

Did the Covid-19 pandemic change the course of fiscal decentralization in the Czech Republic?

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Abstract

In March 2020 the Covid-19 pandemic hit the Czech Republic similarly to the rest of the world and the Czech government responded by approving numerous measures to protect health and lives and to mitigate the related economic and social impacts. All of the three fiscal functions – allocation, stabilization, and redistribution – were carried out. While a comprehensive analysis is missing so far, anecdotal evidence suggests that the measures taken did impact the different levels of government differently and that the setting of the intergovernmental fiscal relations may have changed. The purpose of the paper is to evaluate if such a change in the intergovernmental fiscal setting did indeed happen and if so if it was an unintended side effect or a deliberate step of the ruling government coalition.

The first part of the goal will be fulfilled by a comparison of the pre-2020 and 2020 intergovernmental fiscal settings based on fiscal data provided by the Ministry of Finance. The second part will be based on case studies of approved government measures analyzing the underlying documentation to the bills and the sequence of proposed and approved amendments and the related public discussion including the role of local government associations.