Activities of the Advisor are funded by resources for capacity development provided to the IMF by the Government of Japan.
Elevated Debt Levels and Interest Payments amid High Inflation create significant fiscal challenges.

Surge in Global Debt Burden
(Percent of global GDP)

- Debt-to-GDP ratio, advanced economies (left scale)
- Interest expense, advanced economies (right scale)

Headline Inflation
(Percent, year-on-year)

- Median across countries for each income group.

IMF October 2022 World Economic Outlook.
Energy and Food Crisis Put Additional Pressure on Budgets.

Energy and Food Support Policies, by Income Group
(Percent of GDP, median, 20th and 80th percentiles)

Source: IMF Fiscal Monitor (October 2022); IMF staff estimates.
Note: Whiskers reflect the 20th and 80th percentiles. Dots reflect the median and the number of announced measures of each type.
Fiscal Support During the Pandemic Helped Reduce Income Inequality and Extreme Poverty.

Evolution of Poverty and Income Inequality during the Pandemic in Brazil, 2019−21
(Percent, left scale; Gini coefficients, right scale)


Source: IMF Fiscal Monitor (October 2022); BraSim tax and benefit tool and IMF staff estimates.
Note: Estimates are based on microsimulations. Poverty is defined as per capita household income less than half of minimum wage (US$6.30 per day in 2011 purchasing power parity [PPP] terms). Extreme poverty is US$2.25 per day at 2011 PPP, defined using the Bolsa Família eligibility thresholds. Income inequality is based on disposable income (market income after taxes and transfers).

Note: Population as of March of the following year. Official includes unrelated individuals under age 15. The Supplemental Poverty Measure (SPM) estimates for 2019 and beyond reflect the implementation of revised SPM methodology. More information is available in the report, Poverty in the United States: 2021. The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. SPM extends the official poverty measure by taking account of many government programs that are designed to assist low-income families but are not included in the official poverty measure. The SPM also includes federal and state taxes and work and medical expenses. In addition, the SPM accounts for geographic variation in poverty thresholds, while the official poverty measure does not. The data points are placed at the midpoints of the respective years.
1. Fiscal policy can be a powerful stabilization tool.

2. Long-term challenges (e.g., ageing, climate, investment needs) have significant fiscal implications.

3. Expenditures prioritization and effectiveness is key.

4. A well designed and effective medium-term fiscal planning frameworks is crucial to anchor spending and avoid unsustainable debt.

Integrating Medium-Term Fiscal Planning, Annual Budgets and LT Fiscal Outcomes.

**Medium-term fiscal framework**
- Macro-fiscal scenarios
- Set fiscal rules to be consistent with fiscal sustainability
- Fiscal Risks

**Annual budgets**
- Ensure consistency with MTFF
- Expenditures prioritization
- Fiscal outcomes

**Gradual decline in debt or fiscal vulnerabilities**
- Build up buffers in normal times.
- Countercyclical policies within the rules-based framework.

**National fiscal councils**
- Undertake or endorse independent macro-fiscal forecasts and costing of fiscal measures
- Assess consistency of fiscal plans and budgets
- Assess fiscal sustainability risks
1. Plans/rules should envisage more ambitious fiscal consolidation paths, depending on the degree of risks to debt sustainability in the short/medium term;

2. Fiscal anchors (reviewed periodically) should promote buildup of sufficient buffers over time, consistent with a safe level of debt:
   - Estimate a prudent debt limit (e.g. associated with maximum primary balance that a country can sustain over long periods).
   - Safety margin (buffer) size should take into account country-specific volatility (including natural disasters) and a larger role for fiscal policy.

3. Well-defined escape clauses should allow greater flexibility when hit by large shocks and guide the return to the rule or revising the medium-term fiscal anchor.
IMF—Rethinking Fiscal Rules and Fiscal Frameworks

Fiscal Rules and Fiscal Councils
Recent Trends and Performance during the COVID-19 Pandemic
Hamid R. Davoodi, Paul Elger, Alexandra Fidloc, Daniel García-Maria, Xuexiui Han, Andrea Lagedtorg, W. Raphael Lam, and Paulo Medas
WP/22/11

The Return to Fiscal Rules
Prepared by Francesco Caselli, Hamid Davood, Carlos Gnicoli, Qie Hong, Andreas Lagedtorg, Paulo Medas, Anh Dinh Minh Nguyen, and Jian Yoo
SDN/2022/10

Updated Datasets on Fiscal Rules and Fiscal Councils
Recent Trends and Performance

Reforming the EU Fiscal Framework
Strengthening the Fiscal Rules and Institutions
DP/2022/14
Thank you