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Fiscal Rules and Fiscal Councils:

Recent Trends and Revisions since the Pandemic

Virginia Alonso, Clara Arroyo, Ozlem Aydin, Vybhavi Balasundharam, Hamid R. Davoodi, Gabriel Hegab, W. Raphael Lam, Anh Minh Nguyen, Natalia Salazar Ferro, Galen Sher, Alexandra Solovyeva, and Nino Tchelishvili

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Authorized for distribution by Davide Furceri
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ABSTRACT: This paper examines the evolving landscape of fiscal rules and fiscal councils worldwide, focusing on developments since the pandemic. Drawing on the latest updates to the IMF's Fiscal Rules and Fiscal Councils databases—which cover more than 120 economies and 54 fiscal councils—it documents the increasing adoption of fiscal rules, particularly in emerging markets and developing economies. The analysis highlights improvements in the legal foundations and flexibility of fiscal rules, along with a growing role for effective fiscal councils in providing oversight. Despite these advancements, compliance remains uneven, with widespread and persistent deviations from deficit and debt rule limits. The paper introduces new indices to quantify the overall strength of fiscal rules and the institutional quality of fiscal councils, revealing significant cross-country variation and a positive correlation between the strength of rules and fiscal discipline.

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Contents

I. Introduction

Countries have increasingly incorporated fiscal rules into their fiscal frameworks to foster discipline in public finances. Fiscal rules are enduring constraints on fiscal policy, typically expressed as numerical limits on broad budget aggregates such as the fiscal balance, expenditures, and debt levels. Over 120 countries have adopted such rules, making them vital guardrails for government finances. Meanwhile, fiscal councils—technical, nonpartisan entities tasked as public finance watchdogs—have become more common in overseeing the implementation of these rules.[1]

In response to severe shocks, countries have made their fiscal rules more flexible, which proved effective at the onset of the pandemic. Nevertheless, high debt and deficits, coupled with mounting spending pressures, make it challenging for governments to comply with these rules or credibly commit to fiscal discipline. As a result, two-thirds of countries have revised their fiscal rules since the pandemic. However, in many cases, these revisions have not led to improved compliance.

Drawing on the major update of the IMF Fiscal Rules and Fiscal Councils databases, this paper provides an overview of recent developments and revisions in fiscal rules and fiscal councils worldwide.[2] The databases cover 123 economies and 54 fiscal councils, offering several enhancements, such as broader country coverage (with eighteen new additions), detailed information on compliance and escape clauses, and new data on fiscal council communications. Notably, this is the first comprehensive dataset to include many small developing states that are not in previous editions. These databases enable tracking of fiscal rule revisions since the pandemic, highlighting changes in design and institutional features. The analysis aims to inform the design of fiscal rules and assess the impact of fiscal councils.

In addition to reviewing recent developments, this paper compiles a 'strength' index for fiscal rules to evaluate how their design elements have evolved over time and across countries. Similarly, an index is developed to measure how fiscal councils align with desirable principles (OECD 2014, IMF 2013). These new indicators will support future empirical analysis of the role fiscal rules and councils play in influencing macroeconomic outcomes and public finances.

The paper is organized as follows. Section II examines novel findings from the updated databases, discussing recent trends in fiscal rules and fiscal councils globally, with particular emphasis on the post-pandemic years. Section III explores the evolution of fiscal rule design features, presenting a quantitative measure of their strength. It also reviews key provisions, such as escape clauses and correction mechanisms, and essential mandates of fiscal councils. Section IV quantifies deviations of debt and deficit from fiscal rule limits across countries and highlights how substantial departures from established rules can undermine compliance. Section V concludes.

[1] Fiscal council in this note is defined as a permanent agency with a statutory or executive mandate to assess publicly and independently from partisan influence government's fiscal policies, plans and performance against macroeconomic objectives related to the long-term sustainability of public finances, short- to medium-term macroeconomic stability, and other official objectives (IMF 2013).

[2] Data are based on the 2025 update of the IMF "Fiscal Rules at a Glance: 1985-2024" and "Fiscal Council: 2024 Update" databases, which updated the previous 2021 version. The updated fiscal rule database contains 123 economies. The fiscal council database covers 54 fiscal councils operational as of end-2024 on a de-jure basis.

II. Fiscal Rules and Fiscal Councils are on the Rise

During the past two and a half decades, an increasing number of countries have adopted rules-based fiscal frameworks. Countries have adopted numerical fiscal rules, which serve as guardrails designed to promote fiscal discipline. Fiscal rules are long-lasting numerical limits on key budget aggregates—such as expenditures or deficits—implemented to curb excessive spending and rising debt. Empirical evidence suggests that fiscal rules can promote budgetary discipline (Azzimonti et al., 2016, Fatas, Gootjes, and Mawejje 2025), signal governments' commitment (Hatchondo et al., 2022a, 2022b), mitigate procyclical spending (Reuter et al., 2022; Eyraud et al., 2023), and help focus political debate (Cao et al., 2024). The impact is, however, mixed and varies depending on the period and countries analyzed.

The recent release of the IMF Fiscal Rules and Fiscal Council databases offers an updated view of global fiscal rule frameworks (see Annex 1 for details).[3] This release is a major update, covering 123 economies and 54 fiscal councils. It provides significant enhancements, such as greater country coverage—including many small developing states—detailed information on compliance and escape clauses, and new data on fiscal council communications. The databases track revisions to fiscal rules since the pandemic and expand oversight by fiscal councils.

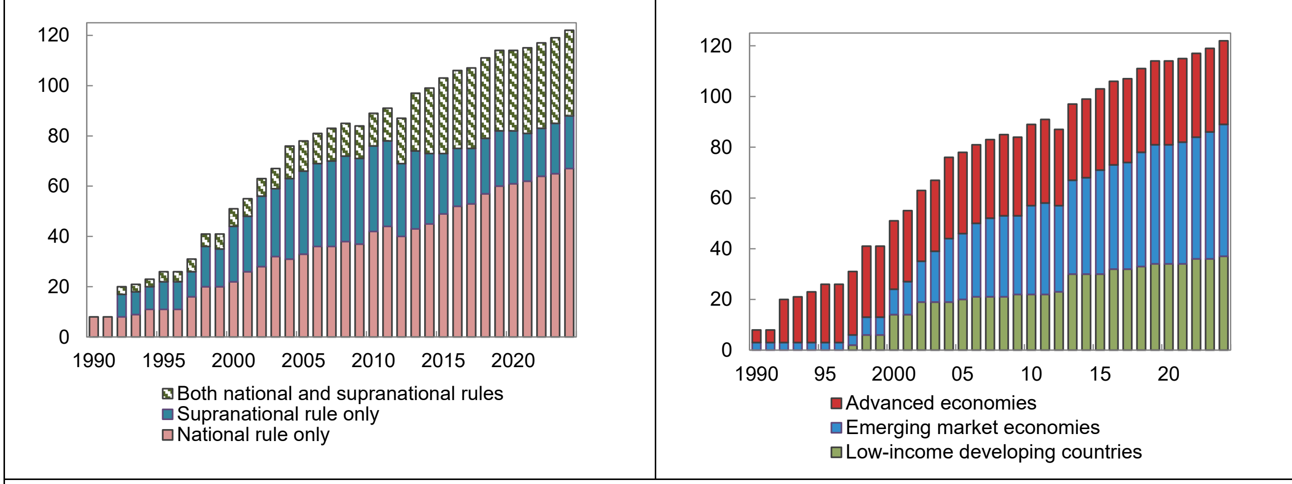
By the end of 2024, 122 economies had adopted at least one numerical fiscal rule, representing a 7 percent increase since the pandemic. The number of countries with fiscal rules has more than doubled since the beginning of the century (Figure 1), with 55 countries also subject to supranational rules.[4] Advanced economies led the initial adoption of fiscal rules, but recent growth has mainly come from emerging markets and developing economies. By the late 1990s, fiscal rule frameworks were already established in most advanced economies, largely due to the debt and deficit criteria set out by the Maastricht Treaty. In emerging markets and developing economies, national fiscal rules were often initially adopted to commit to fiscal adjustments after crises (e.g., Colombia, Brazil), to consolidate gains from reforms (e.g., Poland), or to prevent procyclical spending caused by volatile natural resource prices and save for future generations (e.g., Chile, Mongolia). Several countries have introduced fiscal rules since the pandemic, including Angola in 2020, the Democratic Republic of Congo in 2023, the Dominican Republic in 2024, Kiribati in 2022, the Marshall Islands in 2021, Somalia in 2024, and Zambia in 2022.

[3] The IMF Fiscal Rules: 1985-2024 and IMF Fiscal Council: the 2024 Update databases are available online, which updated the previous vintage in 2021 (see Davoodi et al. 2022). The updated fiscal rule database contains 123 economies (a net increase of 17 more than the previous vintage) comprising four types of rules: expenditure rules, revenue rules, budget balance rules, and debt rules. The fiscal council database covers 54 fiscal councils (3 more than previous vintage—Aruba, Mongolia, and Romania) operational as of end-2024 on a de-jure basis and describes their mandates, structure, communications, and several aspects related to operational independence. This update incorporates data for 18 new countries, among them 8 Small Developing States (SDS) and 6 Fragile and Conflicted States (FCS). The new countries in the database are Angola, Aruba, Barbados, Democratic Republic of Congo, Dominican Republic, El Salvador, Honduras, Kiribati, Marshall Islands, Morocco, Nauru, Papua New Guinea, Solomon Islands, Somalia, Suriname, Tonga, Vanuatu, and Zambia. Nigeria was removed from this vintage, as it does not fit the criteria of fiscal rule to be included in this database owing to frequent revisions of the deficit or expenditure targets year to year.

[4] These include 27 member states in European Union, 6 in Eastern Caribbean Currency Union (ECCU), 8 in West African Economic and Monetary Union (WAEMU), 6 in Central African Economic and Monetary Community (CEMAC), and 8 in East Africa Economic and Monetary Community, respectively. Among the 122 economies with fiscal rules, with 67 countries having only national rules, 21 only supranational rules, and the remaining 34 having both.

Figure 1. Fiscal Rules on the Rise: 1990-2024
(Number of countries with at least one fiscal rule)

1. National and Supranational Rules | 2. Fiscal Rules by Income Groups



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024.

The number of fiscal rules per country has remained stable over the last decade (Figure 2), showing a slower increase compared to the period from 2000 to 2010. As of the end of 2024, countries have an average of 2.8 different rules. This average is higher for advanced economies, reflecting that many EU member states have adopted both national rules and supranational ones at the EU level. While countries may seek to introduce more rules to enforce greater fiscal discipline or to achieve multiple objectives, having multiple rules often makes the framework more complex and compliance more difficult to monitor and explain to the public (Davoodi et al., 2022). Multiple rules can also create political concerns that governments may selectively comply with some nonbinding ones.

Figure 2. Average Number of Fiscal Rules Per Country: 1990-2024 (Number of rules)

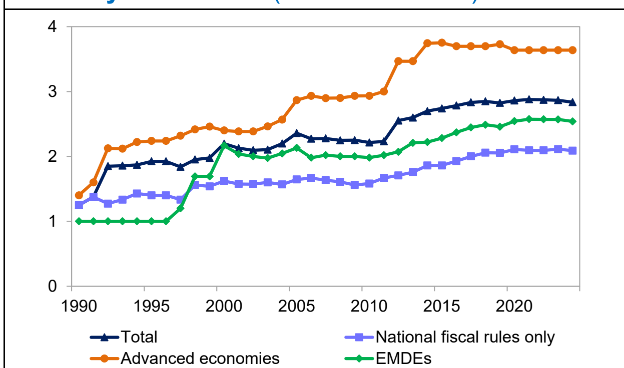
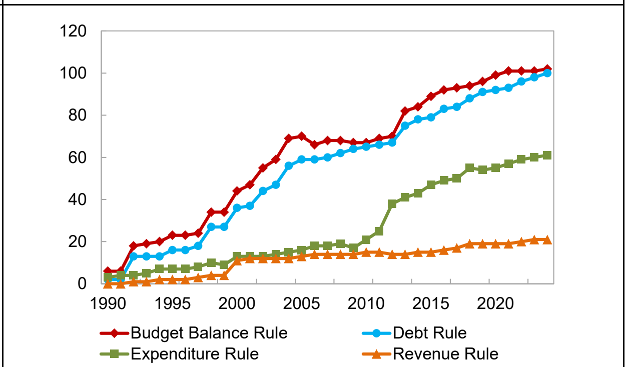


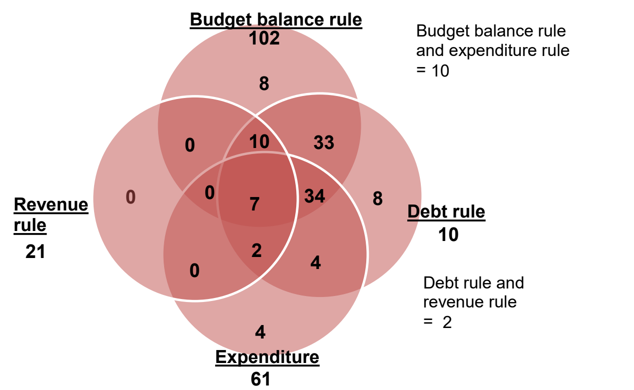
Figure 3. Common Types of Fiscal Rules (Number of countries)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
EMDEs = Emerging markets and developing countries.

The most common fiscal rules are debt rules and budget balance rules, each adopted by over 100 countries (Figure 3). Debt rules typically take the form of a limit on debt levels, expressed as a percentage of GDP or, for resource-rich countries, non-resource GDP. A budget balance rule is often defined as a deficit ceiling in percent of GDP, or, in the case of structural balance rules, as a percentage of potential GDP. Expenditure rules are praised for their simplicity and ease of monitoring, and have been increasingly adopted since 2010 (Annex 2). For instance, EU member states are required to maintain multi-year spending ceilings in accordance with new EU economic governance reforms beginning in 2025. Expenditure rules set limits on the nominal or real growth rate of total, primary, or current expenditures, or express expenditures as a share of GDP. Revenue rules are less commonly used, partly because revenues are procyclical and difficult to control. Countries may implement such rules to boost revenue collection (e.g., member countries of the West African Economic and Monetary Union (WAEMU)) or to prevent excessive tax burdens in advanced economies (such as Belgium). The most frequent combination of rules consists of a debt rule together with a budget balance rule, or with both a budget balance and an expenditure rule (Figure 4).

Figure 4. Different Combination of Fiscal Rules: A Cross-Country Snapshot in 2024

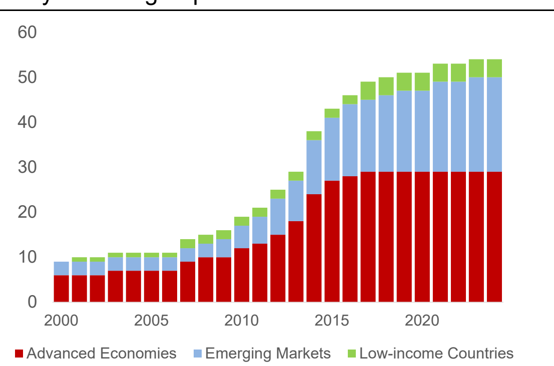


Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
The Venn diagram shows the overlap of different rules across the world. For example, there are seven countries that have adopted all four types of fiscal rules and thirty-three countries have adopted both budget balance rules and debt rules.

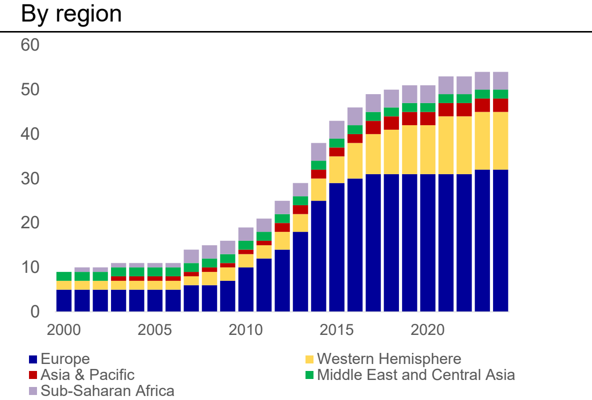
Fiscal councils, or independent fiscal institutions, represent another key pillar of the rules-based fiscal framework (Davoodi et al., 2022; Caselli et al., 2022). They are technical, nonpartisan entities with statutory or executive mandates and serve as public finance watchdogs. As indicated in the latest IMF Fiscal Council dataset, fiscal councils can take different institutional forms, ranging from parliamentary budget offices (e.g., Canada, Italy, United States) to supreme audit offices (e.g., France and Finland), and to separate independent entities attached to the executive branch (e.g., Belgium, Croatia) or operating outside the government (e.g., Chile).

Figure 5. Fiscal Councils are on the Rise
(number of councils, by country groups and regions)

1. By income group



2. By region



Sources: Alonso et. al. 2025b; IMF Fiscal Councils Database: 2024 Update; and authors' compilations.

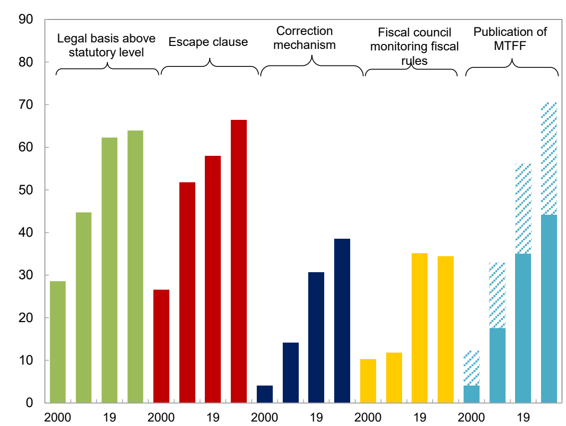
Fiscal councils have become increasingly prevalent over the last three decades. As of the end of 2024, there are 54 fiscal councils—more than double the number in 2010 (Figure 5). This means that less than half of countries with fiscal rules have established a fiscal council. As with the adoption of fiscal rules, advanced economies have pioneered the establishment of fiscal councils, with European countries leading the way as EU fiscal frameworks mandate independent fiscal oversight. Nonetheless, over the past decade, the rising number of fiscal councils has been driven by emerging market economies, which increased from 12 fiscal councils in 2014 to 21 in 2024. The growth in Latin America and the Caribbean is especially notable, with the region now hosting 11 fiscal councils. Outside the sample dataset, Jamaica established a fiscal council that became operational in January 2025. Poland has also committed to establishing a fiscal council under the EU fiscal framework. Fiscal councils are understandably rare among low-income developing countries, as constraints in institutional capacity and fiscal expertise make it less practical to establish or operate a separate entity. The increasing use of fiscal councils reflects a growing recognition of the importance of independent fiscal oversight in maintaining sustainable public finances.

III. Evolving Design and Institutional Features of Fiscal Rules and Fiscal Councils

A. Evolving design features of fiscal rules

In addition to the increasing number of countries adopting fiscal rules, the design of these rules has also evolved over time. The latest update of the IMF Fiscal Rule Database highlights several aspects of fiscal rule design, including compliance, coverage, statutory basis, provision of escape clauses and correction mechanisms, as well as the links between fiscal rules and medium-term fiscal frameworks (see Annex 1; Technical Manual of Fiscal Rules at a Glance). This dataset allows for comparison of how countries' fiscal rules measure against desirable principles such as simplicity, flexibility, and enforceability (Eyraud et al., 2018). This section discusses several relevant aspects and compiles a quantitative composite index to assess the 'strength' of fiscal rules over time and across countries.

Figure 6. Fiscal Rule Characteristics: 2000-2024
(Percent of the total number of countries with at least one fiscal rule)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
The solid color of the blue bars on the publication of MTFF refers to countries that publish MTFFs ahead of the budget cycles, while as shaded blue bars refer to the publication of MTFFs but not ahead of budget cycles.

Additional features have been progressively introduced into fiscal rules to enhance their flexibility and monitoring. Severe crises—such as the global financial crisis in the late 2000s, the commodity price collapse in 2014–15, and the COVID-19 pandemic—often prompted countries to revise their fiscal rules in response to the evolving landscape of public finances.

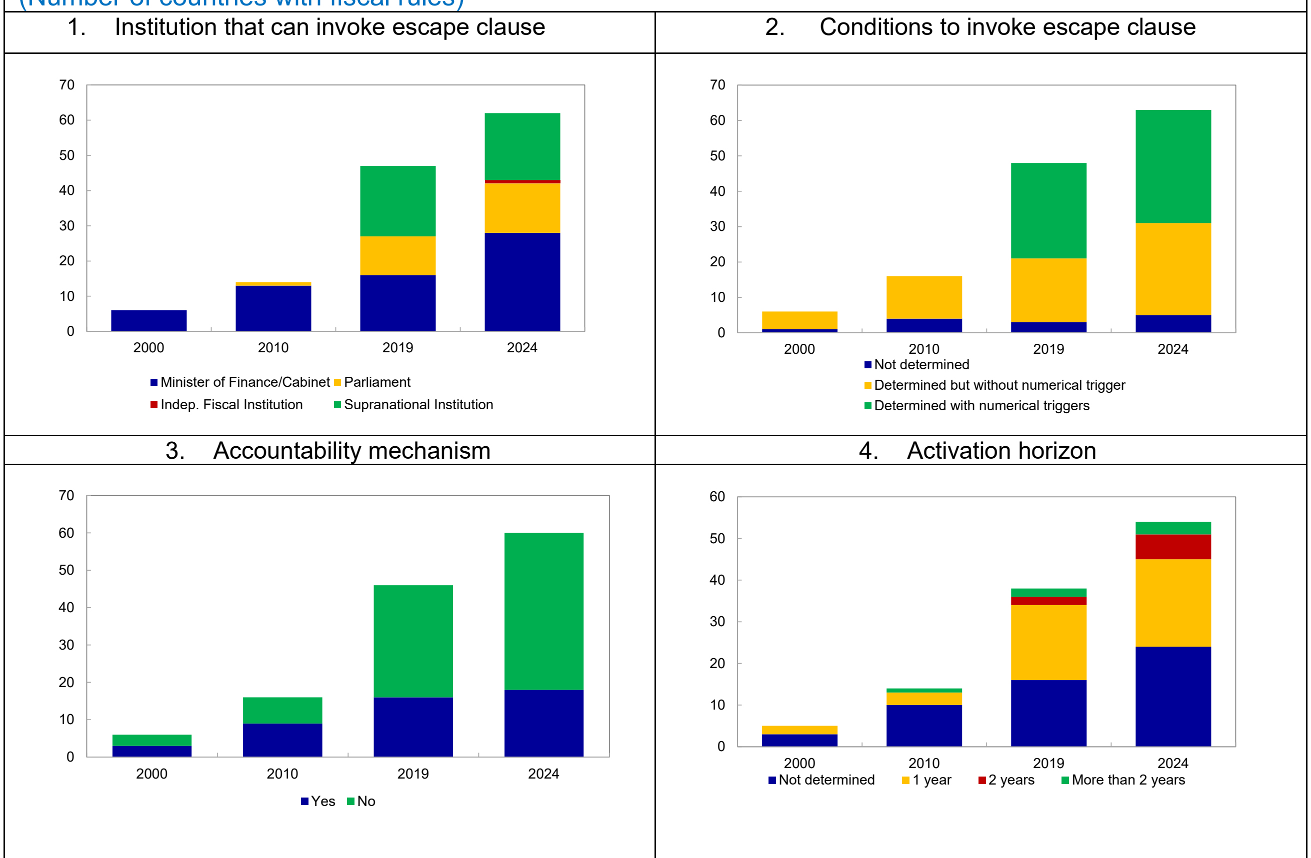
Statutory basis

An increasing number of fiscal rules are now established in legislation across countries. By the end of 2024, about two-thirds of countries had fiscal rules legislated, either within a fiscal responsibility law (such as in Spain and Brazil) or, in some cases, within their constitutions (as in Germany) (Figure 6). The number of countries with formally legislated fiscal rules has more than doubled since 2000. By providing a statutory foundation for fiscal rules, governments can better demonstrate their commitment to fiscal discipline, thereby enhancing credibility. Some national fiscal rules are not formally legislated but are instead included in coalition agreements. There is no single legislative approach suitable for all countries, as this depends on specific political circumstances. While embedding fiscal rules in a constitution can make them less susceptible to frequent changes or political interference, such rules may become overly restrictive if macroeconomic conditions shift significantly. In contrast, fiscal rules that are part of coalition agreements without broad political support may be subject to frequent revision and, as a result, may become nonbinding and less effective over time.

Escape clause provisions

Escape clause provisions have also evolved. Early fiscal rules were often too rigid, limiting governments' ability to respond proactively to severe adverse shocks, such as those experienced during the global financial crisis in the late 2000s. Over the past two decades, countries have incorporated greater flexibility into their fiscal rules by introducing escape clauses, laying the groundwork for what is known as 'second generation' fiscal rules (Eyraud et al., 2018). Escape clauses allow governments to temporarily suspend rules during exceptional circumstances—such as war, national emergencies, severe recessions, or natural disasters—without undermining the credibility of fiscal discipline.

Figure 7. Characteristics of Escape Clauses in Fiscal Rules: 2000-2024
(Number of countries with fiscal rules)

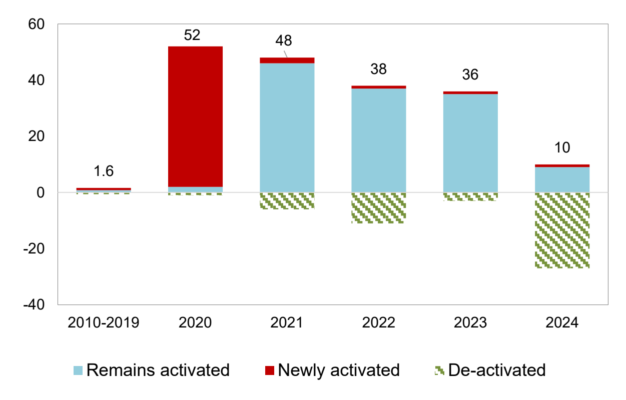


Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: Accountability mechanism includes the requirement for governments to publish the plans to return to fiscal rule limits after exiting the escape clause.

Countries have increasingly implemented escape clauses to strengthen the flexibility of fiscal rules. For example, Colombia, Ecuador, and Sri Lanka have recently introduced or revised escape clauses within their rules framework. By the end of 2024, more than two-thirds of fiscal rules include escape clauses, which is more than double the proportion seen in 2000 (Figure 6). The procedures and triggers for activating escape clauses, as well as the activation horizon, vary across countries (Figure 7).

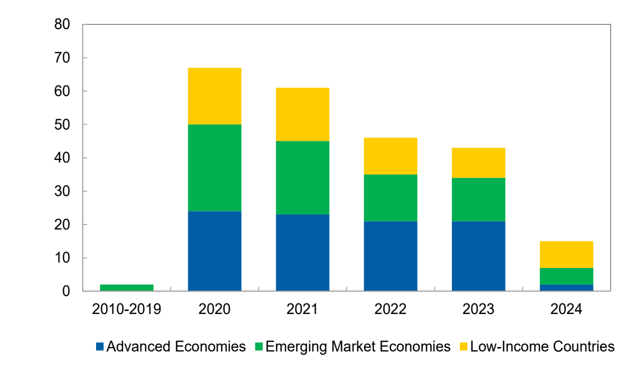
- *Procedures.* Some would require a presidential decree citing the reasons for activation (e.g., Azerbaijan), others would be invoked by the government (finance ministry or the cabinet) and approved by parliament or congress (e.g., Grenada, Keyna, Mongolia) and considering the opinions by fiscal councils (e.g., Ireland, Panama). For supranational rules such as those of the European Union, the European Commission activated the EU-wide escape clause in 2020, and the suspension was extended in 2021-23 owing to the war in Ukraine.
- *Triggers.* Escape clauses often specify triggering conditions, sometimes with a specific quantitative trigger such as the magnitudes of growth slowdown. These triggers are generally set outside the direct control of governments and subject to the review of fiscal councils to avoid the risks of abuse (Gbouhoui and Medas, 2020).
- *Horizon and accountability.* Some escape clauses also specify the activation horizon, which often ranges from 1 to 2 years (e.g., 1 year in Austria and 2 years in Colombia), while others indicate the timeframe to return to fiscal rule limits after exiting the escape clauses (Figure 7). Among clauses that specify a horizon, the average duration increased from an average of 1 year in 2000 to 1.7 years in 2024. At the same time, the accountability mechanisms are often lacking, such as the requirements for governments to publish a plan to return to fiscal rules after exiting the escape clause (Figure 7).

Figure 8. Escape Clause Activation
(Number of countries that activate, maintain, and de-activate their escape clauses)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: Red bars represent the number of countries that activate their escape clauses each year, while the blue bars show the number of countries that keep escape clauses active from the previous year. Green bars represent the number of countries that de-activate their escape clauses. The numbers on the chart represent the total active escape clauses in a year. The value for 2010-2019 is the average over that period.

Figure 9. Horizon of Suspension of Fiscal Rules During the Pandemic
(Number of countries)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: The bar for 2010-2019 is the average over that period.

During 2010–2024, the activation of escape clauses was concentrated in periods marked by severe shocks, most notably during the onset of the COVID-19 pandemic in 2020.[5] The inclusion of escape clauses proved effective, as 50 countries activated these provisions—with 43 specifically pertaining to debt rules—or temporarily suspended fiscal rules to deliver essential fiscal support. The activation of escape clauses peaked in 2020, but the data reveal a diverse range of durations (Figure 8). Some nations, such as Panama and Hungary, still maintained active escape clauses as of 2024. Several countries do not specify a timeline for returning to fiscal rule limits after exiting escape clauses. For example, Honduras's fiscal rule requires deficits to be reduced by at least 0.5 percentage points of GDP annually until reaching 1 percent of GDP, but does not impose a time frame. The duration of active escape clauses varies widely across countries (Figure 9).

Correction mechanism

Correction mechanisms are increasingly recognized as vital features in the design of fiscal rules, helping to establish a credible path for governments to return to compliance. A correction mechanism specifies the fiscal actions to be undertaken when rules are breached. Their prevalence has grown significantly, with around 40 percent of countries with fiscal rules implementing some form of correction mechanism by 2024—a marked increase from just 4 percent in 2000 (Figure 6). Nonetheless, most nations do not have such mechanisms to manage deviations, especially emerging markets and low-income developing economies. In these groups, only 30 percent and 10 percent of countries with fiscal rules, respectively, have correction mechanisms in place.

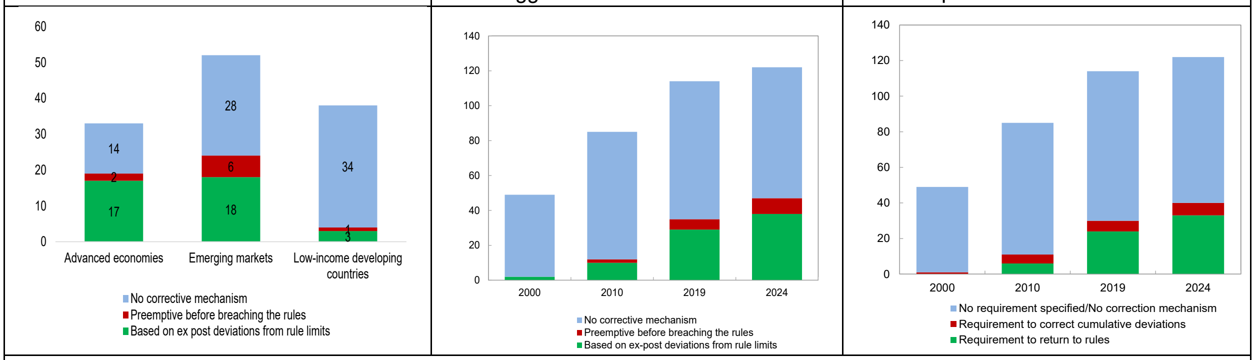
Countries employ a variety of correction mechanisms, which are activated either when escape clauses expire or when rule deviations occur due to noncompliance (Figure 10). Corrective actions may include additional reporting requirements and the development of adjustment plans detailing specific revenue and expenditure measures. Some countries introduce ex-ante triggers—such as in Angola and Brazil—before fiscal rules are breached, while others rely on ex-post triggers, activated in response to actual deviations, as seen in Costa Rica and Switzerland (Brandle and Elsener 2024). The required corrective actions also differ: some countries legislate the magnitude of adjustments, whereas others require governments to submit adjustment plans for informational purposes or parliamentary approval.

Several countries have adopted pre-specified correction mechanisms—examples include Costa Rica, the Czech Republic, and the Slovak Republic. In these nations, fiscal rules incorporate triggers for fiscal adjustment when the debt-to-GDP ratio surpasses predetermined thresholds. An empirical study using a synthetic control approach finds that adopting fiscal rules with pre-specified corrective mechanisms can help reduce sovereign spreads by about 10 percent (on average, 30 basis points) after six months, and by more than 25 percent (on average, 75 basis points) after one year compared to the control group (Acalin et al. 2025). This effect is partly due to the influence such mechanisms have in shaping expectations regarding future budget balances and mitigating deficit bias.

[5] Only a few countries activated escape clauses prior to the pandemic. For example, Iceland activated the escape clause after the bankruptcy of its airline, later extending it through 2025 because of the pandemic. The Bahamas activated the escape clauses in 2019 owing to the natural disaster from the hurricane Dorian. More recent activations include Grenada in 2024 following Hurricane Beryl.

Figure 10. Characteristics of Correction Mechanism in Fiscal Rules: 2000-2024
(Number of countries)

1. Presence of correction mechanism | 2. Trigger of correction mechanism | 3. Requirement to return to rules



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.

While corrective mechanisms differ across countries, the effective ones share desirable features and help avoid procyclical adjustments. First, cross-country experience shows that pre-specified conditions—such as triggering corrective action when debt exceeds a certain threshold or fiscal rules are breached—tend to be more effective, as they provide clear guidance for expectations. Second, actions prescribed by these mechanisms should minimize the risk of procyclical spending cuts when activated. The pace of fiscal adjustment should be aligned with sovereign risk, with more rapid measures warranted if debt sustainability is a concern. Third, effective mechanisms outline clear procedures for remedial actions and establish robust reporting requirements; for instance, corrective plans should be regularly updated in MTFF reports and submitted to parliament. These principles are consistent with empirical findings, which indicate that well-designed correction mechanisms support the implementation of fiscal rules and help mitigate sovereign risk (Beetsma and Debrun 2016; Debrun and Jonung 2019).

Monitoring of fiscal rules

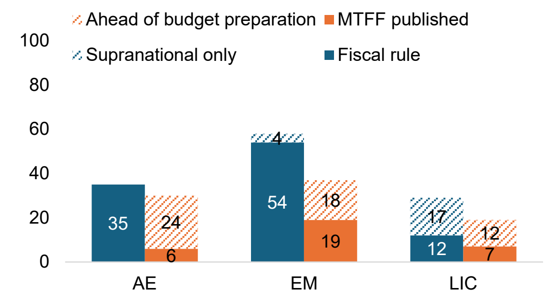
As fiscal rules are adopted, many countries establish oversight to monitor their implementation. While there has been an increasing trend over the last two decades, only less than 40 percent of countries with fiscal rules have established fiscal councils to monitor the implementation of fiscal rules as of end 2024 (Figure 6) (Section III.B).

Linkages of fiscal rules with medium-term fiscal frameworks (MTFFs)

Despite the improvement in some aspects of fiscal rule design, there remain limited connections between countries' fiscal rules and medium-term fiscal frameworks (MTFFs). MTFFs introduce a medium-term perspective to budgeting, linking the annual budgets, fiscal rules, and medium-term projections together.

MTFFs are usually implemented in countries with numerical fiscal rules. These frameworks set top-down limits on total government expenditure, guiding the annual budgeting process. Some countries use a debt anchor and calibrate a fiscal path—based on expenditure or deficit ceilings—in the MTFF, a fiscal strategy report, or a Fiscal Charter, typically for a four- to five-year period aligned with the government's term. These plans often include procedural rules for enforcing and monitoring MTFFs (e.g., Ecuador, Sri Lanka, Maldives, Grenada). The adoption of MTFFs usually entails publishing a report detailing the medium-term fiscal strategy, macro-fiscal projections, and measures to achieve fiscal rule targets (Curristine et al. 2024).

Figure 11. Linkages of Fiscal Rules and the Publications of MTFFs
(Number of countries, 2024)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: MTFF Medium Term Fiscal Framework; AE Advanced Economies; EM Emerging Market Economies; LIC Low Income Countries.

An MTFF report often assesses fiscal risks and outlines strategies for complying with fiscal rules. In cases of past deviations or noncompliance, the report may propose new measures and explain how these will ensure future adherence to fiscal rules.[6] To be effective, MTFFs should be published ahead of budget preparation, as they establish aggregate ceilings that serve as the overall budget envelope for annual budgets. Strengthening the alignment between MTFFs, fiscal rules, and the annual budget process is essential for improving compliance.

The latest update of the IMF Fiscal Rules Database finds that two-thirds of countries with fiscal rules publish MTFF reports (Figure 11), with almost half releasing them prior to the budget and more than half including explicit ceilings. MTFFs are most frequently published in Europe, where several supranational rules link reporting requirements to macro-fiscal projections and fiscal strategies. The database also notes whether MTFF ceilings are indicative or binding (often applicable to the first year's budget projection), a key factor in determining consistency between fiscal rules and budget execution. For instance, half of the countries with aggregate multiyear expenditure ceilings also apply these limits at the ministry or budget line items level.

B. Measuring the 'Strength' of Fiscal Rules

As fiscal rule design evolves, it is important to assess whether these changes align with desirable principles. Cross-country experience demonstrates that fiscal rules should be simple, flexible, and enforceable (Eyraud et al. 2018), and these qualities are reflected in various indicators within the IMF Fiscal Rules database. Building on the methodology of the European Commission (2015), this section compiles a 'strength' index that summarizes the desirable features of fiscal rules across several dimensions. [7] Higher scores on the strength index are associated with improvements in fiscal rule design, which in turn support stronger fiscal discipline and more responsible fiscal policies (Acalin et al. 2025; Beetsma et al. forthcoming).

The compilation of the strength index takes the variables available in the IMF Fiscal Rule dataset: 1985–2024 and IMF Fiscal Council dataset with those of the criteria used by the European Commission. It then assigns respective scoring to each indicator. The detailed mapping of each criterion between IMF Fiscal Rule dataset and those of the European Commission is listed in Table 1. Three of the criteria used by the

[6] A complete explanation of MTFFs and country examples can be found in Curristine et al. (2024).

[7] The strength index is based on four institutional criteria: (i) the legal basis of fiscal rules; (ii) the monitoring framework of fiscal rules; (iii) the enforcement and the use of correction mechanisms; and (iv) the flexibility of fiscal rules and their resilience to shocks. A numerical score is assigned to each type of fiscal rule based on indicators in these four institutional criteria. Different rules for a country are first weighted by their coverage of fiscal aggregates, with a higher weight assigned to the coverage of general government than that applicable only to the central government, and then weighed by multiple rules in a declining weight for each additional rule in the same country.

European Commission do not have matching variables found in the IMF Fiscal Rule dataset: revision of the rule (Criterion 2), budgetary margin (Criterion 5b), and items excluded from the rules (Criterion 5d).

Table 1. Mapping Variables to Criteria to Measure the Strength of Fiscal Rules

Criteria	Variables (This paper)		Variables (European Commission)	Score
Legal Basis (C1)	Legal basis (C1)	=	Statutory or legal basis of the rule (EC Criterion 1)	[0,1]
Room to set or revise the rules	Not applicable		Adjustment margin (EC Criterion 2)	-
Monitoring of fiscal rules (C3)	Monitoring mechanism outside the government (C3a)	=	Nature of the body in charge of rule monitoring and the correction mechanism (EC Criterion C3a)	[0,1]
	Monitoring of Fiscal Rules (Fiscal Council dataset) (C3b)	=	Real Time Monitoring (EC Criterion 3b)	[0,1]
	Independence – Legal & Operational (IMF Fiscal Council dataset: 2021) (C3c)	=	Nature of the body in charge of monitoring the correction mechanism in case of deviation (EC Criterion 3c)	[0,1]
	Independent body setting budget assumptions and monitoring budget implementation (C3d)	=	Independent body providing/endorsing macro budgetary forecast (EC Criterion 3d)	[0,1]
Enforcement and Correction Mechanism (C4)	Formal enforcement procedure; fiscal responsibility law (C4a)	=	Correction Mechanisms in case of deviation from the Rule (EC Criterion 4)	[0,1]
	Presence of correction mechanism in case of deviation from the rule (C4b)			[0,1]
	Type of correction (C4c)			[0,1]
Flexibility and Resilience against shocks (C5)	Presence of escape clauses (C5a)	=	Does the rule contain clearly defined escape clauses which are in line with the SGP[8]? (EC Criterion 5a)	[0,1]
	Characteristics of escape clauses (activation procedures; conditions for invoking the clause; accountability mechanism) (C5b)			[0,1]
	Not applicable	=	Is there a budgetary margin defined in relation to the rule? (EC Criterion 5b)	-
	Budget balance rule defined in cyclically adjusted terms (adds to C5a for BBR)	=	Are targets defined in cyclically adjusted terms or do they account for the cycle in any way? (EC Criterion 5c)	-
	Not applicable[9]	=	Are there exclusions from the rule in the form of items that fall outside authorities' control at least in the short-term (e.g., interest payments, unemployment benefits) (EC Criterion 5d)	-

Note: This paper uses the variables as indicated in the IMF Fiscal Rule 1985–2024 dataset and IMF Fiscal Council dataset: 2024 update. The detailed criteria and scoring by European Commission is available at https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/fiscal-governance-database_en

The score for each type of rule is calculated by summing up the scores of each criterion, which gives a theoretical maximum value of 10. Then, different coverage in each type of fiscal rule will be weighted with general government assigned a weight of 1 while the central government is assigned a weight of 0.75.

[8] Stability and Growth Pact.
[9] The IMF Fiscal Rule dataset has information on whether the fiscal rules exclude public investment. It is not included here because the decision is largely within government control.

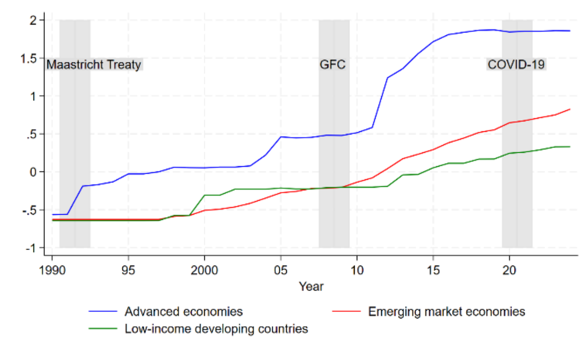
This captures in spirit that higher coverage of the fiscal rules would indicate a potentially stronger fiscal rule that applies to a wider set of fiscal aggregates. This is similar to the EU approach except that the latter included local government, regional government (autonomy regions or federated states), central government, and social security. If a country has multiple rules, a declining weight for each additional type of fiscal rule is assigned. The highest scoring rule would have a weight of 1, and the subsequent rules (in descending scoring) will be assigned weights of one-half, one-third, and one-fourth, respectively. The scoring is then summed to a single index, which indicates the strength of the fiscal rules. The index is further standardized by unconditional mean and standard errors, leading to an index ranging between -0.64 and 3.51.

Our estimated fiscal rule strength index is highly correlated (with a correlation coefficient of 0.8) to that of the European Commission for EU member states (Figure 12), suggesting our measure is broadly consistent and is a reasonably good indicator to illustrate and compare across countries.

Figure 12. Correlation between Different Measures of Fiscal Rule Strength Indices: 1990-2024 (Indices)

Sources Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; European Commission (2024); authors' compilations.
Note: The slope coefficient is obtained from the regression of the estimated fiscal rule strength index on the European Commission index. Each green dot represents a country-year observation for EU countries. ** on the coefficient indicates 5-percent statistical significance.

Figure 13. Fiscal Rule Strength Index: 1990-2024 (index)

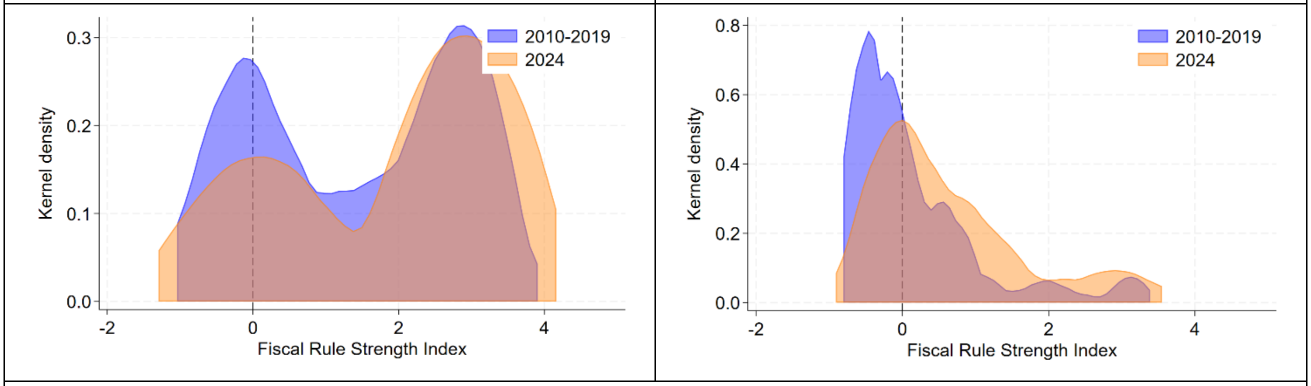


Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.

The compiled index suggests that the strength of fiscal rules has in general improved over time across all income groups (Figure 13). The rise of the index was notable after the global financial crisis as advanced countries put in place escape clauses provisions to manage severe shocks, and EU strengthened its fiscal framework (such as monitoring the implementation of fiscal rules. Indices for emerging market economies and low-income developing countries have shown a steady rise over the last two decades. The index is the highest among advanced countries than among emerging markets and low-income developing countries (Figure 14). The distribution of strength indices among countries has shifted upward from 2010–19 to 2024, indicating a general improvement, though considerable variation remains. Some countries have seen their strength index decline over the past decade due to frequent amendments and increasing complexity of fiscal rules. Furthermore, the variability across countries has widened for all income groups, especially among emerging markets and developing economies. Additional analysis suggests that countries with higher strength index scores for budget balance rules also tend to have smaller deviations from fiscal rule limits, a finding consistent with previous research on European countries (Larch and Santacroce 2020).

Figure 14. Distribution of Fiscal Rule Strength Index across Countries: Pre-Pandemic Average (2010-2019) and 2024 (Standardized scores)

1. Advanced Economies 2. Emerging Markets and Developing Economies



Sources Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Notes: Annex III describes the methodology used to calculate this strength index. A higher strength index indicates that fiscal rules have greater coverage, legal basis, monitoring, enforcement, flexibility, and resilience against shocks (scoring details in Table AIII.1). The index in the horizontal axis is standardized by the unconditional mean and standard deviation over the whole sample.

There are some tradeoffs among different dimensions of fiscal rules. Fiscal rules in advanced countries have somewhat become more complicated, measured by the number of rules that countries have relative to the maximum within their income group. Emerging market and developing economies have seen improvements in most aspects of their fiscal rule frameworks, particularly their flexibility, monitoring and enforcement. However, these improvements have also come at the expense of greater complexity of the rules, suggesting some tradeoff between these desirable characteristics (Figure 15).

Despite the overall improvement, the cross-country variation of the fiscal rule strength indices has widened over the past decade (Table 2). The distribution of the strength indices has shifted to the right since 2012 but exhibits a wider variation, more so for emerging markets and developing economies. The distribution for advanced economies has become more bimodal, with higher scores mainly corresponding to EU member states.

Table 2. Summary Statistics of Fiscal Rule Strength Index

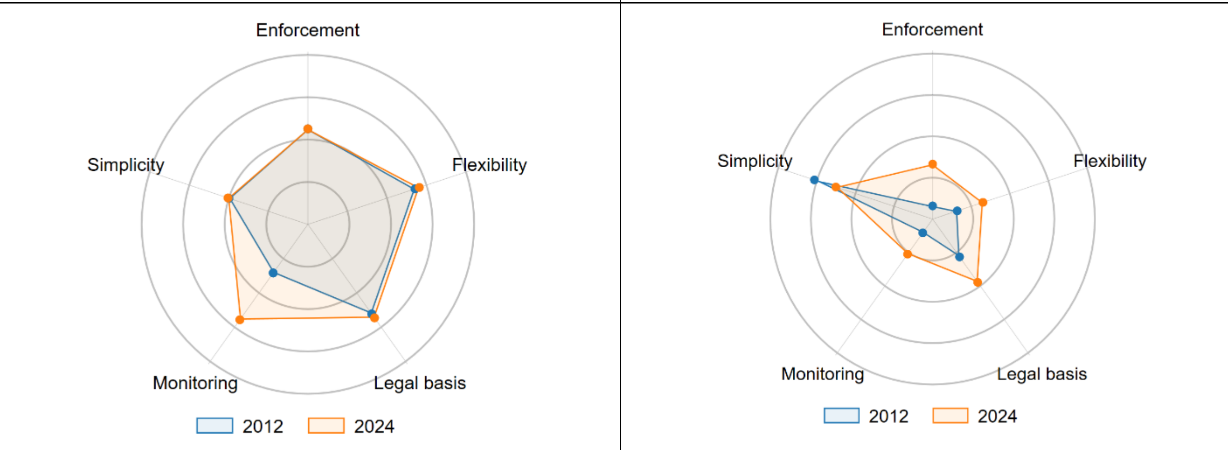
	Advanced Economies		Emerging Markets		Low-income Countries	
	2012	2024	2012	2024	2012	2024
Mean	1.24	1.86	0.04	0.83	-0.19	0.33
St. Dev.	1.31	1.47	0.93	1.16	0.5	0.72

Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.

The strength of fiscal rules tend to be associated with a smaller deviation from fiscal rule limits. For example, there is a small negative relationship between the fiscal rule index and the extent of fiscal deficits exceeding the fiscal rule limits (Figure 16 and Figure 17), consistent with other research for a selected set of countries (Larch and Santacroce 2020). This relationship is stronger for advanced economies (with a statistically significant coefficient of -0.5) than that for emerging market and developing economies (not statistically significant).

Figure 15. Trade-offs between Fiscal Rule Principles

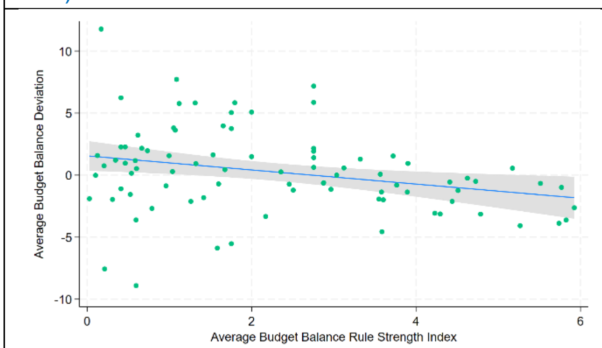
1. Advanced Economies | 2. Emerging Markets and Developing Economies



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: The scoring for enforcement corresponds to the scoring for subindices C.4b and 4c as described in Table 1 (presence of a correction mechanism and the type of correction). The scoring for flexibility corresponds to subindices C5a and 5b (presence of escape clauses and characteristics of escape clauses). The scoring for legal basis corresponds to subindex C1. The scoring for monitoring corresponds to subindices C3a-d (monitoring mechanisms outside the government, monitoring of fiscal rules by fiscal council, legal and operational independence of fiscal councils, and independent body setting budget assumptions and monitoring budget implementation. The indicator for simplicity is measured as the inverse of the number of rules that the country has. Each indicator is scaled by its maximum value so that it ranges between 0 and 1. The charts on the left and right panel are plotted on the same scale.

Figure 16. Strength of Budget Balance Rules and Average Deviations from Deficit Limits, 1990-2024

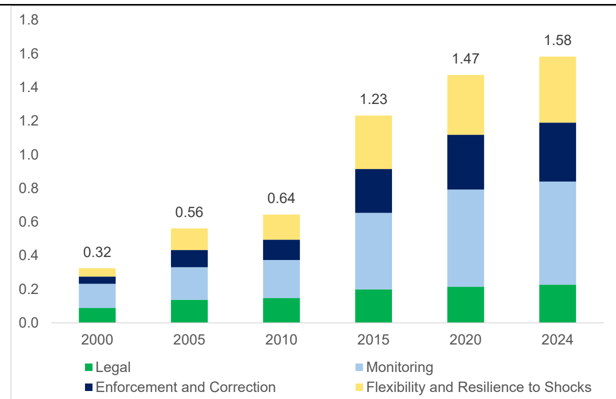
(Percent of GDP, vertical axis; index, horizontal axis)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: Each green dot represents a country observation. The horizontal axis shows the average value of the strength index for budget balance rule (1990-2024), while the vertical axis shows the average excess deviations of budget balance relative to fiscal rule limits for the same period.

Figure 17. Contributions of Changes in Fiscal Rules Strength Index

(Change in standardized scores)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: The chart shows the cumulative change relative to the start of the sample period (1985), with adjustments to standardize scoring across components. The number above the bars reflects the change in the standardized scores (the sum in the change of components).

While the overall strength of fiscal rules has improved, gaps remain in fiscal oversight and correction mechanisms. Many countries have made notable progress in enhancing the design of their fiscal rules, incorporating more desirable features over time. However, limited oversight continues to be a concern: as of the end of 2024, fewer than half of countries have independent fiscal councils to monitor public finances (Figure 6). Additionally, less than 40 percent of countries—including an even smaller share among emerging market and developing economies (EMDEs)—have established corrective mechanisms to address noncompliance. The connection between fiscal rules and medium-term fiscal plans also remains weak, as many countries do not publish medium-term fiscal frameworks ahead of budget preparations (Figure 11). Although escape clauses have provided much-needed flexibility during the pandemic, their accountability has often been limited, with clauses extended even after the initial shocks subsided.

C. Compliance with Fiscal Rules

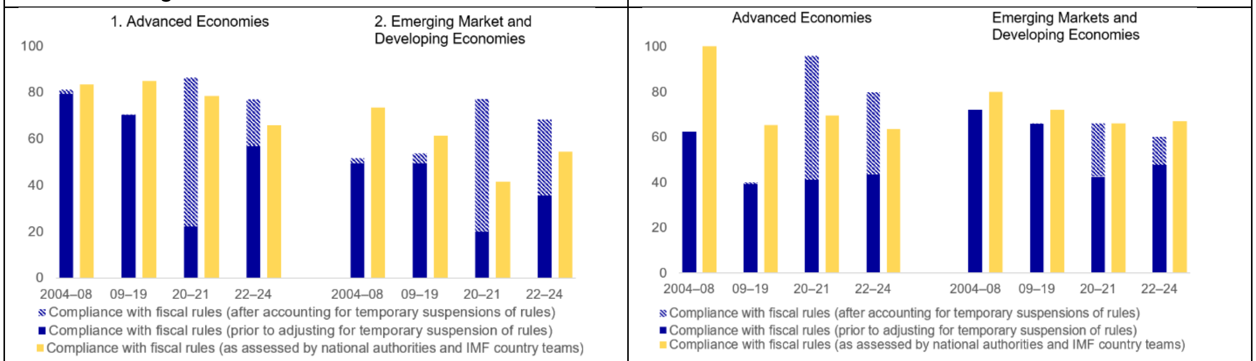
Despite the widespread adoption of fiscal rules over the past two decades and gradual improvements in their design, compliance has been mixed and uneven.

Assessing compliance with fiscal rules across countries is a complex task. First, nations differ in the coverage and definitions of debt and deficit within their fiscal rules. Some exclude particular entities or expenditures from fiscal rule limits, complicating cross-country fiscal comparisons (e.g., Costa Rica, Brazil, Poland). Others apply structural balance rules that adjust for cyclical revenues and expenditures, but there is no universally accepted method for computing these adjustments. For instance, some countries use statistical filtering techniques, while others rely on expert panels to estimate potential output and long-term commodity prices (e.g., Colombia, Chile). In many cases, fiscal rule limits are only binding at a distant horizon (e.g., ECCU, United Kingdom), so exceeding current deficit thresholds does not necessarily imply noncompliance in legal terms. Furthermore, compliance is less relevant when escape clauses are triggered or fiscal rules are temporarily suspended, which was common during the pandemic. Finally, compliance may involve more than just comparing numeric outcomes to rule limits; it can also depend on following procedural requirements, such as disclosures, adjustment measures, and adherence to medium-term fiscal plans.

Given these challenges, this paper presents a range of complementary indicators to measure compliance. The updated IMF Fiscal Rules database includes direct indicators of compliance as assessed by country authorities (or supranational bodies) and individual country teams at the IMF. Another approach measures deviations of fiscal outcomes from rule limits, while acknowledging the limitations of this indicator (Section IV). Countries with positive deviations in debt and deficit limits are considered noncompliant. Alternatively, if escape clauses are activated or fiscal rules are temporarily suspended, those instances are not counted as violations. The paper also draws on findings from existing literature, such as studies on Latin American and Caribbean countries (Ardanaz et al., 2024) and European countries (Larch et al., 2023). While these different measures show a high correlation, they are not identical due to variations in definitions, methodology, and country samples (Figure 18).

Figure 18. Different Measures on Compliance of Fiscal Rules: 2004-2024
(Percent of countries that comply with rules)

1. Budget Balance Rules	2. Debt Rules

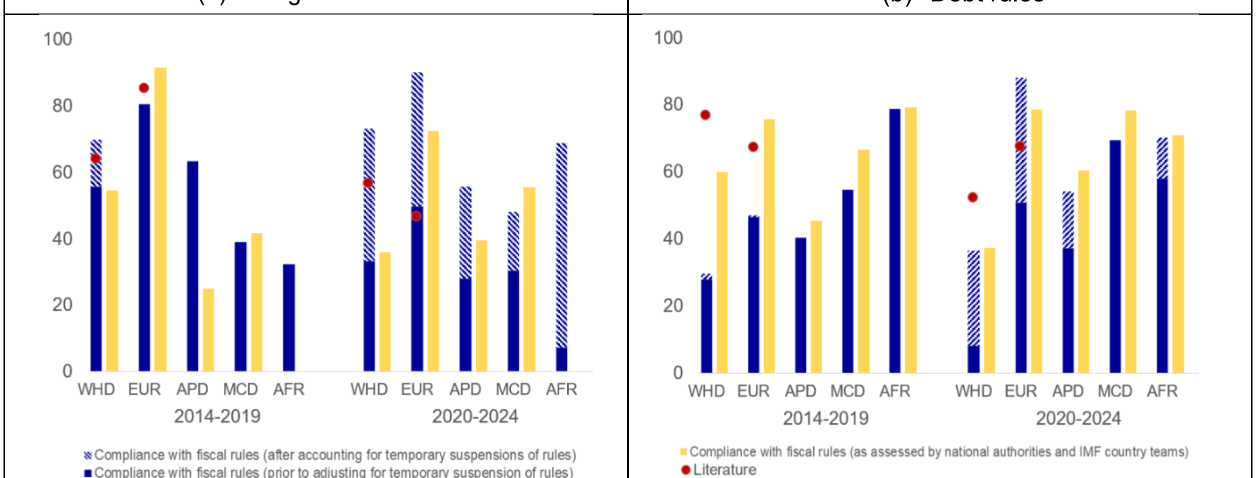


Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Notes: Solid blue bars show compliance with rules under the measure of deviations of debt and deficits from fiscal rules limits, regardless of whether the rules are temporarily suspended or escape clauses are activated. Striped bars show an alternative measure in which cases of active escape clause or temporary suspension of fiscal rules are counted as compliance. Yellow bars show the compliance rate as assessed by the authorities or IMF individual country teams in the database.

Our results show that even before the pandemic, during 2009–2019, compliance was weak: about 60 percent of advanced economies and roughly 40 percent of emerging markets and developing economies did not comply with debt rules (Figure 18). Similarly, around 20 percent of advanced economies and 40 percent of emerging market economies failed to meet the deficit limits set by their fiscal rules. During periods of severe shocks, both the magnitude and proportion of countries deviating from fiscal rule limits increased, as expenditures or deficits tended to rise. However, even under normal conditions, some countries consistently exceeded fiscal rule limits on deficits and debt, often due to multiple exclusions from rules, limited fiscal oversight, or the absence of necessary fiscal adjustments.

Figure 19. Compliance with Budget Balance and Debt Rules by Region
(Percent of countries with fiscal rules)

(a) Budget Balance Rules	(b) Debt rules



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations; Larch et al. (2023); Ardanaz et al. (2024).
Note: WHD: Western Hemisphere, EUR: Europe, APD: Asia and Pacific, MCD: Middle East and Central Asia, AFR: Sub-Saharan Africa.
Solid blue bars show compliance with rules under the measure of deviations of debt and deficits from fiscal rules limits, regardless of whether the rules are temporarily suspended or escape clauses are activated. Striped bars show an alternative

measure in which cases of active escape clause or temporary suspension of fiscal rules are counted as compliance. Yellow bars show the compliance rate as assessed by the authorities or IMF individual country teams in the database. Red circles show compliance measures from the literature: for European Union countries according to the data in Larch et al. (2023) and for countries in Latin America and the Caribbean according to the data in Ardanaz et al. (2024), available only up to 2023.

Various indicators of compliance with budget balance rules are broadly consistent, especially after adjusting for the widespread temporary suspension of fiscal rules in many countries during the pandemic years of 2020–21. For debt rules, since many advanced economies maintain medium-term debt anchors, countries with current debt levels above rule limits could still be considered compliant, resulting in a higher measured compliance rate compared to the rate based simply on deviations. Indicators from the database and measures of deviations from fiscal rule limits are largely in line with compliance measures reported in the literature (Figure 19).

D. Revisions of Fiscal Rules After the Pandemic

It is common for countries to update fiscal rules following severe shocks, aligning them with new macro-fiscal realities. As the pandemic tested the credibility of fiscal frameworks, many nations recalibrated or revised their rules to reflect changing circumstances. Between 2020 and 2024, more than two-thirds of countries with fiscal rules introduced at least one change (Figure 20).

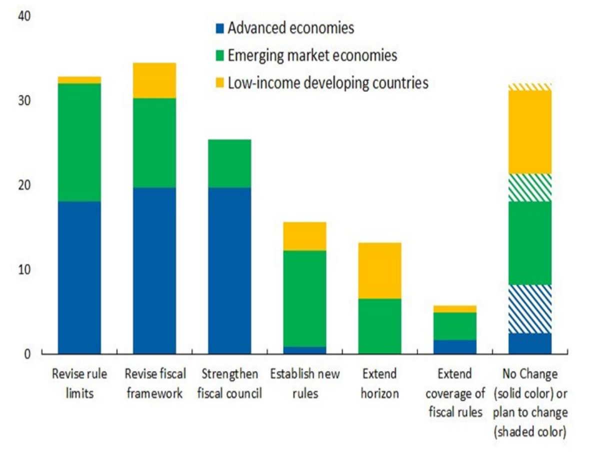
Governments have adopted a range of approaches to revising their fiscal rule frameworks. Some countries have introduced new rules to secure market access or to demonstrate their commitment to fiscal discipline. Among the sample, nearly half of the countries loosened their targets—such as Panama and Papua New Guinea. Chile and Colombia implemented new debt rules, while the Dominican Republic enacted its first fiscal responsibility law. Several countries have overhauled their fiscal frameworks; for example, the updated EU fiscal rules allow for differentiated fiscal adjustments among member states based on their debt sustainability risks and reform efforts. A few countries have sought compliance by excluding certain entities or expenditure items from the rules, as seen in Costa Rica. Others have extended the timeline to achieve their fiscal anchors, as with the Eastern Caribbean Currency Union (see Table 1). Some countries, such as India, have opted for greater flexibility by shifting toward fiscal plans that emphasize multiyear commitments rather than strict numerical targets.

Table 1. Revisions of Supranational Rules since the COVID-19 Pandemic

Supranational rules	Key revisions
European Union (EU)	• The EU activated its escape clauses during 2020-23 to provide flexibility for member states to respond to COVID-19 pandemic and subsequent war in Ukraine. • The EU revamped its economic governance reforms in 2024. The fiscal rule framework allows country-specific expenditure paths, with various safeguards (debt sustainability and deficit resilience) in place to ensure debt sustainability. Countries' adjustment plans (four- or seven-year plan) will need to ensure a high likelihood of restoring or maintaining fiscal sustainability.
Eastern Caribbean Currency Union (ECCU)	• The ECCU decided to extend the horizon to converge to the debt limit of 60 percent of GDP by five years to 2035.
Central Africa Economic and Monetary Cooperation (CEMAC)	• A sanctions mechanism for breaches of regional surveillance rules, including fiscal rules, is pending for adoption.
West African Economic and Monetary Union (WAEMU)	• Supranational rules have been suspended since April 2020 under the Convergence Pact, which has subsequently expired. The Pact (including the fiscal rules) has not been reinstated formally.
East Africa Monetary Union (EAMU/EAC)	• Fiscal rules are maintained, with Democratic Republic of Congo and Somalia becoming members in 2022 and 2024, respectively.

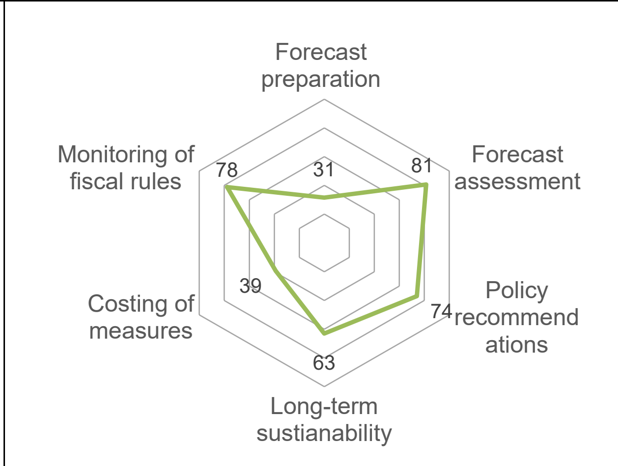
Source: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.

Figure 20. Recent Revisions of Fiscal Rules: 2020-2024
(Number of countries with fiscal rules)



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.

Figure 21. Key Mandates of Fiscal Councils
(Percent of total fiscal councils)



Sources: Alonso et. al. 2025b; IMF Fiscal Councils Database: 2024 Update; and authors' compilations.

E. Changing Institutional Features of Fiscal Councils

Fiscal councils typically operate with several mandates, serving as impartial bodies that provide technical analysis and oversight of fiscal policies. An effective fiscal council can increase the reputational cost for governments that pursue imprudent fiscal policies and help communicate the state of public finances to the public in accessible, nontechnical language. In most countries, fiscal councils focus on evaluating the condition of public finances—fulfilling their core oversight function.

The specific mandates of fiscal councils vary by country but often include: (i) assessing macro-fiscal forecasts; (ii) evaluating debt sustainability and risks to public finances; (iii) monitoring the implementation of fiscal rules; and (iv) analyzing the costs of government fiscal measures. Some fiscal councils also prepare independent forecasts, though only a handful require these forecasts to be used in government budgets. Fiscal councils frequently contribute to both ex-ante and ex-post budget analyses, evaluating government proposals for tax and expenditure changes—thereby promoting evidence-based fiscal decision-making (Figure 21).

Nearly all fiscal councils conduct ex-post analysis to assess fiscal performance and compliance with fiscal rules. This retrospective function is vital for improving accountability, ensuring that past fiscal outlays are examined within the overall budget framework and compared to initial projections. However, fiscal councils may sometimes have limited impact during the budget process, especially when their involvement is confined to consultation or "comply or explain" requirements (as seen in Grenada, Spain, and the United Kingdom).[10]

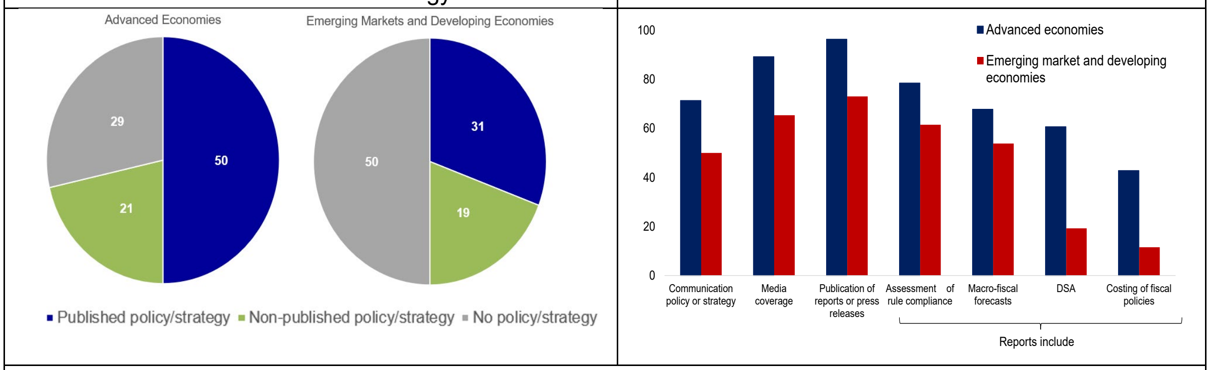
[10] "Comply or Explain" is defined as the legal or constitutional obligation to use the forecasts of the fiscal council, the political agreement within the executive or between the executive and the legislative that the forecasts of the fiscal council are generally used, or the freedom of the government to use its own forecasts with the obligation to justify deviations from the forecasts of the fiscal council publicly.

The latest update of the IMF Fiscal Council database provides new insights into the communication strategies of fiscal councils. In 2024, more than half of the fiscal councils in advanced economies and only about a third in emerging markets and developing economies have published their own communication strategies (Figure 22, left panel). This highlights persistent gaps in the councils' effectiveness at fostering fiscal oversight.

The scope of communication also varies significantly among countries. Data show that fiscal councils generally maintain public visibility through official websites, publications, parliamentary hearings, and regular engagement with media outlets, although such outreach is typically less frequent in emerging markets and developing economies (Figure 22, right panel). Most fiscal councils publish analyses on macro-fiscal forecasts and compliance with fiscal rules. However, only about 10 percent include debt sustainability analysis or cost estimates of policies in their reports. These differences largely reflect variations in institutional capacity and the operational independence of fiscal councils.

Figure 22. Communication and Impact of Fiscal Councils (Percent of fiscal councils, 2024)

1. Presence of communication strategy	2. Elements of communications in fiscal councils



Sources: Alonso et. al. 2025b; IMF Fiscal Councils Database: 2024 Update; and authors' compilations.

Fiscal councils typically possess de jure operational independence, including statutory autonomy, multi-year budget safeguards, timely and cost-free access to information, transparent appointment procedures for council members, and flexibility in recruiting staff and setting analytical priorities.[11] However, it is often difficult to assess whether this independence is realized in practice. For instance, some councils lack robust resource protections that match the scope of their mandates, which can undermine their capacity to provide effective and independent fiscal oversight.

Benchmarking fiscal councils against desirable principles

This paper also introduces an index to quantify how individual fiscal councils measure against desirable properties highlighted in IMF (2013) and OECD key principles of effective fiscal councils. The approach is similar to that of the strength index in fiscal rules.

[11] Fiscal councils often operate in a small group of expertise, typically composed of around six members, with contract lengths averaging between four and nine years. Most institutions allow reappointment and only about half permit the recruitment of noncitizens. Staff in fiscal councils are primarily from civil service, policy experts, and academics working part time or full time.

The fiscal council index is measured based on three criteria: (i) key mandates and tasks performed (I1); (ii) operational independence and accountability (I2); and communication channels and influence (I3). The index is constructed for these three criteria based on subindices calculated from relevant variables in the IMF Fiscal Council dataset: the 2024 Update (Table 3). The overall index is calculated by summing up individual scores of each criterion, each ranging between 0 and 1. The maximum scores thus add up to 3 for a fiscal council.

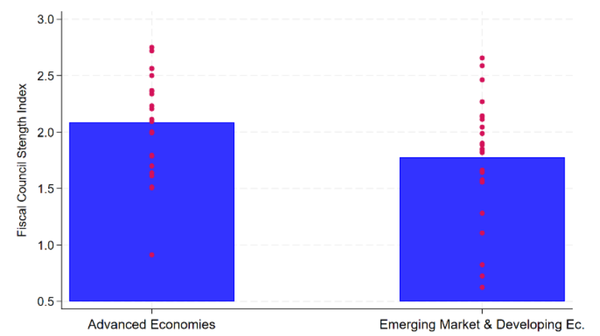
Table 3. Mapping Variables to Different Criteria to Measure the Fiscal Councils Index

Criteria	Variables	Score
Task and Instruments (I.1)	**Public relations (I.1a):** equals 1 if the council prepares public reports on its activities; equals 2 if reports have high media impact; 0 otherwise. **Budget process (I.1b):** equals 1 if the council produces a forecast that is adopted in the budget process; equals 2 if either the forecasts are binding, there is a comply or explain mechanism, there are formal consultation or hearings, or the council can stall the budget process; equals 0 if the council does not produce a forecast.	[0,1]
Independence and Accountability (I.2)	**Legal Independence (I.2a)**: council's independence from political interference is guaranteed by law or treaty (0/1). **Operational Independence – management (I.2b):** equals 1 if there are safeguards on the council's budget or multi-annual funding commitments; equals 2 if both are true; equals 0 otherwise. **Operational Independence – personnel (I.2c):** equals 1 if the council can select its own staff or if staff is commensurate to tasks; equals 2 if both are true; equals 0 otherwise. **Operational Independence – Access to information (I.2d):** council is guaranteed full access to information in timely manner by legislation (0/1). **Operational Independence – Forecasts (I.2e):** council prepares or assesses macro forecasts used for budget (0/1).	[0,1]
Communications (I.3)	**Communication policy/strategy (I.3a):** equals 2 if the strategy is published; equals 1 if the strategy is internal; equals 0 if there is no strategy. **Publications (I.3b)**: council or its staff publishes reports or press releases (0/1). **Media coverage (I.3c):** council leadership holds media events or present at parliamentary hearings (0/1). **Elements of reports (I.3d)**: reports contain forecasts, assessment of rule compliance, debt sustainability analysis, costing of fiscal policies (each adds 1).	[0,1]

The index is calculated for over 50 countries with fiscal councils as of end-2024. In countries with multiple fiscal councils, such as in Belgium and the Netherlands, the aggregate fiscal council index for the country is shown as the maximum among different councils in that country.

The calculated index shows a large variation across fiscal councils when benchmarked against some desirable principles (Figure 23), with higher average scores in advanced economies, particularly in Europe. The calculated index on fiscal councils shows a positive and significant correlation with the strength index on fiscal rules across countries (Figure 24). The positive correlation is at 0.55, which is statistically significant, if measuring 2024 data on fiscal councils relative to the average of full sample on fiscal rules strength indices between 1990 and 2024. The strong correlation and statistical significance remain if the correlation coefficient is calculated only using 2024 data. This correlation is stronger for emerging market and developing economies, with a significant correlation of 0.62.

Figure 23. Fiscal Council Index across Income Groups, 2024 (index)



Sources: Alonso et. al. 2025b; IMF Fiscal Councils Database: 2024 Update; authors' compilations.
Note: Blue bars represent the average strength index for Advanced Economies (AEs) on the left, and Emerging Markets (EMs) and Low-Income Developing Countries (LIDCs) on the right. Red dots correspond to countries' individual indexes.

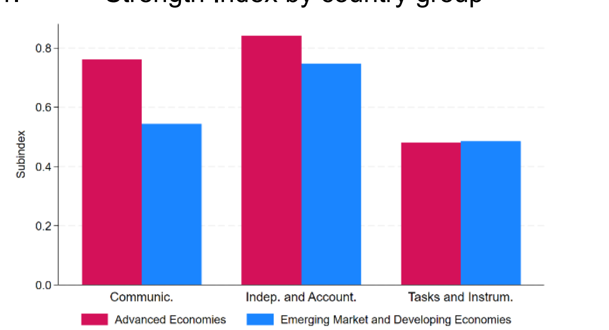
Annex Figure 24. Correlation between Strength Index of Rules and Councils, 1990-2024 (indices)

Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; Alonso and others forthcoming-b; IMF Fiscal Councils Database: 2024 Update; authors' compilations
Note: Each green dot represents a country observation. On the horizontal axis is the average Fiscal Rule Strength Index for 1990-2024 and in the vertical the Fiscal Council Strength Index for 2024.

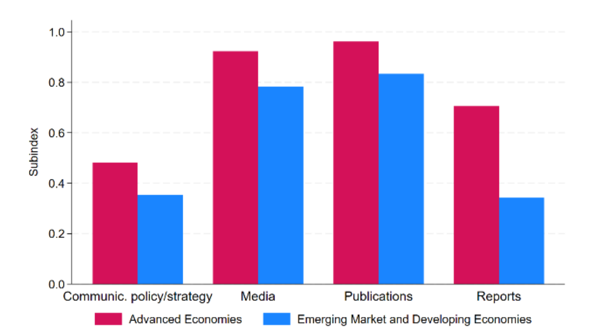
Fiscal councils in advanced economies tend to have a higher score across all dimensions than emerging markets and developing economies. Across different attributes, the variation is wider in terms of communication channels and influence, as well as the category on operational independence and accountability (Figure 25 panel 1). A further breakdown of the subindex on communication, advanced economies tend to score higher on average in all sub-categories (Figure 25 panel 2). Fiscal councils in advanced economies are more likely to have a communication strategy, to publish reports or press releases, to hold media events or present at parliamentary hearings than those in emerging markets and development economies. Similarly, fiscal councils in advanced economies tend to have more comprehensive reports (in terms of including macro-fiscal forecasts, an assessment of rule implementation, a debt sustainability analysis, and costing of fiscal policies).

Figure 25. Fiscal Councils Index across Different Attributes (indices)

1. Strength Index by country group



2. Subindex on communications



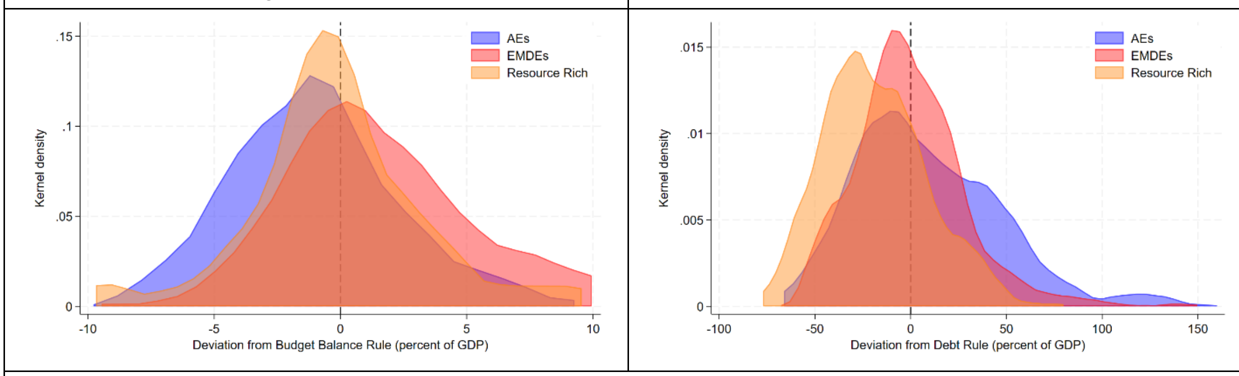
Sources: Alonso et. al. 2025b; IMF Fiscal Councils Database: 2024 Update; authors' compilations.
Note: The vertical axis in the left panel corresponds to the subindex of each category, as calculated according to Table 3, with each index having a theoretical maximum value of 1. The vertical axis in the right panel corresponds to the subindex of each category of the Communications in the dataset, with each index having a theoretical maximum value of 1.

IV. Large Persistent Deviations from Rule Limits

The empirical literature has extensively studied the effects of adopting fiscal rules on macro-fiscal outcomes (Alesina and Byoumi 1996, FATAS and Mihov 2006, Eyraud et al. 2018; Davoodi et al. 2022). Nonetheless, empirical studies on the deviations from fiscal rule limits have in general focused on specific regions, with the exception of Davoodi et al. 2022. With the latest update of the IMF Fiscal Rules database, it is now possible to quantify the deviations of debt and budget balances from fiscal rule limits across countries, offering a clearer view of the challenges faced. Deviations from fiscal rule limits are determined by comparing fiscal aggregates—such as debt and deficits—to the limits set by fiscal rules. The analysis focuses on debt rules and budget balance rules, as these are the most widely adopted and suitable for cross-country comparison. When present, supranational rule limits are used. Formally, the deviation from rule limits X in country i at year t is given by $D_{i,t}^{X} = X_{i,t} - X_{i,t}^{limit}$, where X is the corresponding fiscal aggregate, either the deficit or debt level as a share of GDP.

Figure 26. Distribution of Deviations from Fiscal Rule Limits: 2004-2024
(Density)

1. Budget Balance Rules | 2. Debt rules



Sources: Alonso et, al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Notes: The charts show the distribution of deviations from the deficit and debt rule limits across countries over the period 2004–24. Positive deviations mean the deficit and debt levels are higher than the limits prescribed in the fiscal rules. The vertical axis shows the density function.

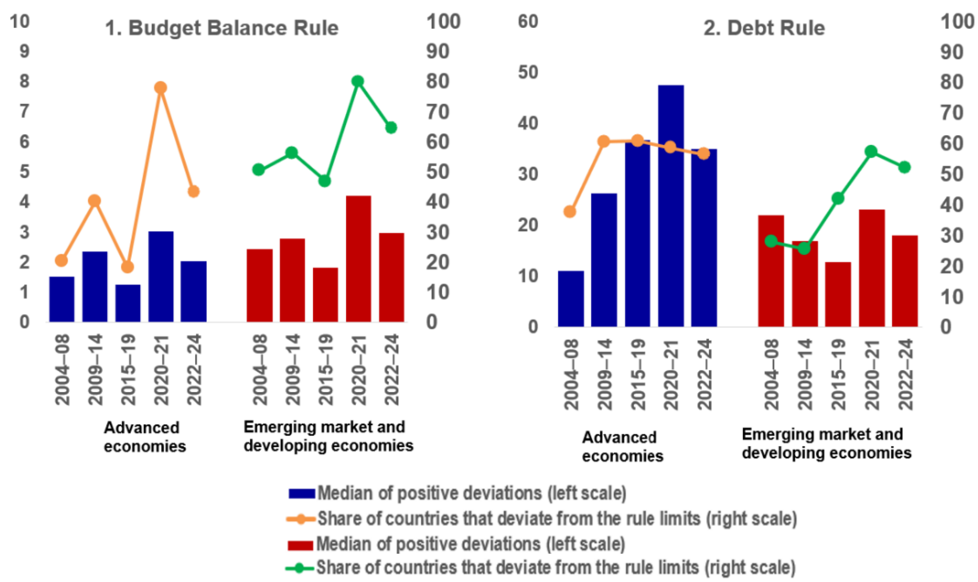
The precise definition of budget balance varies across countries' fiscal rules, ranging from the overall balance to the structural primary balance and even more complex formulations. Similarly, debt rules differ, covering gross government debt, net debt, or public sector debt, which includes general government and publicly guaranteed debt incurred by nonfinancial public corporations. For each country, deviations are measured as the difference between the most relevant budget balance or debt concept in the IMF World Economic Outlook database and the limits prescribed by fiscal rules (Annex III). Importantly, a positive deviation—meaning deficits or debt levels exceed fiscal rule limits—does not necessarily indicate noncompliance with fiscal rules. This is because some countries may activate escape clauses to temporarily suspend rules, while others set targets or limits that become binding only in future years.

Deviations from budget balance and debt rules have been common among countries with fiscal frameworks, even before the pandemic. On average, countries exceeded deficit and debt limits 47 percent and 44 percent of the time during the past two decades (2004–2024), respectively (Figure 26). Prior to the pandemic, debt already surpassed fiscal rule limits in more than half of the countries, especially in advanced economies where increased debt capacity was enabled by very low interest rates.

In contrast, emerging markets and developing economies have experienced more frequent excess deviations from budget balance rules, often due to larger adverse shocks.

The pandemic led to unprecedented deviations in deficits and debt relative to fiscal rule limits. In 2020, over 80 percent of countries with budget balance rules saw their deficits exceed prescribed limits, as many invoked escape clauses to suspend fiscal rules temporarily. The median fiscal balance was, on average, 4 percentage points of GDP weaker than fiscal rule limits, a deviation higher than that observed during the global financial crisis (Figure 27). At the same time, more than half of countries with debt rules had debt levels exceeding debt limits or anchor targets. Notably, deviations from debt rules reached historic highs in both magnitude and the share of affected countries during 2020–2021. The share of countries breaching debt rule limits increased more gradually, as some retained buffers that allowed them to raise deficits without breaching debt anchors. However, the size of deviations escalated rapidly: the median positive deviation was 48 percentage points of GDP for advanced economies and 23 percentage points for emerging market and developing economies between 2020 and 2021. Only a handful of countries, such as Denmark and Estonia, managed to remain below their fiscal rule limits.

Figure 27. Deviations from Fiscal Rule Limits: 2004-2024
(Percent of GDP, left scale; Percent of Countries, right scale)



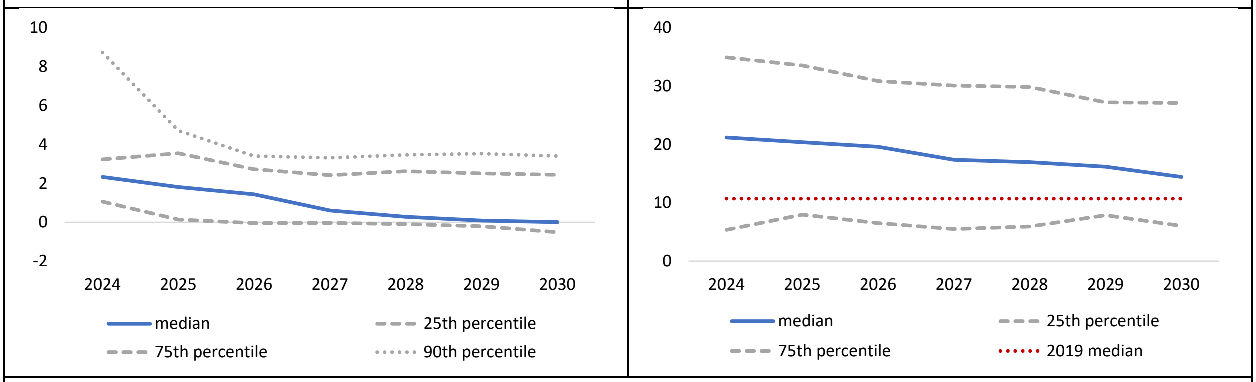
Sources: Alonso et, al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations
Notes: The bars represent the median of positive deviations from budget balance rules (left chart) and debt rules (right chart), for advanced economies (in blue) and emerging market and developing economies (in red). The lines show the percentage of countries that had positive deviations from the rule limits, for advanced economies (in orange) and emerging markets and developing economies (in green).

Five years after the pandemic, fiscal deficits have continued to exceed fiscal rule limits by a median of 2.0–2.5 percentage points of GDP for approximately 40 percent of advanced economies and 60 percent of emerging market and developing economies (Figure 27). While both the magnitude and proportion of countries breaching these limits have declined from their peaks in 2020–21, public debt in many countries still exceeds debt anchors or limits by a considerable margin. These persistent and widespread deviations are driven not only by severe shocks but also by shortcomings in the design of fiscal rules (Davoodi et al. 2022). During periods of severe economic shock, deviations from fiscal rule limits increased as government expenditures rose in response. Even in more stable times, however, some countries consistently exceed fiscal rule limits—often due to multiple exemptions, limited fiscal oversight, or a lack of fiscal adjustment (Caselli et al. 2022).

Looking ahead, both debt and deficit deviations from fiscal rule limits are expected to remain substantial over the medium term, according to forecasts from the IMF World Economic Outlook database (Figure 28). Among countries exceeding rule limits in 2024, about half are projected to continue running deficits above those limits until at least 2027. Debt levels are similarly expected to remain well above their prescribed limits over the next two years, with only a gradual decline anticipated after 2027. These trends underscore the significant challenges countries face in undertaking fiscal adjustments and returning to compliance with fiscal rule limits after an extended period of large deviations.

Figure 28. Projected Deviation from Budget Balance and Debt Rule Limits, 2024-30
(Percent of GDP)

1. Deficit deviation forecast | 2. Debt deviation forecast



Sources: IMF World Economic Outlook database and authors' calculations.
Note: Based on countries with deficits and debt exceeding their rule limits in 2024, respectively.

An important question concerns how persistent deviations in debt and deficit are from fiscal rule limits over time. To analyze this, a panel regression approach is employed, as described in Annex III. The regression specification allows for different persistence coefficients depending on whether a country's deficit or debt exceeded fiscal rule limits in the previous period. This framework illustrates how quickly deviations revert toward the mean compared to countries that remain within their fiscal rule limits. Additionally, the specification incorporates cross-interaction terms between the two types of rules and includes other relevant control variables.

$$D_{i,t}^{X} = \beta_0 D_{i,t-1}^{X} + \beta_1 D_{i,t-1}^{X} * I\left(D_{i,t-1}^{X} < 0\right) + \beta_2 D_{i,t-1}^{-X} * I\left(D_{i,t-1}^{-X} \geq 0\right) + \beta_3 D_{i,t-1}^{-X} * I\left(D_{i,t-1}^{-X} < 0\right) + \beta_4 g_{i,t} + \delta_i u_{i,t}, \quad (1)$$

where i denotes the country and t the year. D_{it}^{X} indicates distance from rule limits, with X taking the deviation values budget balance rule (BBR) or debt rule (DR), and $-X$ the opposite (DR for the BBR regression and vice versa). $I(\cdot)$ is the indicator function, g is real GDP growth, β_0, β_1, β_2 and β_3 are regression coefficients, δ_i are country fixed effects, and u_{it} is a potentially autocorrelated error term.

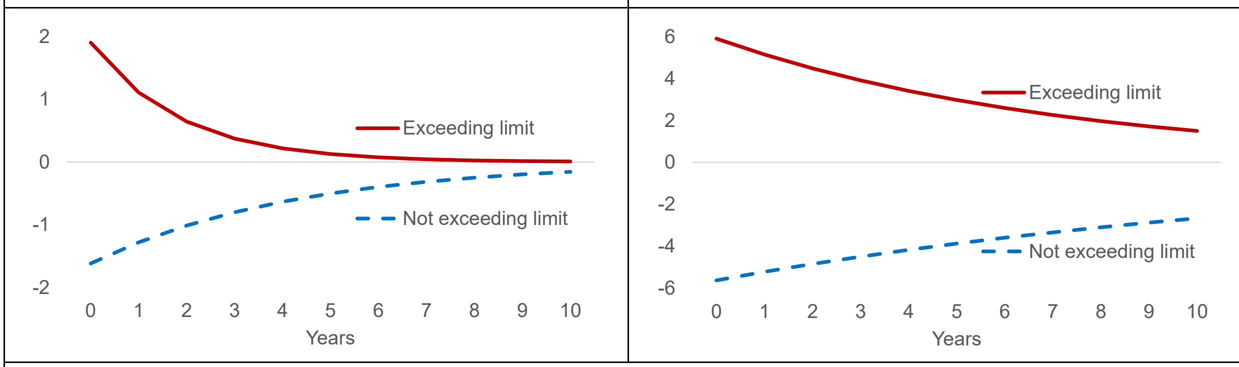
The regression incorporates an interaction term between deviations from the rules and an indicator function for whether deviations are negative in the previous period. This specification tests whether countries deviating from rules tend to revert to their mean deviations more quickly. It also includes cross-interaction terms between the types of rules and controls for the effects of real GDP growth.

The estimated coefficients show that deviations from deficit and debt limits tend to be persistent (Figure 29). For deviations from deficit rules, the autocorrelation coefficients reach 0.58 for countries exceeding the fiscal rule limit and 0.79 for countries not exceeding the limit. This implies that a country exceeding the deficit limit by a typical deviation of about 1.9 percentage points of GDP would take about four to five years to converge close to its average deviation level. Countries that exceed the limits tend to return to their average deviations sooner than those that remain within the fiscal rule limits. Additionally, deviations from debt rules are even more persistent than those from deficit rules. The estimated autocorrelation coefficients reach 0.87 for countries exceeding the debt rule limits and 0.93 for countries staying within the debt rule. This is broadly in line with the fact that public debt generally accumulates from past deficits and reflects other economic and financial factors. A country with a typical deviation from debt rule limits does not converge to its mean deviation even after ten years.

These results suggest that current deviations of deficits and debt from fiscal rule limits are large, widespread, and persistent. Deficits and debt levels are elevated relative to historical standards across many countries in all income groups, posing a significant challenge for guiding fiscal policies back to rule limits.

Figure 29. Persistence of Deviations from Fiscal Rule limits
(Distance to countries' mean deviation in percent of GDP)

(a) Budget Balance Rules | (b) Debt Rules



Sources: Alonso et. al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.
Note: The persistence is obtained from the autoregression coefficients (β_0 and β_1), with the initial levels set as the average deviations from the respective fiscal rule limits. For simplicity, the charts show an example of a country whose average deviation is zero over time, with initial deviations at the average for each type of rules.

V. Conclusions

Over the past two decades, countries have increasingly adopted fiscal rules and established fiscal councils, especially among emerging markets and developing economies. This trend reflects a broader move toward institutionalizing fiscal discipline through rules-based frameworks. Major updates to the IMF Fiscal Rules and Fiscal Councils databases show that, while the number of fiscal rules and councils has grown, their design, implementation, and impact vary greatly across countries. Notably, two-thirds of countries have revised their fiscal rules since the pandemic, often to accommodate shifting economic circumstances and increased spending needs in the post-pandemic environment.

Design features such as escape clauses and legislative backing have become more prevalent, aiming to improve the flexibility and resilience of fiscal rules during periods of economic stress. However, the paper finds that including these features does not always result in stronger compliance. In many cases, fiscal rules have been suspended without clear timelines or mechanisms for returning to compliance, and oversight mechanisms remain limited in scope.

Quantitative indices developed in the paper highlight a steady improvement in both the overall ‘strength’ of fiscal rules and the institutional capacity of fiscal councils. Advanced economies tend to score higher on these indices, but considerable variation persists across all income groups. The results point to a positive correlation between stronger rule design and smaller deviations from fiscal targets, although this relationship is not universal.

Large and persistent deviations from fiscal rule limits remain common, particularly in the wake of the pandemic. The analysis suggests these deviations are likely to persist in the medium term, reflecting both the magnitude of recent economic shocks and the challenges associated with implementing fiscal adjustments. The findings underscore the importance of establishing robust fiscal rules and effective fiscal councils to ensure these frameworks remain relevant and resilient in a changing economic environment.

Annex I. Fiscal Rules and Fiscal Councils Databases

A. What is considered a fiscal rule in this paper and in the dataset?

A fiscal rule is a long-lasting constraint on fiscal policy through numerical limits on budgetary aggregates.[12] This implies that boundaries are set for fiscal policy which cannot be frequently changed in principle. However, the demarcation lines of what constitutes a fiscal rule are not always clear. For this dataset and paper, we followed the following principles:

- Only fiscal rules with targets fixed in legislation and fiscal arrangements for which the targets can only be revised on a low-frequency basis (e.g., as part of the electoral cycle) and binding for at least three years are considered as fiscal rules. Medium-term budgetary frameworks or expenditure ceilings that provide multi-year projections but can be changed annually are not considered to be fiscal rules.
- The dataset only considers rules that set numerical targets on aggregates that capture a large share of public finances and at a minimum cover the central government level. Fiscal rules for subnational governments or fiscal sub-aggregates are not included here.
- The dataset focuses on *de jure* arrangements and not to what degree rules have been adhered to in practice.

B. Types of fiscal rules

The dataset distinguishes four main types of fiscal rules, applying to the central or general government or the wider public sector. The rules have different properties regarding objectives, operational guidance, and transparency (Schaechter et al. 2012).

1. **Debt rules (DR)** set an explicit anchor or ceiling for public debt, often expressed in percentage of GDP. This type of rule has the objective of achieving convergence to a sustainable debt target and is relatively easy to communicate. However, debt levels are not just affected by policy decisions but also factors outside of the government's control (such as foreign exchange rates and interest rates) and do not provide short-term guidance for fiscal policies.
2. **Budget balance rules (BBR)** constrain the budget aggregate that primarily influences the debt ratio and are largely under the control of policy makers. Such rules provide clear operational limits and can be specified as limits on the overall balance, primary balance, or structural or cyclically adjusted balance. While the latter type provides stabilization over economic cycles, the cyclical adjustments, typically through the output gap, make those rules difficult to communicate and monitor. It is likely to treat favorable shocks as structural and adverse shocks as temporary. In addition, spending rigidities could complicate the implementation of budget balance rules. "Pay-as-you-go" rules stipulate that any additional deficit-raising expenditure or revenue measures must be offset in a deficit-neutral way. Since they do not set numerical limits on large budgetary aggregates, they are typically considered procedural rules and thus not counted in the database as numerical fiscal rules.

[12] In addition to numerical fiscal rules, governments can also establish procedures for the budgetary process ("procedural rules") with a view to establishing good practices, raising predictability, and becoming more transparent (van Eden, Khemani, and Emery, 2013). Many countries operate procedural and numerical rules in tandem, but this paper only reports on the latter. Unless indicated otherwise, the indicators on fiscal rules included in this paper cover only those rules that took effect by end-December 2024 or for which a specific transition regime was in place at that time. Fiscal rules that were adopted, but not yet implemented, are described in the technical manual but not included in the charts and tables. Similarly, fiscal councils that are being established but not yet operational by end-December 2024 are not included (e.g., Jamaica's fiscal council is operational in January 2025; Poland is establishing a fiscal council).

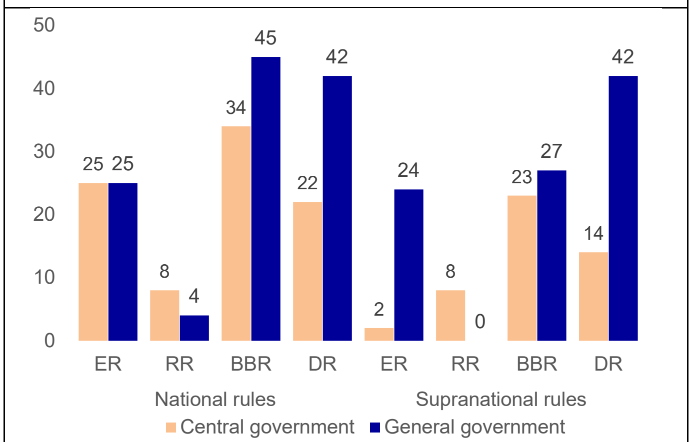
3. **Expenditure rules (ER)** set limits on total, primary, or current government expenditures. Such limits are relatively easy to operate and monitor, typically set in absolute terms or growth rates, and occasionally in percentage of GDP with a time horizon often ranging between three to five years. These rules are not linked directly to the debt sustainability objective since they do not constrain the revenue side. They can provide, however, an operational tool to trigger the required fiscal consolidation consistent with sustainability when they are accompanied by debt rules. The rules can help constrain spending during temporary absorption booms, when windfall revenue receipts are temporary. Moreover, expenditure rules do not restrict the economic stabilization function of fiscal policy in times of adverse shocks as they do not require adjustments to cyclical or discretionary reductions in tax revenues. Some counter-cyclical response can be achieved by excluding cyclically sensitive expenditures, such as unemployment support.
4. **Revenue rules (RR)** set ceilings or floors on revenues and are aimed at boosting revenue collection and/or preventing an excessive tax burden. Most of these rules are not directly linked to public debt or spending. Furthermore, setting ceilings or floors on revenues is challenging as revenues are highly cyclical. Exceptions are those rules that restrict certain use of "windfall" revenue. Revenue rules alone could result in procyclical fiscal policy, as floors (ceilings) do not generally account for the operation of automatic stabilizers in a downturn (upturn). Revenue rules, similar to expenditure rules, can be used to target the size of the government.

C. Other characteristics of fiscal rules

The dataset covers also different aspects related to the institutional framework of the fiscal rules which is used to assess the strength of fiscal rules in the paper.

1. **Coverage of the fiscal rules.** In principles, fiscal rules should have a wide coverage for most fiscal aggregates. Majority of supranational rules have covered fiscal aggregate at the general government levels, but it is less so for national rules (Annex Figure 1.1). Some countries also set subnational fiscal rules given subnational governments account for a large share of government expenditure (Hodge, Ralyea, and Reynaud 2020).
2. **Existence of enforcement mechanisms** through monitoring of compliance by a fiscal council or other separate entities outside government and explicitly specified enforcement procedures in the relevant law or regulations.

Annex Figure 1.1. Coverage of Fiscal Rules, 2024
(Number of countries)



Sources: Alonso et.al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations
ER = expenditure rule; RR = revenue rule; BBR = budget balance rule; DR = debt rule.

3. **Supporting procedures and institutions** includes the existence of multi-year expenditure ceilings, independent body (e.g. fiscal council) to set budget assumptions and monitor implementation, presence of a fiscal responsibility law, publication of a Medium-term Fiscal Framework report, and publication requirements for reports related to fiscal rules.

4. **Legal basis** of the rules in the dataset includes different categories, such as specified in the statutory, regulations, international treaties, and constitutional provisions. In some cases, fiscal rules have no legal basis and instead are implemented through political commitment or coalition agreement (Australia, Cambodia).
5. **Escape clauses.** Escape clauses are provisions within fiscal rules that allow for temporary deviations from the rules under specific exceptional circumstances, such as war, national emergency, severe economic downturn or natural disaster. The escape clauses can be activated by the Ministry of Finance or government cabinet, parliament, or independent fiscal council. Provisions of well-defined escape clause tend to specify the activation procedures, triggering conditions under which the clause is invoked (either quantitative triggers linked to growth slowdown or qualitative conditions such as national emergency), the activation horizon, and an accountability mechanism (such as actions or requirements needed after exiting the escape clauses). The database tracks the presence and activation of escape clauses in countries' fiscal rules, as well as whether the escape clauses have specified the triggering conditions and accountability mechanism.
6. **Correction mechanisms.** They stipulate corrective actions that governments would need to take if their fiscal rules are breached (or at risks of being breached). Corrective mechanisms contain the triggering conditions and thresholds, and the actions governments need to undertake to return to the rules.
7. **Exclusion of budget components from the rules.** Countries with structural budget balance rules tend to exclude the cyclical components in the revenues and expenditures to assess whether the fiscal rules are in compliance (Chile, Colombia). Countries with expenditure rules sometimes exclude certain expenditures. The most common is to exclude public investment spending from the expenditure rule or set a floor on public investment. Other spending items are sometimes excluded, such as interest payments, pensions, or cyclical unemployment benefits.

Table AI.1. Correction mechanisms by nature and size of required adjustment[13]

		Nature of the correction mechanism	
		Ex Post	**Ex ante**
Adjustments	**Return to the rule**	Armenia, Austria, Bahamas, Belgium, Bulgaria, Chile, Colombia, Cyprus, Denmark, Dominican Republic, Estonia, France, Greece, Honduras, Italy, Malaysia, Pakistan, Peru, Portugal, Romania, Serbia, Slovenia, Spain, Sweden	Angola, Brazil, Czech Republic, Ecuador, Poland, Slovak Republic, Spain
	Adjustment for cumulative deviations	Costa Rica, Germany, Grenada Jamaica, Latvia, Lithuania, Luxemburg, Switzerland	

Sources: Alonso et.al. 2025a; IMF Fiscal Rules Database: 1985–2024; authors' compilations.

D. What is considered a fiscal council in this paper and in the dataset?

In the dataset, a fiscal council (independent fiscal institution) is a technical nonpartisan entity that provides fiscal oversight. To be included in the dataset, the entity must fulfill the following conditions: (i)

[13] Includes national fiscal rules.

aligned with the IMF definition of fiscal council (IMF 2013), (ii) consistent with the main OECD Principles for Independent Fiscal Institutions (von Trapp, Lienert, and Wehner, 2016), and (iii) functional and visible institutions, such as maintaining a regularly updated website or other forms of public communication.[14] While the dataset is cross-sectional by nature, the dates of establishment and of major reforms are included. The dataset captures all active fiscal councils as of end-2024 (amounting to over 50 fiscal councils across the world, more than triple since the global financial crisis).[15] This dataset focuses on de jure arrangements and not to what degree those arrangements have been adhered to in practice.

E. Key characteristics of a fiscal council

The dataset covers the following aspects of the fiscal councils:

1. **General information.** The overall description of the institutions, including their names, regions, year of establishment, year of major amendment to their mandate, tasks or governance, and the government level of their coverage.
2. **Remit/mandate.** The dataset includes key elements of the mandate, such as positive and normative assessment of fiscal policy, macroeconomic or fiscal forecast preparation and assessment, analysis of long-term fiscal sustainability, and monitoring compliance with fiscal rules.
3. **Tasks and instruments.** The dataset contains indicators on councils' ability to communicate to the public and relevant stakeholders, including whether the institutions produce freely accessible publications. These include the use of its forecasts and policy recommendations for budget preparation, the obligation for governments to explain deviations from these forecasts and recommendations, and whether the fiscal council meets regularly with decision makers.
4. **Operational independence and accountability.** Various aspects of the council's legal and operational independence, including whether the financial resources made available to the institution are safeguarded and commensurate with its tasks, whether the governing members of councils are selected based on technical competence, and whether access to government information is guaranteed in the legislation.
5. **Resources and staffing.** The dataset includes characteristics of the personnel of the fiscal councils, including the composition, term, body of appointment/dismissal of their governing members and the overall size of the councils.
6. **Communication.** The updated dataset contains additional information about the communication aspects of fiscal councils. This includes tracking whether fiscal councils disseminate its own reports, hold parliamentary hearings or media press conferences, and publish in media outlets after major fiscal events. The dataset also identifies whether the fiscal council has a communication policy or strategy, a dedicated webpage or social media channels, and if the publication reports by the fiscal council contain macro-fiscal forecast, an assessment on fiscal rules implementation, debt sustainability analysis, and/or costing of fiscal policies.

[14] Parliamentary Budget Offices in many countries act as fiscal councils (for example, Australia, Canada, Italy, and Kenya).

[15] A few countries (such as Montenegro and Poland) are in the process of establishing a fiscal council and Jamaica's Independent Fiscal Commission came into effect only starting from January 1, 2025.

Appendix Table 2.1. Sample County Coverage

Country	Fiscal Rule	Fiscal Council	Advanced Economy	Emerging Market Economy	Low Income Developing Country	Country	Fiscal Rule	Fiscal Council	Advanced Economy	Emerging Market Economy	Low Income Developing Country
Andorra	✓		✓			Kosovo	✓			✓	
Angola	✓			✓		Latvia	✓	✓	✓		
Antigua and Barbuda	✓			✓		Liberia	✓				✓
Argentina	✓			✓		Lithuania	✓	✓	✓		
Armenia	✓			✓		Luxembourg	✓	✓	✓		
Aruba	✓	✓		✓		Malaysia	✓			✓	
Australia	✓	✓	✓			Maldives	✓			✓	
Austria	✓	✓	✓			Mali	✓				✓
Azerbaijan	✓			✓		Malta	✓	✓	✓		
The Bahamas	✓	✓		✓		Marshall Islands	✓			✓	
Barbados	✓			✓		Mauritius	✓			✓	
Belgium	✓	✓	✓			Mexico	✓	✓		✓	
Benin	✓				✓	Mongolia	✓	✓		✓	
Botswana	✓			✓		Republic of Montenegro	✓			✓	
Brazil	✓	✓		✓		Morocco	✓			✓	
Bulgaria	✓	✓		✓		Namibia	✓			✓	
Burkina Faso	✓				✓	Nauru	✓			✓	
Burundi	✓				✓	The Netherlands	✓	✓	✓		
Cabo Verde	✓			✓		New Zealand	✓		✓		
Cambodia	✓				✓	Niger	✓				✓
Cameroon	✓				✓	Nigeria		✓			✓
Canada	✓	✓	✓			North Macedonia		✓		✓	
Central African Republic	✓				✓	Norway	✓		✓		
Chad	✓				✓	Pakistan	✓			✓	
Chile	✓	✓		✓		Panama	✓	✓		✓	
Colombia	✓	✓		✓		Papua New Guinea	✓				✓
Democratic Republic of the Congo	✓				✓	Paraguay	✓			✓	
Republic of Congo	✓				✓	Peru	✓	✓		✓	
Costa Rica	✓	✓		✓		Poland	✓			✓	
Côte d'Ivoire	✓				✓	Portugal	✓	✓	✓		
Croatia	✓	✓	✓			Romania	✓	✓		✓	
Cyprus	✓	✓	✓			Russia	✓			✓	
Czech Republic	✓	✓	✓			Rwanda	✓				✓
Denmark	✓	✓	✓			Senegal	✓				✓
Dominica	✓			✓		Serbia	✓	✓		✓	
Dominican Republic	✓			✓		Singapore	✓		✓		
Ecuador	✓			✓		Slovak Republic	✓	✓	✓		
El Salvador	✓			✓		Slovenia	✓	✓	✓		
Equatorial Guinea	✓			✓		Solomon Islands	✓				✓
Estonia	✓	✓	✓			Somalia	✓				✓
Finland	✓	✓	✓			South Africa		✓		✓	
France	✓	✓	✓			South Sudan	✓				✓
Gabon	✓			✓		Spain	✓	✓	✓		
Georgia	✓	✓		✓		Sri Lanka	✓			✓	
Germany	✓	✓	✓			St. Kitts and Nevis	✓			✓	
Greece	✓	✓	✓			St. Lucia	✓			✓	
Grenada	✓	✓		✓		St. Vincent and the Grenadines	✓			✓	
Guinea-Bissau	✓				✓	Suriname	✓			✓	
Honduras	✓				✓	Sweden	✓	✓	✓		
Hong Kong SAR	✓		✓			Switzerland	✓		✓		
Hungary	✓	✓		✓		Tanzania	✓				✓
Iceland	✓	✓	✓			Thailand	✓			✓	
India	✓			✓		Timor-Leste	✓				✓
Indonesia	✓			✓		Togo	✓				✓
Iran	✓	✓		✓		Tonga	✓			✓	
Ireland	✓	✓	✓			Turkmenistan	✓			✓	
Israel	✓		✓			Uganda	✓	✓			✓
Italy	✓	✓	✓			United Kingdom	✓	✓	✓		
Jamaica	✓	✓		✓		United States	✓	✓	✓		
Japan	✓		✓			Uruguay	✓	✓		✓	
Kazakhstan	✓			✓		Vanuatu	✓			✓	
Kenya	✓	✓			✓	Vietnam	✓			✓	
Kiribati	✓				✓	Zambia	✓				✓
Korea		✓	✓								

Sources: Alonso et.al. 2025a; IMF Fiscal Rules Database: 1985–2024; Alonso et. al. 2025b; IMF Fiscal Councils Database: 2024 Update.

Annex II. Design Elements of Expenditure Rules[1/]

Expenditure rules often set limits on annual government expenditures in the budget. The rules are typically expressed as an annual ceiling on annual expenditure growth (in line with nominal GDP growth or potential growth) or as a ratio of GDP. A few countries set multi-year expenditure ceilings ranging between three to five years (Alonso et al., forthcoming-a). Although expenditure rules do not link directly to debt sustainability, constraining expenditures plays an important role for budget deficits and debt dynamics.

Expenditure rules have several merits relative to other operational limits and become more common. The rules mitigate the procyclicality of fiscal policy by constraining expenditures in the booms and protecting government expenditures in times of adversity. Expenditure rules are directly linked to budget spending and are simpler to operate and monitor since governments have a greater degree of control on the expenditure envelope than revenues (Bova and Manescu, 2020). Expenditure rules have become more common (with new rules introduced in European Union, Ecuador, Peru, Brazil) and are more readily linked to the medium-term fiscal frameworks to guide the annual budgets (France, Finland, Sweden, Australia, New Zealand). To reduce rigidity in expenditure rules, they can allow the full operation of automatic stabilizers (such as excluding cyclical unemployment benefits).

Expenditure rules, if not well designed, could weaken incentives to mobilize revenue and undertake fiscal adjustments. Measures to raise revenue become less attractive as governments cannot spend the extra revenues under a tight expenditure rule. If governments have a bias on current expenditures, an expenditure ceiling could unintentionally lead to a cut in public investment (Eyraud et al. 2018). Addressing these concerns may make the rules more complex and harder to monitor or comply with. Several dimensions could be considered when adopting an expenditure rule:

1. *Coverage.* Broad coverage encompassing the aggregate expenditures for central and local governments is often preferable to maintain the link to debt sustainability and the fiscal anchor (Eyraud et al. 2018).

2. *Discretionary revenue measures.* The ceilings may adjust for discretionary revenue measures to permit higher spending if financed by new revenue measures. This will maintain incentives for revenue mobilization. Revenue estimates or forecast from discretionary tax measures should be prudent to avoid overspending.

3. *Nominal or real limits*. Successful examples can be found in both expenditure ceilings in nominal and real terms (Sweden, Finland). Nominal ceilings are generally easier to communicate and monitor and are less procyclical than those set in real terms. But nominal ceilings can imply significant cuts in real terms if inflation surprises on the upside, whereas real expenditure ceilings fully account for inflation surprises could make inflation more entrenched. Having a safety margin in the budget can mitigate the impact of inflation surprises in nominal expenditure rules.

4. *Prudent starting point for expenditure base.* If the expenditure specifies a ceiling on expenditure growth, the starting point should be calibrated to balance between debt sustainability concerns and the macro and social needs for government expenditures (Lam et al. 2024).

5. *Automatic stabilizers.* Expenditure rules are typically not procyclical as they maintain aggregate expenditures regardless of economic conditions. If expenditure-side automatic stabilizers are in place, the rules could be adjusted to allow automatic stabilizers in full operations, such as excluding unemployment benefits from the rule limits, to provide countercyclical support and stabilize the economy.

[1/] Prepared by Virginia Alonso, Andresa Lagerborg, and Raphael Lam.

Annex III. Measuring Deviations from Fiscal Rules Limits

A. Measuring deviations from budget balance rules

The paper computes the deviations from budget balance rules relative to the fiscal rule limits. Fiscal outturns of fiscal balances are obtained from the IMF World Economic Outlook (WEO) database. In most countries, the budget balance target in fiscal rules has a direct corresponding variable in the WEO database that can be used to calculate the deviations easily. The most common targets are the overall fiscal balance and the primary balance. In some countries, the budget balance rules have more complicated targets, which need to be approximated with the closest combination of fiscal variables in the WEO (Annex Table 3.1).

Annex Table 3.1. Mapping of Budget Balance Rule Targets and WEO Variables

Target	WEO variable
Overall Balance	GGXOFB
Overall Balance excluding Foreign Financing and Grants	GGXOFB - GGRG *
Overall Balance excluding Oil Revenues	GGXOFB - TXGO *
Overall Balance excluding Investment	GGXOFB - NFIG *
Primary Balance	GGXONLB
Primary Balance excluding Oil Revenues	GGXONLB - TXGO *
Primary Balance excluding Investment	GGXOFB - NFIG *
Cyclically-Adjusted Primary Balance	GGCBP
Structural Primary Balance	GGSBP
Structural Overall Balance	GGSBP - GGEI *

Note: GGXOFB: General government overall fiscal balance; GGRG: General government revenue, grants; TXGO: Value of oil exports; NFIG: Public gross fixed capital formation; GGXONLB: General government primary net lending/borrowing; GGCBP: General government cyclically adjusted primary balance; GGSBP: General government structural primary balance; GGEI: General government expense, interest. Asterisks (*) indicate an imperfect match between the definition for the target and the available WEO variables.

B. Dynamics around Deviations of Fiscal Rules

To analyze the dynamics of deviations from deficit and debt limits, we estimate the following econometric model:

$$D_{i,t}^{X} = \beta_0 D_{i,t-1}^{X} + \beta_1 D_{i,t-1}^{X} * I\left(D_{i,t-1}^{X} < 0\right) + \beta_2 D_{i,t-1}^{-X} * I\left(D_{i,t-1}^{-X} \geq 0\right) + \beta_3 D_{i,t-1}^{-X} * I\left(D_{i,t-1}^{-X} < 0\right) + \beta_4 g_{i,t} + \delta_i u_{i,t}, \quad (3.1)$$

where i denotes the country and t the year. D_{it}^{X} indicates distance from rule limits, with X taking the deviation values BBR or DR, and $-X$ the opposite (DR for the BBR regression and vice versa). $I(\cdot)$ is the indicator function, g is real GDP growth, β_0, β_1, β_2 and β_3 are regression coefficients, δ_i are country fixed effects, and u_{it} is a potentially autocorrelated error term.

The regression incorporates an interaction term between deviations from the rules and an indicator function for whether deviations were negative in the previous period. This allows to test whether countries deviating from rules tend to revert faster to their mean deviations. The regression also includes cross-interaction terms between the types of rules, and controls for the effect of real GDP growth.

Annex Table 3.2. Budget Balance and Debt Rule Deviation Dynamics—Regression Results

(1) Budget Balance Rule Deviations

BBR_deviation	Baseline	Year FE	Including Small Countries	Instrumenting GDP growth	Big Recessions
Lag BBR_deviation	0.791***	0.759***	0.811***	0.691***	0.804***
	(0.055)	(0.052)	(0.063)	(0.051)	(0.061)
Lag BBR_deviation (exceeding)	-0.209***	-0.147*	-0.290***	0.006	-0.325***
	(0.074)	(0.080)	(0.078)	(0.067)	(0.116)
Lag DR_deviation (not exceeding)	-0.031**	-0.010	-0.043**	-0.024	-0.034**
	(0.015)	(0.014)	(0.017)	(0.015)	(0.016)
Lag DR_deviation (exceeding)	-0.012*	-0.015***	-0.002	-0.006	-0.015**
	(0.007)	(0.006)	(0.011)	(0.006)	(0.007)
Real GDP growth	-0.298***	-0.125**	-0.316***	-0.321	-0.300***
Lag BBR_deviation (exceeding)* output gap < -2%					0.178**
					(0.089)
N	876	876	1050	929	876
Fixed Effects	Country	Country & Year	Country	Country	Country
Estimator	Arellano-Bond	Arellano-Bond	Arellano-Bond	FE, clustered SE	Arellano-Bond

(2) Debt Rule Deviations

DR_deviation	Baseline	Year FE	Including Small Countries	Instrumenting GDP growth	Big Recessions
Lag DR_deviation	0.928***	0.931***	0.922***	0.919***	0.939***
	(0.025)	(0.029)	(0.031)	(0.068)	(0.025)
Lag DR_deviation (exceeding)	-0.056	-0.076**	-0.082*	-0.000	-0.105**
	(0.036)	(0.036)	(0.043)	(0.071)	(0.042)
Lag BBR_deviation (not exceeding)	0.339***	0.229**	0.358***	0.245*	0.370***
	(0.104)	(0.112)	(0.122)	(0.129)	(0.093)
Lag BBR_deviation (exceeding)	0.471**	0.455**	0.385*	0.486***	0.438**
	(0.186)	(0.209)	(0.206)	(0.152)	(0.191)
Real GDP growth	-1.027***	-0.800***	-1.180***	-2.036**	-1.036***
Lag DR_deviation (exceeding)* output gap < -2%					0.043
					(0.028)
N	879	879	1061	932	879
Fixed Effects	Country	Country & Year	Country	Country	Country
Estimator	Arellano-Bond	Arellano-Bond	Arellano-Bond	FE, clustered SE	Arellano-Bond

Note: Standard errors in parentheses: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Deviations are expressed in percent of GDP. The regression is estimated by Generalized Methods of Moments (Arellano-Bond estimator) as it includes lagged variables of the dependent variable. Small countries are the bottom quartile of the sample based on GDP levels in USD in 2019. Real GDP growth is instrumented with its own lag. Big recessions are defined as country-year observations where the output gap is below -2 percent.

Table 4.2 shows the regression results for the baseline, along with a number of robustness checks. The robustness tests include adding year fixed effects, including small countries in the sample (defined as the bottom quartile in terms of GDP levels in USD in 2019), instrumenting real GDP growth with its own lag, and adding an interaction term between fiscal rule deviations and recessions, with the latter defined as country-year observations where the output gap is below -2 percent.

The regression results for deviations from budget balance rules are similar across specifications (panel 1 of Annex Table 3.2). However, instrumenting GDP growth makes the difference in persistence between countries exceeding and not exceeding the rules limits not significant. The last column shows that deviations from budget balance rules are significantly more persistent amid big recessions.

Under the same set of robustness checks, results for deviations from debt rules are also mostly unchanged (panel 2 of Annex Table 3.2). While the difference in persistence between countries that exceed limits relative to those that do not is not significant in the baseline, it is negative and significant when we include year fixed effects and when we add the interaction term for recessions. The persistence of deviations is higher in recessions as in the case of budget balance rules, but with a smaller coefficient that is not statistically significant.

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