Subnational Fiscal Rules: Empirical Review, International Experiences and Their Challenges in the New Post-COVID Fiscal Institutionality

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During the last two decades, the use of fiscal rules has increased significantly around the world. Although international evidence has highlighted some benefits from its implementation, the experiences of Latin America in the mplementation and the results have been heterogeneous. These fiscal rules initially covered the national governments but were later extended to subnational governments, in part because the fiscal decentralization processes were handing more responsibilities in terms of revenue and public spending to subnational governments. The review of international experiences in this area provides important policy lessons for future reforms in national and subnational fiscal responsibility regulations, especially given the conditions imposed on the public sector by the COVID-19 pandemic. This document makes an extensive review of the evolution of subnational fiscal rules worldwide, identifying the main factors that contribute to their success or failure. In addition, it allows identifying the key elements in a possible reform agenda to face the flaws in the fiscal rules that the current pandemic has made visible.

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