

Fiscal Rules and Fiscal Responsibility Frameworks for Growth in Emerging and Low-Income Countries



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Conference on Fiscal Policy, Equity, and Long-term Growth
in Developing Countries

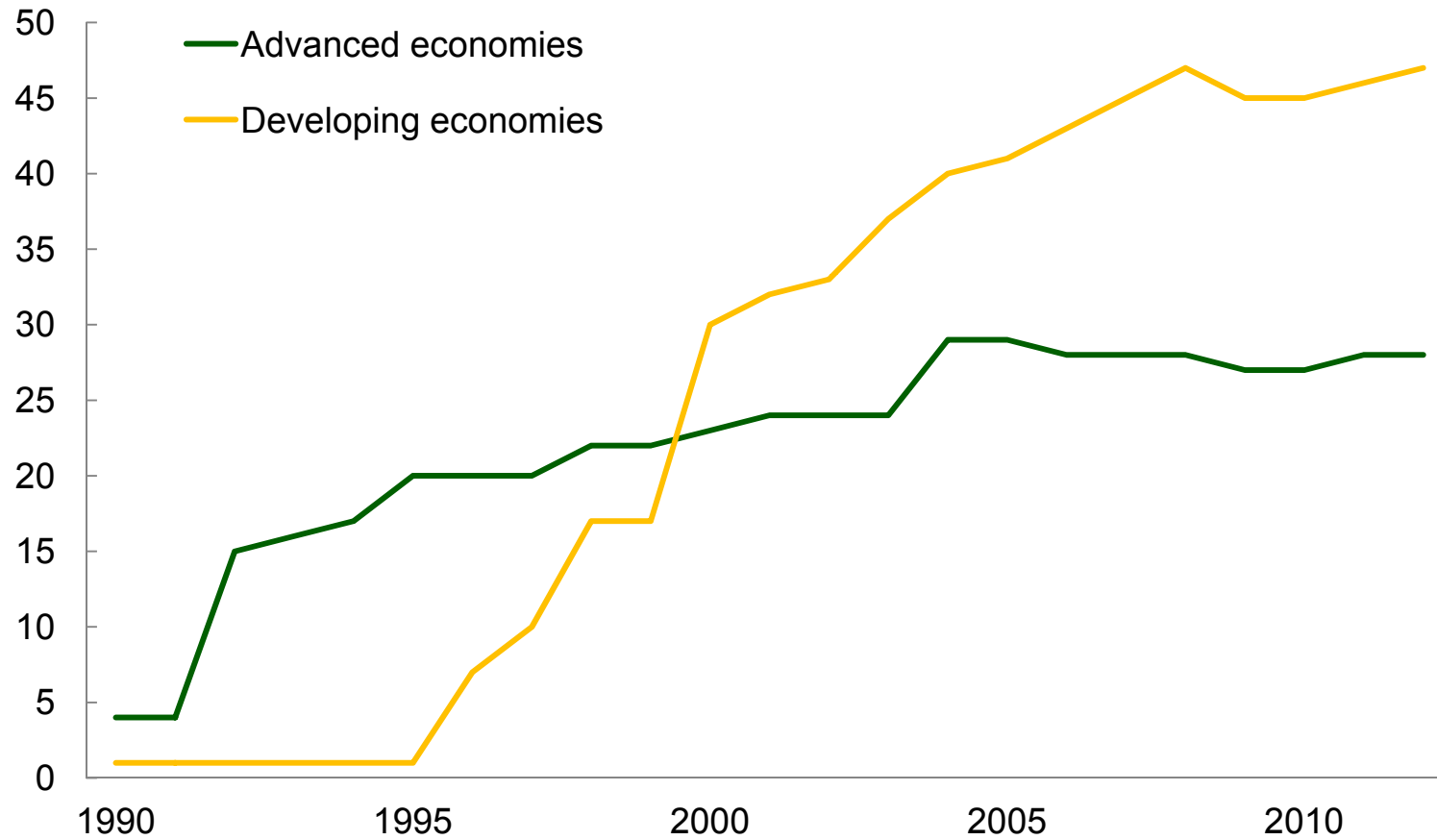
Washington DC, April 22, 2013

Outline



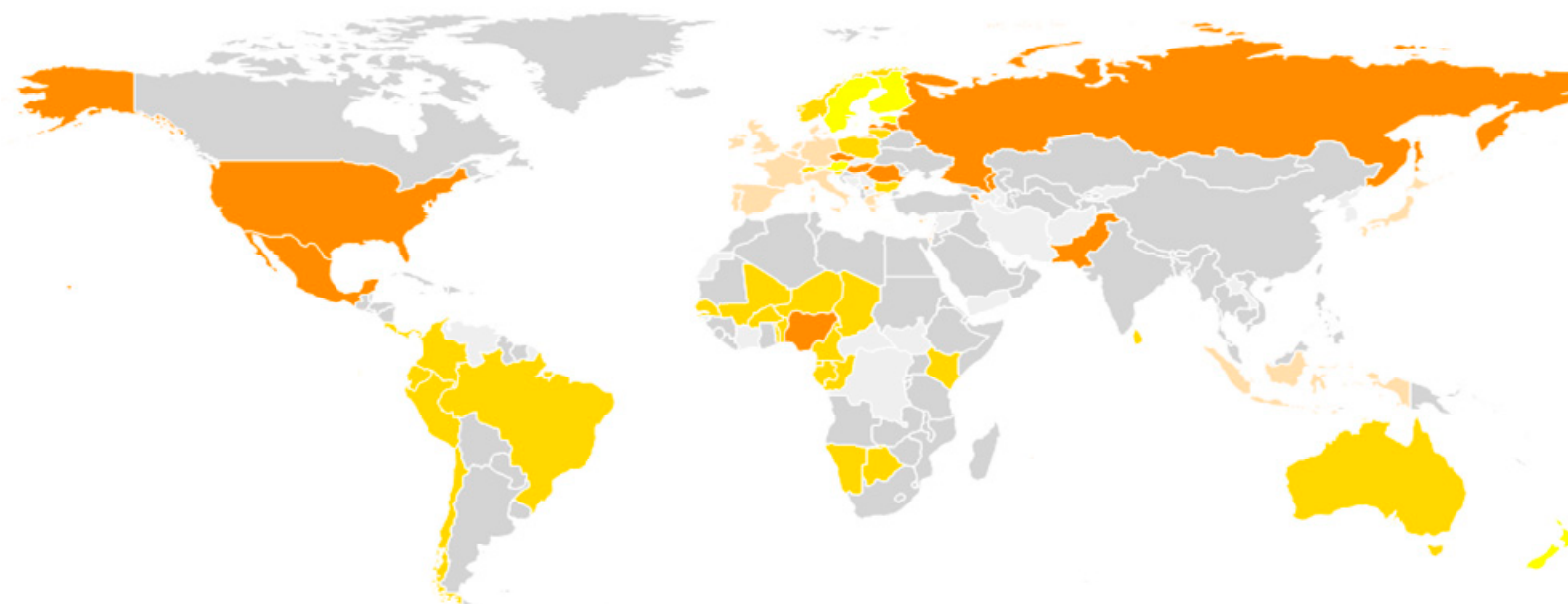
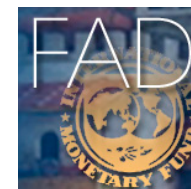
- Fiscal rules in the developing world
- Fiscal rules and growth volatility
- Design of fiscal rules and growth volatility

Number of Countries with Fiscal Rules



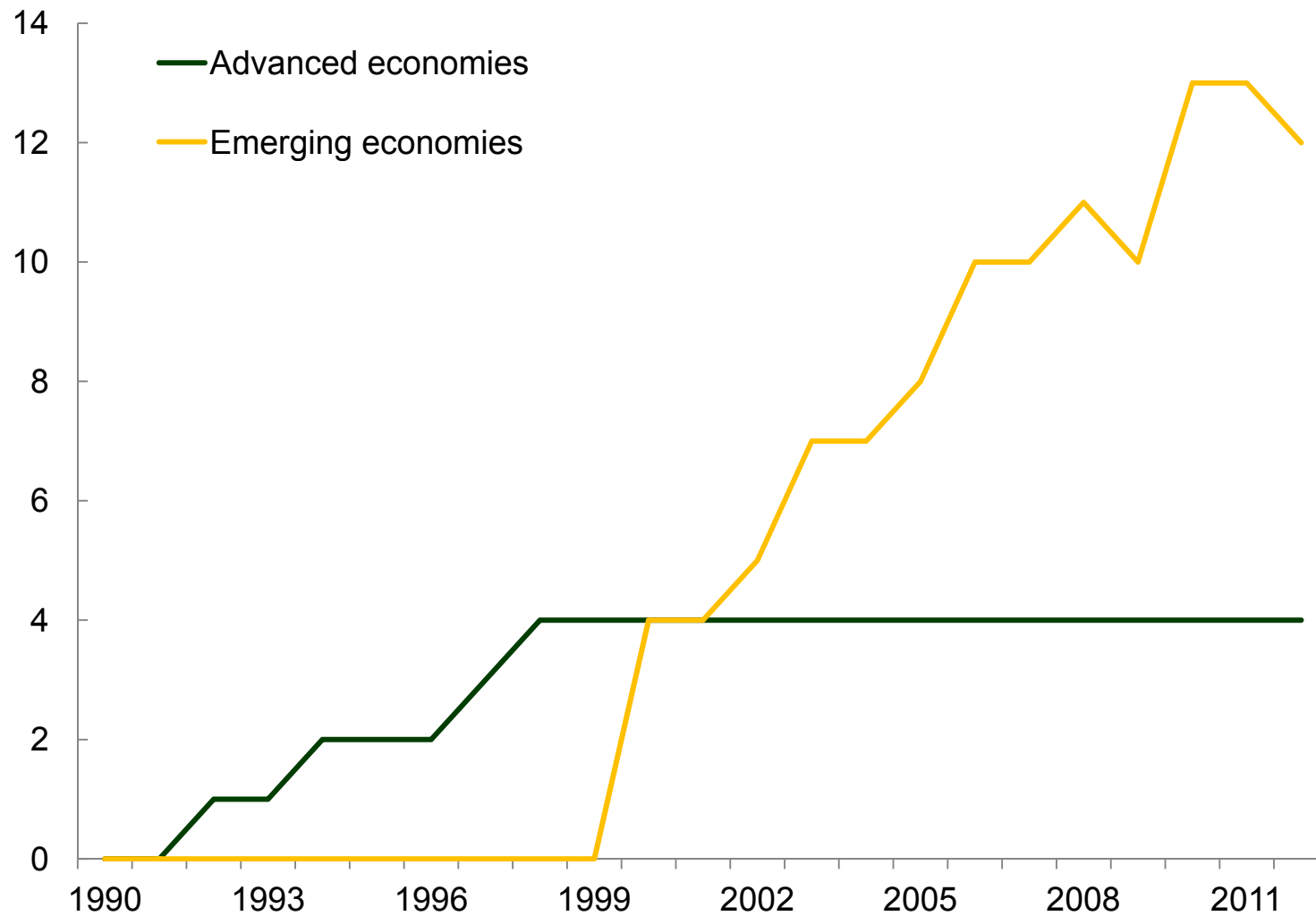
Sources: IMF Fiscal rules database (2012); and IMF staff estimates.

Fiscal Rules Around the World



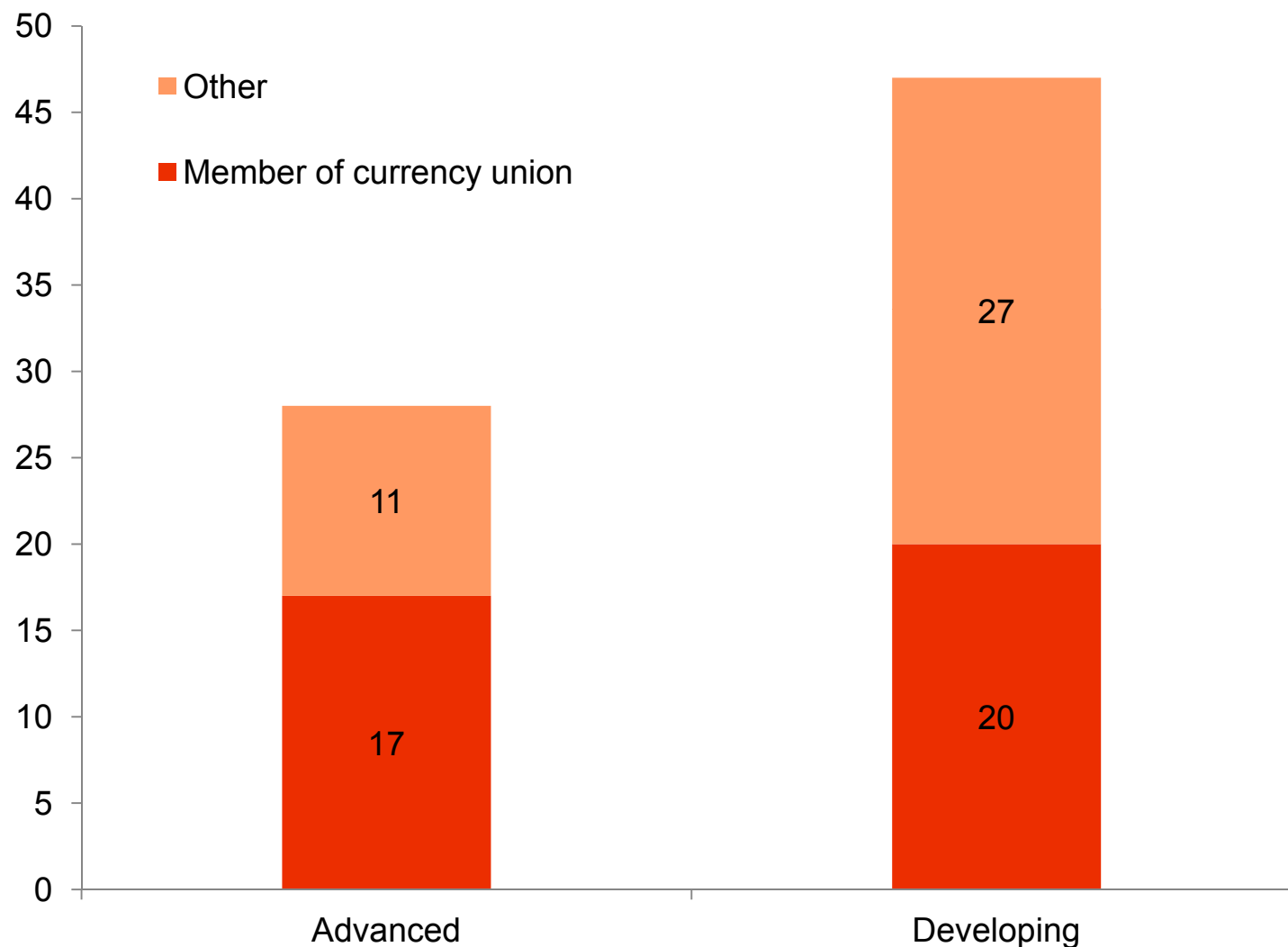
Sources: IMF Fiscal rules database (2012); and IMF staff estimates.

Fiscal Responsibility Laws



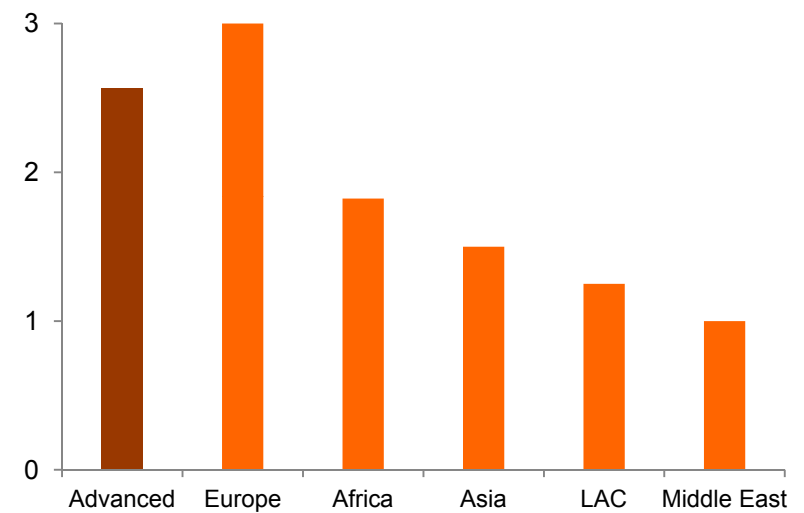
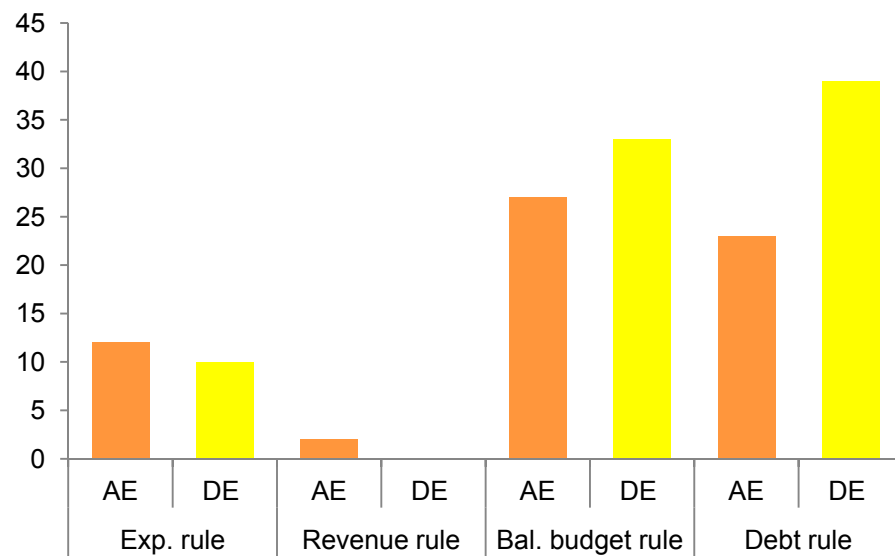
Sources: Corbacho and Schwartz (2007); national authorities; and IMF staff assessments.

Why Adopt a Fiscal Rule?



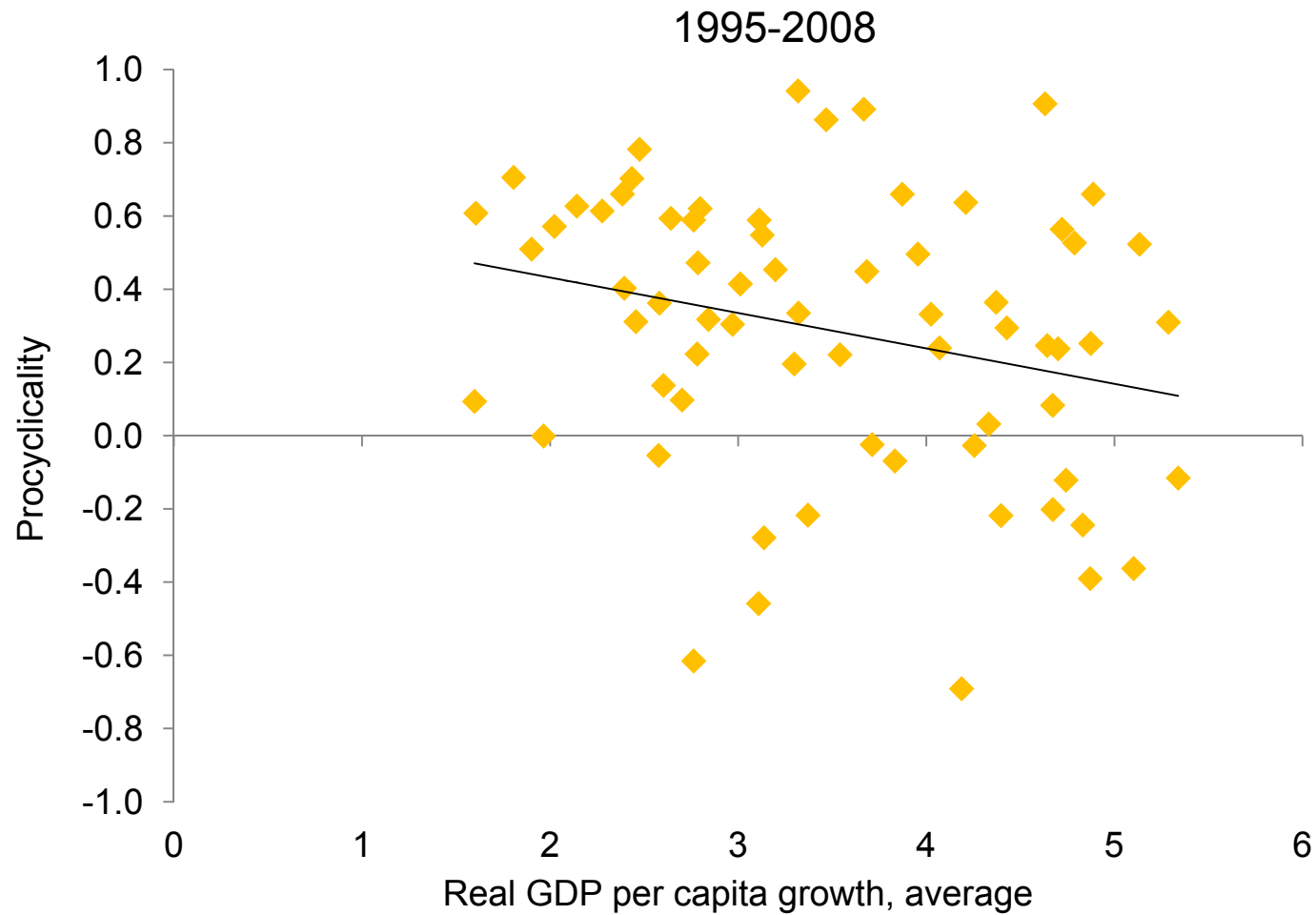
Sources: IMF Fiscal rules database (2012); IMF, *World Economic Outlook*; and IMF staff estimates.

Type and Number of Fiscal Rules



Sources: IMF Fiscal rules database (2012); IMF, *World Economic Outlook*; and IMF staff estimates.

Growth vs Growth Volatility



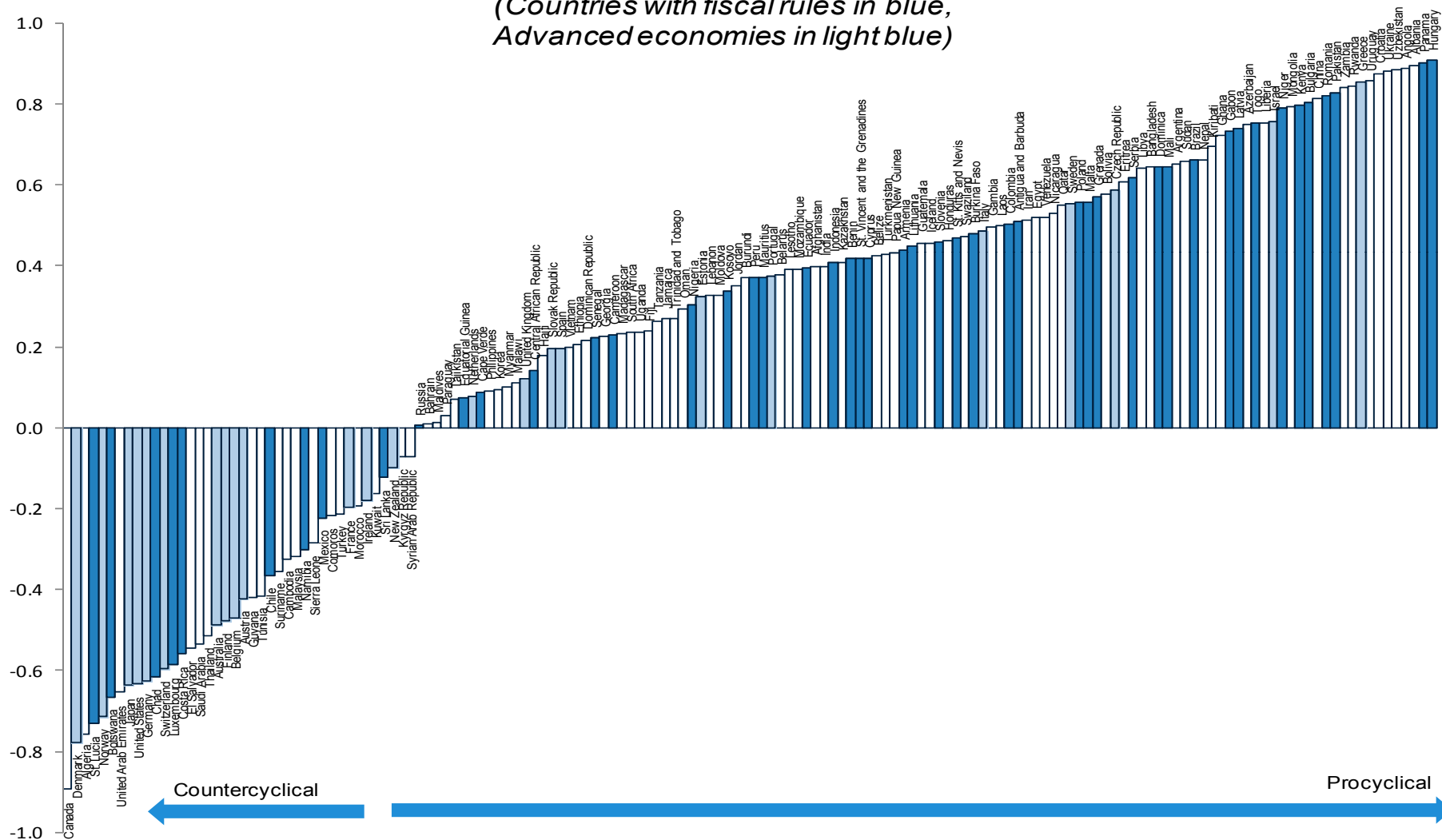
Sources: IMF Fiscal rules database (2012); IMF, *World Economic Outlook*; and IMF staff estimates.

Fiscal Rules and Procyclicality



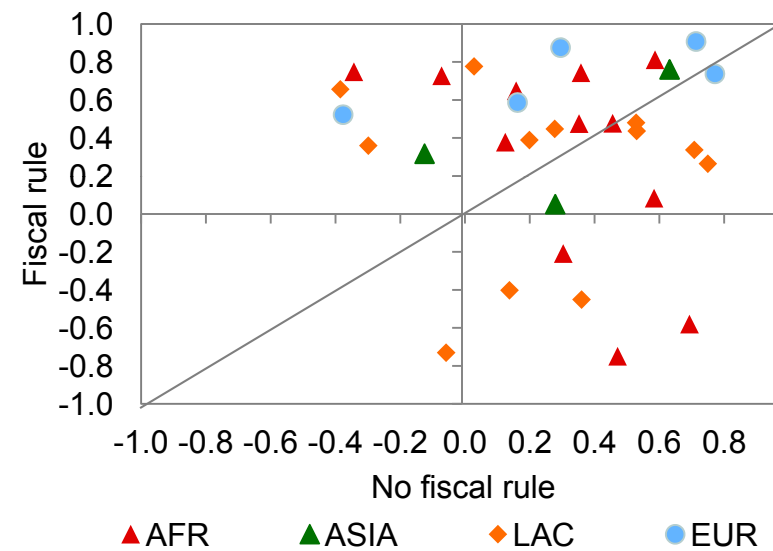
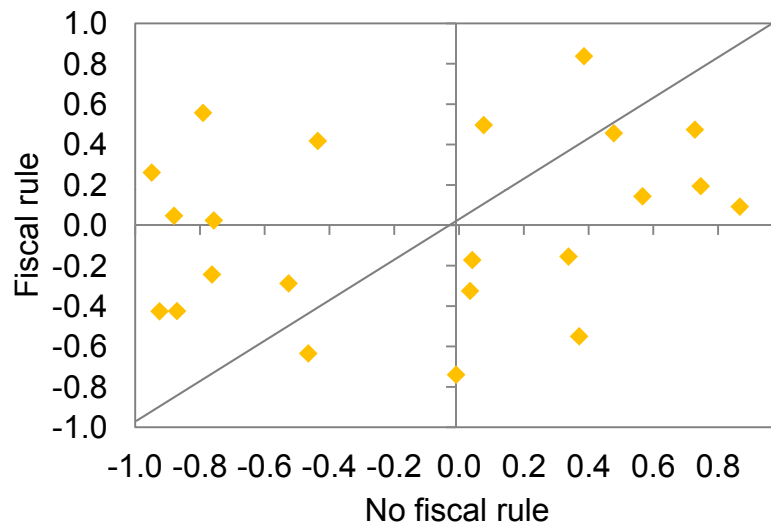
2004-2012

(Countries with fiscal rules in blue, Advanced economies in light blue)



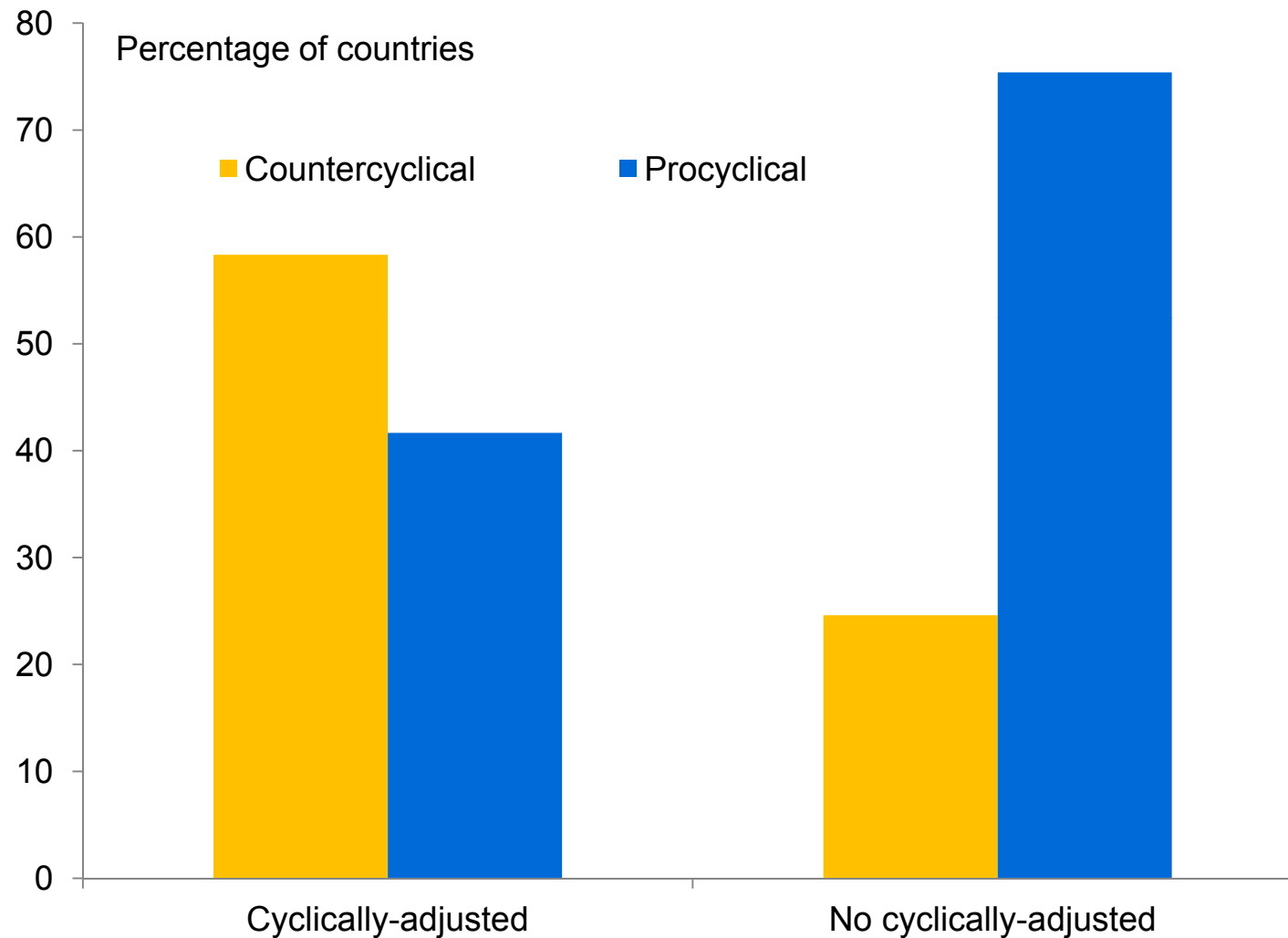
Sources: IMF Fiscal rules database (2012); and IMF staff estimates.

Fiscal Rules and Procyclicality



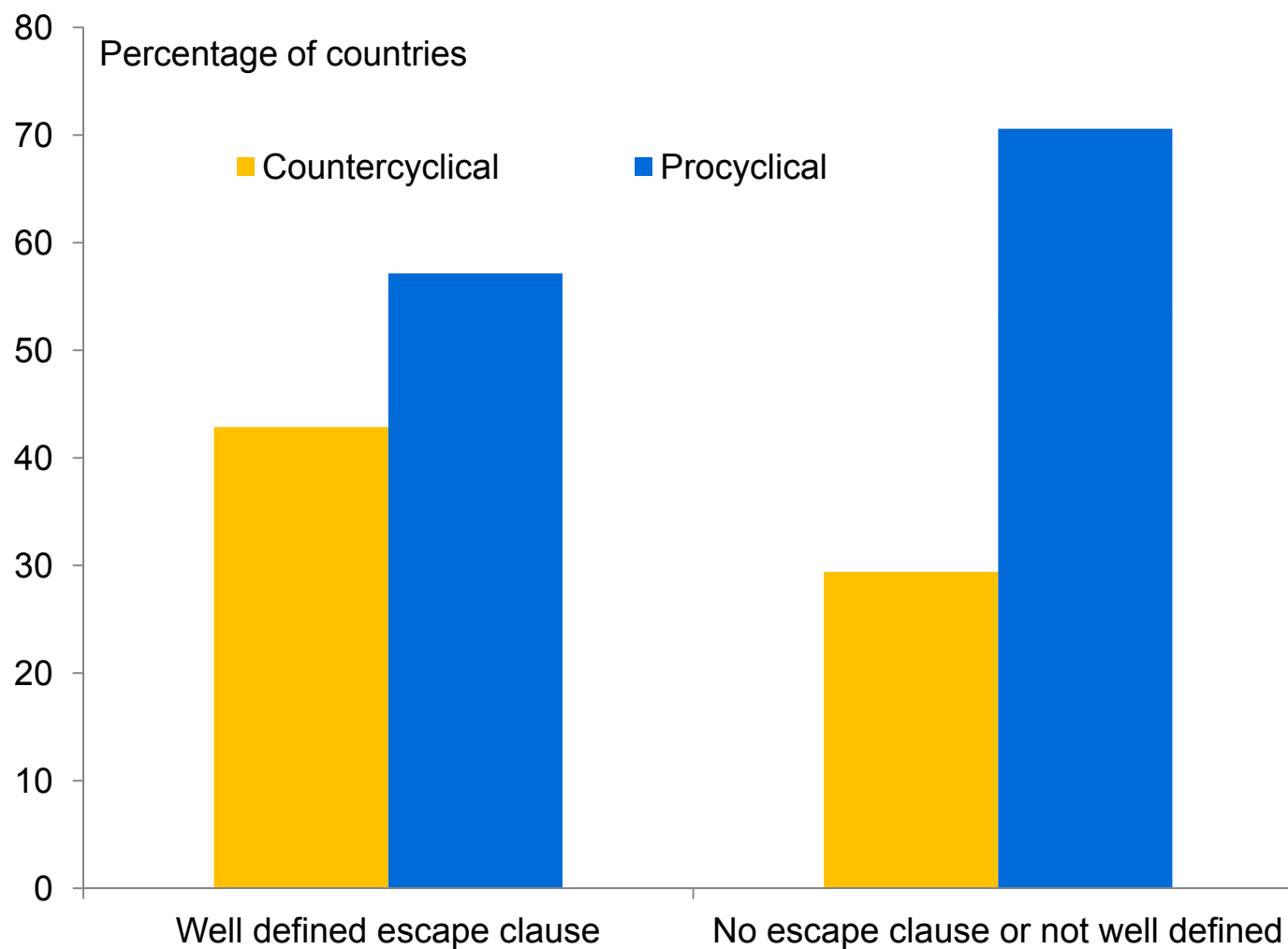
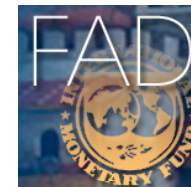
Sources: IMF Fiscal rules database (2012); and IMF staff estimates.

Cyclically-Adjusted Budget Balance Rules



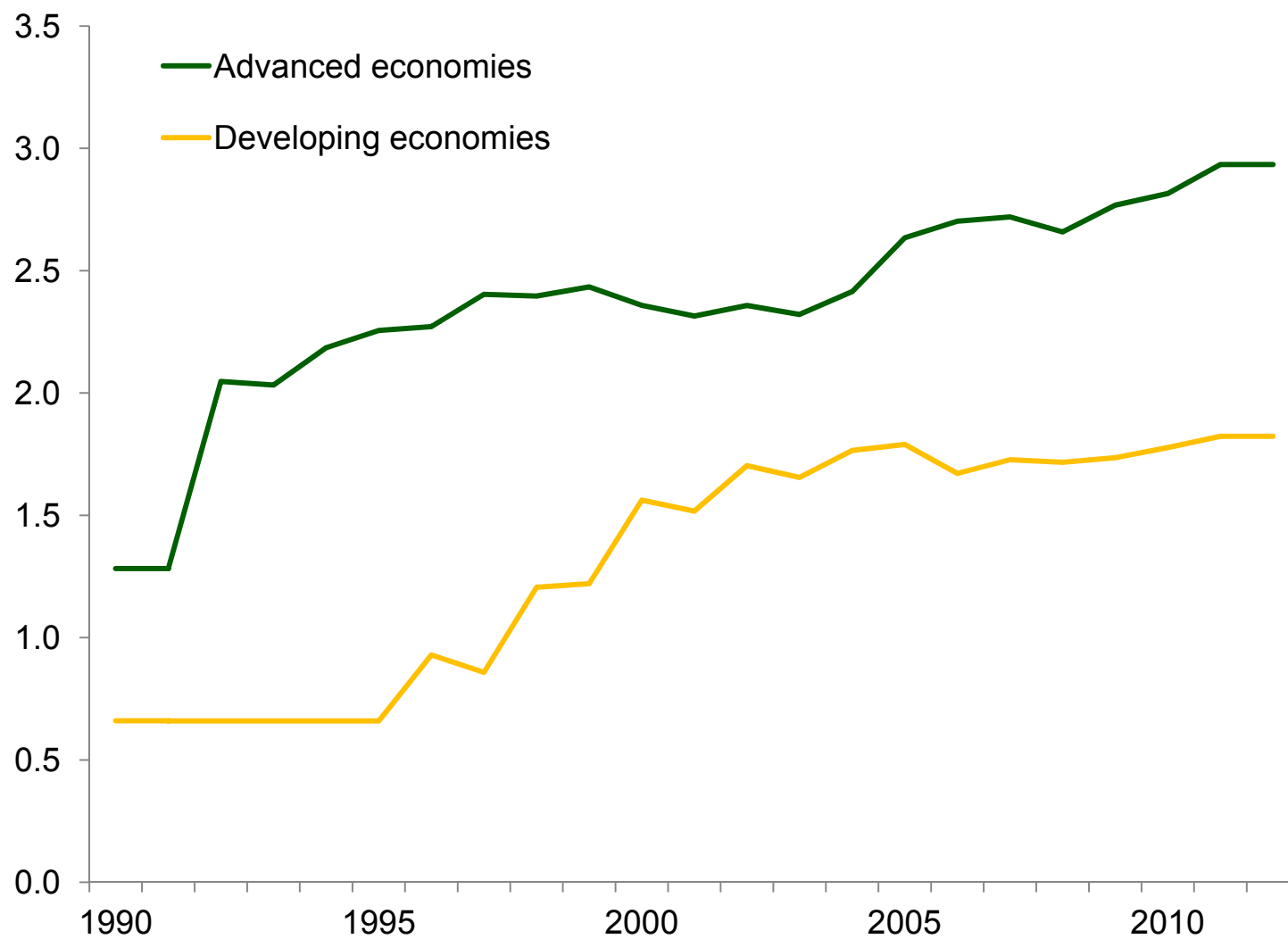
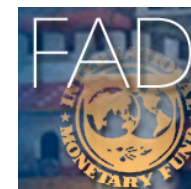
Sources: IMF Fiscal rules database (2012); and IMF staff estimates.

Well Defined Escape Clauses



Sources: IMF Fiscal rules database (2012); and IMF staff estimates.

Index of the Quality of Fiscal Rules



Sources: IMF Fiscal rules database (2012); and IMF staff estimates.

Conclusions



More work is needed on the relation between fiscal rules and growth

The adoption of some features of “second generation” fiscal rules can help reduce the procyclicality of fiscal policies

However, these features raise non trivial technical and communication challenges

The focus must not be solely on fiscal rules—a strengthening of the broader fiscal framework is equally, and perhaps more, important



Thank you!