

How Do Subnational Governments Contribute to Territorial Development? An Exploratory Analysis of Public Goods and Services Provided by Uruguay's Departmental Governments

¿De qué Manera los Gobiernos Subnacionales Aportan al Desarrollo Territorial? Un Análisis Exploratorio a los Bienes y Servicios Públicos que Proveen los Gobiernos Departamentales de Uruguay

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Abstract

This article analyses the contribution of subnational governments to territorial development through the study of public goods and services provided by Departmental Governments in Uruguay. Although they execute only around 10% of the national budget, they hold significant responsibilities in areas such as land use, local transportation, and primary healthcare. However, their actual capacity to influence development varies across departments.

Based on the Regional Development Index for Uruguay, this study develops a pilot methodology to construct the Local Public Goods and Services Provision Index, composed of two dimensions: the degree of autonomy with which Departmental Governments provide public goods and services, and the budgetary priority assigned to different dimensions of development. The methodology is applied to two case studies—Rivera and San José—selected due to their differing levels of development.

The results show a strong correlation between higher levels of autonomy in local public goods and services provision and improvements in territorial development indicators, particularly in social cohesion and economic activity. It is concluded that effective autonomy, even with limited resources, could be a key factor in promoting more equitable territorial development. The approach requires further validation in future research.

Keywords: Territorial Development; Subnational Governments; Public Goods and Services; Mixed-Methods Approach, Uruguay.

JEL Codes: H40, H72, H75, H76.

Resumen

Este artículo analiza el aporte de los gobiernos subnacionales al desarrollo territorial a partir del estudio de los bienes y servicios públicos provistos por los Gobiernos Departamentales en

Uruguay. Si bien estos ejecutan solo cerca del 10% del presupuesto nacional, tienen responsabilidades relevantes en áreas como uso del suelo, transporte local y salud primaria. No obstante, su capacidad real para incidir en el desarrollo es desigual entre departamentos. A partir del Índice de Desarrollo Regional para Uruguay, este estudio desarrolla una metodología piloto que permite construir el Índice de Provisión Local de Bienes y Servicios Públicos, compuesto por dos dimensiones: la autonomía con que los Gobiernos Departamentales proveen bienes y servicios públicos y la prioridad presupuestal asignada a distintas dimensiones del desarrollo. La metodología se aplica en dos estudios de caso—Rivera y San José—elegidos por sus distintos niveles de desarrollo. Los resultados muestran una fuerte correlación entre altos niveles de autonomía en la provisión local de BSP y mejoras en los indicadores de desarrollo territorial, especialmente en cohesión social y actividad económica. Se concluye que la autonomía efectiva, incluso con recursos limitados, podría ser un factor clave para promover un desarrollo territorial más equitativo. El enfoque requiere validación en futuras investigaciones.

Palabras Clave: Desarrollo Territorial; Gobiernos Subnacionales; Bienes y Servicios Públicos, Métodos Mixtos; Uruguay.

Códigos JEL: H40, H72, H75, H76.

1. INTRODUCTION

Uruguay exhibits significant territorial disparities in development, particularly between the more prosperous southern coastal departments and the relatively less developed central and northeastern regions (Rodríguez Miranda & Vial, 2021). National evidence suggests that these disparities are strongly associated with differences in the effective management capacities of Departmental Governments (DGs). In this context, decentralization processes have the potential to foster convergence in territorial development, provided they are accompanied by efficient and autonomous subnational governance (Muinel-Gallo & Rodríguez Miranda, 2014; Muinel-Gallo & Rodríguez Miranda, 2019). This argument aligns with a growing body of international research, which indicates that weaker institutional quality and limited subnational capacities are often correlated with poorer regional development outcomes (Hernández et al., 2022; Kyriacou et al., 2017; Iddawela et al., 2021; Filip & Setzer, 2025).

Despite executing only around 10% of the national budget (Muinel-Gallo et al., 2019), Uruguay's DGs have a central role in specific policy areas such as land use planning, public transportation, and primary healthcare services (Goinheix & Freigedo, 2019). This limited fiscal weight is consistent with broader regional patterns, where subnational expenditure in Latin America increased from 13% to 25% between 1985 and 2015, although Uruguay remains at the lower end of this trend (Eguino & Radics, 2018). Although formal competencies are uniformly assigned across departments, considerable differences persist in their ability to exercise these functions autonomously, as documented by the Local Autonomy Index for Uruguay (Goinheix & Freigedo, 2021).

This paper seeks to analyze the extent to which DGs contribute to territorial development through the provision of PG&S. To this end, we propose an experimental mixed-method approach, applied as a pilot in two departments, aimed at developing the Local Public Goods and Services Provision Index (LPI-PGS). This index comprises two components: one measures the degree of autonomy in the provision of PG&S, and another capturing the relative budgetary prioritization of each development dimension. The first phase of the methodology involved qualitative participatory workshops, while the second consisted of constructing normalized quantitative indexes based on the collected data. The framework of the analysis is structured according to the Regional Development Index for Uruguay (IDERE-UY, Spanish acronym) (Rodríguez Miranda et al., 2024).

The empirical application focuses on two departments with contrasting characteristics: Rivera, located in the north on the border with Brazil, which exhibits medium-to-low development levels; and San José, situated in the south, with medium-to-high development indicators. These cases are illustrative of most Uruguayan departments—excluding Montevideo and Canelones, which

together form the core of the Montevideo Metropolitan Area and represent a distinct reality in terms of scale and administrative capacity.

By exploring the autonomy and budgetary commitment of DGs in the provision of PG&S, this study aims to shed light on the role that subnational governments can play in reducing territorial disparities and fostering more balanced development.

2. THEORETICAL FRAMEWORK

2.1 Territorial development

Traditional development theories initially centred on the nation-state as the primary unit of analysis. However, from the late 1980s onward—particularly in the United States and Europe—scholarly interest shifted toward territorial dimensions of development, bringing renewed attention to local socioeconomic environments, along with historical, cultural, and institutional contexts (Garcilazo & McCann, 2025). Within this framework, theories of endogenous local development emerged, proposing that development should be understood as a transformative process addressing local needs through participatory strategies (Morretta, 2020). Territories are not expected to follow uniform trajectories; rather, each region must chart its own path according to its conditions and capacities (Morretta, 2020).

This endogenous perspective highlights the importance of intangible assets and coordination among territorial actors in designing sustainable local strategies (Albuquerque et al., 2008). Regions differ in their mix of resources, and through interaction of public and private stakeholders, anchored in local capabilities—appropriate strategies are formulated (Nijkamp, 2016). In an increasingly globalized context, the success of local development initiatives depends on institutional adaptability, collective action, network strength, innovation, and resilience (Vázquez-Barquero & Rodríguez-Cohard, 2019).

While multiple approaches derive from the territorial perspective, a common thread is the emphasis on endogenous development. As Rodríguez Miranda (2014) argues, this builds a conceptual bridge to Amartya Sen's capabilities approach, which redefines development as the expansion of substantive freedoms (Sen, 1999). Abreu, Comim & Jones (2023) further formalize this connection, showing that the capability approach's focus on opportunities, agency, and deliberation is well suited to regional development challenges, especially in left-behind communities, and provides a framework for policymaking.

From this standpoint, the present study adopts a notion of development grounded in the capabilities approach, where development is understood as the expansion of real opportunities to pursue valued lives. Rather than proposing a definitive list, Sen (1999) maintains that capabilities should emerge through public reasoning. The Human Development Index (HDI), focused on health, education, and income, has been the most common operationalization, though widely criticized for its limited scope. Dörffel & Schuhmann (2022) address these shortcomings with the Multidimensional Inclusiveness Index (MDI), incorporating 14 variables across equity and achievement dimensions for 171 countries (1960–2018), showing that equity deserves greater emphasis. At the subnational level, Ferraz et al. (2020) propose the CIASE index for Brazilian mesoregions, evaluating not only development levels but also how efficiently regions translate resources into capabilities, a key issue in fiscally unequal contexts. For Latin America, Perdomo et al. (2021) operationalize the capabilities approach using Nussbaum's framework, identifying 12 dimensions and 116 indicators for 18 countries, confirming its policy relevance. More broadly, Clark et al. (2019) and Alkire (2010) expand development dimensions beyond the HDI, incorporating political freedom, environmental quality, social cohesion, and cultural participation. Accordingly, any application of this approach must consider context-specific dimensions (Abreu et al., 2024).

In Latin America, this consideration is particularly relevant due to the region's persistent territorial disparities (ECLAC, 2025; Aroca & Azzoni, 2021). These disparities are evident in Uruguay (Rodríguez, 2024; Pérez, 2024), where significant gaps persist between national capitals or high-productivity areas and less dynamic regions of the country.

In response to this reality, recent empirical work has sought to operationalize the capabilities approach at the regional level in Uruguay. Rodríguez-Miranda et al. (2024), building on earlier work (Rodríguez-Miranda & Vial, 2021), developed the IDERE-UY (*Índice de Desarrollo Regional – Uruguay*, Spanish acronym), a multidimensional index that measures departmental development in Uruguay. The IDERE-UY incorporates five core dimensions of development that have historically guided the priorities and efforts of departmental governments—beyond their legal responsibilities and competencies—namely: economic activity, well-being and social cohesion, education, health, and institutions (Rodríguez-Miranda et al., 2024).

2.2 The role of departmental governments (DG) in Uruguay

Each region possesses a unique set of characteristics that shape its development potential. Therefore, territorial development cannot be attributed to the actions of a single actor (Vázquez-Barquero & Rodríguez-Cohard, 2019). Nonetheless, there is substantial international evidence suggesting that weaker regional development outcomes are often associated with weaker institutions and limited capacities among subnational governments. Iddawela et al. (2021), drawing on an original index of sub-national government quality for 339 regions across 22 African countries, demonstrate that better sub-national governments are a powerful yet often overlooked determinant of regional economic development, even after controlling for national-level institutional quality. Similarly, Hernández et al. (2022) and Kyriacou et al (2017) find consistent associations between institutional weakness at the subnational level and poorer development outcomes. Moreover, Otero-Bahamón (2020) argues that place-sensitive policies those that adapt the organization and provision of social services to the particularities of each territory can significantly improve subnational service delivery, whereas place-blind approaches tend to aggravate disparities.

In Uruguay, significant disparities in departmental development persist, with notable gaps between the southern coastal region and the central and northeastern areas of the country (Rodríguez Miranda & Vial, 2021). National evidence indicates that these disparities reflect differences in the effective management capacities of departmental governments and suggests that decentralization processes contribute to territorial development convergence only when accompanied by efficient subnational governance (Muinelo-Gallo & Rodríguez Miranda, 2014; Muinelo-Gallo & Rodríguez Miranda, 2016). In the same vein, Siswidiyanto & Sahputri (2023) show, for the case of Indonesia, that failures in human development during decentralization reforms were strongly related to local government capacity to produce outputs in education, health, and the economy underscoring that the devolution of responsibilities without adequate capacity does not, by itself, improve development.

As Freigedo and Goinheix (2019) point out, Uruguay has historically been a highly centralized country (Arocena, 2012), a trend that has continued even after the 1996 constitutional reform and the 2010 decentralization process that established municipal governments (Magri, 2010; Oszlak & Serafinoff, 2011; Oszlak, 2014). This strong centralism means that decisions about how, where, and when to implement public policies remain highly concentrated at the national level (Midaglia et al., 2011).

Freigedo et al. (2017) document that, unlike other Latin American countries, Uruguay followed an inverted decentralization sequence: beginning with the election of local political authorities rather than with fiscal or administrative devolution, within a neo-developmental paradigm that privileged political legitimacy and participation. This strong centralism means that decisions about how, where, and when to implement public policies remain highly concentrated at the national level. Recent evidence confirms this pattern: Freigedo et al. (2024), applying an index of local autonomy to 159 sectoral programs, find that despite the decentralizing discourse, decision-making capacity at the territorial level remains limited, with functions concentrated in central actors.

Nevertheless, in the 21st century, DGs have begun to assume responsibilities and roles that go beyond the basic municipal functions established in the 1935 Municipal Organic Law—primarily limited to local services (the so-called ABC: lighting, sweeping, and streets). This study aims to document and make visible this evolution, opening a broader discussion on the role of DGs in the

remainder of the 21st century, especially given that municipalities—now functioning as a third level of government—are better positioned to manage basic local services.

As discussed in Rodríguez Miranda et al. (2024), DGs already engage in the formulation and implementation of policies related to economic and social development, as well as territorial planning area formally assigned to them by Law No. 18.308 on Territorial Planning and Sustainable Development (OTDS). However, DGs range quite significantly in their institutional structures, technical capacities, and policy priorities. While departments such as Montevideo, Canelones, and Maldonado have developed relatively sophisticated planning instruments and dedicated technical teams, smaller and less resourced departments in the northeast and centre of the country often lack the organizational infrastructure to fully implement the OTDS mandate (Rodríguez Miranda & Vial, 2021; Rocca et al., 2024). These disparities mean that the relationship between DGs and territorial planning varies considerably: some departments have advanced toward strategic, multi-sectoral development plans, while others remain largely confined to traditional service provision functions. This heterogeneity is central to the present study, as it directly shapes the extent and nature of each DGs involvement in the provision of public goods and services across different development dimensions.

In many cases, DGs also take important steps to promote social capital and strengthen territorial networks, both to support local initiatives and to better attract and utilize national resources and policies. Moreover, DGs play an increasingly active role in policy areas such as education and health, enhancing the effectiveness and efficiency of national interventions. Bello-Gómez (2020) provides relevant comparative evidence from Colombia, showing that national deconcentrated capacity can indirectly boost subnational service provision and that the least endowed regions benefit the most which suggests that the interaction between national and departmental capacities matters as much as the capacities themselves.

Recent empirical work has begun to illuminate the management dynamics within Uruguayan DGs. Rodríguez (2024), comparing the DGs of Paysandú and Cerro Largo over the period 2005-2020, finds that when intergovernmental relationships are strong, DGs tend to adopt more formalized, strategic, and results-oriented management models; when these relationships are weak, management becomes more informal and discretionary. These management differences are not merely stylistic; they reflect deeper structural contrasts between departments in terms of organizational size, professional staffing, and the degree to which planning and development functions have been institutionalized beyond the traditional services (waste management, public lighting, and street maintenance).

At the fiscal level, departmental autonomy is highly uneven: while Montevideo, Maldonado and Canelones finance the vast majority of their budgets from own-source revenues, departments such as Rivera, Artigas, Cerro Largo, and Treinta y Tres depend on national transfers for 50-60% of their income (Rocca et al., 2024). Furthermore, Freigedo et al. (2019), analysing over 4,000 resolutions from municipalities in Canelones, show that while the 2010 decentralization brought citizens closer to their representatives, the lack of transferred competencies and resources limits the capacity of local governments to address the most pressing local issues.

The Local Autonomy Index for Uruguay developed by Freigedo and Goinheix (2021) takes a multidimensional approach to assessing DG autonomy, incorporating not only fiscal and economic dimensions but also political and institutional ones. Their analysis concludes that DGs in Uruguay enjoy high levels of legal autonomy and moderately high fiscal autonomy. However, in most policy areas, their functional competencies and actual discretionary capacity remain low, reflecting a significant dependence on the central government.

This scenario raises important questions about the real possibilities for DGs to contribute to territorial development through their involvement in the provision of public goods and services. Despite the growing body of research on Uruguayan decentralization and subnational governance, no study has yet systematically measured the extent to which DGs autonomously provide public goods and services across different development dimensions, nor how they prioritize these dimensions in their budgetary allocations. This is precisely the gap that the present study seeks to address.

2.3 Public goods and services (PG&S): conceptual review and multilevel responsibilities

The traditional debate around PG&S has revolved around two key dimensions: their role as a fundamental instrument of the State to meet collective needs, and the delineation of boundaries between State and market responsibilities. Contemporary dynamics—such as globalization, technological development, the diversification of social demands, and the search for governance models suited to complex and interdependent contexts—have challenged this traditional framework (Seo, 2020).

Although public goods have a long history, their modern theorization is relatively recent and has developed mainly within the field of economics, particularly through the lens of fiscal federalism. The foundational contributions of Musgrave (1939) and Samuelson (1954) remain central to this literature. Public goods are typically defined by two key properties: non-rivalry (one person's use does not reduce availability to others) and non-excludability (no one can be excluded from use). These features justify State intervention, as market-based provision tends to result in issues like the free-rider problem and is constrained by limited resources (Heide & Heijman, 2019; Cox, 2020). Hence, State provision is considered necessary for the sustainability of such goods, particularly in domains where lack of access directly affects collective well-being—such as health, education, environmental protection, and basic infrastructure (Seo, 2020; Young, 2021).

Over time, the concept has been refined. Some goods are now considered "pure public goods" when they fully meet both criteria (e.g., national defence), while others—so-called collective goods—only partially meet them and may involve private sector participation. Moreover, the binary division between public and private provision is increasingly insufficient, as it overlooks the role of third-sector actors such as NGOs, foundations, and nonprofit corporations (Young, 2021). This has led to new discussions around global public goods (Kopiński et al., 2023) and the recognition that the scope of what is considered "public" is ultimately a political decision, not an inherent characteristic of the good itself.

Contrary to sceptical views, Ostrom's theory of self-governance has demonstrated that collective action and social agreements can sustain the provision of common goods, challenging individualistic models based on the prisoner's dilemma (Thiel et al., 2019; Tong, 2022). User interaction, communication, and the establishment of consensual rules and usage limits can enable communities to manage shared resources effectively without resorting to either privatization or centralized State control.

From a legal and administrative standpoint, public services have traditionally been defined as regular technical provisions intended to meet collective needs, usually under State responsibility. A more recent and widely accepted definition views public services as activities carried out—directly or indirectly—by public administration, regulated by public law, and aimed at satisfying collective needs, subordinating private interests to the public good (Abdurrahman, 2023). Even when non-state actors are involved in delivery, ultimate responsibility remains with the State (Lutsiv, 2021).

Importantly, the final act of providing a public good or service is rarely the responsibility of a single government entity. In practice, interdependence between government levels—and even among units within the same level—is the norm. These intergovernmental relations are as critical as policy design itself, encompassing both formal mechanisms and informal, subjective dynamics (Bakvis, 2021). Several factors condition these intergovernmental relationships: the number and diversity of government units; the variety of officials involved; the frequency and intensity of their interactions; the willingness to cooperate; and the clarity and sufficiency of public financing (Chepkorir & Omwenga, 2023; Kurian, 2025).

This creates a complex web of interaction involving multiple levels of government and civil society actors—such as NGOs, trade unions, cooperatives, and private firms—whose participation varies by context. It is therefore essential to clearly identify the roles that each institutional actor plays in the provision of public goods and services, as multiple actors may be involved in both their production and delivery.

3. METHODOLOGY

To assess the potential contribution of subnational governments to territorial development - based on their role in the provision of PG&S- this study employs a mixed-methods approach combining qualitative and quantitative techniques in two sequential stages. The first stage was qualitative, involving the implementation of participatory workshops, while the second stage was quantitative, consisting of the construction of normalized indexes based on data gathered in the first phase. It is important to note that this is an experimental methodology piloted in two DGs. As such, the findings provide a basis for generating hypotheses to be tested in future research. A detailed description of the full methodological protocol is available in (Rodríguez Miranda et al., 2025).

Participatory workshops are planned activities in which a group of participants engages actively under the guidance of a facilitator, with the aim of producing qualitative data through interactive methods. These workshops allow for a deeper understanding of collective experiences, promote critical and collaborative reflection, and support the co-creation of knowledge (Denzin & Lincoln, 2018; Flick, 2018).

A total of four workshops were held in the DG of Rivera and two in the DG of San José, covering 12 departments or priority areas in the former and 10 in the latter. Participants included 32 individuals in Rivera and 22 in San José, comprising area directors and senior technical staff from key units of each DG, selected in coordination with the respective development directorates, the *Dirección de Desarrollo* in Rivera and the *Instituto de Desarrollo y Estadísticas* in San José, which played a central role in organizing and guiding the process. Each workshop was organized by thematic area, following a semi-structured group interview protocol. Sessions began with a presentation of the project framework, followed by facilitated discussion aimed at identifying, characterizing, and prioritizing the PG&S delivered by each directorate. These were then categorized according to the dimensions of the IDERE-UY index. This process yielded 131 PG&S in Rivera and 98 in San José, reflecting each DGs distinct priorities and organizational emphasis.

Once the PG&S provided by the DGs were identified, the Local Public Goods and Services Provision Index (LPI-PGS) was calculated. This index combines inputs related to decision-making autonomy and the amount of resources available. It was constructed through consensus with the local actors involved in the workshops, following recommendations from validated international methodologies (OECD, 2008; EUROSTAT, 2011).

To assess the autonomy in decision-making regarding PG&S provision, three elements were evaluated, based on consensus with the workshop participants:

1. Financing.
Score 3: Funding is included in the five-year budget and/or is secured for the full administrative term.
Score 2: Funding is guaranteed for more than one year.
Score 0.5: Funding relies on one-time allocations and/or is secured for one year or less.
2. Relationship with the National Government (NG).
Score 3: The competency is exclusive to the DG or managed with high autonomy.
Score 2: There is partial DG autonomy and/or shared provision with the NG.
Score 0.5: The DG plays a subsidiary role, with the NG leading the PG&S provision.
3. Role and Responsibility of the DG.
Score 3: The DG participates from the planning stage.
Score 2: The DG participates in the execution phase.
Score 1: The DG coordinates the provision.
Score 0.5: The DG does not provide the service directly but plays an informative, evaluative, or oversight role.

The first two rubrics emphasize penalizing the lowest levels of autonomy. That is, when funding is temporary and uncertain, or when the DG is merely a subsidiary actor in a service provided mainly by the NG. The third rubric allows for more nuance: from full planning and design responsibility by the DG, to execution-only participation, to coordination with the NG, and finally to minimal involvement through ex post monitoring or information sharing.

Each PG&S is assigned an average score across the three rubrics (each weighted equally, at one-third), resulting in a value ranging from 0.5 to 3 per PG&S. Dimension-level averages are then calculated to generate what is referred to as the autonomy component in PG&S provision by IDERE-UY dimension. Autonomy scores were initially assigned through facilitated consensus during the workshops, then validated and adjusted through semi-structured follow-up interviews with the development directorates of each DG. All sessions were documented through detailed field notes.

While measuring the autonomy with which PG&S are delivered is crucial, this measure alone is insufficient. Having high autonomy over a small-scale PG&S affecting only a narrow segment of the population or territory is not equivalent to having autonomy over a service with broad, transformative impact. Therefore, estimating the magnitude or scale of each PG&S is a necessary complement to autonomy analysis.

This was addressed in two ways. First, DG budgets were analysed, with expenditures classified and mapped to the programs, projects, and policies used to identify the PG&S. Second, budget allocations were distributed across the IDERE-UY development dimensions.

To determine the share of each PG&S within the budget for each development dimensions well as the overall budget share for each dimension the following sources were used:

- Expenditure categories and item classifications reported through the Financial Information System (Sistema de Información Financiera, SIFI, Spanish acronym), which is used by DGs to submit annual financial reports to the Office of Planning and Budget.
- Budget reports aligned with the 17 SDGs, where available. These reports allow for conversion to the IDERE-UY dimensions through methodological equivalence.
- Technical support and data from the finance and budget units within each DG.

The autonomy component and the budget component were aggregated at the dimension level using geometric aggregation, following the approach used in the construction of IDERE-UY, with min-max normalization applied to both components prior to aggregation (OECD, 2008). However, it is essential to emphasize that this process constitutes a pilot implementation of the proposed methodology. As such, the budget and expenditure allocations by PG&S and development dimension should be regarded as approximations. The SIFI system budget items and sub-items are not designed around PG&S or development dimensions. Likewise, SDG-based budget reports - when available- are approximations based on assumptions, since budget registration does not directly follow SDG or development logic. These classifications are applied ex post, based on financial reporting formats that often do not allow for the disaggregation required for this analysis. Given the pilot nature of the study, with only two DGs and ten IDERE-UY dimensions per case, the correlations and simple linear regressions reported in the results section are based on a limited number of observations (n=10 per DG) and should be interpreted as exploratory rather than confirmatory.

4. RESULTS AND ANALYSIS

The following section presents examples of how autonomy scores were assigned for the identification of autonomy in the provision of PG&S. It also illustrates how projects, programs, and initiatives are linked to specific PG&S. Table 1 presents the case of four PG&S provided by the DG of San José across different development dimensions, while Table 2 does the same for Rivera, using examples from the remaining dimensions included in the IDERE-UY index.

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Table 1. Examples from San José: Public Goods and Services by Development Dimension, Linkages with DG Projects, Programs or Initiatives, and Assigned Autonomy Scores for Their Provision

Dimension	PG&S	Description	Related Projects, Programs, or Initiatives	Autonomy Average Score	Financing	Relationship with the NG in Provision	Role and Responsibility of the DG
Economic Activity	Support for the Development of Micro, Small, and Medium-Sized Enterprises	Programs aimed at the creation, training, logistical support, and financial assistance for micro, small, and medium-sized enterprises.	Support for productive ventures and artisans	1.5	0.5	2	2
			Productive Investment Program	2.0	2	2	2
			Entrepreneurship Sponsorship Institution	2.3	3	2	2
Well-being and Social Cohesion	Programs for Social Inclusion and Integration	Actions designed to promote sports, cultural, social, and welfare activities, with an emphasis on inclusion and equity.	Youth Participation Program	2.7	3	2	3
			Older Adults Program	2.7	3	2	3
			Inclusion and Accessibility	3.0	3	3	3
Institutions	Innovation and Modernization of Territorial Public Management	Modernization mechanisms and innovative methodologies for public management (intended to improve decision-making, transparency, and accountability).	Departmental Institute of Statistics.	3.0	3	3	3
			Digital Government	3.0	3	3	3
			Strengthening the work of municipalities	2.3	2	2	3
			Regionalization	2.3	3	3	1
			Project Strategy and Management	3.0	3	3	3
Public Safety	Road Safety	Actions aimed at implementing safe and reliable transportation and mobility systems for the population.	Defensive Driving Workshops	0.7	0.5	0.5	1
			Education and awareness campaigns	3.0	3	3	3
			Signage, road signs, and infrastructure	3.0	3	3	3

Source: Own elaboration.

As shown in the two tables, each public good or service, classified under a specific development dimension, may result from more than one program or project implemented by the DG. The assignment of autonomy scores for the provision of each public good or service is based on the analysis of each associated program or project, applying the predefined rubrics for the three relevant aspects: financing, relationship with the National Government (NG) in provision, and the role and responsibility of the DG in provision.

To obtain the final autonomy score for each public good or service, a simple average of the summary scores assigned to each related program or project is calculated.

Table 2. Examples from Rivera: Public Goods and Services by Development Dimension, Linkages with DG Projects, Programs or Initiatives, and Assigned Autonomy Scores for Their Provision

Dimension	PG&S	Description	Related Projects, Programs, or Initiatives	Autonomy Average Score	Financing	Relationship with the NG in Provision	Role and Responsibility of the DG
Education	Support for children and youth	Initiatives aimed at supporting students across various educational levels, including transportation, scholarships, housing, and other forms of assistance.	Subsidies to private companies for student transportation	2.7	3	2	3
			Rural shuttle bus service	3.0	3	3	3
			Subsidized tickets for tertiary-level students	3.0	3	3	3
			Student housing facilities	3.0	3	3	3
			Support for CAIF early childhood centres	2.7	3	2	3
Health	Promotion of general health	Initiatives focused on prevention, early detection, and general improvement of population health, with special attention to rural areas and/or target groups facing access barriers.	Neighbourhood-level medical care	2.7	3	2	3
			Community health clinics	3.0	3	3	3
			“Esperanza Express” (mobile medical bus)	3.0	3	3	3
			“Lactation Express” (mobile lactation support unit)	2.7	3	2	3
Environment	Protection and maintenance of terrestrial ecosystems	Projects and initiatives aimed at the protection, restoration, and maintenance of terrestrial areas for the preservation of ecosystems.	“More Water, More Identity”: Program for the conservation of native pasture near water sources	2.3	2	2	3
			Restoration efforts in Valle del Lunarejo and management of the protected area	2.7	3	2	3
			Cuñapirú Park	2.7	2	3	3
Gender	Promotion of inclusive sports with a gender-sensitive approach	Actions aimed at promoting sports activities with a gender-sensitive approach.	Organization of primary school sports tournaments (with a focus on disciplines and participation of girls and mixed teams)	2.3	2	2	3

Source: Own elaboration.

By compiling all identified PG&S, following the methodology illustrated in the previous examples, it is possible to calculate the Autonomy Component in the Local Provision of PG&S for each development dimension. Table 3 presents this calculation for the DGs of Rivera and San José, based on the development dimensions defined in the IDERE-UY index.

Table 3. Weighted Component of Autonomy in the Local Provision of Public Goods and Services by Development Dimension

DIMENSION	RIVERA	SAN JOSE
Economic Activity	2.79	2.71
Well-being and Social Cohesion	2.84	2.73
Education	2.79	2.88
Institutions	2.55	2.65
Health	2.81	2.55

Source: Own elaboration.

Table 3 presents, for each development dimension, the weighted average (based on the share of the DG's budget allocated to the dimension) of the Autonomy Component in the Provision of Public Goods and Services. This component constitutes a first relevant result for understanding how the DG performs in the provision of public goods and services within each dimension. A provision with a higher level of autonomy (closer to the maximum score of 3) reflects a greater proactive capacity to generate, either independently or in coordination with the National Government (NG), public goods and services that contribute to improved departmental performance in that dimension.

In addition, a Budget Priority Component is calculated for the development dimensions. This is shown in Table 4. It reflects the weight of each dimension in the DG's total budget and generates a

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score based on the highest budget share recorded across all dimensions. The resulting values are rescaled on a 0-to-3 scale.

Table 4. Budget Priority Component by Development Dimension

DIMENSION	Share of Each Dimension in the DG's Total Budget		Budget Priority Component by Dimension	
	RIVERA	SAN JOSE	RIVERA	SAN JOSE
Economic Activity	22.7%	17.7%	2.53	1.91
Well-being and Social Cohesion	26.9%	27.8%	3.00	3.00
Education	5.9%	11.2%	0.66	1.21
Institutions	13.3%	5.7%	1.48	0.61
Health	5.2%	10.1%	0.58	1.09

Source: Own elaboration.

Thus, the LPI-PGS by development dimension is calculated as the simple average of the two components described above. Table 5 presents the LPI-PGS results by dimension for the DGs of San José and Rivera.

Table 5. Local Public Goods and Services Provision Index (LPI-PGS) by Development Dimension for Each DG

DIMENSION	DG of RIVERA			DG of SAN JOSÉ		
	Autonomy Component	Budget Priority Component	LPI-PGS	Autonomy Component	Budget Priority Component	LPI-PGS
Economic Activity	2.79	2.53	2.66	2.71	1.91	2.31
Well-being and Social Cohesion	2.84	3.00	2.92	2.73	3.00	2.87
Education	2.79	0.66	1.72	2.88	1.21	2.04
Institutions	2.55	1.48	2.02	2.65	0.61	1.63
Health	2.81	0.58	1.69	2.55	1.09	1.82

Source: Own elaboration.

As observed in Table 5, within the DG of Rivera, the dimensions of well-being and social cohesion and economic activity exhibit the highest values in the LPI-PGS, followed in third place by the institution's dimension. These high values reflect a combination of a strong autonomy of the DG in the provision of PG&S alongside a high budgetary priority assigned to these dimensions. In the case of San José, the well-being and social cohesion dimension stands out with the highest LPI-PGS values, followed by the economic activity dimension. For Rivera, the institutions dimension occupies an intermediate position with an LPI-PGS around 2, whereas for San José, the education dimension holds a similar value near 2. For both DGs, the remaining dimensions show LPI-PGS values ranging between 1 and 2.

As mentioned earlier and evident from the calculation method, a higher LPI-PGS value indicates that the DG has greater autonomy in the provision of PG&S (reflecting higher capacity for initiative and influence), combined with a prioritization of the dimension in budgetary terms. In other words, a higher LPI-PGS value suggests that the DG's actions are supported by both greater initiative and resources. Nonetheless, as noted, the LPI-PGS result is a pilot prototype that should be further refined in future research as more sophisticated administrative and financial data become available.

From the above, the question arises: is a higher LPI-PGS value in a DG for a given development dimension associated with the department's performance (the outcome) in that dimension?

The following analyses this relationship—using correlations and simple linear regressions—for each DG (Rivera and San José), between absolute and relative performance in each dimension and the indices of PG&S provision, autonomy in PG&S provision per dimension, and the LPI-PGS which combines autonomy and budget prioritization by dimension. The goal is to find evidence as to whether improvements in the IDERE dimensions within the department, both in absolute terms of index growth and in relative rank improvements among the 19 departments nationwide, are related to the DG's performance in local PG&S provision in those dimensions.

This represents a preliminary exploration that does not attribute causality but highlights the relevance of a hypothesis for further study regarding the DGs' role in enhancing IDERE-UY dimensions—recognizing that multiple factors beyond the DG's control also play significant roles. This exploratory exercise is motivated not only by the limitations of administrative and financial information available for constructing the LPI-PGS indices for Rivera and San José but also by the limited sample size, which constrains the reliability of statistical regressions. Nonetheless, this approach is appropriate for identifying potential relationships worthy of further validation in subsequent studies.

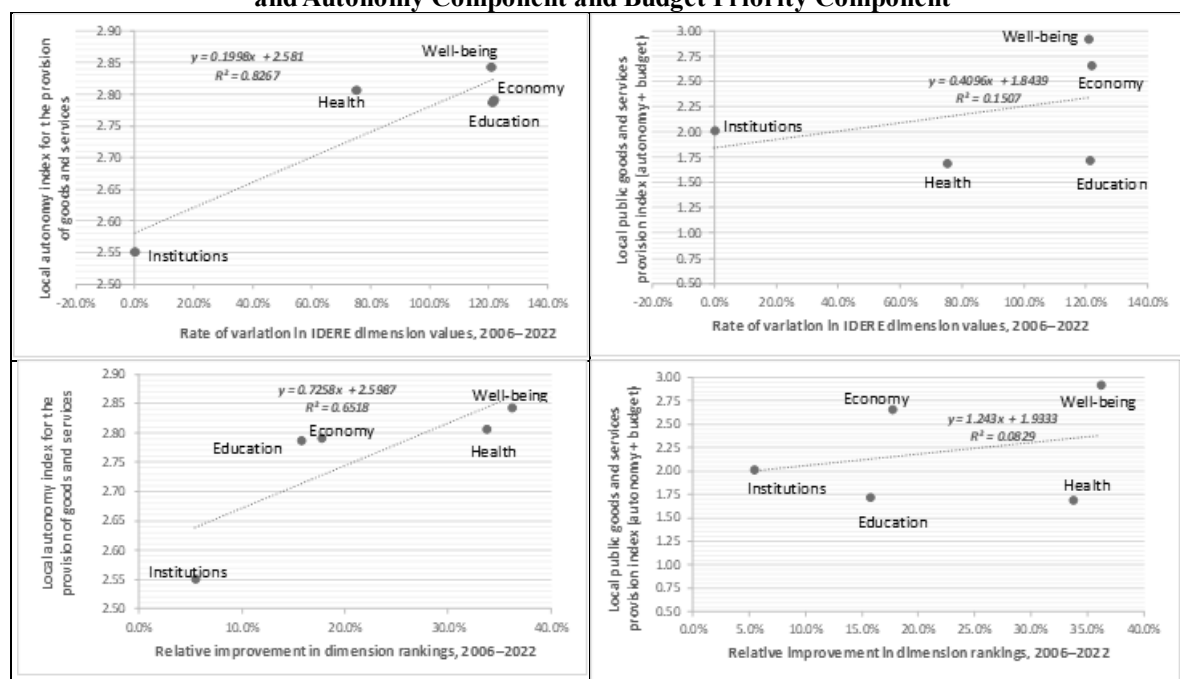
Figures 1 and 2 display these relationships for the cases of Rivera and San José. Notably, in both cases, the same pattern emerges as there is a significant relationship with high R^2 values (ranging from 55% to 83%, depending on the case) linking both absolute and relative improvements in the IDERE-UY dimensions to the DGs' performance in PG&S provision within each dimension.

However, the significant positive relationship is observed primarily between improvements in the IDERE dimensions—both absolute and relative—and the level of autonomy with which the DGs locally provide PG&S in each dimension. In contrast, the relationship between improvements in the IDERE-UY dimensions and the LPI-PGS—which incorporates not only autonomy in provision but also the budgetary weight of the DG's resources—is weak or very weak, depending on the case.

This finding may be interpreted in two ways: (a) the measurement of the budgetary weight of dimensions and PG&S within the DG's budget could be improved (as it was constructed ad hoc for this study), potentially enhancing the results; or (b) the contribution of DGs to local PG&S provision complements the national provision of PG&S across the different IDERE-UY dimensions, so beyond budget weight, the autonomy with which local PG&S are provided is more critical, as they leverage national resources and not solely DG resources.

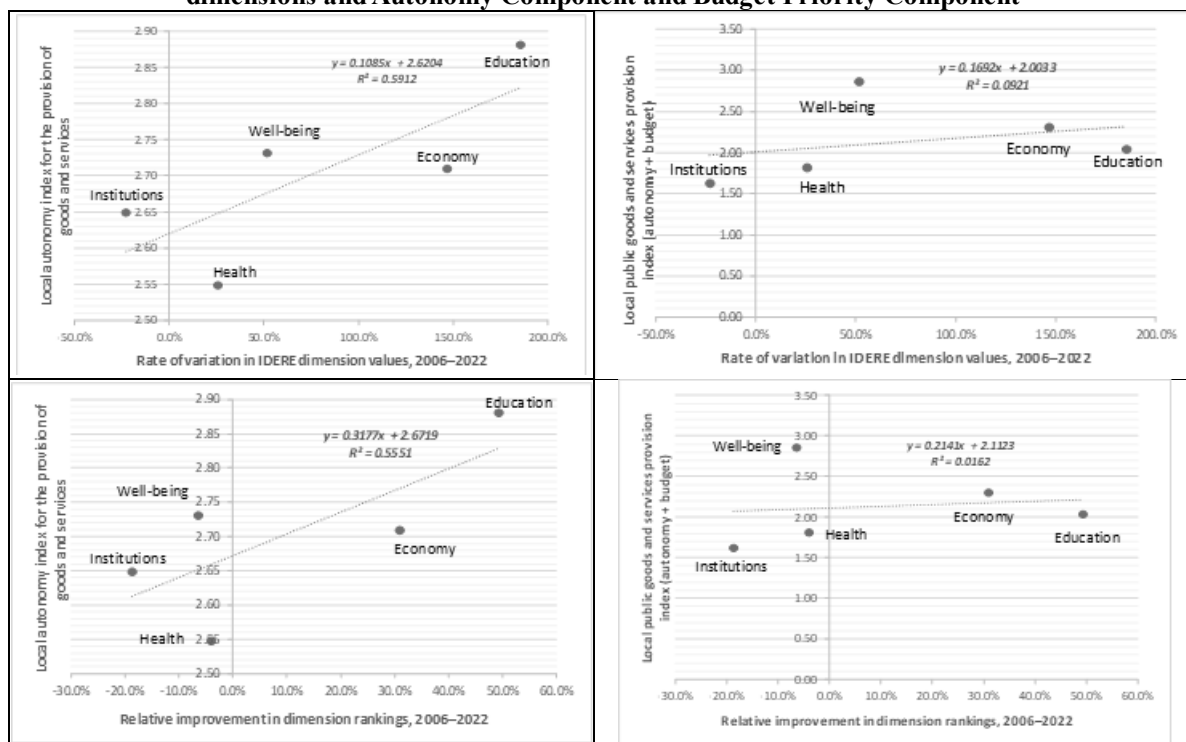
We consider the second explanation more plausible, although it remains a hypothesis to be explored. For example, in the education dimension, the bulk of resources and PG&S provision rests with the National Government (NG), making it unlikely that this dimension commands a large share of the DG's overall budget. Nevertheless, the local provision of PG&S in education by the DG—mobilizing significantly fewer resources than central PG&S—can have an important impact, for instance, on access for rural or vulnerable populations.

Figure 1. Relationship in Rivera between absolute and relative performance in IDERE-UY dimensions and Autonomy Component and Budget Priority Component



Source: Own elaboration.

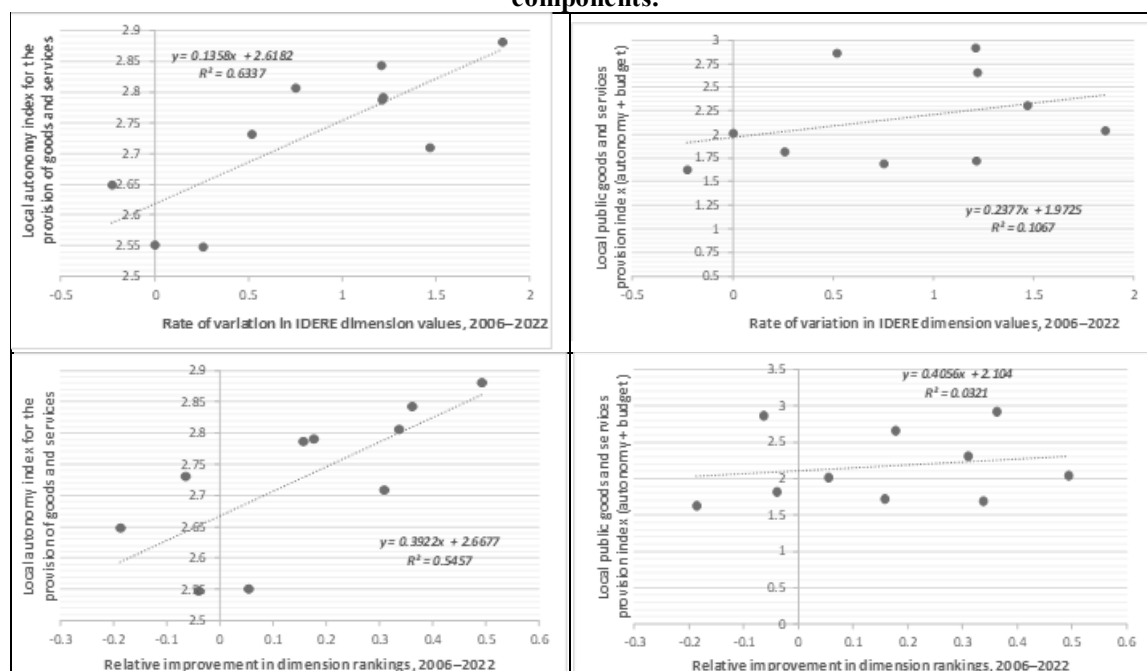
Figure 2. Relationship in San José between absolute and relative performance in IDERE-UY dimensions and Autonomy Component and Budget Priority Component



Source: Own elaboration.

In Figure 3, considering both DGs together to increase the number of observations, and taking into account the five IDERE-UY dimensions for both departments along with the Autonomy Component and LPI-PGS indices, we observe—as expected—the same positive relationship found in each individual case between autonomy in local PG&S provision and performance in the dimensions, both in terms of absolute growth and relative improvement in the departmental ranking. Similarly, as previously found, the relationship between improvements in the IDERE-UY dimensions and the LPI-PGS appears to be weak.

Figure 3. Relationship in Rivera and San José, pooling all observations from both DGs between absolute and relative performance in IDERE-UY dimensions and the Autonomy and Budget Priority components.



Source: Own elaboration.

5. DISCUSSION

The pilot construction and application of the LPI-PGS have enabled a systematic approach to analyse the performance of DGs in the provision of public goods and services relevant to various dimensions of territorial development. By combining autonomy in service provision with budgetary prioritization by dimension, the index aims to capture the capacity of DGs to proactively influence local well-being.

The results for the departments of Rivera and San José reveal significant variation across dimensions, both in terms of autonomy and resource allocation, which translates into differing levels of the LPI-PGS. In both cases, the highest index scores are found in dimensions where DGs exhibit both greater autonomy and higher relative budgetary prioritization, namely well-being and social cohesion, and economic activity. These are precisely the dimensions where DGs have historically developed the strongest policy infrastructure beyond the traditional ABC functions, consistent with the expanded role documented by Rodríguez Miranda et al. (2024). The fact that Rivera's department with medium-to-low development shows its highest LPI-PGS in well-being and social cohesion and economic activity, while San José with medium-to-high development shares high scores in well-being and social cohesion but also stands out in environment and education, suggests that more developed departments may be in a better position to diversify their autonomous provision across a broader set of dimensions. This pattern aligns with the international evidence linking stronger subnational institutional capacity to broader development outcomes (Iddawela et al., 2021; Siswidiyanto & Sahputri, 2023).

The contrasting profiles of Rivera and San José also illustrate the heterogeneity among DGs in their relationship with territorial planning. While both departments have responsibilities under Law No. 18.308 (OTDS), their institutional capacity to exercise these responsibilities differs markedly. San José, located in the more developed southern region and with greater fiscal autonomy (Rocca et al., 2024), appears better positioned to translate planning mandates into diversified PG&S provision. Rivera, more dependent on national transfers, concentrates its autonomous action on fewer dimensions but achieves notable autonomy scores in those areas, an outcome consistent with the finding by Bello-Gómez (2020) that the interaction between national and subnational capacities can amplify the impact of limited local resources, particularly in less endowed regions.

The exploratory analysis of the relationship between the LPI-PGS and performance in the IDERE-UY suggests a positive and significant association between levels of autonomy in PG&S provision by DGs and both absolute and relative improvements in territorial development dimensions. The R^2 values ranging from 55% to 83% are noteworthy for a pilot study with limited observations ($n=10$ per DG), and are consistent with the broader literature suggesting that effective subnational governance not merely the volume of resources is a key driver of regional development (Kyriacou et al., 2017; Muinelo-Gallo & Rodríguez Miranda, 2014). In contrast, the inclusion of the budgetary prioritization component in the index does not substantially enhance its explanatory power regarding departmental performance. This finding is interpretively significant: it suggests that the quality and autonomy of local PG&S provision may matter more than the sheer volume of budgetary resources allocated, reinforcing the argument by Otero-Bahamón (2020) that place-sensitive approaches adapted to local conditions can be more effective than resource-intensive but place-blind policies.

These findings reinforce the hypothesis that the ability of subnational governments to design and implement public policies with a certain degree of autonomy may have significant impacts on territorial development, even when available resources are limited. However, this study should be understood as an exploratory approach, and its findings interpreted with caution given data quality and availability constraints, as well as the limited number of observations.

While the evidence does not permit causal inference, it does support the relevance of a research and policy agenda aimed at better understanding the mechanisms through which subnational governments may effectively contribute to territorial development. Three lines of advancement emerge from these results: first, improving the quality and traceability of budgetary and programmatic information aligned with substantive development dimensions; second, strengthening DGs institutional capacity to design and implement public policies with greater autonomy as the positive association between autonomy and IDERE-UY performance found here

suggests this may yield greater returns than simply increasing fiscal transfers; and third, rethinking multi-scalar coordination schemes and the distribution of competences across levels of government, informed by the kind of dimension-by-dimension diagnostic that the LPI-PGS enables.

6. CONCLUSIONS

This study set out to explore the extent to which Departmental Governments in Uruguay contribute to territorial development through the provision of public goods and services. By constructing and piloting the Local Public Goods and Services Provision Index (LPI-PGS) in two departments with contrasting development profiles (Rivera and San José) the research offers an initial, systematic approach to a question that has remained largely unaddressed in the Uruguayan literature.

The main finding is that the degree of autonomy with which DGs provide PG&S appears to be more strongly associated with improvements in territorial development indicators than the volume of budgetary resources allocated to those dimensions. This suggests that effective autonomy the capacity to design, plan, and implement local policies with a degree of initiative may be a more decisive factor than fiscal weight alone, even in departments with limited resources. The contrasting cases of Rivera and San José illustrate that while more developed departments tend to diversify their autonomous provision across a broader set of development dimensions, less developed departments can still achieve significant autonomy in select areas, potentially leveraging complementarities with national-level provision.

However, these findings must be interpreted with considerable caution due to several important limitations.

First, and most critically, there is no official, robust, and uniform information system across Uruguay's 19 departments that systematically records the type, scope, and characteristics of PG&S provided by each DG, nor the degree of autonomy with which these services are delivered. In the absence of such a system, the data underpinning this study were generated through participatory workshops and validated with local technical teams. While this approach has significant methodological value -as it captures institutional knowledge that is otherwise undocumented- it also means that the information reflects the interests, priorities, and declared emphasis of each participating DG. Consequently, the resulting data are shaped not only by what each government does, but also by what it chooses to make visible and how it organizes and communicates its own information.

Second, the quality and quantity of available administrative and financial data varied considerably between the two departments studied. Budget classification systems such as SIFI were not designed to track expenditures by PG&S or development dimension, and SDG-aligned budget reports where available are themselves approximations. This heterogeneity in information management introduces an additional layer of imprecision into the construction of the index.

Third, the limited number of observations ($n=10$ per DG, corresponding to the five IDERE-UY dimensions in each case) restricts the statistical power of the exploratory regressions and precludes any causal inference.

Despite these limitations, the LPI-PGS provides a conceptual and practical platform that can be refined and expanded as information systems improve and as more departments are incorporated into the analysis. The working hypotheses generated here -particularly regarding the primacy of autonomy over fiscal volume- offer a clear research agenda for future studies with broader coverage and more robust data. Ultimately, this study underscores that understanding the role of subnational governments in territorial development requires not only better analytical tools, but also a sustained institutional effort to produce comparable, transparent, and development-oriented public information at the departmental level.

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