



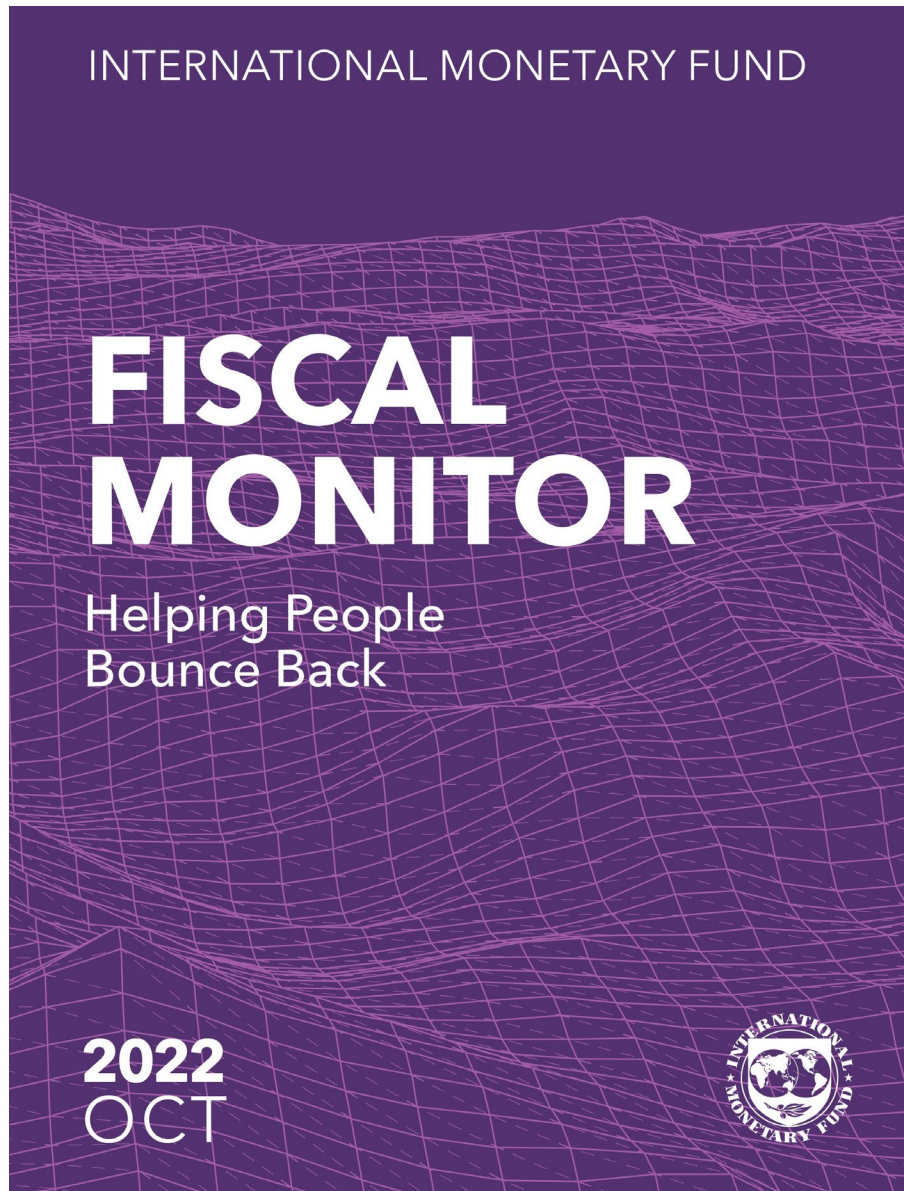
FISCAL AFFAIRS

PIIE-IMF Rethinking Fiscal Policy Helping People Bounce Back

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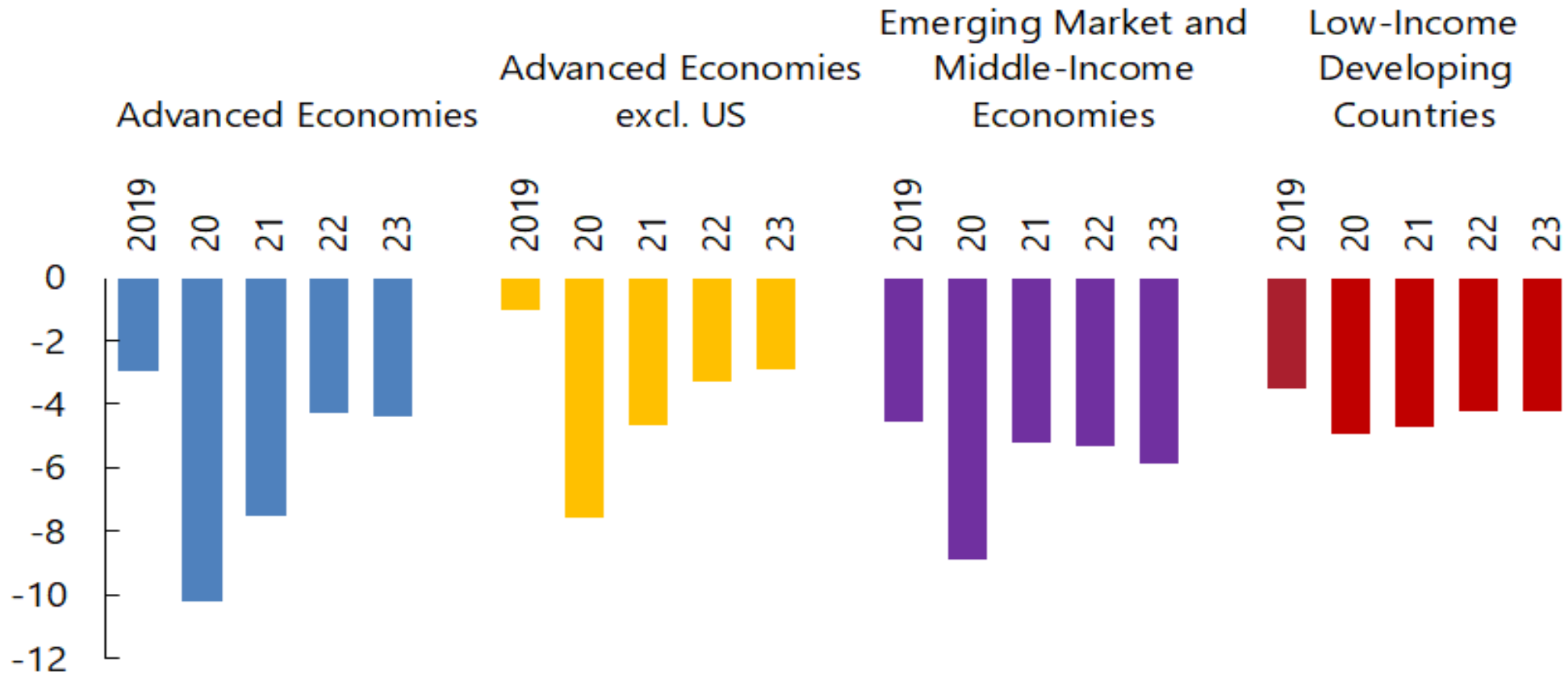
Rethinking Fiscal Policy in Responding to Severe Adverse Shocks



- Have fiscal policies been impactful and quickly implemented during severe adverse shocks?
- What is the cross-country experience on the use of fiscal instruments to protect people? How to design those instruments appropriately?
- October 2022 Fiscal Monitor discusses early lessons from the pandemic, focusing on helping people to build economic resilience.

Fiscal support could be swift and impactful, particularly if monetary policy is constrained.

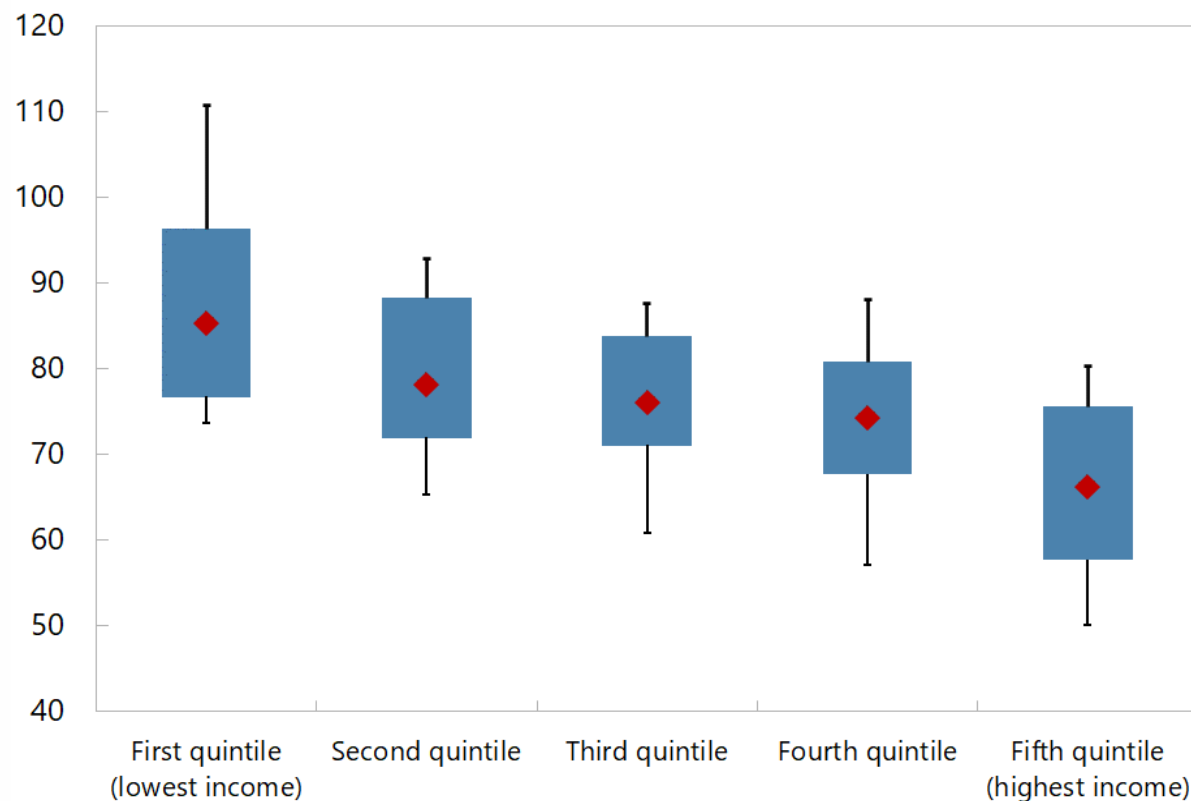
Overall Balance (percent of GDP)



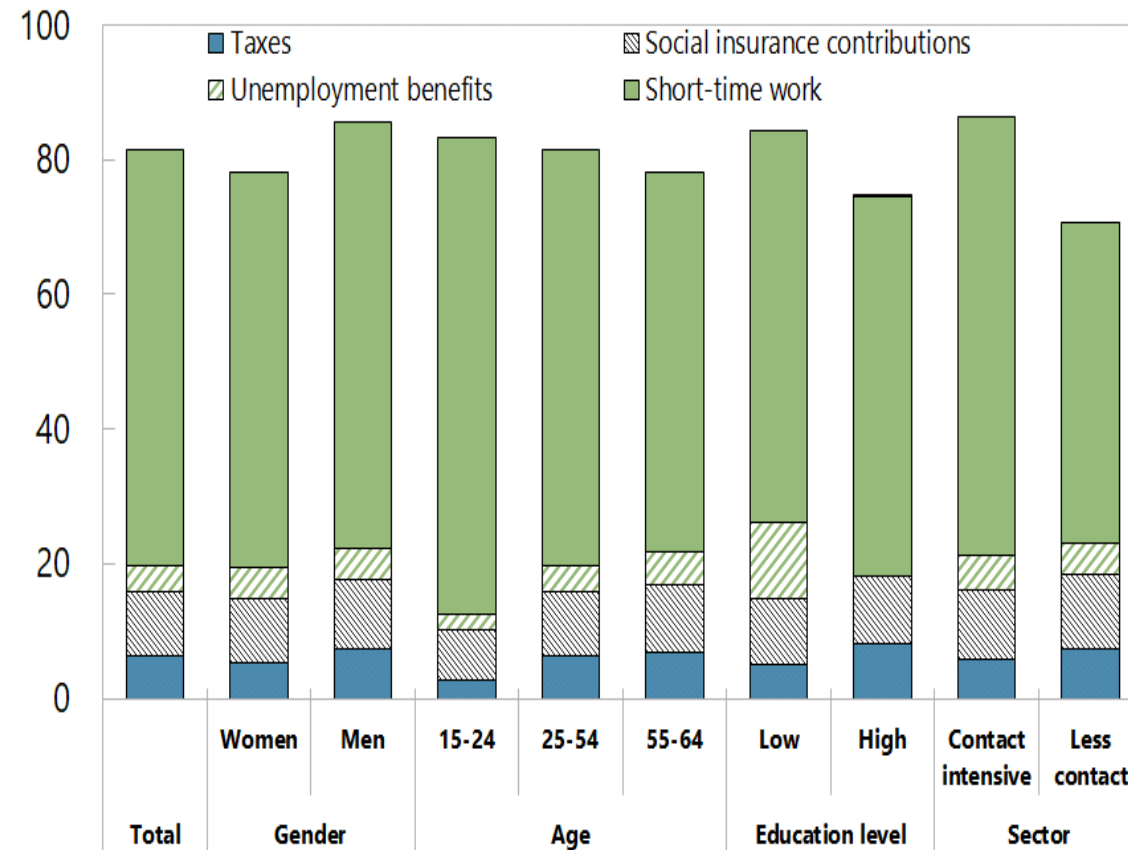
Source: IMF World Economic Outlook database.

Job-retention schemes proved effective and well-targeted, making them a useful fiscal tool in face of a crisis.

Income Stabilization across EU Countries, by Household Income Groups
(Stabilization coefficients, percent)



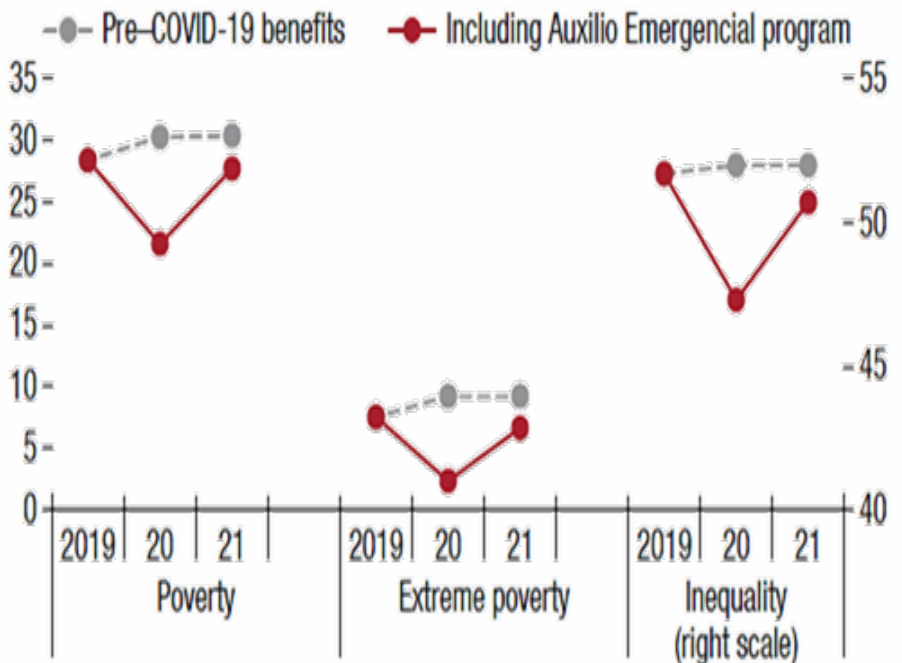
EU: Income Stabilization by Worker Group and Sector
(Percent; share of the shock absorbed by the tax-benefit system)



Note: Estimates are based on the EUROMOD and microdata from the 2019 EU-SILC (excluding Germany). COVID shock is simulated to replicate the 2020 labor market conditions using Labor Market Adjustment (LMA) Add-On.
Source: Solovyeva and Lam (2023).

Large cash transfers helped reduce income inequality and support consumption, though at hindsight could be better targeted in some cases.

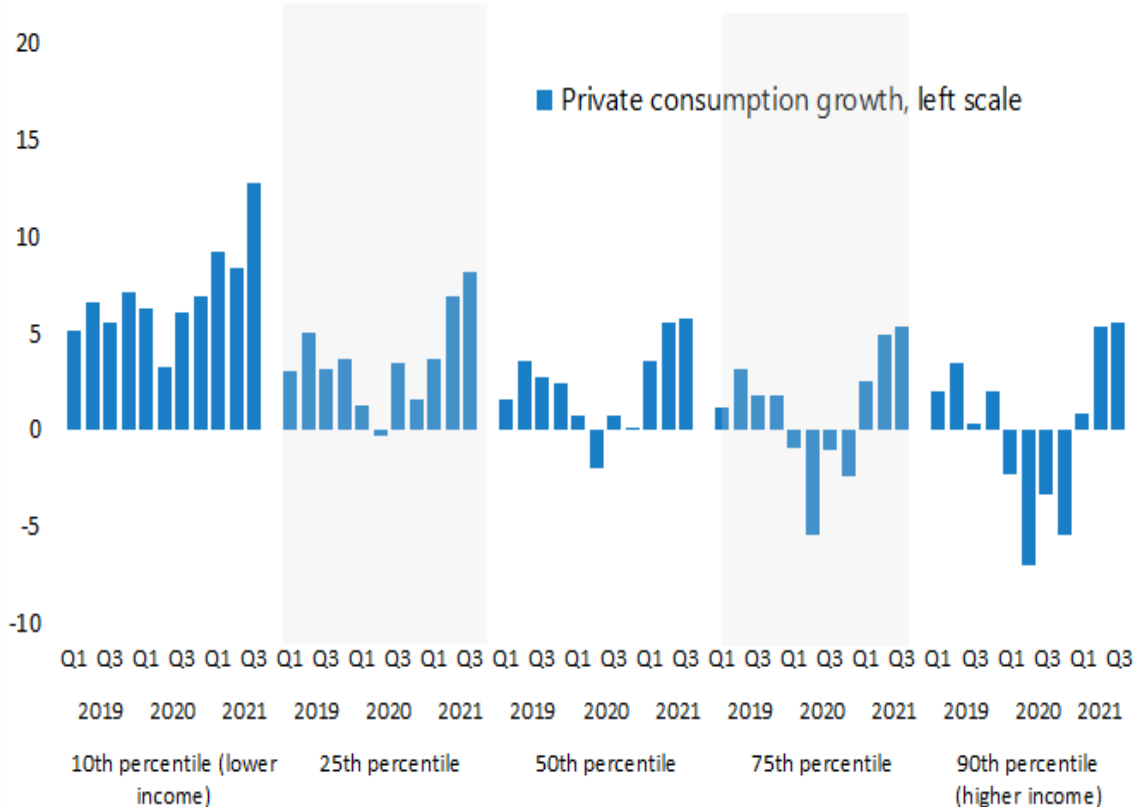
Brazil: Evolution of Poverty and Income Inequality during the Pandemic, 2019–21
(Percent, left scale; Gini coefficients, right scale)



Source: IMF Fiscal Monitor (October 2022); BraSim tax and benefit tool and IMF staff estimates.

Note: Estimates are based on microsimulations. Poverty is defined as per capita household income less than half of minimum wage (US\$6.30 per day in 2011 purchasing power parity [PPP] terms). Extreme poverty is US\$2.25 per day at 2011 PPP, defined using the Bolsa Familia eligibility thresholds. Income inequality is based on disposable income (market income after taxes and transfers).

United States: Household Consumption Growth, by Income Groups
(Percentage change relative to 2018 levels)



Note: All quantities are converted into 2019 prices using the Consumer Price Index. Source: BLS Consumer Expenditure Surveys; Meyer, Murphy and Sullivan (2022), and IMF staff calculations.

Leveraging Digital Technology in Social Safety Net

Table. Examples of Additional Social Support during the Pandemic
(Selected Country Examples)

Emerging G20 Countries

Country	Expanded Eligibility	Increased Benefits	Additional Targeting	Digital Innovations
Brazil	√	√	Elderly, poor, and unemployed	Deliver payments through state-owned banks; mobile apps for registration
China	√	√	families affected by COVID-19 and falling into poverty	
India		√	Elderly and families with children	Mobile-banking applications
Indonesia	√	√	Dedicated website for registration	

Other Non G-20 Emerging Market and Developing Economies

Country	Expanded Eligibility	Increased Benefits	Additional Targeting	Digital Innovations
Bolivia		√	Elderly, school students, and families with children	
Chile		√	Low-income households	Deliver payments through state-owned banks
Colombia	√	√	Informal workers	Mobile-banking applications
Egypt	√		Informal workers in existing databases, by local governments or community	
Peru		√	Families affected by COVID-19 in existing databases, by local governments or community organizations	Digital networks for cash payments
Rwanda			Informal workers in existing databases, by local governments or community	
Togo	√	√		The Novissi system used machine-learning approach based on geospatial, survey, and phone metadata.

Sources: IMF Fiscal Monitor (October 2022); Database of Fiscal Measures in Response to COVID-19 Pandemic; Shang, Evans, and An 2020; Una and others 2020.

Main Takeaways

- **Tradeoffs are at the forefront in fostering resilience** given high debt and limited policy space—rebuild buffers and manage fiscal risks.
- **Preparing fiscal strategies and tools that are readily deployable**—making policies more predictable and attuned to economic conditions; credibility under medium-term fiscal frameworks.
- **Job retention schemes could be a useful fiscal tool** to protect workers for short-lived severe shocks.
- **Targeting is challenging but still needs to be done even if imperfect.**
- **Social safety nets are compatible to different shocks; cornerstone for building resilience.**

Thank you