

April 5th, 2021

Autonomous Fiscal Council Delivers Report to Strengthen Chile's Fiscal Rule

Santiago, April 8th, 2021. At the request of the Ministry of Finance, the Autonomous Fiscal Council has published a report with twelve recommendations to further strengthen Chile's fiscal rule, that broadly consider the concept of a debt anchor, escape clauses, and correction mechanisms.

The Ministry of Finance will work with the Autonomous Fiscal Council on the timely and effective implementation of the recommendations, which include:

1. Complement the structural balance rule with a “prudent level of net debt”,
2. Maintain the structural balance as the operational rule;
3. Define the net financial position as the relevant concept for the “prudent level of debt”;
4. A “prudent level of debt” established by law, complemented by a benchmark net debt target set by decree by each administration;
5. Estimation of the prudent level of debt to be determined by the Ministry of Finance, set by decree, supported by the Autonomous Fiscal Council;
6. The establishment of warnings and greater accountability to Congress when benchmark target levels are not met;
7. Increase availability of historical data, and enhance data on projections;
8. Explicitly state that structural balance targets must be met ex-post;
9. Incorporate an escape clause and a correction mechanism when there is a deviation from the target;
10. Set the characteristics that trigger escape clauses;
11. Establish the institutions that propose the activation of escape clause mechanisms;
12. In case of a deviation from the projected path of the correction mechanism, the Executive must submit an action plan to Congress, with an accompanying report by the Autonomous Fiscal Council.

The report is publicly available at: <https://cfachile.cl/barras-de-navegacion/carrusel-portada/cfa-publica-informe-para-el-fortalecimiento-de-la-regla-fiscal-ancla-de-deuda>