve a shift of resources between economic sectors and political constituencies, potentially triggering opposition from interest groups. Encouraging people, civil society groups, representatives from minority groups and local communities to participate throughout the policy-making process can promote greater ownership and more inclusive policies that appropriately consider specific needs. Policy makers should also bring the private sector on board by raising awareness of responsible business practices. Adapting the consultation strategy to specific socio-political contexts is vital, as is devising empowering and empathic communication strategies about the proposed reform.

Governments need to establish and mainstreaming both in-person and online forms of participation to obtain feedback that allow for informed decisions that respond to diverse needs. The use of different forms of participation could also boost government adaptability during critical decision-making periods (OECD, 2023[12]). The culture of deliberation, in many different forms, is notably widespread in the majority of Latin American nations, with citizens exhibiting keen interest and the ability to engage in more structured and systematic participation. For instance, most LAC countries use in-person meetings and focused consultations with expert groups to develop their subordinate regulations (see Chapter 5). More particularly, during Chile's constitutional reform, a parallel in-person consultation was held with indigenous peoples to include their voices in the new constitution. However, there is still more LAC countries can do to make use of innovative forms of public participation. For example, deliberative processes (e.g. citizens' assemblies and panels) bring together groups of citizens who are broadly representative of society to tackle challenging policy issues, such as the climate transition (OECD, 2020[19]).

Digital technology can also help governments to increase participation opportunities. More than two-thirds of surveyed LAC countries (67%) use digital portals to facilitate access to participatory policy making, either government-wide (47%) or institution specific (20%) (see Chapter 4). During the COVID-19 pandemic, several LAC countries either adopted or increased their use of virtual forms of stakeholder engagement, in response to the restrictions imposed by the crisis. These tools have since remained in use, as a way of facilitating feedback (see Chapter 5). Digital technologies can also increase the scale and speed of consultations, in line with the standards and practices found in OECD countries (OECD, 2023[12]).

In this context, governments need to protect civic freedoms in the digital sphere. This is a precondition if citizens and civil society organisations are to access accurate information, express their views and thrive without their rights being limited by discrimination, hate speech, mis- or dis-information, arbitrary or unlawful intrusion into their personal data, or threats to their privacy. Governments should take these concerns into account when using digital technology for consultations. Given the digital divides in the region, such technologies should also be complemented by more traditional approaches – and governments will need to place a particular focus on accessibility for under-represented groups.

Even though LAC countries are increasingly adopting more practices to engage stakeholders while developing regulations, they are not always required to use the results of their consultations. All 11 surveyed LAC countries require policy makers to engage with stakeholders in the development of all or a subgroup of regulations developed by the executive power (see Chapter 5). However, at present only five countries (Brazil, the Dominican Republic, El Salvador, Mexico and Peru) require policy makers to consider stakeholders' feedback in drawing up the final regulations (Figure 1.8). LAC countries could do substantially more to ensure that feedback from stakeholders systematically informs policy making, to improve the design of future policies and regulations, and to support meaningful stakeholder engagement over time.

Figure 1.8. Use of comments for developing subordinate regulations, 2019 and 2022
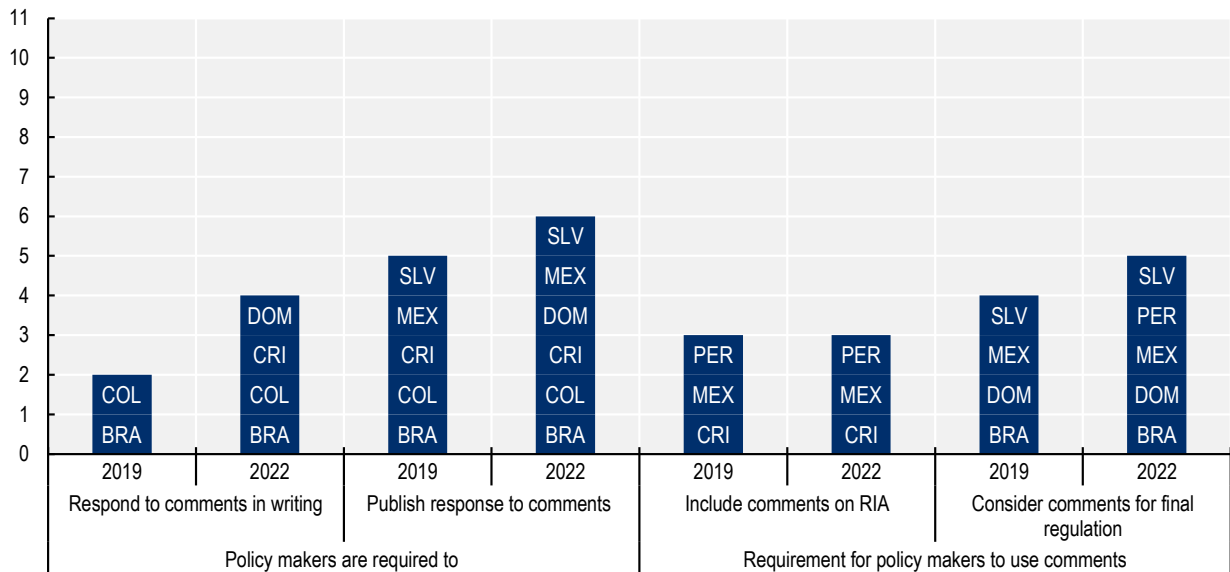
Source: OECD-IDB Indicators of Regulatory Policy and Governance (iREG) for Latin America and the Caribbean Surveys 2019 and 2022, www.oecd.org/gov/regulatory-policy/ireg-lac.htm.

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Public participation could be further extended to several phases of the policy-cycle. Governments should also facilitate ways for stakeholders to offer their input during policy implementation, enabling them to express their ideas or voice their concerns about current policies. This involvement can enhance the quality of existing regulations by incorporating real-world feedback from individuals directly affected by them. In the LAC region, all 13 surveyed countries have legislation on petitions or other forms of citizens' initiatives; while 10 countries (77%) have provisions on handling citizens' complaints within government entities (see Chapter 4).

1.2.2. Representation and diversity in public life and workforce

Diversity and representation in decision-making bodies have been longstanding concerns in Latin American and Caribbean countries. Public and elected bodies have been historically dominated by men and majority groups and, despite some improvement in recent years, inclusive representation is still a long way off (Naranjo Bautista et al., 2022[20]). The LAC region needs to have a more ambitious agenda for diversity in the public sector, which goes from complying with established laws and quotas, to bringing about a deeper change in culture.

Greater ambition to achieve inclusive and representative policy making would help overcome the profound gaps in LAC societies and make them more resilient to internal and external shocks. Governments increasingly recognise the need to strengthen democratic representation of historically under-represented groups, such as youth, women and minorities. This applies to both decision-making bodies, be they elected or appointed, and the public workforce implementing the policies. Such representation not only allows these groups to have a say in how policies are designed and implemented, but also results in more responsive and accountable policy outcomes (OECD, 2022[8]).

Despite some progress, levels of representation of women in political life continues to be low in LAC countries with the gap closing at a slow pace. Members of legislative bodies in the region have significant influence over nationwide policies, as they both initiate and enact a large majority of primary laws. This broad reach has a wide impact, making the voices of these representatives crucial in shaping policies. On average 31% of parliamentarians in LAC countries were women in 2023, compared to 28% in 2019, lagging just slightly behind OECD countries in 2023 (34%). Only Chile, Colombia and Peru have narrowed their legislative bodies' gender gap by more than 10 p.p. in the last 4 years; in most countries the gap only narrowed marginally or remained the same. Only in Nicaragua and Mexico do women have 50% or more of the seats in congress or parliament (Figure 1.9).

Low levels of political representation amongst women can negatively affect their political participation and their perceptions of the legitimacy of public institutions, further deterring them from participating in decision making. The *2015 OECD Recommendation on Gender Equality in Public Life* calls on governments to consider measures to achieve gender-balanced representation in decision-making positions in public life by encouraging greater participation of women in parliaments and in all levels of government (OECD, 2016[21]). Policies such as gender quotas on electoral lists have had an impact in some countries. For instance, in 2015, Chile established a requirement that 40% of places on electoral lists should be for women, which partly contributed to improving parity (35%) in the 2022 Congress. This represented a significant increase, since in the 2018 Congress only 22.6% of seats were held by women, and much more rapid change than in previous electoral cycles, when the share held by women had been growing by only an average of 1.6 p.p. per electoral cycle.

Figure 1.9. Gender equality in legislatures and electoral gender quotas, 2019, 2021 and 2023
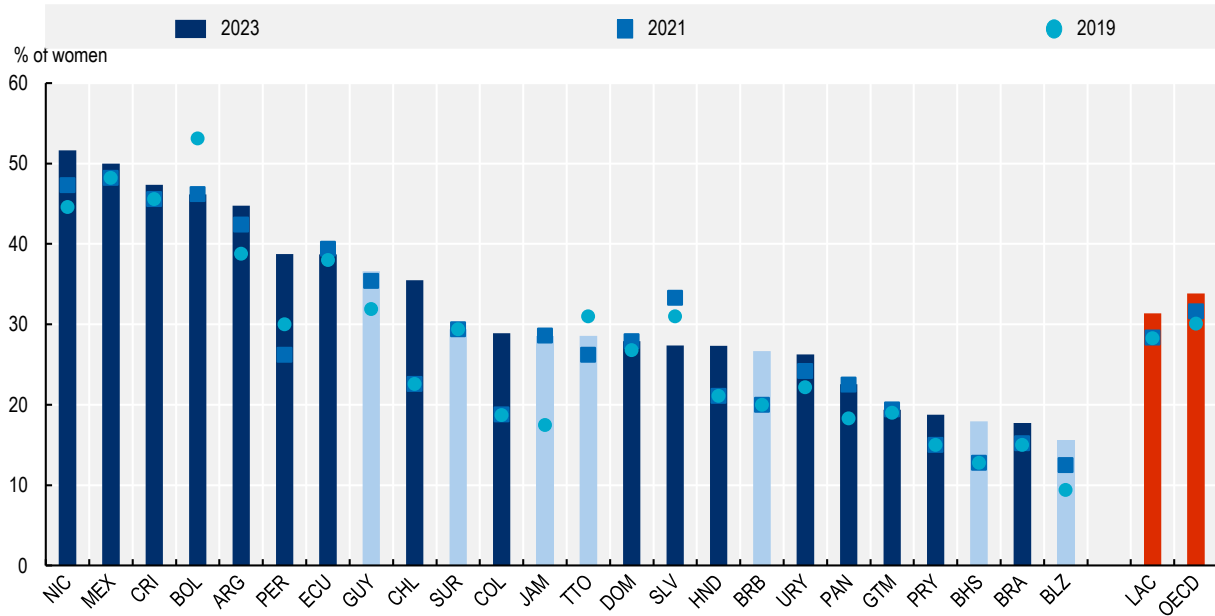
Note: Bars in light blue represent countries without electoral quotas in their lower or single house parliaments. Methodology: Data refer to the share of women parliamentarians recorded as of 1 February 2023. Percentages represent the number of women parliamentarians as a share of total filled seats.
Source: Inter-Parliamentary Union (IPU) PARLINE (database).

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Age diversity among legislators can also contribute to more robust democratic systems, ensuring representation of all age demographics. In 2023, only 27% of parliamentarians were less than 40 years old on average in LAC countries, even though 48% of the population in the region is aged between 20 and 40 years. Younger legislators bring in the voices and perspectives of a generation that will inherit and shape the future and could balance intergenerational interests in the green transition. The 2022 *OECD Recommendation on Creating Better Opportunities for Young People* advises countries to promote youth participation in civic and democratic processes and decision making, and representation in public institutions at all levels, including legislative and executive bodies (OECD, 2022[22]).

The gender gap in decision-making positions is also apparent in the public sector. Although, on average, there has been gender equality in public sector employment since 2011 in the LAC region, women were still under-represented at senior and middle-management levels in 2021, hindering their participation in strategic decisions and the implementation of public programmes. The Inter-American Development Bank (IDB) has conducted detailed research on women in leadership positions in LAC countries, showing that women tend to occupy lower-ranking positions within an organisation, which points to structural barriers that prevent them reaching more senior positions in the hierarchy. It argues that both "glass ceilings" and "sticky floors" remain significant barriers (Naranjo Bautista et al., 2022[20]).

Workforce diversity also extends to the inclusion of other under-represented groups, such as people with disabilities and indigenous peoples. Some LAC countries use tools to increase diversity and the participation of under-represented

groups in their public sector recruitment processes. For instance, 10 out of 15 surveyed countries allow recruitment processes to be adjusted to accommodate medical conditions or disabilities, while 6 countries use communication strategies to specifically attract under-represented groups. In addition to these policies, 10 of 15 LAC countries (67%) set targets or quotas to include people with disabilities in public workforce, and 4 have targets for indigenous peoples (Chapter 13). However, it is actual diversity in the public sector workforce, rather than just policies and quotas, that brings the benefit of a range of perspectives when implementing policies. Only Colombia meets its established legal quota for people with disabilities in the public sector (3.6%), which is set between 0.5 and 4% depending on the total number of jobs in each entity, while LAC countries overall reported that on average only 1.1% of public service employees were people with disabilities (Chapter 12).

Data on the implementation of diversity policies and quotas is often lacking, posing a significant challenge. This is a concern in LAC countries since they do not tend to collect or make public data about the number of people from under-represented groups in either their decision-making bodies or their workforce. Such lack of information hinders the evaluation of the effectiveness of policies. To address this gap, there is a pressing need for countries to develop transparent reporting mechanisms and comprehensive data collection strategies that encompass the full range of organisational structures, thereby enabling a more accurate understanding of the impact and success of diversity initiatives in the public sector.

### 1.2.3. Inclusive policy making

Countries are increasingly using practices to ensure that inclusion is systematically considered in policy making. Understanding the impacts of laws, regulations and policies on the full range of social groups is essential for promoting equity and fairness and building trust in government institutions. Further, poorly designed policies tend to have a disproportionate impact on under-represented groups, such as women, youth and marginalised communities. Inequality, structural barriers for certain groups and historical disadvantages can intersect in complex and dynamic ways to exacerbate the adverse effects of misguided decisions.

For example, infrastructure has traditionally been a male-dominated sector, leaving women with little or no say in investment decisions that affect their economic opportunities, day-to-day lives and well-being. Women and men have different needs and use infrastructure differently due to their specific social roles, economic status or preferences. In addition, poor infrastructure poses specific threats to women's safety and well-being. The issue of time poverty (i.e. when the time used for commuting or caring responsibilities leaves people with less time for pursuing personal goals and meeting their own needs) is one example of how infrastructure can have differentiated impacts by gender, but also by socio-economic background. Time poverty may deter women from entering (or re-entering) the labour force, lead them to accept lower-paid jobs or influence their choice to enter the informal sector, which might allow them more flexibility to provide care for family members. Recent studies have found women are more likely than men to leave their job due to a long commute. The conclusions suggest that women with an hour-long commute are 29.1% more likely to leave their current job than if they have a 10-minute commute, compared with 23.9% more likely for men (OECD, 2021[23]).

Despite the potential of using infrastructure policies to tackle gender inequality, out of 15 surveyed LAC countries, only Costa Rica, Mexico and Peru (20%) report that they have aligned their long-term strategic visions for infrastructure with inclusion and gender mainstreaming objectives (see Chapter 8). In comparison about one-third of OECD countries have aligned their long-term infrastructure plans with gender mainstreaming policies (OECD, 2021[23]).

Spending measures can affect different groups in society differently, and more countries are factoring these distributional impacts into their public expenditure and budget processes. The number of OECD countries using gender budgeting has doubled between 2016 and 2022 to 61% (OECD, 2023[12]), while 77% of LAC countries reported using it in 2022 (Figure 1.10). In Colombia, for example, the 2018-22 National Development Plan required the budget authorities to submit an annual report to the National Congress on the budget allocations aimed at guaranteeing the equity for women through tracking and monitoring how funds are allocated and spent (OECD, 2023[24]). However, there is room to improve the efficacy of gender budgeting in the LAC region. For example, they could make greater use of assessments of the gender impact of budget measures before they are brought forward. At present, only 20% of LAC countries practising gender budgeting systematically undertake gender impact assessments (see Chapter 6).

Figure 1.10. Existence of gender budgeting in LAC and OECD countries, 2022

A. LAC countries

B. OECD countries
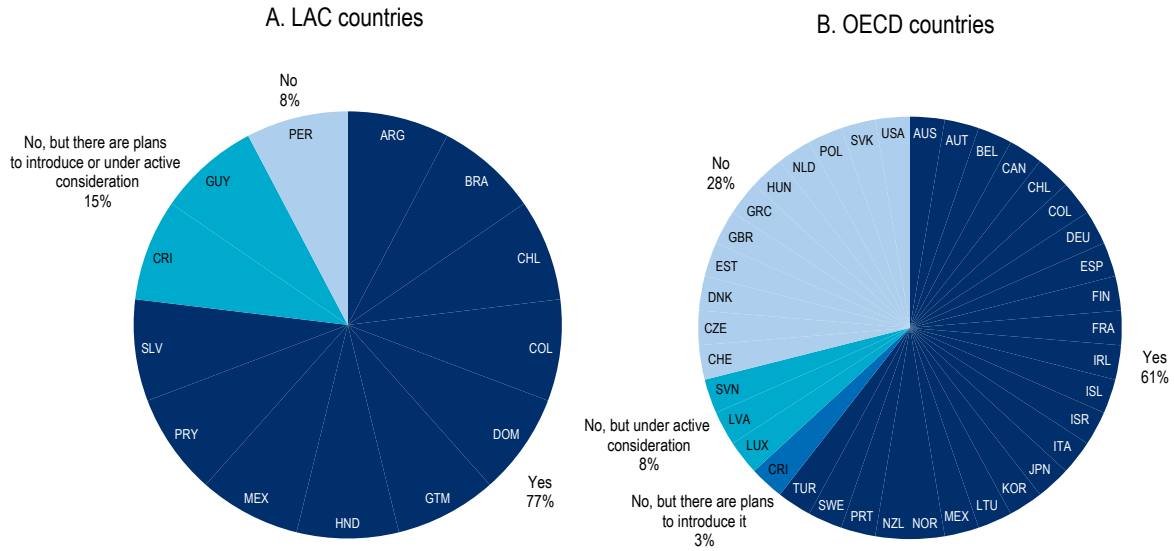
Source: IDB-OECD (2022), Survey on Gender Budgeting; OECD (2022), OECD Survey on Gender Budgeting.

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1.3. Reinforce key competencies to deliver sustainable and inclusive growth

Governments need to reinforce key public governance competencies if they are to address the climate crisis. They must remain responsive to the needs of their citizens and provide reliable help in the event of shocks. This section highlights some of these competencies: ensuring strategic policy coherence; greater use of data, technology, and evidence in policy making; building more resilient public finances; and, most importantly, developing and maintaining the right skillsets among public service workers and managers to lead a fair and just transition towards a greener economy.

1.3.1. Policy coherence and co-ordination for an evidence-based green transition

Co-ordinated and integrated policies are crucial to achieving a fair green transition in the LAC region. Policy makers need to work strategically and achieve high levels of co-ordination across sectors and levels of government to ensure a coherent public governance agenda that can support this transition. As the *OECD Recommendation on Policy Coherence for Sustainable Development* (OECD, 2019[25]) identifies, this integrated approach will need to balance economic, social and environmental trade-offs while also leveraging policy spillovers across different policy fields. Colombia's Multistakeholder Platform (Plataforma Multiactor), developed by the National Planning Department, is a concrete example of the kind of tool that can be used to achieve policy coherence by engaging the relevant stakeholders. This platform brings together civil society's contributions to achieving the Sustainable Development Goals (SDGs) across regions.

Whole-of-government policy co-ordination and regulatory and policy coherence are critical because they signal to different stakeholders – including public entities, the market and citizens in general – the need to mobilise resources to achieve priority public policy objectives. For instance, one of the key roles of governments is to design and deliver policies and investments to tackle environmental risks. By doing so, they set expectations and provide guidance for the private sector and civil society to adapt to the new green solutions and outcomes. Having a coherent regulatory framework, and certainty over the rules and their long-term permanence, are fundamental if the private sector is to successfully participate in the green transition. Since efforts developed in silos can lead to unsustainable solutions, governments should use systemic approaches to support coherence across policy areas and build consensus around the need for concerted action (OECD, 2022[15]). For example, if stakeholders are not aligned with the need to mitigate carbon emissions, they may resist reforms that require them to adapt their practices and invest in greening their operations. Conversely, the widespread adoption of green practices not only sets an example for others but also offer consumers the option to avoid products and services that do not meet their expectations.

Similarly, whole of government policies on public procurement and the development of sustainable infrastructure projects could contribute to setting an example towards a green transition.

In this context, the centre of government (CoG) could play a critical role in making sure that various sectors such as energy, transport, agriculture and environmental protection take a holistic approach to the green transition. The majority of CoGs in the LAC region report being responsible for policy co-ordination; however, the type and depth of mechanisms they use to do so vary widely. The most common practices are regular cabinet meetings or ad hoc cabinet discussions. More advanced mechanisms, such as joint cross-ministerial targets and shared delivery plans are only used by a few countries (Argentina, Costa Rica, Paraguay and Peru) (Figure 1.11). Strengthening co-ordination on issues that cut across multiple sectors is key to tackling a multi-dimensional long-term policy challenge like the green transition. The COVID-19 pandemic showed what was possible: in a process led by the centre of government, countries were able to pool public health expertise and reallocate resources to address key issues. This could provide lessons on how to address other pressing issues such as climate change.

Figure 1.11. Main mechanisms used by the centre of government to co-ordinate policies, 2022
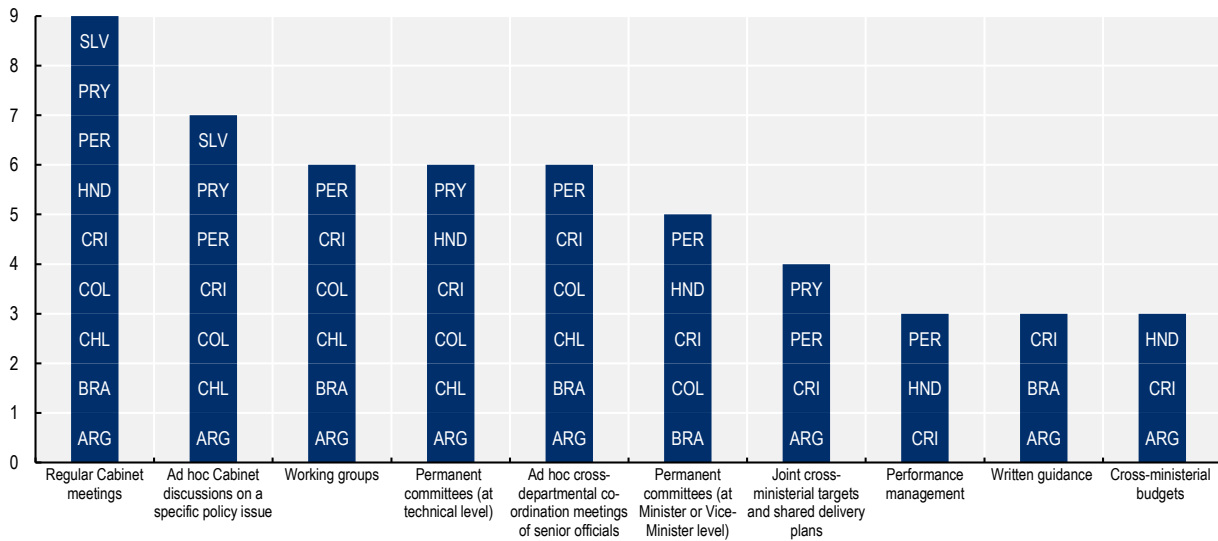
Source: OECD-IDB Centres of Government Survey 2022.

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A whole-of-government approach also requires a greater focus on preparedness. Lack of preparedness to cope with severe climate events may exacerbate their impact, not just on the population's well-being or access to services, but by increasing political disenchantment, particularly among the most vulnerable. In this context, CoGs can contribute by strengthening strategic planning to support the green transition. Although CoGs in five out nine surveyed some LAC countries are responsible for national risk assessments and scenario planning, more could be done to ensure that these are enshrined in long-term strategies. Tools such as dashboards to monitor the implementation of policy priorities or specific support to executing ministries, are not commonly used in the LAC region (see Chapter 3).

1.3.2. Leveraging the generation of data for evidence-based policy making

The rapid pace of change in today's world demands constant updates and adjustments to policy decisions, making it imperative to keep data current and relevant. In an era of increasingly complex challenges, ranging from natural disasters to global pandemics, the ability to collect, analyse and act upon relevant data is essential. Data are vital for crafting effective strategies that can address societal challenges and drive positive change. These approaches enable governments and organisations to anticipate potential crises, allocate resources efficiently, tailor interventions based on real-world insights, and foster a more adaptive and secure future for all.

Reliable data and connected and integrated information systems are the cornerstone of a broader culture of evidence-based policy making and policy implementation. However, the governance of data is still a challenge for many governments. Among nine surveyed countries in the LAC region, for example, only Argentina, Chile and Peru give their CoGs exclusive responsibility for data governance, while in Colombia, responsibility is shared with another agency (see Chapter 3). The management of data during the COVID-19 pandemic has shown that there is room for CoGs to strengthen their role in data governance and monitoring functions (see Box 1.2).

### Box 1.2. Real-time monitoring during the COVID-19 pandemic

At the onset of the COVID-19 crisis, most governments in LAC countries established some form of performance dashboard and regular (often daily) updates to inform the decision-making processes of government leaders. In different countries and at different times during the pandemic, these dashboards typically included a combination of input indicators (e.g. availability of ventilators, protective equipment), process indicators (e.g. number of PCR tests applied, vaccines distributed), output indicators (e.g. bed occupancy rates, intensive care occupancy rates, vaccination rates) and outcome indicators (e.g. number of cases, positivity rates, number of deaths). They might also include other leading indicators from different sectors (e.g. traffic mobility rates, viral loads in wastewater that could predict subsequent changes in the other indicators) and on other relevant policy areas, such as economic activity or employment. These included the use of real time predictions through nowcasting tools to capture the rapid variations produced by the pandemic and policy decisions.

While this certainly represented an advance in the use of data to inform policy decisions, the pandemic also exposed some of the challenges of using existing information systems to properly feed decision makers with real-time inputs from automated processes:

- lack of governance frameworks and the technology infrastructure needed to integrate different types of health data
- differences in definitions, methodologies or platforms making interoperability difficult across data sources
- insufficient coverage of personal electronic health records
- lack of regulation on confidentiality
- lack of capabilities to analyse data.

Source: Adapted from IDB (2023), The Centre of Government, revisited: a decade of global reforms / Ray Shostak, Martín Alessandro, Patrick Diamond, Edgardo Mosqueira, Mariano Lafuente

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Well-designed, evidence-based regulations, making use of already existing data, can level the playing field, foster innovation and protect vulnerable groups, contributing to a stable and sustainable economic environment. Regulatory impact assessments (RIAs) aim to use evidence and data to clearly identify policy goals, assess different alternatives to addressing problems, and determine the most effective and efficient way of achieving those goals. All OECD countries have already adopted some form of RIA. While this approach is gaining traction in LAC countries for the development of regulations initiated by the executive, in practice, not many countries do so systematically (Figure 1.12). Achieving policy coherence on sustainability has to be a horizontal effort for administrations; policy makers need to embed environmental considerations, such as climate and biodiversity, into their regulatory impact assessments (OECD, 2023[26]). Increasingly, OECD countries are formally requiring policy makers to consider the environmental impacts of regulations (OECD, 2021[27]). In the LAC region, Chile and Mexico require policy makers to consider the environmental and sustainability impact of alternative policy options but in LAC and OECD countries alike, the inclusion of these considerations is not yet a widespread or systematic practice (OECD, 2023[26]).

Figure 1.12. Requirement to conduct RIA and RIAs conducted in practice, 2015, 2019 and 2022
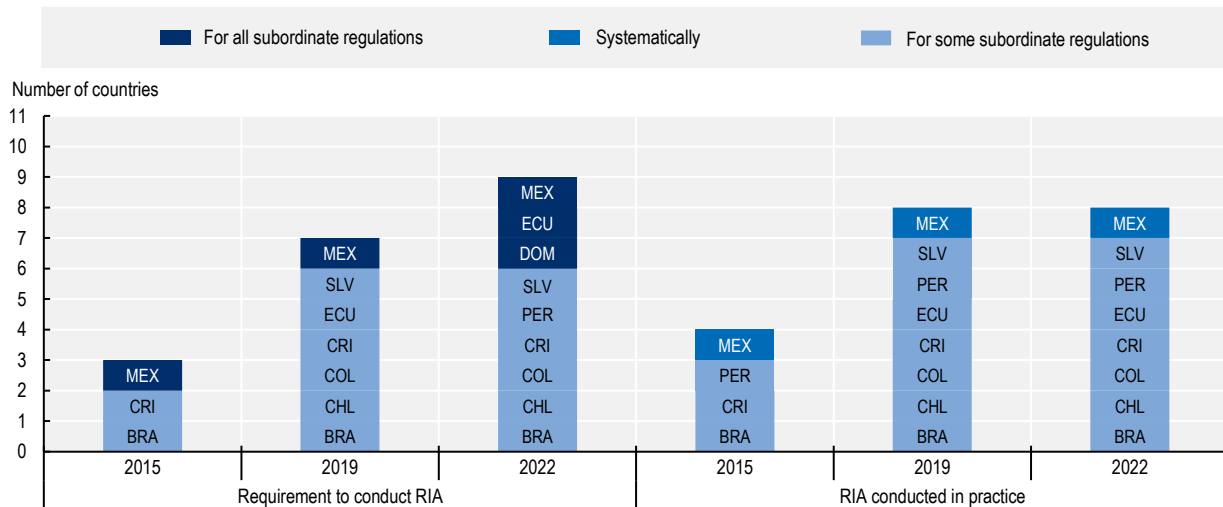
Source: iREG OECD-IDB 2022; iREG 2020.

### 1.3.3. Resilient public finances

Governments need credible public financial management frameworks if they are to build trust in their budgetary governance and maintain enough fiscal space to be able to invest in policy priorities and finance crisis responses when needed. After the severe economic downturn caused by the COVID-19 pandemic in 2020, Latin American and Caribbean countries experienced a robust recovery in 2021. However, this slowed down in 2022 due to the adverse global economy, rollbacks of fiscal and monetary stimulus packages, weak projected growth, and inflationary pressures which prompted increases in interest rates by central banks (OECD et al., 2022[2]). The economic growth outlook in the region remains low (Beylis et al., 2023[28]). This may make it harder for governments to improve social conditions, strengthen their fiscal positions and promote long-term inclusive growth (Galindo and Nuguer, 2023[29])

As elsewhere, the COVID-19 pandemic tested the flexibility of fiscal frameworks in the LAC region. LAC countries joined many OECD countries in resorting to the use of contingency and extra-budgetary funds, supplementary budgets, and other measures including loans and resource readjustments. Responses to the pandemic within the region were not homogeneous and were influenced by different institutional realities and the tools available (see Chapter 6). However, in most cases, issues of new debt formed part of the mix, substantially increasing the region's debt levels from 46.0% of GDP in 2013 to 66.3% of GDP in 2022 (see Chapter 10).

Fiscal rules are one of the most common tools countries use for ensuring fiscal discipline while leaving room to tackle unforeseen circumstances. Twelve LAC countries have fiscal rules, with the most common being fiscal balance and debt rules (Cardenas et al., 2021[30]). In these countries, the fiscal reactions to the COVID-19 pandemic were broadly consistent with their fiscal responsibility frameworks. Most countries resorted to existing escape clauses or built-in adjustments for cyclical factors. However, Colombia, Paraguay and Peru temporarily suspended their fiscal rules, while Chile and Mexico revised their fiscal targets for 2020 (IMF, 2020[31]).

 In a context of substantially increased debt levels, which leave limited fiscal room for manoeuvre, governments could make more effective use of budgeting and public financial management processes to address the climate crisis (see Chapter 10). Only 5 of the 12 surveyed LAC countries (Chile, Colombia, the Dominican Republic, Honduras and Mexico) use green budgeting mechanisms (42%) compared to 67% of OECD countries; another 5 countries are considering their use (Figure 1.13). The LAC countries that do use green budgeting have put the enabling environment and required institutional arrangements in place. However, there is scope to improve the adoption of tools and methods for green budgeting, and to increase accountability and transparency by also engaging civil society in its monitoring (see Chapter 6). Most OECD countries that apply green budgeting have adopted transparency and accountability measures to guide public institutions in achieving green objectives. For example, France and Italy prepare green budget statements as part of each government budget to demonstrate how it is coherent with their green goals (OECD, 2022[15]).

Figure 1.13. Existence of green budgeting in LAC and OECD countries, 2022

A. LAC countries
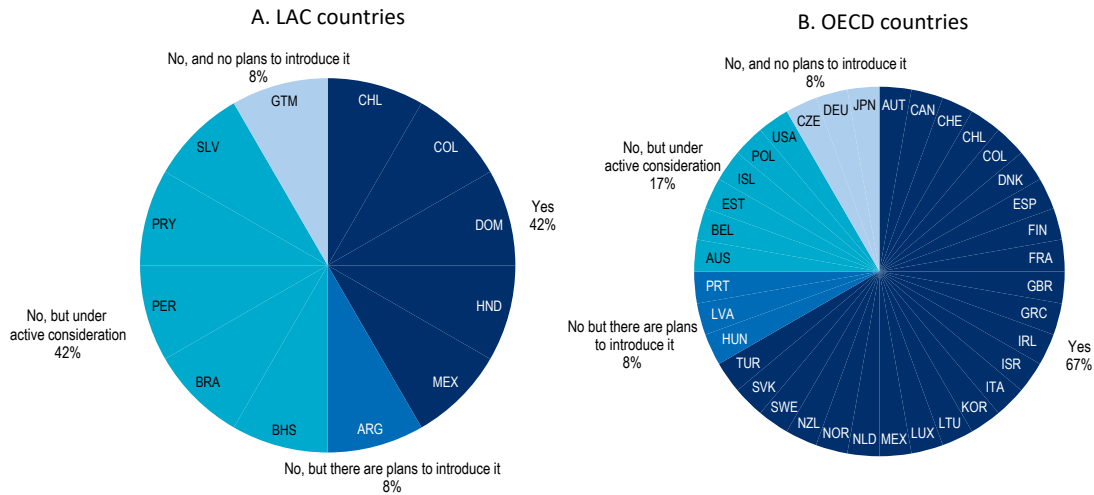
B. OECD countries

Source: OECD-IDB (2022), Survey on Green Budgeting; OECD (2022), OECD Survey on Green Budgeting.

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As well as expanding the use of green budgeting mechanisms in the LAC region, countries should also pay attention to increasing their effectiveness. Governments need to adopt methodologies to assess environmental effects and use modern multi-annual budgetary frameworks linked to strategic planning, to ensure that sufficient resources, time and expertise are provided, as well as ensuring that there is political support to the deployment of this kind of tools (OECD, 2022[15]).

Governments could also enhance the resilience of their public finances in the face of major and severe climate-related events. In 2022, natural disasters, many driven by climate change, are estimated to have caused economic losses of USD 313 billion globally (AON, 2023[32]). Budgetary frameworks for emergencies should allow funds to be rapidly reallocated to cover immediate post-disaster needs. For example, Colombia has financial strategies that use budget reallocations as a tool to finance foundational components of a system or network (lower-layer risks) and to meet needs in the aftermath of a climate-related disaster.

1.3.4. Planning and delivering resilient public infrastructure

Infrastructure governance plays a critical role in combatting the climate crisis and ensuring continuity of service in the event of climate-related and other shocks. Infrastructure assets and operations will be increasingly exposed to the impacts of climate change, directly affecting public service provision. Different studies attribute 50-70% of GHG emissions to infrastructure (OECD/The World Bank/UN Environment, 2018[33]). Developing reliable, sustainable and resilient infrastructure will require the realignment of the infrastructure planning and delivery processes.

Out of 15 LAC countries surveyed, only Brazil (Box 1.3), Chile, Costa Rica and Peru (27%) explicitly align their long-term strategic vision for infrastructure with their environmental or climate action plans (Figure 1.14). In contrast, 73% of OECD countries align their long-term infrastructure plans with environmental and climate action policies (OECD, 2022[15]).

> **Box 1.3. Linking the strategic vision for infrastructure with green objectives in Brazil**
>
> The Minister of Economy in Brazil has been working to integrate green objectives into its long-term infrastructure plan. For example, the infrastructure plan incorporates efforts to conserve and restore natural habitats. This involves measures to protect forests, rivers, and biodiversity, recognising their importance in mitigating climate change and maintaining ecological balance. It also integrates resilience and adaptation into the design of projects through measures to withstand natural disasters like floods and storms and includes the use of green infrastructure such as permeable pavements and green roofs. Finally, the economic forecasts generated by the Ministry and transferred to sectors for their sectoral plans consider anti-deforestation rules and the impact of climate change on agricultural productivity.
>
> Source: Information collected through the OECD Infrastructure Governance Survey.

Figure 1.14. Alignment of a long-term strategic vision for infrastructure with sustainability, 2022
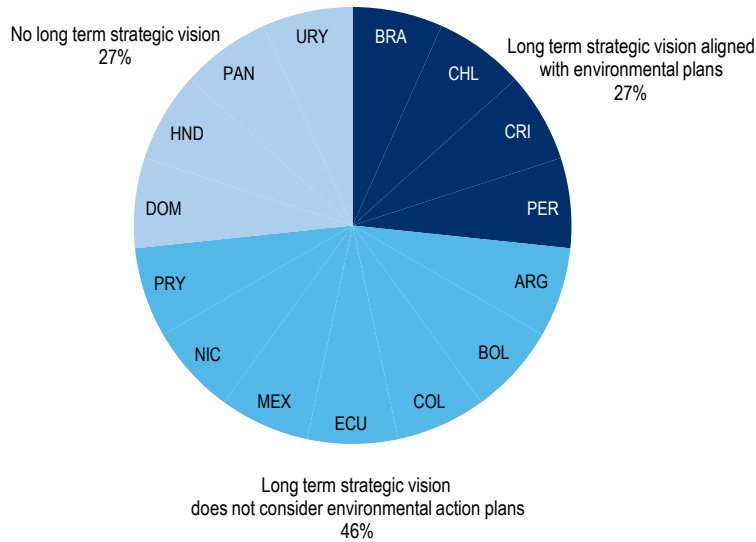
Source: 2022 IDB-OECD Survey on the Governance of Infrastructure.

StatLink 🖳 https://stat.link/jgm1wi

LAC countries could do more to harness the greening of infrastructure to strengthen their commitments to long-term climate goals, international benchmarks and other environmental objectives. Even though increasing numbers of countries in the region are using tools to assess environmental considerations in infrastructure projects, challenges remain (CEPAL, 2023[34]). Existing challenges include establishing environmental criteria to select infrastructure projects; delivering, operating, maintaining, upgrading and retiring infrastructure assets in ways that reduce carbon emissions and the environmental footprint; and influencing behaviour to opt for sustainable alternatives (OECD, 2022[15]). For example, 22 out of 32 OECD countries surveyed (69%), have goals related to investing in infrastructure projects that are key to promote sustainability and 19 (59%) aim for cross-sector synergies to avoid duplication and minimise negative environmental impacts (OECD, 2023[35]) . The United States, for example, took various steps to ensure that the resources passed under the Infrastructure Investment and Jobs Act are applied in ways that are consistent with environmental priorities (see Box 1.4).

> **Box 1.4. Guiding infrastructure investment to ensure coherence with sustainability objectives in the United States**
>
> The United States has taken several actions to ensure that the USD 1.2 trillion passed in the Infrastructure Investment and Jobs Act is effectively implemented and meets sustainability objectives:
>
> - Steering mechanisms: An executive order set six implementation priorities, including for infrastructure that is climate resilient and which helps address the climate crisis. An Infrastructure Implementation Task Force established by executive order and led by a newly appointed White House Infrastructure Implementation Coordinator, provides guidance from the centre of government, alongside the heads of six federal agencies.
> - Strengthening project alignment: Given that the vast majority of infrastructure investment is implemented at the state level, infrastructure co-ordinators have been appointed in all of them to work with the Task Force.
> - Capacity building: The reinforced implementation effort has resulted in guidance produced by the Office of Management and Budget (OMB) for ministries and agencies. The federal government is hiring to fill over 8 000 essential and mission-driven roles to implement the law including engineers and scientists to combat climate change.
>
> Source: OECD (2022), *Infrastructure governance for green and climate-resilient infrastructure,* report discussed during the September 2022 meeting of the Working Party of the Leading Practitioners on Public Procurement (LPP).
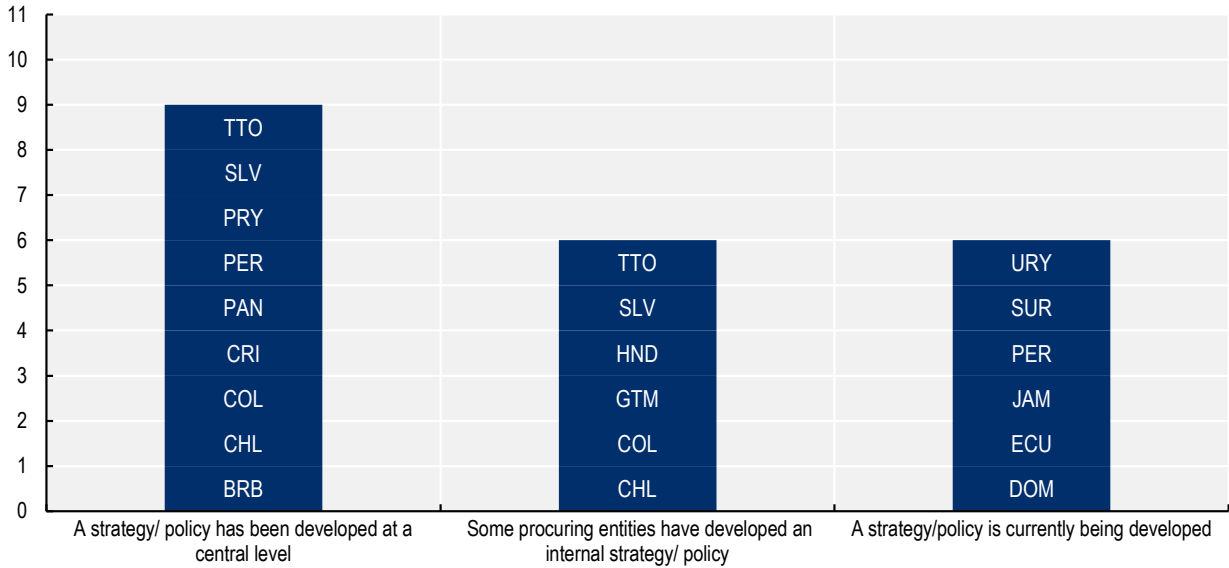
1.3.5. Using procurement practices to promote sustainability

Public procurement in the LAC region accounted for 6.6% of GDP and 17.4% of government expenditure in 2021. The size of this expenditure means that governments can leverage strategic public procurement to nudge public entities and suppliers to promote sustainable production practices and supply chains.

Green public procurement (GPP) (i.e. public purchasing of products and services which are less environmentally damaging when their whole life cycle is taken into account) is used by some LAC countries to achieve policy objectives in the area of environmental protection. Out of 19 surveyed LAC countries, 9 (47%) have strategies or policies on GPP in place at the central level (Figure 1.15). In contrast, among OECD countries, all 32 surveyed countries have an active GPP framework (OECD, 2023[12]). However, having a GPP policy or strategy is not sufficient to ensure that environmental considerations are embedded into public procurement. Out of 19 surveyed LAC countries, only Panama's central procurement authority integrates GPP as an award criterion all the time (see Chapter 7).

One common challenge in implementing GPP is that it risks overloading procurement with policy objectives on top of its primary objective of achieving value for money. One way to prioritise the use of such objectives is to understand the importance of the potential and actual contribution public procurement makes to the attainment of that objective (be it economic, social or environmental). Other challenges include the perception that green products and services may be more expensive than conventional ones; a lack of technical knowledge among procurement officials on integrating environmental standards into the procurement process; and, the absence of monitoring mechanisms to evaluate whether GPP has achieved its stated goals (OECD, 2015[36]).

Figure 1.15. Strategic public procurement to pursue green objectives, 2022

A strategy/ policy has been developed at a central level	Some procuring entities have developed an internal strategy/ policy	A strategy/policy is currently being developed
TTO		
SLV		
PRY		
PER	TTO	URY
PAN	SLV	SUR
CRI	HND	PER
COL	GTM	JAM
CHL	COL	ECU
BRB	CHL	DOM

Source: IDB-OECD (2022), Survey on the Implementation of the 2015 OECD Recommendation on Public Procurement.

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### 1.3.6. Skills and management in the public service

Capable public servants are the backbone of effective governance, as they are responsible for designing policies and translating them into tangible actions that drive social progress. Their roles range from policy formulation to service delivery, and their effectiveness greatly influences the outcomes of public initiatives. The strategic significance of the professionalisation of the public service, competitive selection processes, and continuous learning and capacity building cannot be overstated in ensuring that public servants' efforts are directed towards inclusion and sustainability. The capabilities of senior level civil servants are particularly important in steering public sector organisations through uncertainty, transforming public administrations in the right direction and delivering value to citizens (OECD, 2023[37]).

Public sector employment accounted for 11.6% of total employment on average in the LAC region in 2022, compared to 20.8% on average across OECD countries (see Chapter 12). Public employment systems in the region remain heavily career-based, characterised by competitive selection to enter the civil service and corps-like careers. In such systems, senior civil service positions may often only be filled by existing civil servants. While this type of system helps to develop a professional, independent and merit-based public service, it can also limit the ability of administrations to adapt to changing circumstances and attract or retain different skillsets and competencies. In recent years, several countries – including Brazil, Chile and Colombia – have sought to make their public service more flexible and forward looking. For instance, Brazil has made efforts to promote mobility within careers to strengthen the professionalisation of the civil service and development of capacities (OECD, 2023[37]). However, the region's public employment still lags behind OECD countries in developing a civil service with the autonomy, professionalism and capacity needed to enhance public sector efficiency and innovation, and increase policy effectiveness (Salazar-Morales and Lauriano, 2021[38]). Merit-based recruitment and promotion for the most senior levels of the civil service could also be strengthened in the region (Gerson, 2020[39]).

Forming a diverse body of qualified civil servants aligned with their governments' sustainable and inclusive goals means attracting and retaining professionals with the right skills. This entails positioning the public service as an employer of choice, informing employment policies based on what attracts and retains skilled employees, providing adequate remuneration and equitable pay, and proactively seeking to attract under-represented groups and skill sets (OECD, 2019[40]). The OECD has developed a composite indicator on the use of proactive recruitment practices to attract candidates with the skills needed. The index measures, among other things, the use of tools to attract talented candidates, including the deployment of communication strategies through diverse channels. According to this index, there is substantial room for LAC countries to improve their use of public service recruitment techniques (Figure 1.16). For example, they could strengthen their use of targeted recruitment campaigns, widen the use of headhunting or speed up hiring processes for those with skills in high demand (see Chapter 13).

Figure 1.16. Index on the use of proactive recruitment practices, 2022

Score from 0 (minimum) to 1 (maximum)
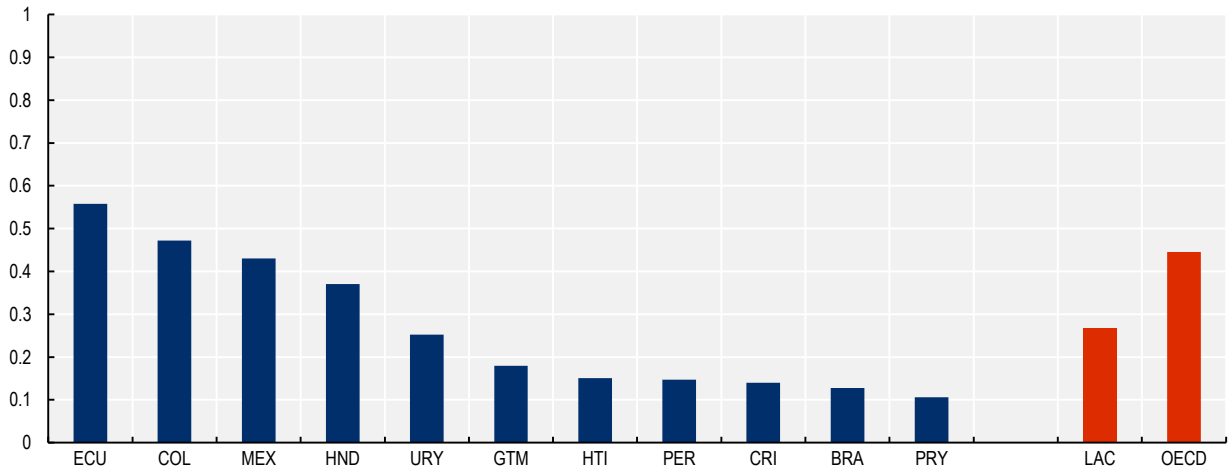
Note: Average for OECD is from 2020 instead of 2022. The composite index is made up of the following aspects of proactive recruitment: 1) benefits highlighted in recruitment material; 2) policies to attract more and better candidates with in-demand skills; 3) the use of methods to determine what attracts skilled employees; 4) adequate pay systems to attract good candidates; and 5) use of actions to improve the representation of under-represented groups.
Source: OECD-IDB (2022), Public Service Leadership and Capability Survey; OECD (2020), Public Service Leadership and Capability Survey.

StatLink ⧉ https://stat.link/yanvxh

As well as strengthening their recruitment practices, countries need to support a learning culture in the civil service, to develop the skills needed to keep up with the fast-changing nature of work. For instance, 13 out of 14 LAC countries (93%) report providing training to their public servants on access to information and 9 provide training on stakeholder participation (64%) (see Chapter 4). However, only 5 out of 19 countries (Chile, Colombia, Haiti, Panama, and Trinidad and Tobago) have mandatory training for public procurement officials, as part of their efforts to ensure officials to have adequate competencies (see Chapter 7).

Senior level public servants are a special category of public servants, as they play an important role at the interface between the political level and professional operations in public administrations. However, most LAC countries do not use a specific framework for senior public management positions, and 14 out of 15 countries surveyed do not identify potential senior managers or encourage career mobility (see Chapter 13). Advancing the development of such frameworks would allow administrations to identify potential senior level public servants and develop their leadership capabilities, as well as those of current senior public servants. This would help prepare these public officials to support fast-moving political agendas, manage and transform vast public organisations, motivate and inspire their workforces, and be accountable for results.

Developing professional and leadership competencies is also linked with the need to professionalise the public service and maintain its relevance in the face of evolving challenges. There are specific public sector areas where governments are making effort to professionalise the public service, as is the case with public procurement. Public procurement is recognised as a profession in 13 out of 33 OECD countries (39%), but only in 2 out of 19 LAC countries, Paraguay and Trinidad and Tobago (10%) (see Chapter 7).

1.4. Protect against risks of corruption and lack of integrity

Maintaining effective public integrity rules to reduce the risk of corruption, as well as undue influence and policy capture, combined with strong accountability and oversight, are key to sustainable well-being and democratic governance. In times of crisis, it is particularly important for democratic systems to safeguard themselves against the dangers posed by corruption and lack of integrity, which can undermine the public's confidence in government institutions (OECD, 2023[12]) and deepen threats to social cohesion. In 2023, 72% of people in LAC believed that a few powerful groups were governing their countries for their own benefit (Latinobarometro, 2023[41]). This section presents the key actions governments need to take to promote integrity and transparency, and for the effective oversight needed to hold the public sector accountable for its actions.

1.4.1. Integrity and anti-corruption

Corruption is a primary obstacle to good public governance. It undermines government efficiency by influencing the decisions of public and private actors. Public perceptions of corruption remain high in the LAC region. As of 2023, 75.5% of respondents in the LAC region felt that corruption was widespread in government in their country, compared to 53.6% on average among OECD countries, according to the Gallup World Poll (Figure 1.17).

Figure 1.17. Perceptions of corruption in LAC and OECD countries, 2013 and 2023
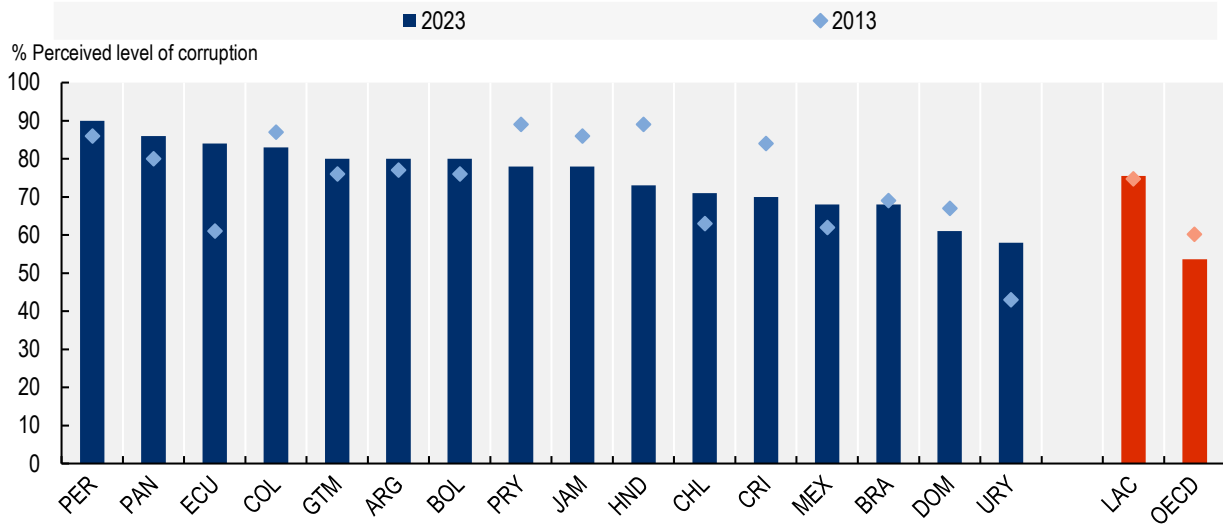
Note: The perceived level of corruption is measured by the Gallup World Poll. It shows the share of respondent that answer positively to the question: "Is corruption widespread throughout the government in this country, or not?"
Source: Gallup World Poll 2023 (database).

StatLink https://stat.link/wyx5lg

Public integrity plays a key role in enhancing productivity, reducing inequalities and bolstering the capabilities of the public sector (OECD, 2018[42]). To protect themselves from corruption and promote integrity, governments need to have policies in place that ensure accountability in decision-making processes, promote transparency in political finance and election processes, reduce conflict of interest among public officials, and maintain clear and fair lobbying procedures. It is particularly important for the public institutions responsible for green governance to adhere to integrity and transparency standards. Not only because this will ensure the legitimacy and increase acceptance of their policies, but because the effects of undue influence in green policies, decision making and delivery will have particularly grave consequences for the communities most affected by climate change (OECD, 2022[15]).

Countries should take a co-ordinated and strategic approach to mitigating public integrity risks in the public sector, most notably corruption (OECD, 2017[43]). Some countries in the LAC region have opted for a single national integrity or anti-corruption strategy (e.g. Argentina, Colombia and Costa Rica), although strategic integrity objectives may be shared among several government documents owned by various authorities. In 2020, Colombia made it mandatory for all government entities at the national and subnational levels to adopt the national integrity code, which provides a consolidated framework for managing their operations and monitoring compliance with their functions. In 2023, Chile adopted the National Public Integrity Strategy, a strategy grounded in evidence and participatory methods design to enhance the levels of transparency, integrity and the fight against corruption. Six out of the seven LAC countries with available information have established strategic objectives for reducing fraud and other types of corruption across the public sector. Efforts to safeguard public integrity commonly focus on areas such as public procurement and human resource management. Only Argentina, Colombia and Costa Rica have strategies that also consider the private sector, publicly owned enterprises and public-private partnerships (Figure 1.18).

Figure 1.18. Areas with strategic objectives for mitigating public integrity risks, 2020

Source: OECD (2022), Public Integrity Indicators (database), https://oecd-public-integrity-indicators.org.

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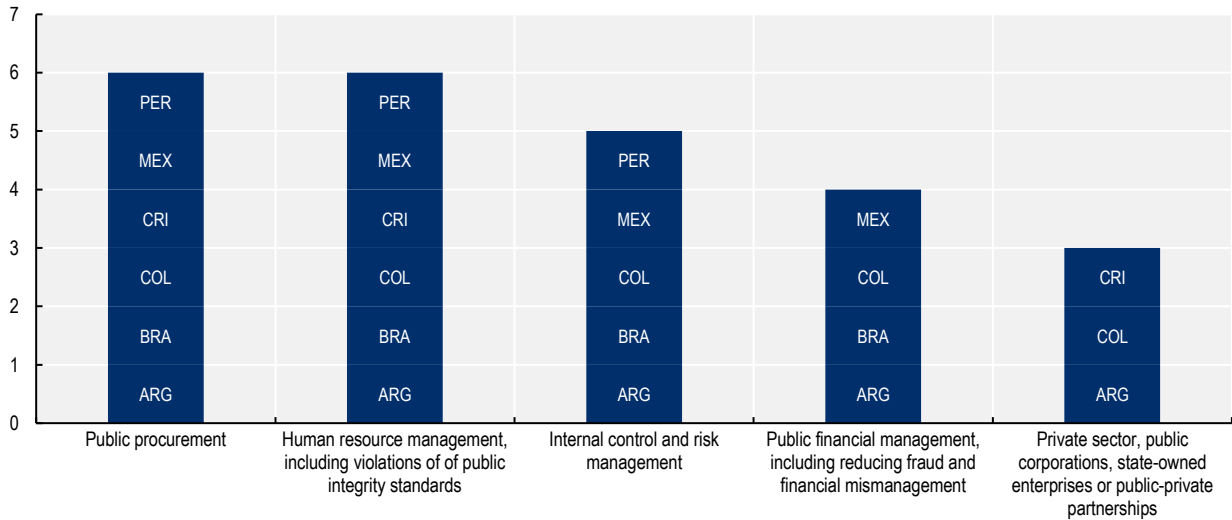
1.4.2. Transparency and oversight to protect against corruption

To safeguard the integrity of decision-making processes and service delivery, politicians and senior officials in government should prioritise transparency. They should openly disclose any affiliations that they may have with special interest groups that could influence public initiatives and policies away from the public interest. While four out of the six surveyed LAC countries have regulations defining situations of conflict of interests, and all six require public officials to submit declarations on conflict of interest, these regulations are not always implemented. Chile is the only LAC country with a 100% submission rate of interest declarations among members of the government over the last six years. Argentina is the only country that has imposed sanctions for non-compliance in conflict of interest situations over the past three years (see Chapter 3).

These concerns and threats to integrity also translate into potential conflicts of interest among public officials involved in green policy making. As the global community increasingly recognises the urgency of addressing environmental challenges, the decisions made in crafting green policies hold significant implications for the well-being of both current and future generations. Without robust conflict-of-interest regulations, there is a risk that public officials may prioritise personal or industry interests over broader environmental goals, compromising the legitimacy of the policy-making process. By implementing stringent measures, governments can uphold transparency, maintain public trust, and foster a regulatory environment that genuinely prioritises sustainable practices and the preservation of natural resources. One way to strengthen the regulations preventing conflict of interest around green initiatives, could be to require public officials involved in climate and environmental decision-making processes to make their meeting diaries public, as well as the topics addressed in these meetings (OECD, 2022[15]).

In designing and implementing policies, governments also need to engage diverse groups, including interest groups, and consider the impacts that policies will have or are having on them. In this context, engagement between interested stakeholders and government through lobbying and other influence practices is a common part of the democratic process (OECD, 2010[44]). However, public policies suffer when lobbying practices are not transparent or not regulated, and when interest groups monopolise influence, manipulate public opinion, sway government decisions and ultimately hinder the effective implementation of policies. This is particularly sensitive during discussions on climate policies where various economic sectors and industries have vested interests in the results of negotiations (OECD, 2022[15]).
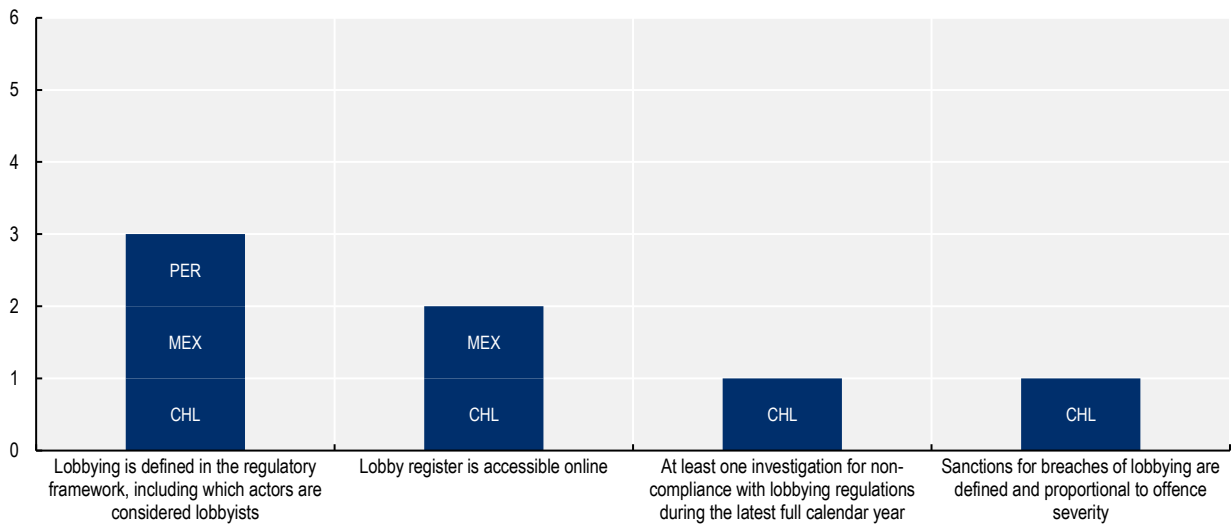
Regulations on lobbying activities enhances transparency in policy design, as they make it clear which activities are allowed or prohibited, how they should be disclosed and how they will be monitored. Only a few countries in the LAC region have lobbying regulations. For instance, Chile, Mexico and Peru define lobbying activities in their legal frameworks. Implementation of these policies is also lacking in the region: only Chile and Mexico have publicly accessible lobbying registers online (Figure 1.19).

To ensure that public servants comply with their legal responsibilities and deliver on their objectives in accordance with already established rules requires oversight, and eventual sanctions in the event of any breaches. The design and implementation of

effective oversight mechanisms involve creating clear channels for citizen engagement, establishing independent auditing bodies and using advanced technology for real-time monitoring. By integrating these mechanisms, policy makers can not only identify and rectify deviations from established policies promptly but also demonstrate their commitment to transparency and responsiveness in the policy making and service delivery processes. This proactive approach ensures that the public sector remains accountable and continuously strives to meet the expectations of the citizens it serves.

However, out of six surveyed countries, only Chile has a supervisory function in central government to monitor potential breaches in transparency over lobbying activities, or sanctions for breaches on lobbying regulations. Chile is also the only LAC country that has carried out any investigations into non-compliance with lobbying regulations over the past year or imposed any sanctions (Figure 1.19). This underscores the region's limited capabilities to monitor and sanction breaches of lobbying practices and regulations. To strengthen their control over lobbying practices, including those around green-related issues, LAC governments could require that lobbying disclosures include information on the objective of lobbying activities, their beneficiaries, the decisions targeted, and the types of practices used (OECD, 2022[15]). There are areas where oversight is becoming more commonplace in the LAC region, however. For instance, 10 out of 11 countries (3 more than in 2019) have oversight bodies in charge of supervising the work of policy makers by overseeing the quality of the rule-making process, including stakeholder engagement activities and how regulatory impact assessment are conducted (see Chapter 5).

Figure 1.19. Lobbying regulations, investigations and sanctions, 2022

Source: OECD (2022), Public Integrity Indicators (database), https://oecd-public-integrity-indicators.org.

Interest groups can also exert undue influence over public affairs if electoral campaigns and political parties are poorly regulated. All six LAC countries surveyed have regulations in place on electoral campaigns and political financing of political parties, which ban anonymous donations and require contributions to be registered and reported. Despite these regulations, however, political parties have only submitted their annual accounts on time during the past five years in Mexico, compared to in 54% of OECD countries over the same period. This shows the significant gap between rules and practice in this area across LAC countries (see Chapter 3).
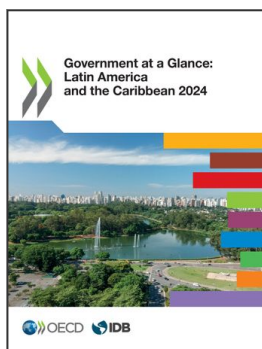
Integrity risks may be greater for some government activities, requiring a heightened focus on mitigation strategies, tools and resources. This is the case for public procurement and infrastructure projects, where risks of corruption are high due to the resources involved, the complexity of operations and rules, and the number of stakeholders involved. There are integrity risks at every stage of the infrastructure or procurement cycle. For instance, at the planning stage, conflicts of interest could influence procurement officials to argue for specific needs that are not really justified, or they could favour a specific bidder during bid evaluation, or ignore quality deficiencies in the goods or services procured during the contract management phase (OECD, 2016[45]). The most commonly used mechanisms by LAC countries to address conflicts of interest in public procurement are requiring officials to make mandatory declarations of no-conflict of interest and limiting public officials and political appointees from participating in public procurement opportunities (14 out of 19 countries, 74%), and conducting all infrastructure procurement processes online to foster transparency (8 out of 15 countries, 53%). However, only Uruguay has incentives for officials to prevent bids from being rigged to favour one bidder (see Chapters 7 and 8).

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