

Dynamics of subnational and national fiscal rules

Document Keep in mind

The series *Documentos de trabajo sobre economía regional y urbana* (only in Spanish, Working Papers on Regional and Urban Economics) is a publication of Banco de la República in Cartagena. The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors.

AUTHORS AND/OR EDITORS Ayala-García, Jhorland Granger-Castaño, Clark Melo-Becerra, Ligia Alba
La serie Documentos de Trabajo Sobre Economía Regional y Urbana es una publicación del Banco de la República - Sucursal Cartagena. Los trabajos son de carácter provisional, las opiniones y posibles errores son de responsabilidad exclusiva de los autores y no comprometen al Banco de la República ni a su Junta Directiva.

Publication Date: Thursday, 24 of March 2022 Abstract
During 1997-2003, after the strengthening of decentralization, a set of subnational fiscal rules were implemented and in the years 2011 and 2021 national fiscal rules were established in Colombia. This document evaluates compliance with these rules at the different levels of government in Colombia, as well as the role that transfers have played in complying with the indicators established therein. The fiscal rules contributed to a greater stability of the public finances of both the subnational governments and the Central National Government. Changes in the transfer system contributed to compliance with fiscal rules by guaranteeing transfers to grow in real terms and providing stability to subnational government revenues. The simulations show that compliance with the fiscal rules depends to a great extent on the type of rule that is adopted, since while the subnational governments comply with the national fiscal rule, the Central National Government does not comply with the subnational fiscal rules. These results contribute to the debate on the need to maintain fiscal rules with escape clauses and on the need to consider the fiscal conditions and the levels of government where they are adopted to achieve the stability of public finances.