



## SESSION 1

# How to improve the financial resilience of subnational governments to external shocks?

*Setting the scene with key findings from the  
World Observatory on Subnational Government Finance and Investment*

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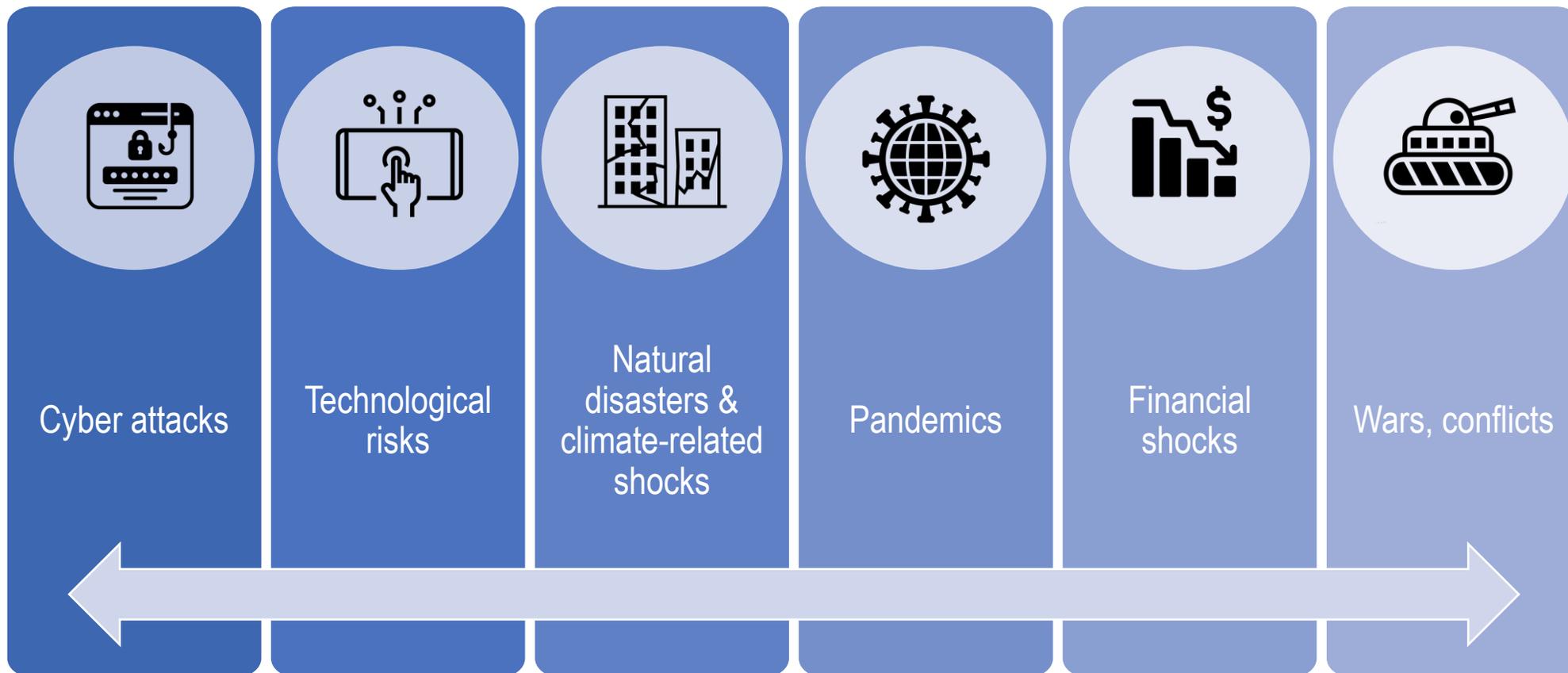
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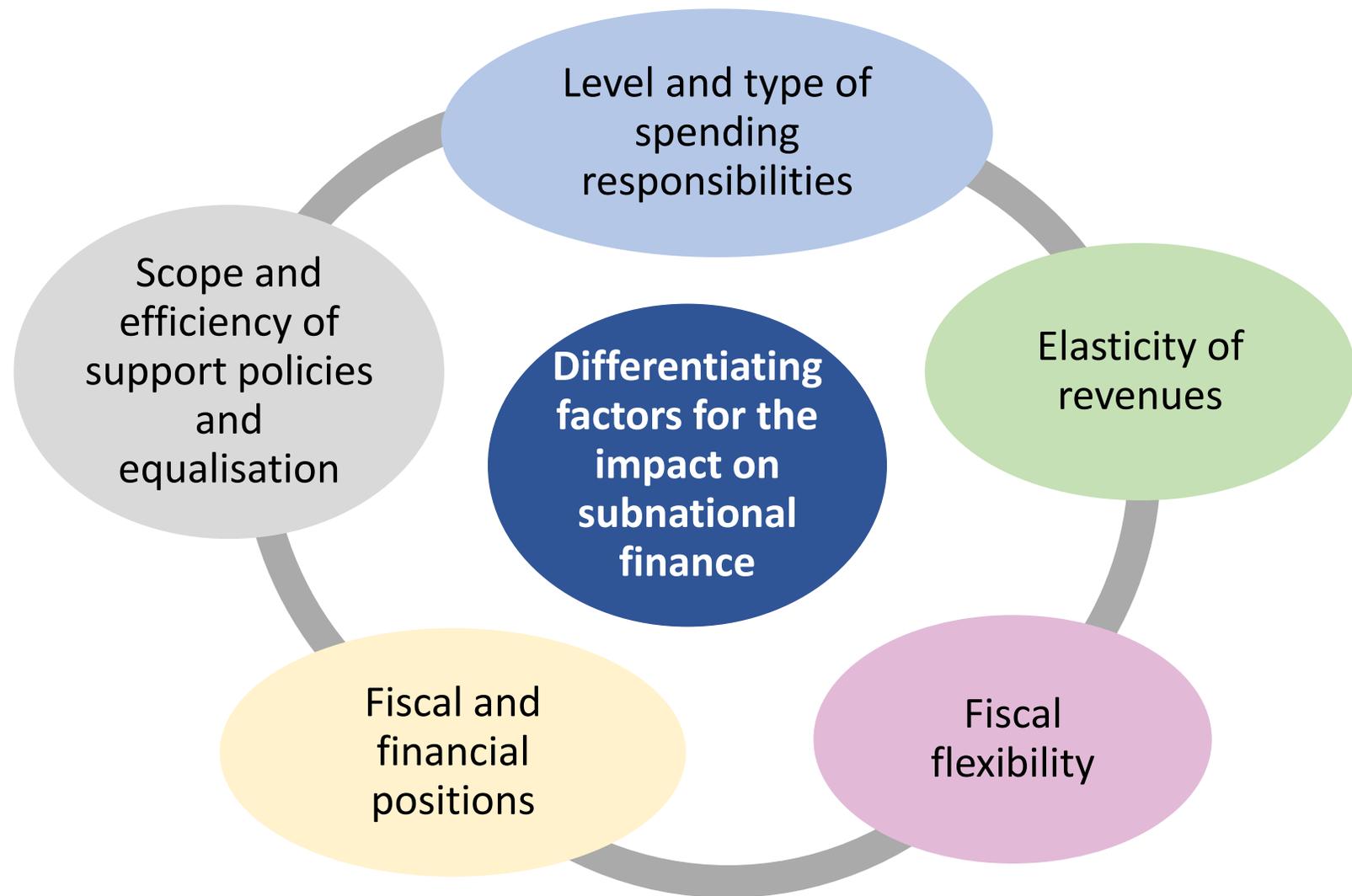


# More frequent and diverse external shocks seem to be having an increasingly stronger impact on subnational governments



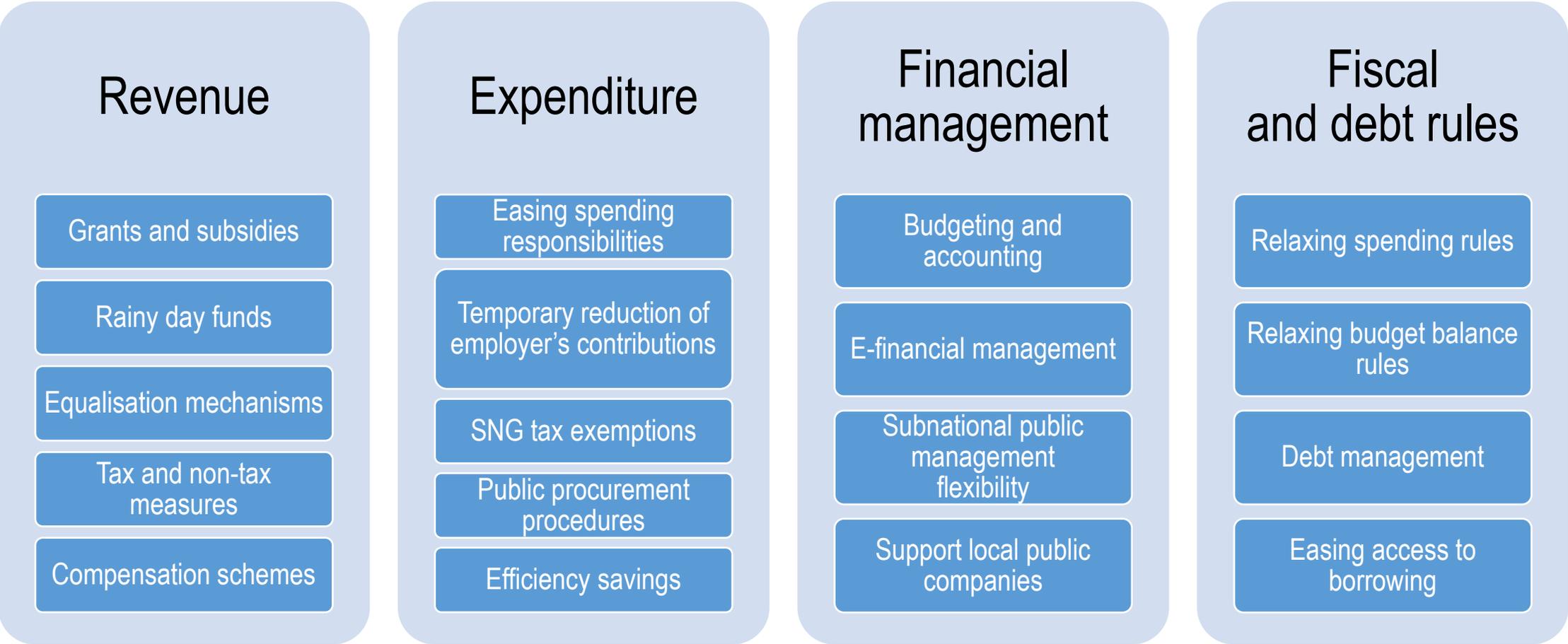


Stresses on subnational finance from shocks are often asymmetric across and within countries and depend on five main factors:





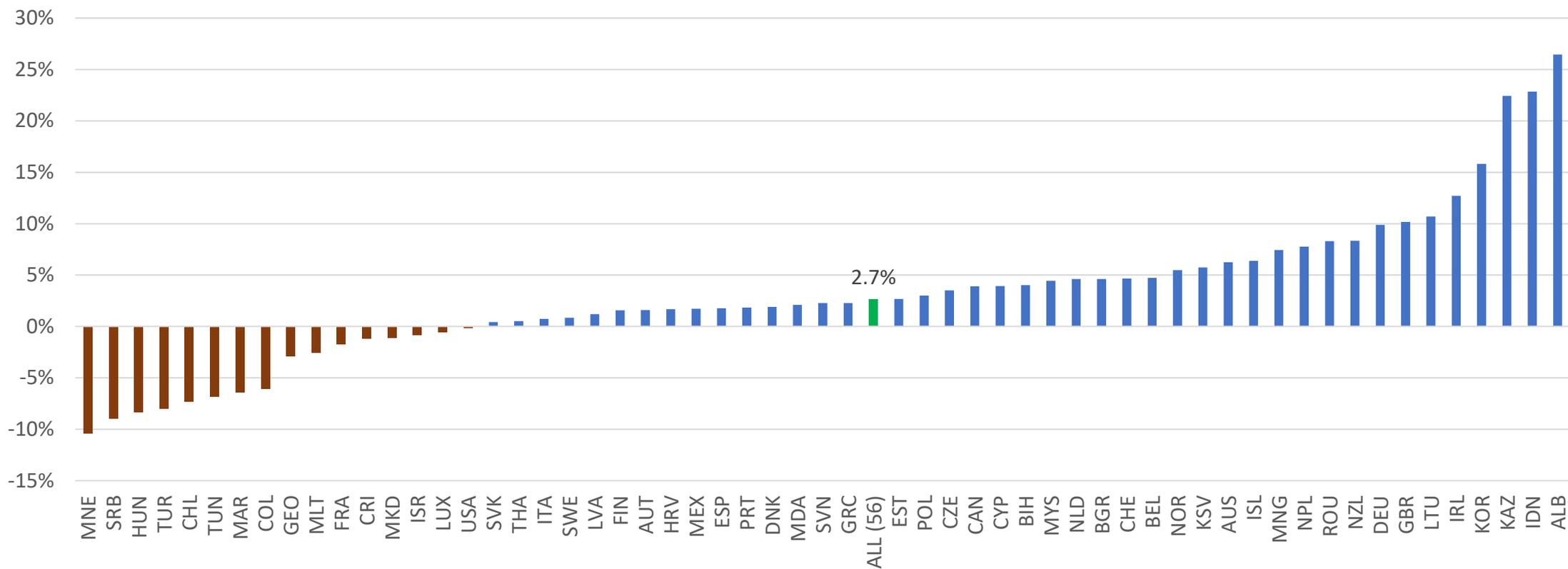
During the COVID-19 crisis, subnational governments adopted four main types of measures: revenue-side, expenditure-side, financial management, and fiscal and debt rules





# Current expenditure increased by 2.7% during the COVID-19 crisis

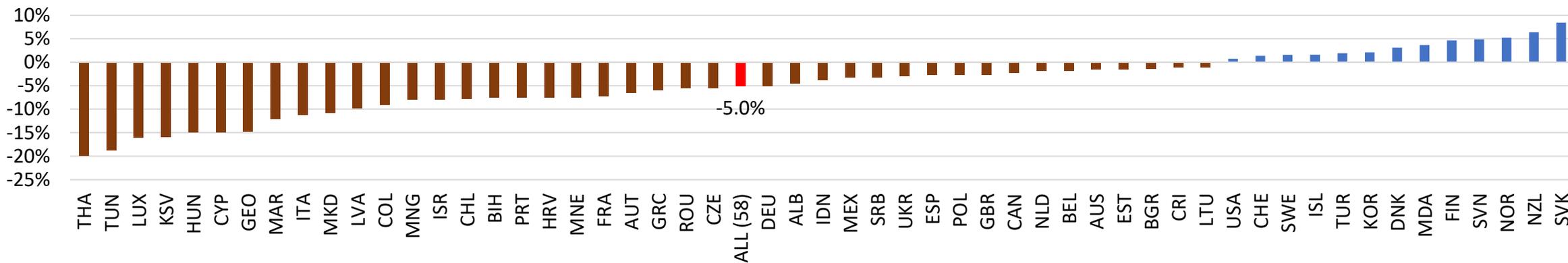
Average change in total current expenditure in real terms by country between 2019 and 2020 (56 countries)



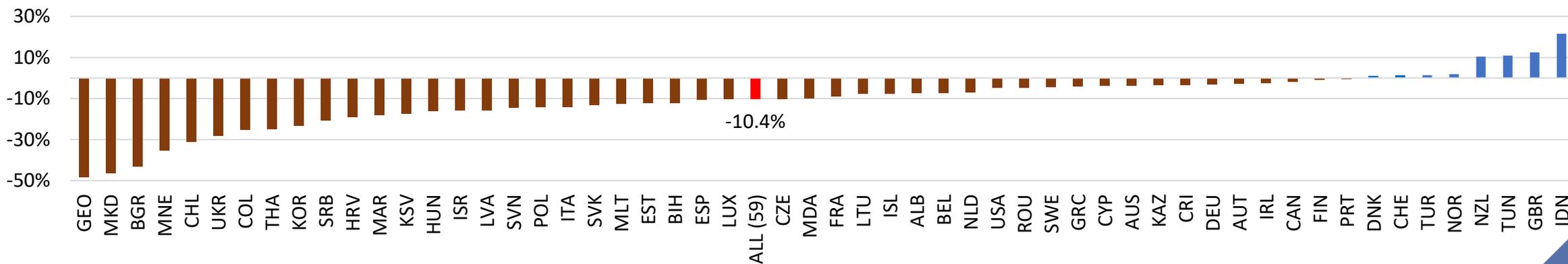


# Subnational tax and user charge and fee revenue declined by 5% and 10.4%, respectively

Average change in tax revenue in real terms by country between 2019 and 2020 (58 countries)



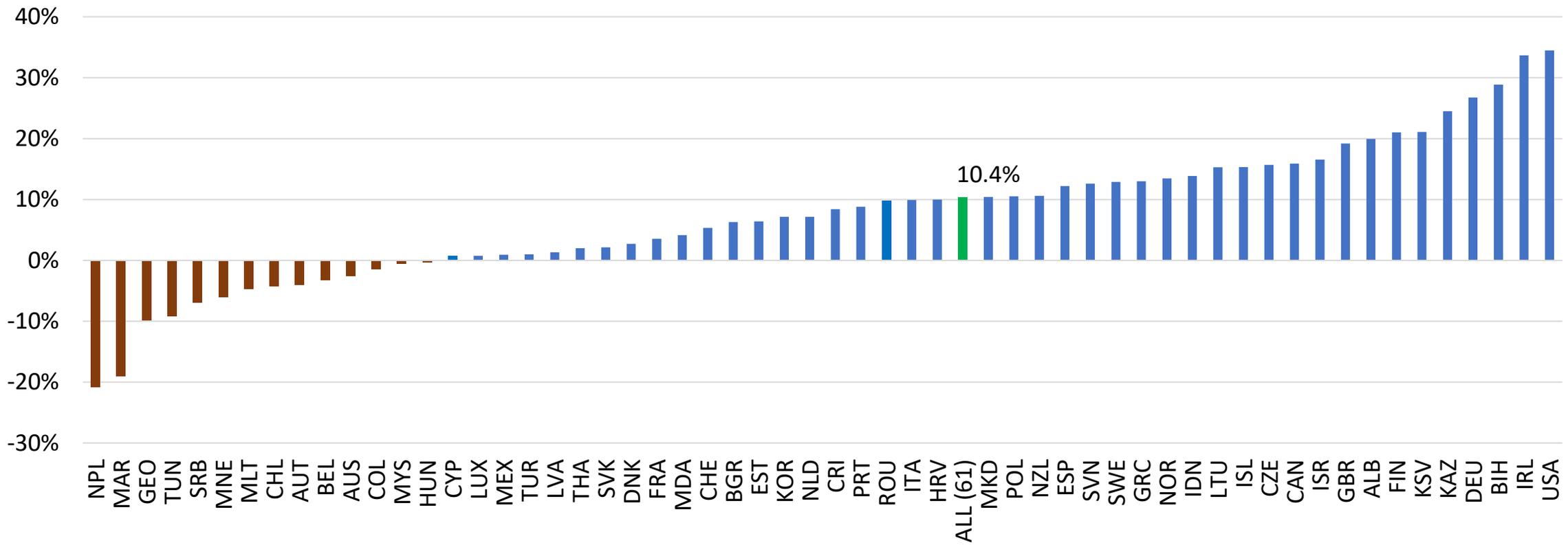
Average change in user charges and fees in real terms by country between 2019 and 2020 (58 countries)





# Grants to subnational governments increased by 10.4%, which allowed subnational governments to fulfil the immediate needs

Average change in grants and subsidies in real terms by country between 2019 and 2020 (61 countries)





# Building resilience requires putting in place the right framework conditions, adopting supporting financial measures and creating an enabling environment



## Fiscal decentralisation frameworks

- **Allocation of responsibilities**
- **Allocation of revenues, diversification**
- **Fiscal flexibility that provides some autonomy to manage budgets**



## Financial-related measures

- **Fiscal responsibility framework**
- **Stabilisation mechanisms:** financial reserves and rainy-day funds
- **Insurance mechanisms**
- **Fiscal solidarity and equalisation mechanisms**
- **Fiscal sustainability / emergency plans**



## Enabling conditions

- **Risk management strategies**
- **Fiscal dialog and vertical coordination**
- **Cooperation between SNGs**
- **Data, shared diagnostic and fiscal forecasts**
- **Human capacity and modern IT tools**
- **Transparency, trust and dialogue with stakeholders**



# Thank you for your attention!

More information: <http://www.sng-wofi.org>

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