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FISCAL POLICY IN LATIN AMERICA: LESSONS AND LEGACIES OF THE GLOBAL FINANCIAL CRISIS — TECHNICAL APPENDIX

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I. DISCRETIONARY STIMULUS PLANS

Table A1. Fiscal Policy Actions during the Global Financial Crisis

Brazil	
2009	Economic stimulus was provided through two main channels. First, to avert a credit crunch, the central government provided a "policy lending" loan of 3.2 percent of GDP to the state development bank (The Brazilian Development Bank) to facilitate greater lending by the latter to firms. Second, a package of discretionary fiscal actions were implemented, consisting of tax relief (for taxes on personal income, vehicle purchases, financial transactions, capital imports, and purchases of construction materials) as well as transfers to vulnerable groups through higher Bolsa Familia payments, a mortgage subsidy program, and and extension of the duration of unemployment benefits. The estimated fiscal costs were 0.6 percent of GDP for tax relief measures and 0.2 percent of GDP for transfers.
2010–11	The central government continued to provide declining amounts of policy lending to BNDES (2.7 percent of GDP in 2010, 1 percent in 2011, and 1.5 percent in 2012). However, the other aspects of the 2009 stimulus package were unwound in 2010. In view of disappointing growth, further stimulus was provided from 2012 onward.
Chile	
2009	A package of fiscal stimulus measures enacted in 2009 included: increased spending on several temporary programs (public works, 0.5 percent of GDP; a one-time cash allowance for low-income households, 0.16 percent of GDP; a temporary increase in subsidies for training measures, 0.13 percent of GDP); various tax reductions (a temporary reduction of income tax prepayments for companies, 0.33 percent of GDP; and an acceleration of personal income tax reimbursements, 0.16 percent of GDP); and temporary elimination of stamp duty (0.45 percent of GDP). The measures also included the recapitalizations of the state-owned Banco Estado and the copper corporation CODELCO, as well as an increase in the capital of Chile's development agency (CORFO) and the insurance fund for small enterprises (FOGAPE) (all amounting to about 1 percent of GDP), to support financing to exporters and small corporations. The programs were unwound in 2010–11. Excluding the recapitalisation measures, the package envisaged an overall stimulus of some 1.8 percent of GDP. The government also enacted more permanent reforms to support employment and attenuate the impact of layoffs on the economy. It brought forward the reform to extend unemployment benefits to workers with fixed-term contracts from 2010 to 2009 and introduced a wage subsidy for young low-wage workers.
Colombia	
2009–10	There was no discretionary stimulus program, although there was an effort to prioritize infrastructure and social spending.
Mexico	
2009	The stimulus package announced in early 2009 contained employment subsidies, additional health benefits and income transfers for the unemployed, and other income support for the poorest citizens amounting to about 0.2 percent of GDP as well as energy price support of some 0.4 percent of GDP. The measures also included additional infrastructure investment (0.74 percent of GDP) and higher investment by the state-owned petroleum company PEMEX and states (0.26 percent of GDP). The size of the total fiscal stimulus package was about 1.7 percent of GDP. While many stimulus measures were designed to be temporary (such as employment subsidies and social transfers), energy price support was linked to oil price developments and had no clear sunset clause.
Peru	
2009	In January 2009 the government launched a biannual major fiscal stimulus package of 3.5 percent of 2009–10 average GDP. The majority of the stimulus was directed to infrastructure investments, with a small share funding social protection measures.
Uruguay	
2009	No major discretionary stimulus program was put in place. The growth of current expenditures remained strong, however, in particular of health care transfers and pension outlays (due to reforms implemented in 2007–08).

Sources: IMF country staff reports; Organisation for Economic Co-operation and Development economic surveys; and IMF staff calculations.

II. IMPACT OF THE 2009 FISCAL STIMULUS: MODELING FRAMEWORK

To quantify the impact of the fiscal stimulus and counterfactual withdrawal scenario on output and public debt, the IMF's Flexible Suite of Global Models (FSGM) is used. FSGM is a system of annual, multi-region, general equilibrium models, combining both micro-founded and reduced-form formulations of various economic sectors. It has a fully articulated demand side, and some supply side features. International linkages are modeled in aggregate for each country/region. The models have full stock-flow consistency, public deficits cumulate into the level of public debt, current account balances cumulate into the level of net foreign assets, and investment cumulates into the level of the capital stock. There are endogenous rules governing the operation of both monetary and fiscal policy. All the model's parameters, except those determining the cost of adjustment in investment, have been estimated from the data using a range of empirical techniques.

Two scenarios are simulated for the dynamics of output and public debt. The baseline of the model replicates the actual data for the LA6 in stylized form for 2009–13.

- The first scenario assumes a neutral fiscal policy stance (characterized as an unchanged cyclically adjusted fiscal balance) in 2009–13 and examines how large the drop in output would have been in the absence of fiscal easing in 2009.

- The second scenario simulates the actual fiscal policy stance in 2009, but for 2010–13 countries' fiscal behavior is modeled to be consistent with their reaction to the widening in output gap in 2009. Specifically, a fiscal reaction coefficient in calculated as the fiscal impulse (change in the cyclically adjusted deficit) divided by the change in output gap in 2009. This reaction coefficient is used to simulate what the fiscal stance would have been from 2010 onward if fiscal policy had reacted to the output gap in the same way it did in 2009.[1] For Uruguay, which did not ease policy in 2009, acyclical fiscal policy for 2010–13 was simulated.

The scenarios are calibrated to replicate the composition of fiscal stimulus in 2009. Fiscal stimulus is distributed across four categories: public consumption, public transfers, capital spending, and revenue measures. The assumption is that capital and current spending add to the structural fiscal deficit with a coefficient of one. The part of the change in the structural deficit that is not attributed to the change in spending-to-GDP ratio is then classified as revenue driven. Fiscal spending and tax multipliers built into the model are 1.1 for public investment, 0.9 for public

[1] In Mexico and Brazil, the withdrawal of stimulus was slower than suggested by the fiscal reaction coefficient; in Chile it was faster. Fiscal policies in Peru and Colombia were in 2010–12 broadly consistent with the fiscal reaction of 2009, but mixed thereafter.

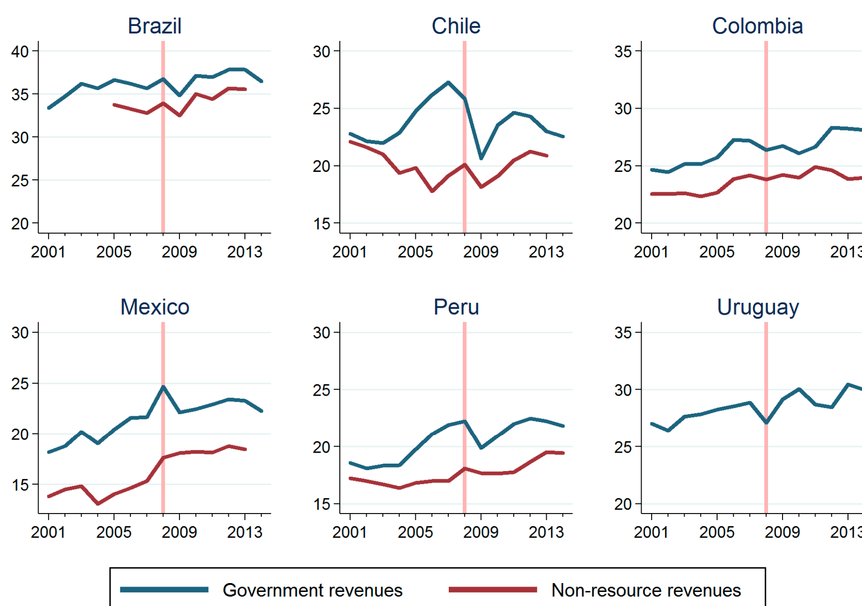
consumption, and 0.5 for public transfers and revenue measures. For Brazil, an additional category is added to capture "policy lending" (with a multiplier of 0.5).[2]

The composition of fiscal impulse/withdrawal in scenario analysis for 2010–13 is kept aligned with the impulse of 2009 with a few exceptions. For Brazil, policy lending was assumed to be zero from 2010 onward. For Chile, which exhibited strong countercyclical behavior in 2010–12, the actual composition of withdrawal is used.

III. REVENUE PERFORMANCE AND REFORMS IN THE LA6 SINCE THE GLOBAL FINANCIAL CRISIS

In most LA6 countries, revenue as a share of GDP has increased since the crisis, accounting for the bulk of the fiscal correction between 2009 and 2014. Revenue-enhancing tax policy reforms can account for part of the increase, but buoyancy and better tax administration seem to have played a role as well.

Figure A1. Government Revenue
(Percent of GDP)



Source: IMF, *World Economic Outlook*.

The LA6 countries have witnessed a significant increase in their revenue burdens since the early 2000s. In the run up to the global financial crisis, all countries experienced a significant increase in public sector revenue as a share of GDP, with both resource and non-resource revenues increasing. This upward trend generally continued in the aftermath of the crisis for non-resource revenues, while resource revenues have in most cases remained below their pre-crisis levels. As of 2014, total revenue ratios were above their 2007 levels in Brazil, Colombia, Mexico, and Uruguay. In Peru lower resource revenue was compensated by stronger non-resource revenue, leaving the total revenue ratio broadly unchanged, In Chile, however, the

[2] IMF staff estimates.

decline in resource revenues—linked to mineral prices—has outweighed the rise in non-resource revenues.

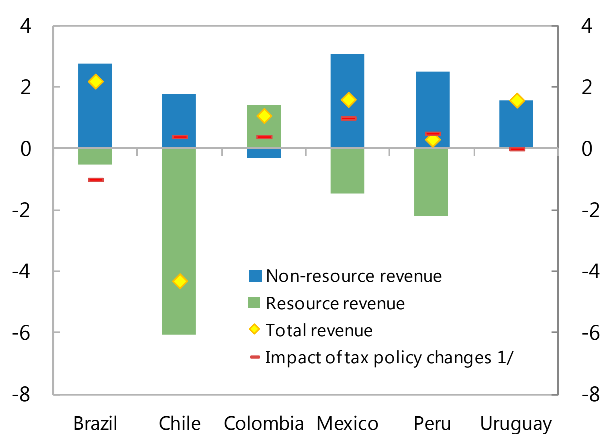
Previous analysis has identified several factors behind the rise in revenues in Latin America, in particular: buoyant economic performance supported by strong growth in global demand and commodity prices; domestic reforms that broadened the base and introduced new taxes; better tax administration; and lower inequality coupled by a rise in consumption (with a favorable impact on the yield of direct taxes).[3]

Whether the increase in the revenue ratio will be sustained depends largely on its drivers. An increase driven by revenue-enhancing tax reforms—such as base broadening, higher tax rates, and improvements in tax administration—would likely persist through the longer term. By contrast, an increase driven purely by strong growth in economic activity and commodity prices could disappear if these supporting conditions fade away.

A review of the major tax reforms implemented by the LA6 countries since 2008 (Table A2) suggests that buoyancy, reforms, and administration are all likely to have played a role in driving up the revenue ratios.[4] Four out of the six countries (Chile, Colombia, Mexico, and Peru[5]) have introduced revenue-enhancing reforms since the global financial crisis and the estimated yield of these policy changes can explain part of the increase in revenue between 2007 and 2013. In Uruguay, where there has been no new reform since 2007, the increase in the revenue burden has been entirely due to buoyancy and stronger tax administration. In Brazil, the increase in tax burden is explained both by buoyant revenue from payroll (personal income taxes and social security contributions), amid rising salaries, and tax amnesty programs in 2009, 2013, and 2014 that boosted tax repayment, compensating the effect of tax cuts implemented in 2012–14.

Figure A2. LA6: Change in Fiscal Revenue and Impact of Tax Policy Changes, (2007–13)

(Percent of GDP)



Source: IMF staff estimates.

1/ Estimated revenue impact of tax policy changes enacted during 2008–12.

[3] ECLAC (2013).

[4] This is consistent with the finding by Machado and Zuloeta (2012) that elasticities of tax revenue with respect to GDP Latin America are well-above one.

[5] In 2014, however, Peru lowered the CIT and PIT tax rates that would lead to revenue losses.

Table A2. LA6: Tax Policy Changes Implemented in 2008–13

Brazil	Most policy changes since 2009 have been revenue reducing. In 2009, the authorities implemented tax-amnesty programs as part of an economic stimulus package. From late-2011 onward, they introduced several tax measures to support economic activity. These included payroll tax relief for selected industries, elimination of a fuel tax, energy cost relief for industry and consumers, other consumption tax cuts, among other smaller items. These measures are estimated to have increased the fiscal deficit by 0.4 percentage point of GDP in 2012, 1 percentage point of GDP in 2013, and 1.1 percentage points of GDP in 2014 (IMF 2013a).
Chile	In 2011 the authorities increased the CIT rate from 17 to 20 percent and eliminated loopholes. This was partially offset by a reduction in the marginal PIT for different income brackets and a reduction in the financial transaction tax. The estimated net impact on tax revenues was 0.1 percent of GDP in 2012 and 0.4 percent in 2013 (IMF 2012a).
Colombia	In 2010 the authorities used flood-related state of emergency powers to adopt reforms that broadened the tax base, eliminated the fixed–asset tax credit and closed loopholes in the financial transactions tax, and increased the net wealth tax. The combined yield of these measures was estimated at 0.4 percent of GDP per year on average during 2011–14 (IMF 2011a). In 2012, the authorities introduced a revenue-neutral tax package aimed at reducing informality (IMF 2013b). This included the elimination of some payroll taxes for salaries less than 10 times the minimum wage, the creation of an "equity tax" for corporations with a statutory rate of 9 percent for 2013–15 (8 percent afterward) and a tax base slightly broader than that of the CIT, a cut in the in the CIT rate from 33 to 25 percent, a reduction in the withholding tax rate on non-residents' earnings from portfolio investment (from 33 percent to 14 percent), the creation of a minimum PIT with rates from 0 percent to 27 percent levied on individuals with monthly incomes above 4.2 times the minimum wage, a consolidation of seven VAT rates to three rates of 0, 5 and 16 percent, the creation of a national consumption tax for certain goods (for example, luxury goods, vehicles) and services (for example, restaurants), and other administrative measures aimed at reducing tax evasion.
Mexico	At the end of 2009, the authorities introduced a tax package that increased the CIT and the VAT rates from 28 to 30 percent and from 15 to 16 percent, respectively. In addition, the VAT rate was raised from 15 to 16 percent (in border areas from 10 to 11 percent), and excises on telecommunications, tobacco, alcohol, and gambling were increased. The simplification of the tax forms and the use of internet improved tax administration. Overall, the tax package yielded 1 percent of GDP in 2010. In 2013, the authorities modified the tax system by eliminating the disparities in VAT tax rates by regions and eliminated the exemptions for temporary imports. In addition, they broadened the tax base of the PIT and the CIT, reduced the tax deductions, simplified the administration of CIT and increased its progressivity, increased excise tax rates for high-calorie food and beverages, and introduced excise taxes on carbon. They also introduced royalties on mining activities and updated the water royalties. The net effect of the 2013 tax reform is estimated at 1 percent of GDP (IMF 2012b, IMF 2013c, and IMF staff estimates).
Peru	In 2009 the income tax base was broadened. Interest and capital gains began to be taxed at a rate of 6.25 percent under a dual tax system (dividends were already taxed), and the tax benefits for used car refurbishment expired. In 2010 the government introduced a reform of the mining sector taxation regime toward greater progressivity. This included new royalties based on operating profits of 1 to 12 percent to replace the sales-based royalties for companies with no stability contracts with the government, a new special tax levied on a sliding scale between 2 and 8.4 percent of operating margins applicable to companies with no tax stability contracts, and a special voluntary levy of 13–44 percent of profits on the extraction of mineral resources targeting companies holding stability contracts. These measures were expected to yield 0.5 percent of GDP (IMF 2011b). In 2012 tax administration measures were introduced. These included stiffer penalties for customs and tax law infractions, reduction of over-reliance on tax tribunals, modifications in transfer pricing laws, and changes in administrative procedures of customs, VAT, and other taxes (IMF 2013d). In 2013 the authorities launched a package to boost investment containing administrative measures that greatly reduced the time required by companies to take advantage of the early return of the VAT, and allowed tax credits for research spending and personnel training, and tax liability reductions for investments in public goods (IMF 2013e).
Uruguay	In 2007 the authorities introduced a comprehensive tax reform aimed at creating a more progressive tax system. Beyond removing many distortive and low-yielding taxes, the reform introduced a dual PIT, reduced the VAT and CIT rates, and broadened the VAT base. The reforms was estimated to be revenue-neutral.

Sources: IMF, Fiscal Affairs Department tax rate database; and IMF staff reports.
Note: CIT = corporate income tax; PIT = personal income tax; VAT = value-added tax.

IV. EVOLUTION OF FISCAL TARGETS AND RULES

Brazil: Evolution of Fiscal Targets and Rules, 2008–14

Year	Quantitative Evolution		Institutional Aspects and Changes			Other Operations 1/		
	Target	Result	Escape Clause 2/	Coverage Changes	Change of Targets	One-Off Operations	Off-Budget Operations	Accounting Adjustments
2008	3.8% of GDP to GG, with 2.2% of GDP to CG, and 0.7% of GDP to SOEs	Target (over)met (3.9% of GDP for GG)	No	No	R$ 13.8bn in the PPI spending could be deducted (adjustor) from the target	Tax Amnesties (0.21% of GDP); Concessions (0.20% of GDP); Transfers to SWF (0.47% of GDP)	Policy lending through public banks (0.71% of GDP, net); administered price controls	Postponement of expenditure payments (*restos a pagar*)
2009	In May 2009 the target was changed to 2.5% of GDP, with 1.4% of GDP to CG and 0,2% of GDP for SOEs	The primary surplus target finished at 2% of GDP, and was met by using revised adjustor	No	In May 2009 Petrobras was permanently excluded from the coverage (–0.5% of GDP)	Originally, deductions of R$ 15.6bn in PPI. With the target change the adjustor increased to include PAC (R$ 28bn)	Tax Amnesties (0.27% of GDP); Concessions (0.095% of GDP)	Policy lending through public banks (3.16% of GDP, net); administered price controls	Postponement of expenditure payments (restos a pagar)
2010	3.3% of GDP to GG, with 2.15% of GDP to CG, and 0.2% of GDP to SOEs	The target was met by use of 0.33% of GDP in investment adjustor to compensate shortfall at the subnational level (CG met the target)	No	Beyond Petrobras' exclusion, the GG target changed in late 2010 to 3.1% of GDP by excluding Eletrobras	R$ 22.5bn in PAC spending could be deducted from the target (0.6% of final GDP)	Tax Amnesties (0.25% of GDP); Concessions (0.03% of GDP); Petrobras operation in 2010 (net impact) (0.53% of GDP)	Policy lending through public banks (2.69% of GDP, net); administered price controls	Postponement of expenditure payments (restos a pagar)
2011	Originally: 3.3% of GDP to GG, with 2.15% of GDP to GG. The target was then changed, becoming equivalent to 3.1% of actual GDP	The (revised) target was met	No	No	Originally set in % of GDP, in 2010 the target was set in nominal terms. R$ 32bn in PAC spending could be deducted from the target	Tax Amnesties (0.54% of GDP); Concessions (0.095% of GDP)	Policy lending through public banks (1.02% of GDP, net); administered price controls	Postponement of expenditure payments (restos a pagar)
2012	3.1% of GDP to GG, with 2.15% of GDP to CG and 0.95% of GDP to SOEs	The target was met by using the adjustor plus 0.3% of GDP from the SWF	No	No	In addition to adjustor, 0.3% of GDP allowed to be used from the SWF	Tax Amnesties (0.38% of GDP); Concessions (0.05% of GDP); Transfers from the SWF (0.3% of GDP)	Policy lending through public banks (1.46% of GDP, net); administered price controls	Postponement of expenditure payments (restos a pagar)
2013	In May 2013 the target was revised to 2.3% of GDP through the use of the adjustor	The final target (for CG only) was met by using the (final) adjustor of 1.3 percent of GDP. The final result was of 1.9 percent of GDP	No	Binding target for the GG suspended (Dec. 2013): CG no longer obliged to compensate for SNG losses	Deductions of R$ 45.2bn in PAC spending. In Apr. 2013 the adjustor was augmented by R$ 65.2bn to cover tax cuts in a max of R$ 20bn	Tax Amnesties (0.76% of GDP); Concessions (0.46% of GDP)	Policy lending through public banks (0.69% of GDP, net); administered price controls	Postponement of expenditure payments (restos a pagar)
2014	In February 2014 the target was revised to a nominal primary surplus representing 1.9% of GDP	Primary balance of R–$32.5 bn, or –0.6% of GDP	No	Amendment to the 2014 LDO removed the adjustor cap (allowing for a primary deficit)	R$ 67bn in PAC spending and cost of tax cuts can be deducted from the target (1.3% of final GDP)	Tax Amnesties (0.58% of GDP); Concessions (0.18% of GDP)	Policy lending through public banks (0.98% of GDP, net); administered price controls	Postponement of expenditure payments (restos a pagar)

Source: Ministriy of Finance of Brazil and IMF staff estimates.

Note: CG = central government, GG = general government; PAC = Programa de Aceleração do Crescimento (program of acceleration of economic growth);PPI =pilot investment project; SOE = state-owned enterprises, SWF = sovereign wealth fund.

1/ Other operations are reported subject to data constraints.

2/ The column reports whether the escape clause was invoked in the particular year.

Chile: Evolution of Fiscal Targets and Rules, 2008–2014

Year	Quantitative Evolution		Institutional Aspects and Changes			Other Operations 1/		
	Target	Result	Escape Clause 2/	Coverage Changes	Change of Targets	One-Off Operations	Off-Budget Operations	Accounting Adjustments
2008	0.5% of GDP (CG structural balance)	Target missed: balance of –1% of GDP	No	No	As in previous years, the target was 1% of GDP, but it was revised because the net assets target was reached	$45 cash transfer to the bottom 40% of population; $42 to low-income pensioners; 2-year 25% reduction in the gasoline excise tax; 0.1% of GDP to the stabilization fund		Upward revision of the expert-determined copper long-term price and return increase of the sovereign wealth funds
2009	0.0% of GDP	Target missed: balance of –3.1% of GDP	No	No	Target originally at 0.5% of GDP, but revised due to the countercyclical response during 2009 and 2010	1.8% of GDP reduction in revenues and 1% of GDP crisis-related spending. In Jan. 2009 a stimulus package of 2.9% of GDP was announced	Below the line measures (about 1% of GDP): recapitalization of Banco Estado, CODELCO, Chile's development agency, and fund for small enterprises	
2010	0.0% of GDP	Target missed: balance of –2.1% of GDP	The rule was de-facto temporarily suspended after Feb. 2010 earthquake	No	No	Reconstruction expenditure (1% of GDP)		
2011	–1.8 % of GDP	Target met: balance of –1% of GDP	No	No	Target relaxed to –1.8% of GDP: large 2009 slippage, Feb. 2010 earthquake reconstruction, and structural balance target suspended	Reconstruction expenditure (1% of GDP); voluntary reduction in spending (by 0.4% of GDP) because of overheating concerns		
2012	–1.5 % of GDP	Target met: balance of –0.4% of GDP	No	No	Target tightening to –1.5% of GDP in line with the medium-term objective of a gradual structural deficit reduction	Reconstruction expenditure (1% of GDP)		
2013	–1.0 % of GDP	Target met: balance of –0.5% of GDP	No	No	Target tightening to –1% of GDP in line with the medium-term objective of a gradual structural deficit reduction	Reconstruction expenditure (1% of GDP)		
2014	–1.0 % of GDP	N/A	No	No	No			

Sources: Ministry of Finance of Chile (*Mensaje Presidencial Proyecto de Ley de Presupuestos* for various years); and IMF staff estimates.
Note: CG = central government.
1/ Other operations are reported subject to data constraints.
2/ The column reports whether the escape clause was invoked in the particular year.

Colombia: Evolution of Fiscal Targets and Rules, 2008–14

Year	Quantitative Evolution		Institutional Aspects and Changes			Other Operations 1/		
	Target	Result	Escape Clause 2/	Coverage Changes	Change of Targets	One-Off Operations	Off-Budget Operations	Accounting Adjustments
2008	2.6% of GDP (primary NFPS surplus)	3.5% of GDP (overmet)	No	No	No	Fuel subsidies of 1% of GDP paid in 2008 were recorded in the 2009 budget		
2009	1.9% of GDP	0.9% of GDP (missed)	No	No	The target for 2009 was changed to 1.9% of GDP	Fuel subsidies of 1% of GDP paid in 2008 recorded in the 2009 budget. Spending grew 7% in real terms (capital spending 25%) reflecting 2008 underspending by regions		
2010	0.1% of GDP	–0.1% of GDP (missed)	No	No	The target for 2010 changed to 0.1% of GDP, mainly due to oil and cyclical revenue shortfall	Flood-related spending (0.2% of GDP) more than offset by capital spending lower than budgeted by 0.4% of GDP	Deficit of the fuel price stabilization fund increased by 0.15% of GDP	
2011	0.0% of GDP	1.1% of GDP (overmet)	No	No	Target change to balance with a path slightly improving balances and withdrawing the fiscal stimulus			
2012	0.9% of GDP	3.3% of GDP (overmet)	No	No	Target change to surplus (0.9% of GDP), starting a gradual tightening in headline	Delayed spending by local governments of 2011 oil revenues		
2013	1.9% of GDP	1.5% of GDP (missed)	No	No	Target change to surplus (1.9% of GDP), continuing the gradual tightening	Delayed spending by local governments of 2012 oil revenues		
2014 3/	1.8% of GDP	N/A	No	No	Start of the new fiscal rule			

Sources: Ministry of Finance of Colombia (*Marco Fiscal de Mediano Plazo* for various years) ;and IMF staff estimates.

Note: NFPS = nonfinancial public sector.

1/ Other operations are reported subject to data constraints. Off-budget operations are reported in Colombia (*Marco Fsical de Mediano Plazo*), but they generally do not generate a deficit; hence details are not included.

2/ The column reports whether the escape clause was invoked in the particular year.

3/ Starting from 2014, Colombia's new structural balance-based framework adopted in 2011 became the key reference point for fiscal targets.

Mexico: Evolution of Fiscal Targets and Rules, 2008–14

Year	Quantitative Evolution		Institutional Aspects and Changes			Other Operations 1/		
	Target	Result	Escape Clause 2/	Coverage Changes	Change of Targets	One-Off Operations	Off-Budget Operations	Accounting Adjustments
2008	0% of GDP (traditional balance)	–0.1% of GDP (deviation within a de-minimis margin)	No	No	No	Nonrecurring revenue of 0.5% of GDP	Development banks (net lending): 0.4% of GDP	
2009	0% of GDP for traditional balance (net of PEMEX investment)	–0.2% of GDP (deviation within a de-minimis margin)	No	PEMEX investment allowed a relaxation of 2 % of GDP starting from that year	Yes	Nonrecurring revenue increased to 1.3% of GDP	Development banks: 0.5% of GDP	
2010	–0.7% of GDP for traditional balance (net of PEMEX investment)	–0.8% of GDP (deviation within a de-minimis margin)	Permitted by Art. 17 of the FRL with justification by Congress	No	Yes, in tandem with escape clause	Decline in nonrecurring revenues to 0.4% of GDP	Development banks: 0.3% of GDP	
2011	–0.5% of GDP for traditional balance (net of PEMEX investment)	–0.6% of GDP (deviation within a de-minimis margin)	Yes	No	Yes, in tandem with escape clause	Increase in nonrecurring revenues to 0.7% of GDP	Development banks: 0.3% of GDP	
2012	–0.4% of GDP for traditional balance (net of PEMEX investment)	–0.6% of GDP (deviation within a de-minimis margin)	Yes	No	Yes, in tandem with escape clause	Nonrecurring revenues declined to 0.5% of GDP.	Development banks: 0.4% of GDP	
2013	0.0% of GDP for traditional balance (net of PEMEX investment)	–0.3% of GDP (deviation within a de-minimis margin)	No	No	No	Increase in non-recurring revenues to 1% of GDP	Development banks: 0.5% of GDP	
2014	–1.5% of GDP for traditional balance (net of PEMEX investment)	–1.1% of GDP (met)	No	No	Yes	Non-recurring revenues declined to 0.8% of GDP.	Development banks: 0.3% of GDP	

Sources: Ministry of Finance of Mexico *(Informe relativo a las disposiciones contenidas en el artículo 42, fracción I, de la Ley Federal de Presupuesto y Responsabilidad Hacendaria* for various years); and IMF staff estimates.
Note: FRL = fiscal responsibility law.
1/ Other operations are reported subject to data constraints.
2/ The column reports whether the escape clause was invoked in the particular year.

Peru: Evolution of Fiscal Targets and Rules, 2008–14

Year	Quantitative Evolution		Institutional Aspects and Changes			Other Operations 1/		
	Target	Result	Escape Clause 2/	Coverage Changes	Change of Targets	One-Off Operations	Off-Budget Operations	Accounting Adjustments
2008	NFPS deficit rule: 1% of GDP; CG real spending growth rule: 3%	Deficit rule: Met (surplus of 2.4% GDP); Spending rule: Met (2.2%)	No	No	No			
2009	NFPS deficit rule: 2% of GDP; CG real spending growth rule: 4%, revised to 10%	Deficit rule: Met (deficit of 1.3% of GDP); Spending rule: Not met (10.2%)	Yes, both for the deficit and spending rule	No	Yes, in tandem with the exceptional clause	Temporary measures on the 2009/10 stimulus plan (3.5% of average 2009-10 GDP)		
2010	NFPS deficit rule: 2% of GDP; CG real spending growth rule: 4%, revised to 8%	Deficit rule: Met (deficit 0.3% of GDP); Spending rule: Revised met (6.4%)	Yes, both for the deficit and spending rule	No	Yes, in tandem with the exceptional clause	Temporary measures on the 2009/10 stimulus plan (3.5% of average 2009-10 GDP)		
2011	NFPS deficit rule: 1% of GDP; CG real spending growth rule: 4%	Deficit rule: Met (surplus of 1.9% of GDP); Spending rule: Met (4%)	No	Revenue administration spending is excluded	No	Temporary measures on the 2011/12 contingency plan (1% of average GDP)		
2012	NFPS deficit rule: 1% of GDP; CG real spending growth rule: 4%	Deficit rule: Met (surplus of 2.2% of GDP); Spending rule: Met (4%)	No	The spending rule excluded infrastructure maintenance, some social spending, and some security expenditures	No	Temporary measures on the 2011/12 contingency plan (1% of average GDP)		
2013	NFPS deficit rule: tightened to 0% of GDP; CG real spending growth rule suspended	Deficit rule: Met (surplus of 0.7% of GDP); Spending rule: temporarily superseded by the tighter deficit target for 2013	No	Suspension of the spending rule for that year	Suspension of the spending cap			
2014	NFPS deficit rule: tightened to 0% of GDP; CG real spending growth rule suspended	N/A	No	Suspension of the spending rule for that year	Suspension of the spending cap			

Sources: Ministries of Economy and Finance of Peru (*Marco Macroeconomico Multianual* and *Declaracion sobre Cumplimiento de Reponsabilidad Fiscal*" for various years); and IMF staff estimates.
Note: CG = central government; NFPS = nonfinancial public sector.
1/ Other operations are reported subject to data constraints.
2/ The column reports whether the escape clause was invoked in the particular year.

Uruguay: Evolution of Fiscal Targets and Rules, 2008–14

Year	Quantitative Evolution		Institutional Aspects and Changes			Other Operations 1/		
	Target	Result	Escape Clause 2/	Coverage Changes	Change of Targets	One-Off Operations	Off-Budget Operations	Accounting Adjustments
2008	Consolidated public sector balance target: –0.5% of GDP; Net debt increase rule: $275mn ($413mn with escape clause)	Balance target: Missed (–1.5% of GDP); Net debt increase rule: Missed ($501mn)	The escape clause was triggered by the "energy crisis" caused by the drought and high world oil prices	No	No			
2009	Consolidated public sector balance rule: –2.0% of GDP; Net debt increase rule: $350mn (could be $700mn, escape clause)	Balance target: Met (–1.7% of GDP). Net debt increase rule: Observed ($661mn) due to escape clause	The escape clause was triggered by the financial crisis and the drought (damage of $400 mn)	No	The ceiling target was increased by $100 mn, plus the escape clause increased to 100%			
2010	Consolidated public sector balance target: –1.2% of GDP; Net debt rule: $350mn (could be $700mn, escape clause)	Balance target: Met (–1.1% of GDP); Net debt rule: Observed ($402mn) due to escape clause	The escape clause was triggered	No	No	The authorities have put aside US$150 million of UTE's profits in an Energy Stabilization Fund		
2011	Consolidated public sector balance target: –1.1% of GDP; Net debt rule: UI5,500mn (11,000 with main escape clause)	Balance target: Met (–0.9% of GDP); Net debt rule: (+UI4,185mn) observed	A second escape clause was added (up to 1.5% of GDP) should dams and electricity transmisison be affected by adverse climate conditions	No	The currency of the target was shifted from USD (350mn) to UI (5,500mn), entailing a significant relaxation of the rule			
2012	Consolidated public sector balance target: –1.4% of GDP; Net debt rule: UI5,500mn (11,000 with main escape clause)	Balance target: Missed: (–2.1% of GDP); Net debt rule: (UI11,172mn) observed by invoking both escape clauses	Two escape clauses were triggered: (1) the 100% increase in the debt limit; and (2) the 1.5% of GDP increase due to climatic conditions affecting the energy sector	No	No	Drought-induced cost overruns in UTE and the payment to three foreign financial institutions		
2013	Consolidated public sector balance target: –2.1% of GDP; Net debt rule: UI5,500mn (11,000 with main escape clause)	Balance target: Missed (–2.4% of GDP) Net debt rule: (UI10,279mn) observed only due to the main escape clauses activated	Yes	No	No	Half of the decline of the primary balance in 2012 was due to one-off transfers and the higher cost of electricity generation		
2014	Consolidated public sector balance target: –2.4% of GDP; Net debt rule: UI5,500mn (11000 with escape clause)	Balance target: Missed (–3.5% of GDP)		No	No			

Sources: Ministry of Finance of Uruguay (*Rendicion de Cuentas* for various years); and IMF staff estimates.
Note: UTE = *Administración Nacional de Usinas y Trasmisiones Eléctricas*, Uruguay's government-owned power company.
1/ Other operations are reported subject to data constraints.
2/ The column reports whether the escape clause was invoked in the particular year.

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