Subnational fiscal accounts under pressure: the effects of COVID-19 in a developing country

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Publication Date: Wednesday, 6 of April 2022 AbstractThe consequences of the most generalized lockdowns in the recent history promptly brought the deepest falls in consumption, production and employment, and the consequent increase in poverty. So far, almost all literature has focused on the effects of the lockdowns in the private sector and the national level of the public sector, while analyses on subnational governments' finances have been overlooked, especially in developing countries. This paper's main purpose is to fill this gap by analyzing the particular case of Colombia with its two levels of local governments, departments and municipalities. In particular, using a difference in differences approach and a quarterly panel dataset, we identify the extent at which lockdowns affected revenues, expenditures, investments and debt service of subnational governments. The results show that local public finances faced a strong turn down, especially regarding revenues. For municipalities, the industry and commerce tax, and the property tax were reduced substantially while for departments beer, wine and liquor tax, and vehicle tax were the most affected. The effects on the expenditures are weaker and less evident, while investment showed a clear sectoral heterogeneity.

Fuente: https://www.banrep.gov.co/en/subnational-fiscal-accounts-under-pressure-effects-covid-19-developing-country