

Fiscal policy challenges in a complex macroeconomic scenario



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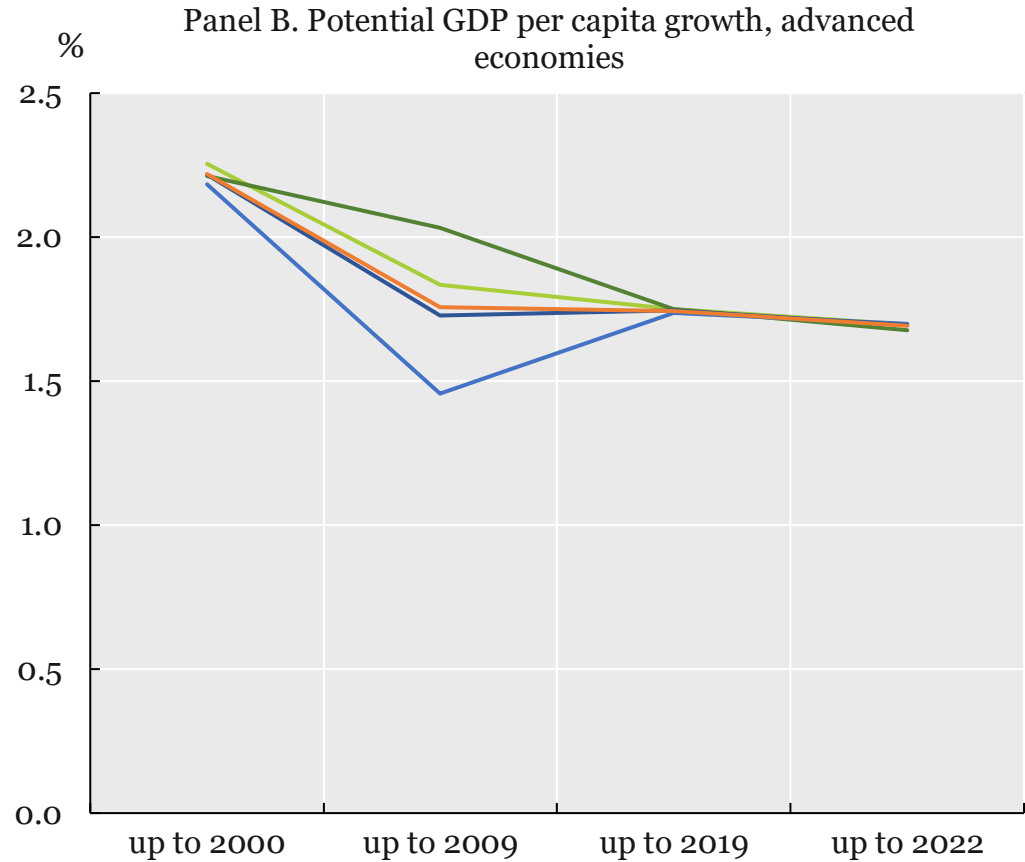
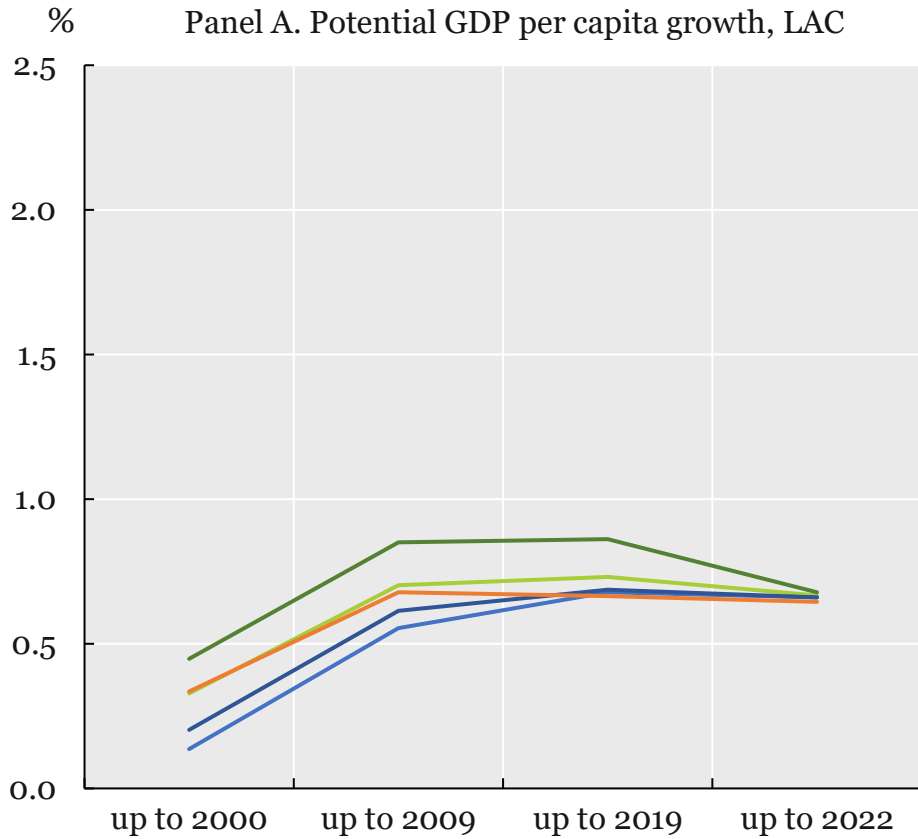
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Head of Latin America and the Caribbean,
OECD Development Centre

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We need to find new sustainable engines of growth

Potential growth in LAC and World, estimated since 1980 under different methods



— Average growth

— HP

— AR(1)

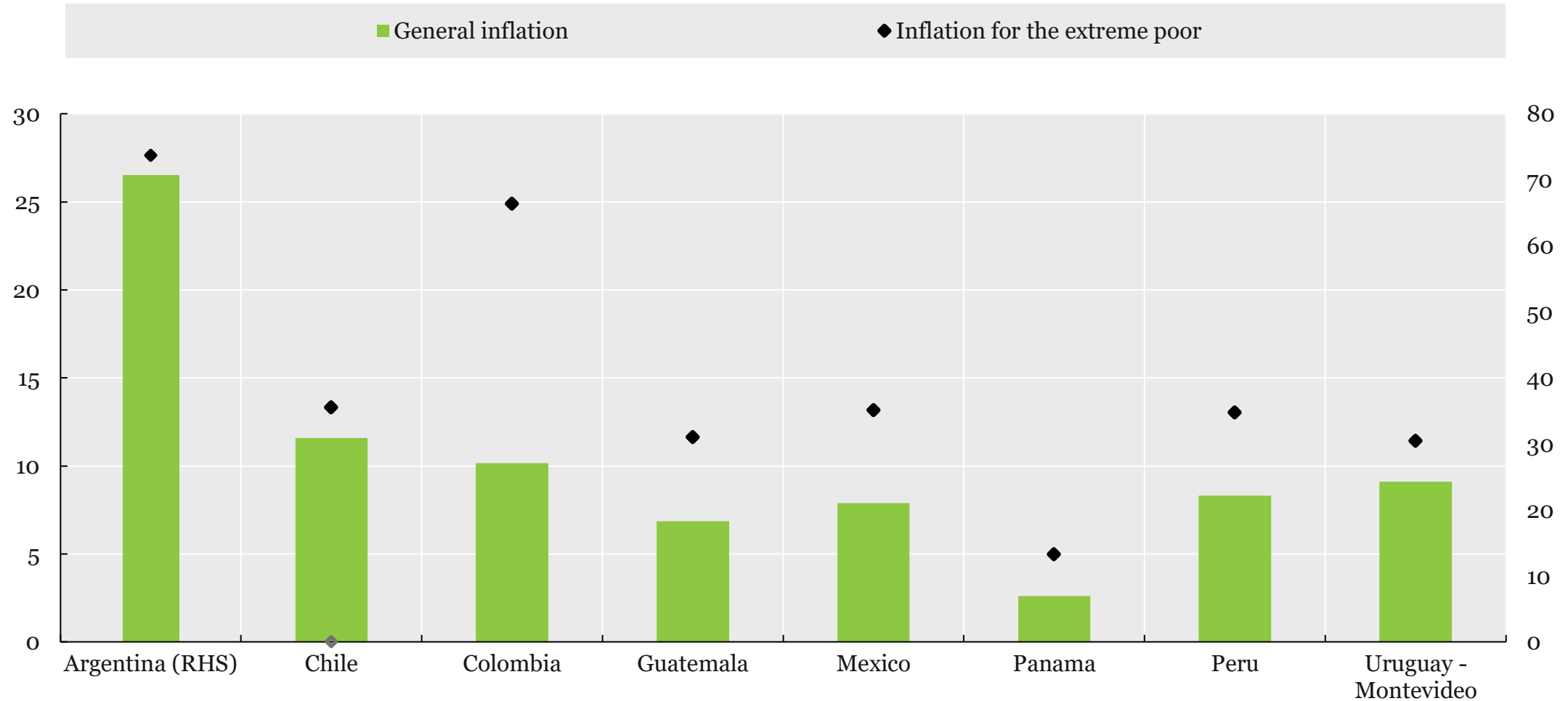
— AR(2)

— AR(3)



We must protect the most vulnerable from high inflation

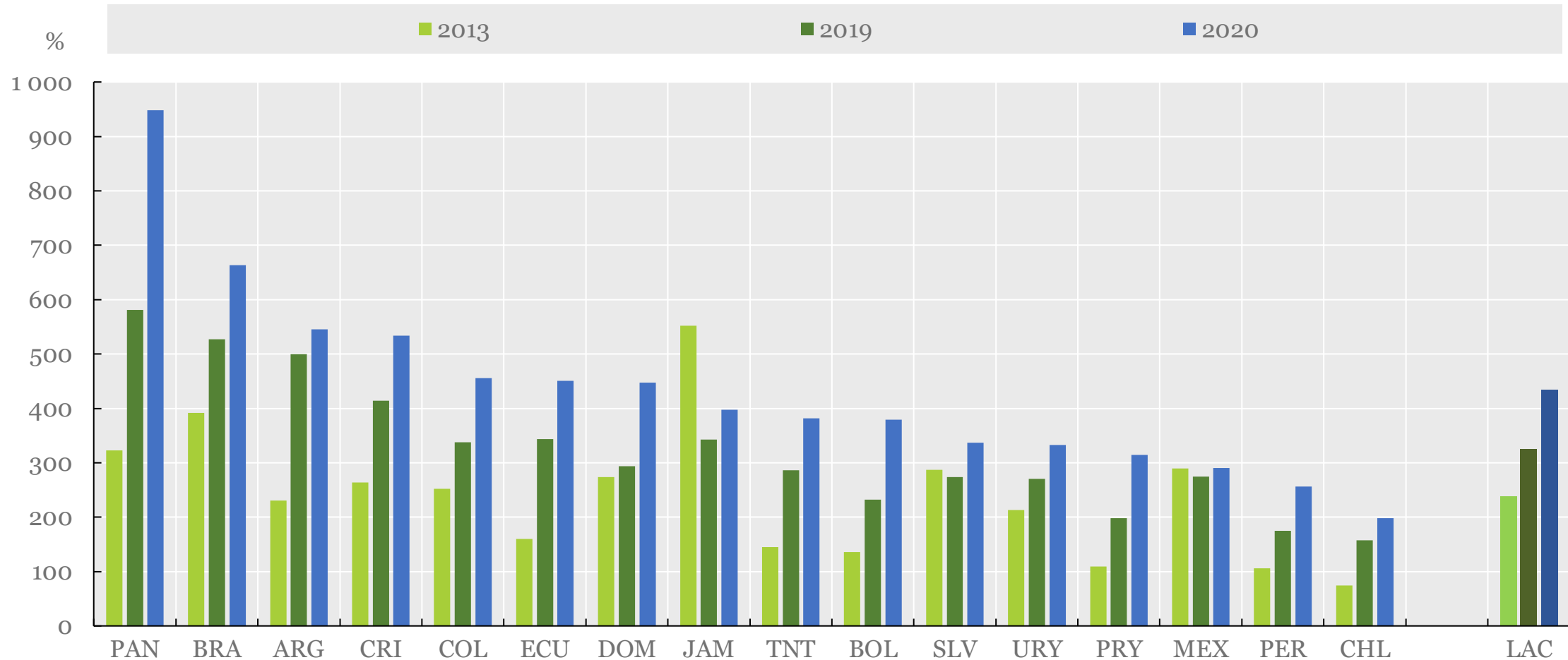
Year-on-year inflation selected LAC countries, 2022 (%)





We must get our fiscal strategies right

Gross public debt-to-tax ratio in selected Latin American countries





Fiscal policy: Key to drive the social, green and digital transitions



Latin American Economic Outlook 2020

DIGITAL TRANSFORMATION
FOR BUILDING BACK BETTER



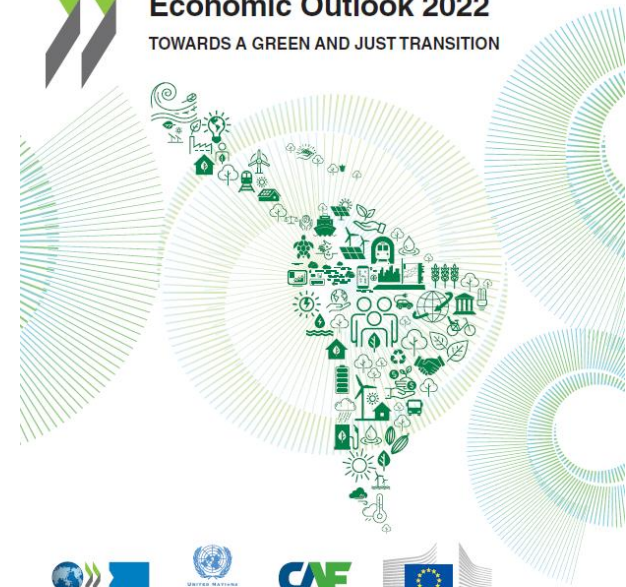
Latin American Economic Outlook 2021

WORKING TOGETHER
FOR A BETTER RECOVERY



Latin American Economic Outlook 2022

TOWARDS A GREEN AND JUST TRANSITION



Efficient and progressive
taxation system

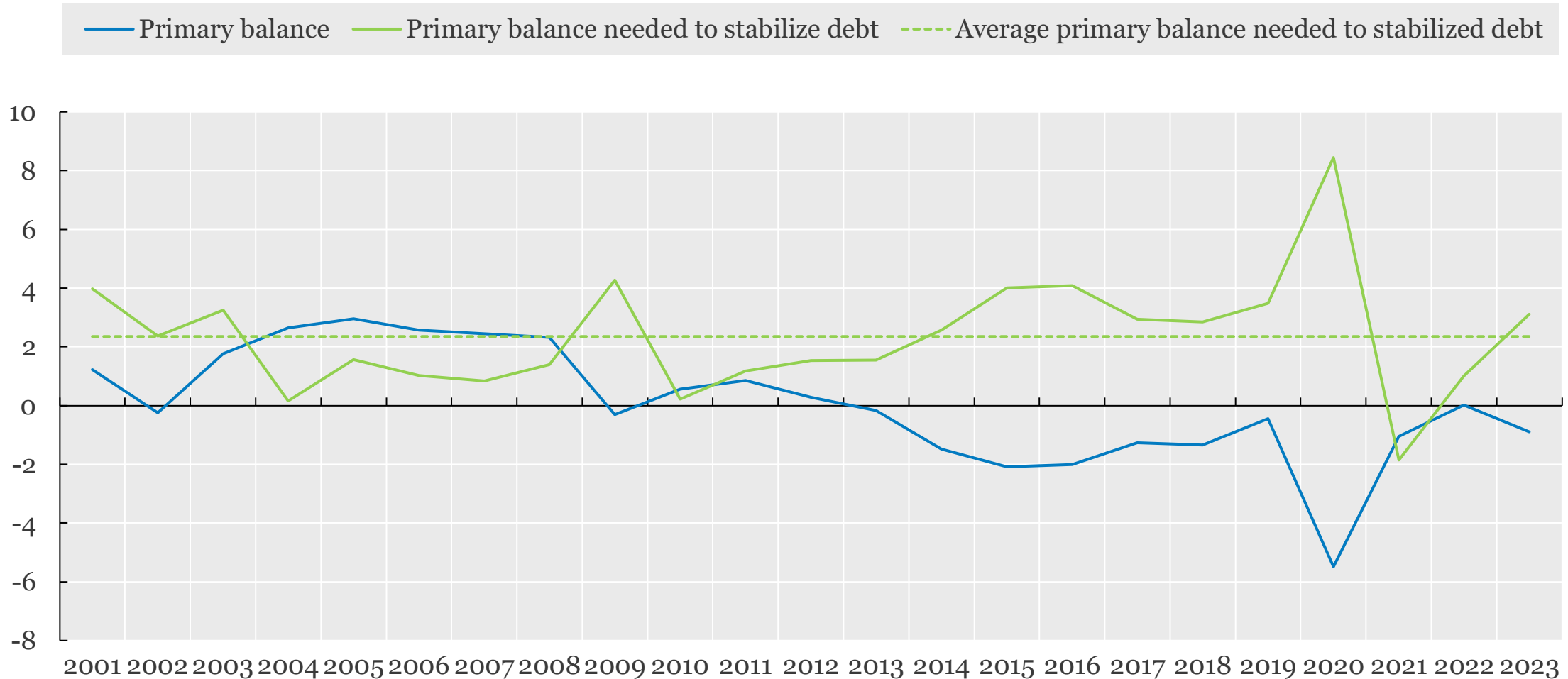
Quality public
expenditure

Better public debt
management



Primary fiscal balances have consistently been below the level needed to stabilize debt

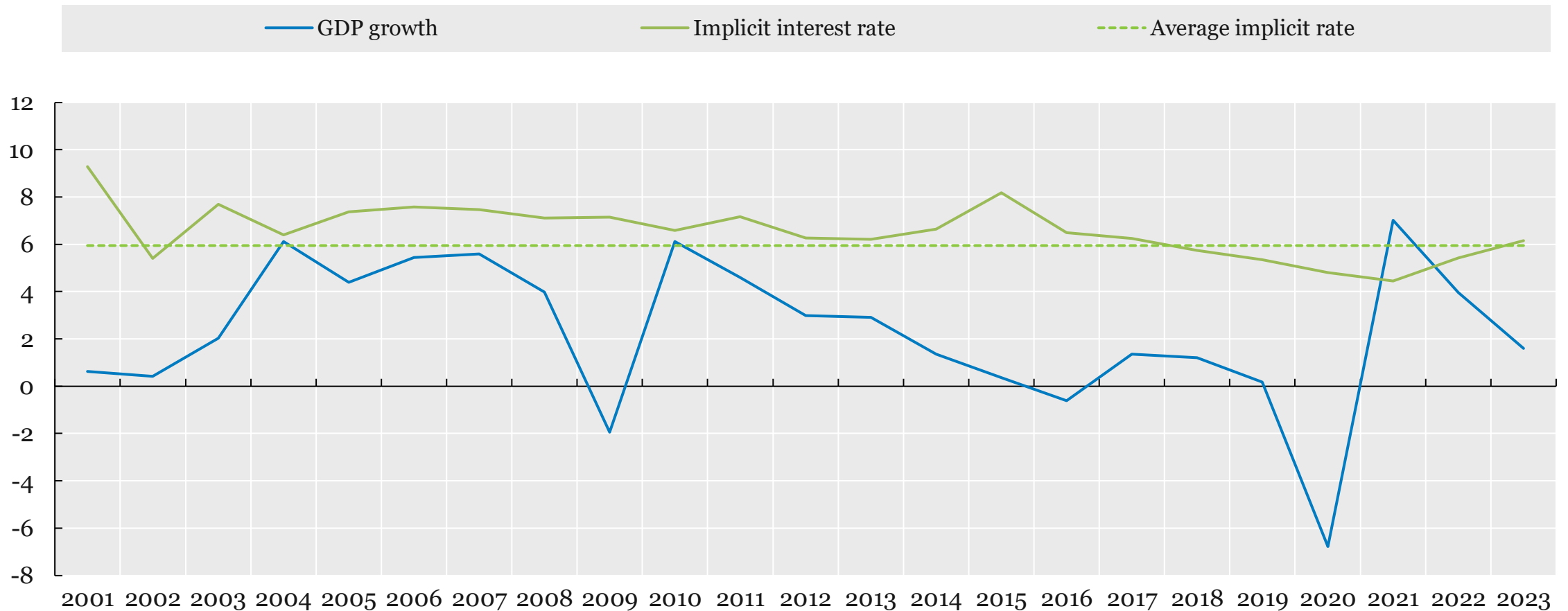
Fiscal space and primary fiscal balance (% of GDP)





And GDP growth has consistently been below the implicit interest rate

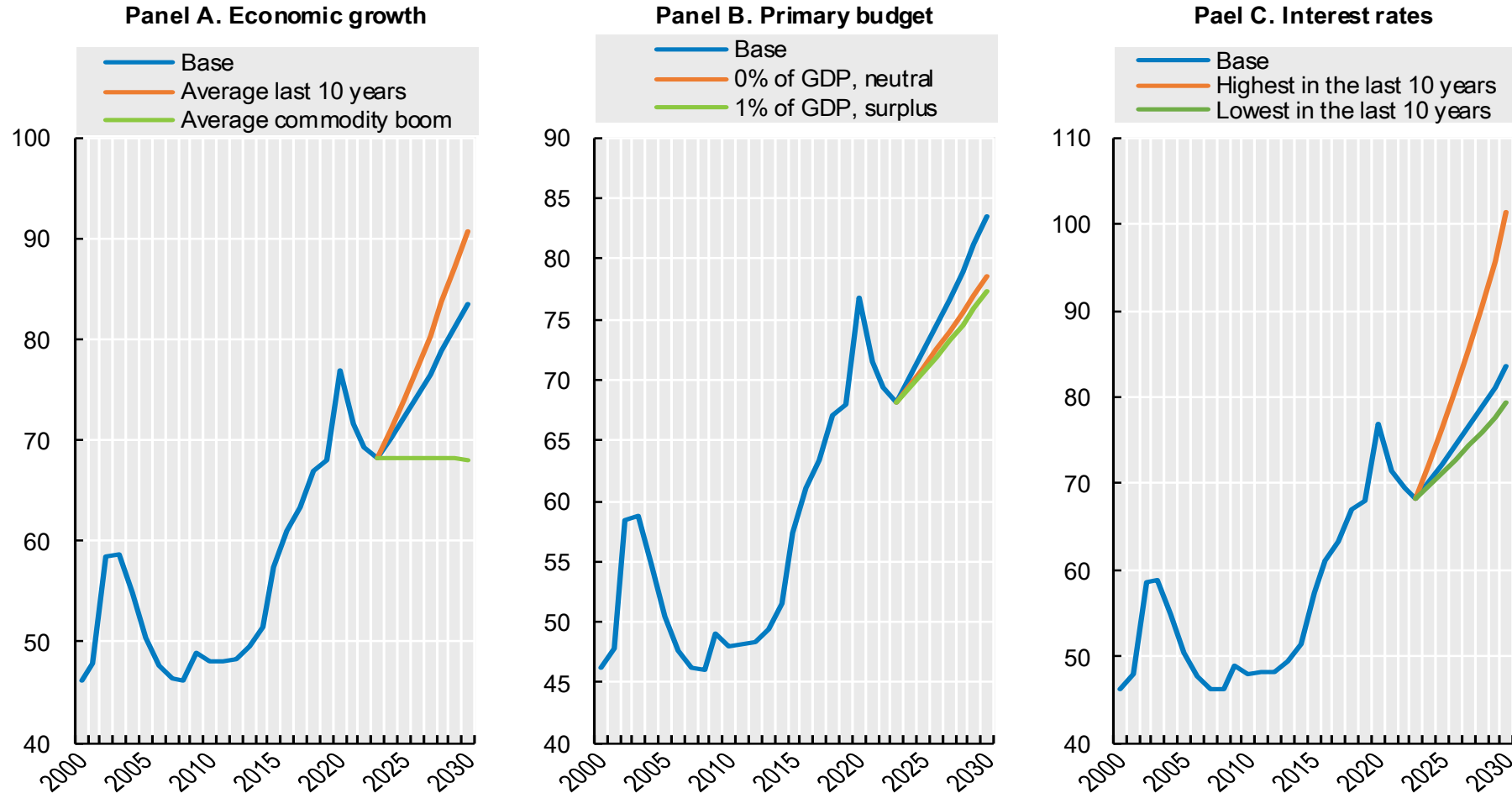
GDP growth and interest rates (%)





Lower economic growth and higher interest rates affect considerably debt dynamics in LAC

Debt dynamics as a % of GDP under different scenarios

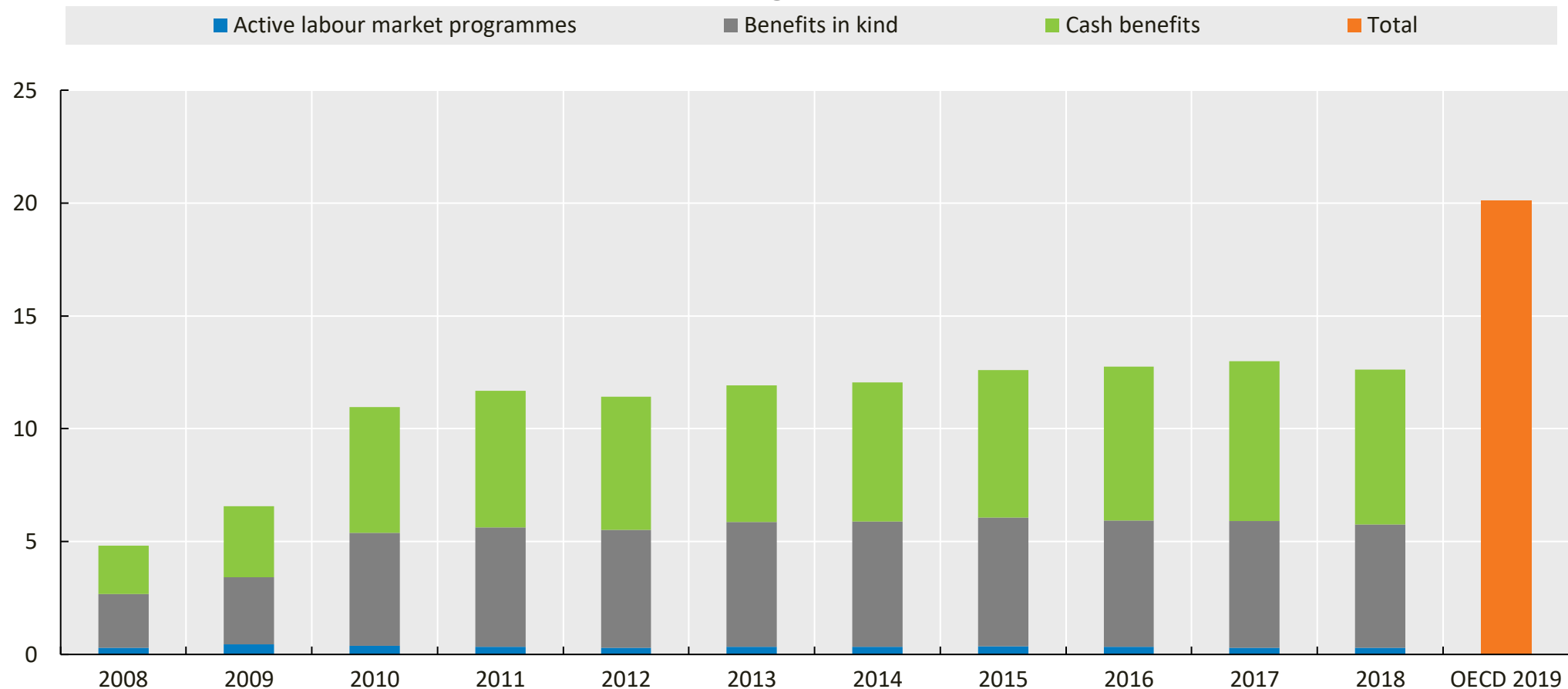




With the need to expand social expenditure to protect the most vulnerable and respond to social discontent in LAC

Latin America: social expenditure of central government, 2008-2018

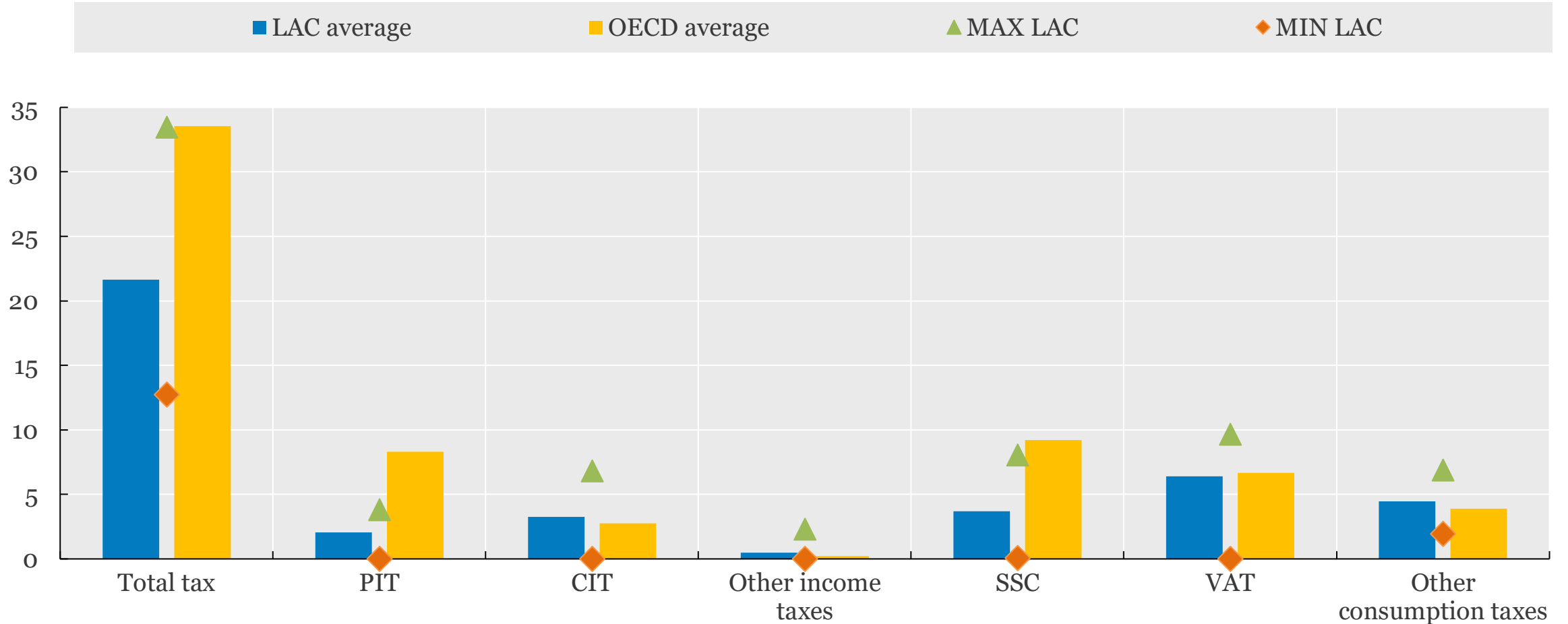
(Percentages of GDP)





Compared to the OECD average, CIT is playing a predominant role in income taxes

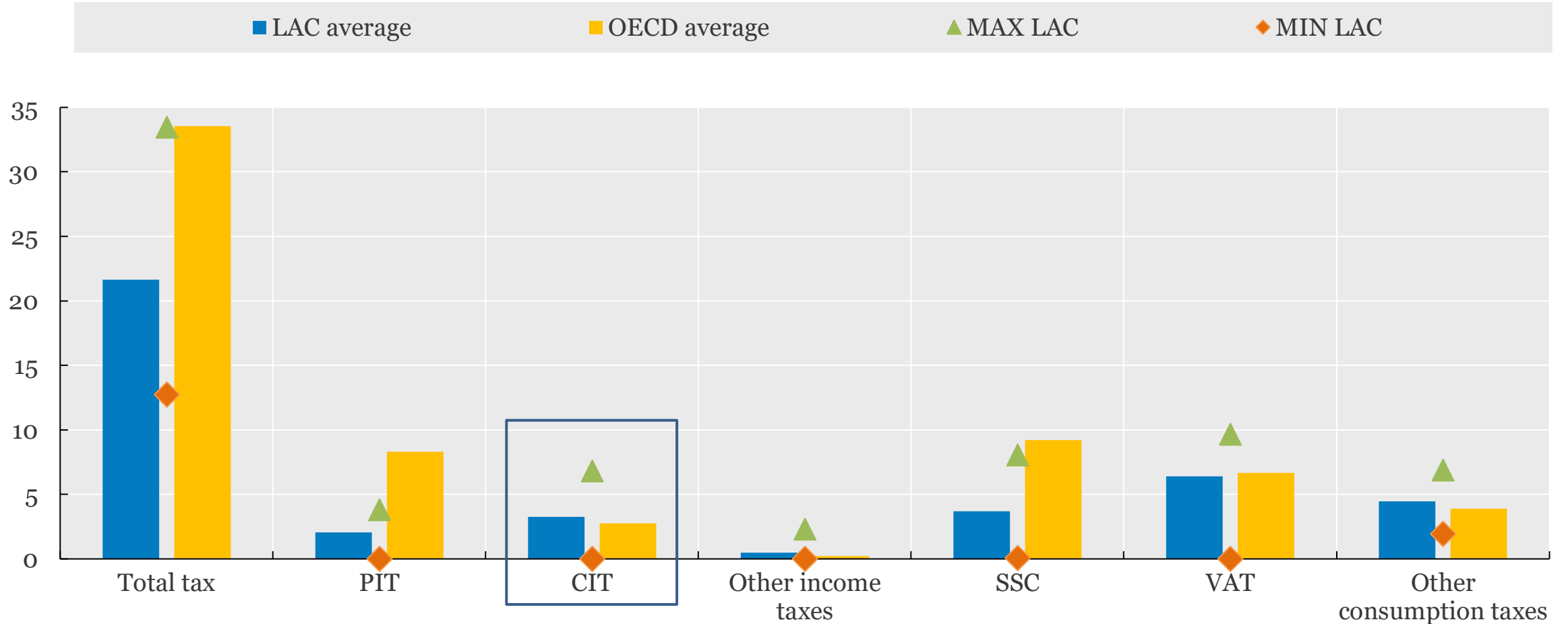
Average tax structure in LAC and the OECD, % of GDP, 2021





Compared to the OECD average, CIT is playing a predominant role in income taxes

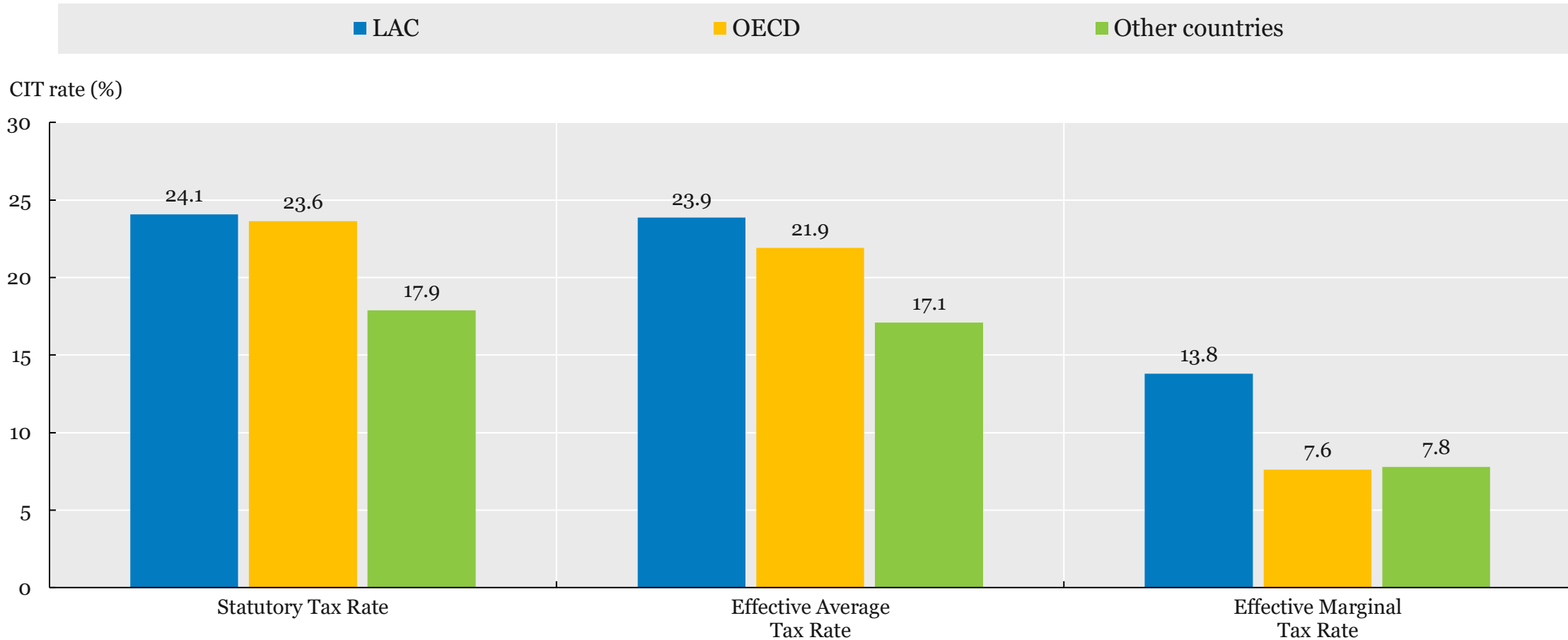
Average tax structure in LAC and the OECD, % of GDP, 2021





In LAC less generous capital allowances lead to relatively high EMTRs

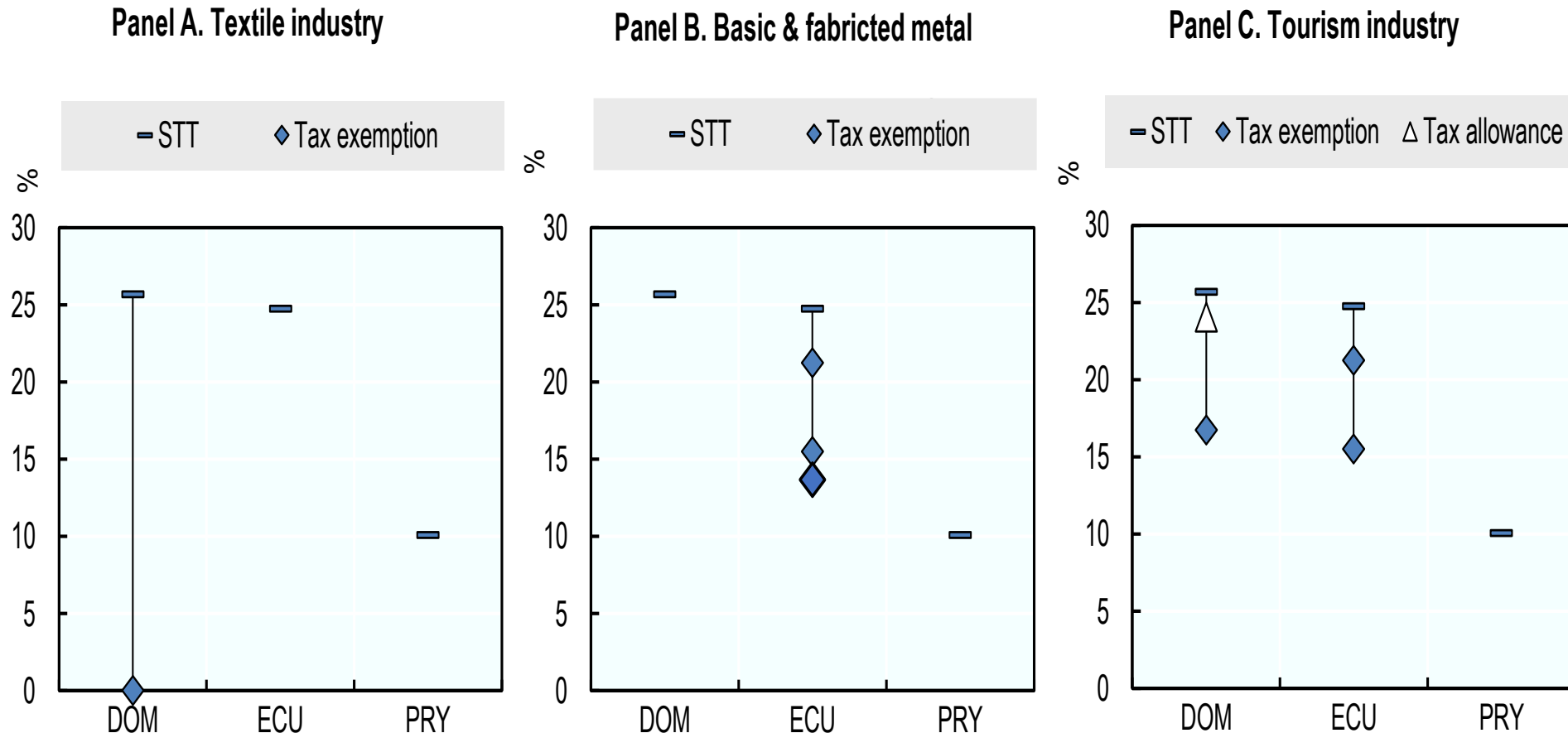
Average tax structure in LAC and the OECD





Providing too generous tax incentives can result in much lower ETRs and foregone revenues

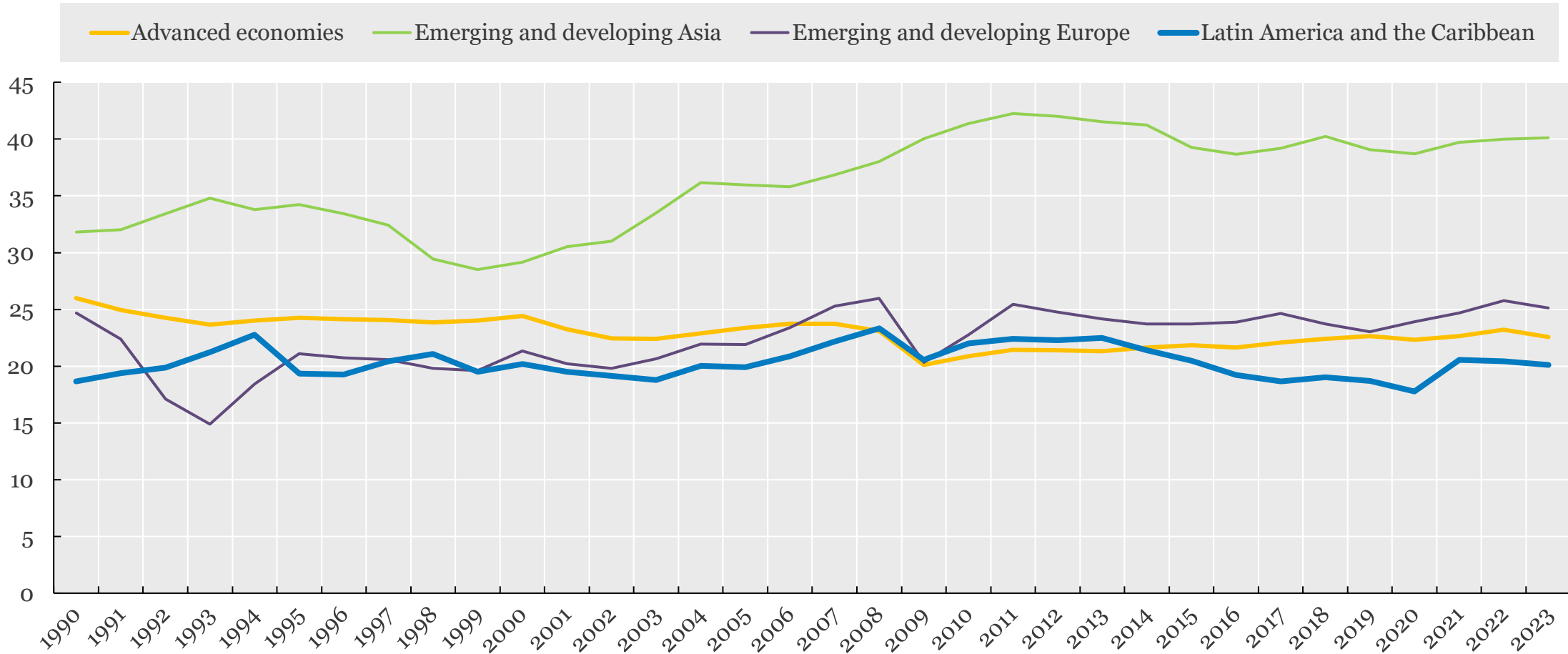
EATR under standard tax treatment (STT) and investment tax incentives in the corresponding industry





And investment levels remain low in LAC countries

Investment % of GDP

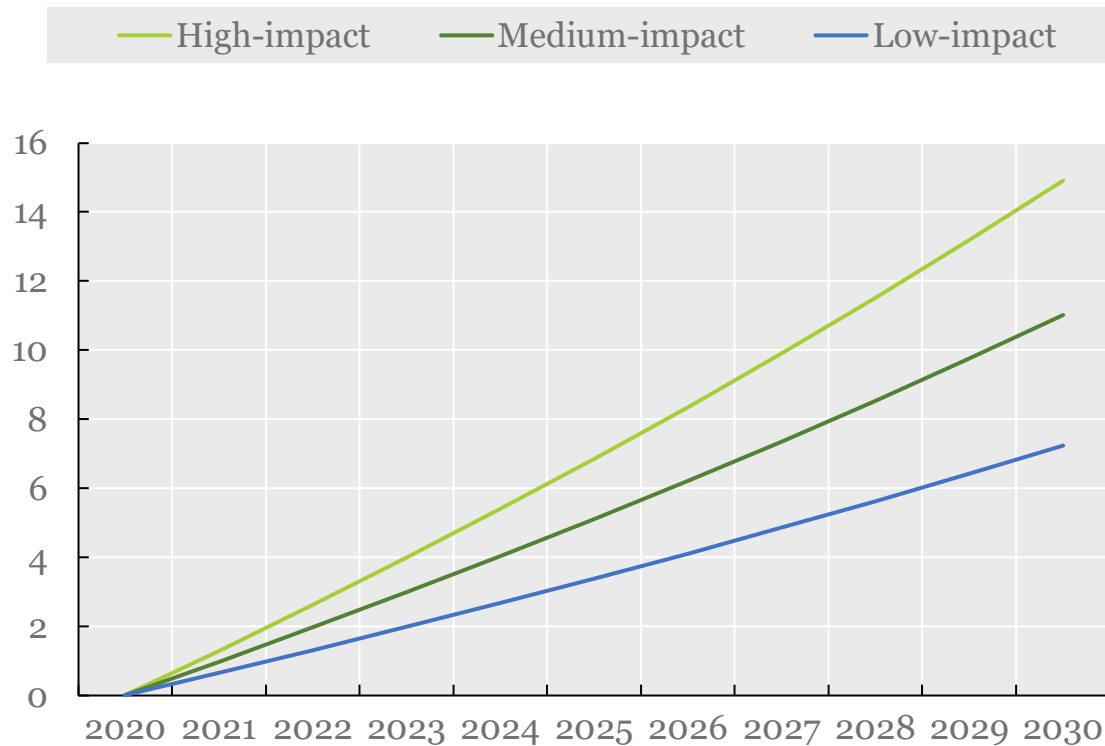




A scenario of net creation of green jobs will need sufficient levels of well-targeted public and private investment

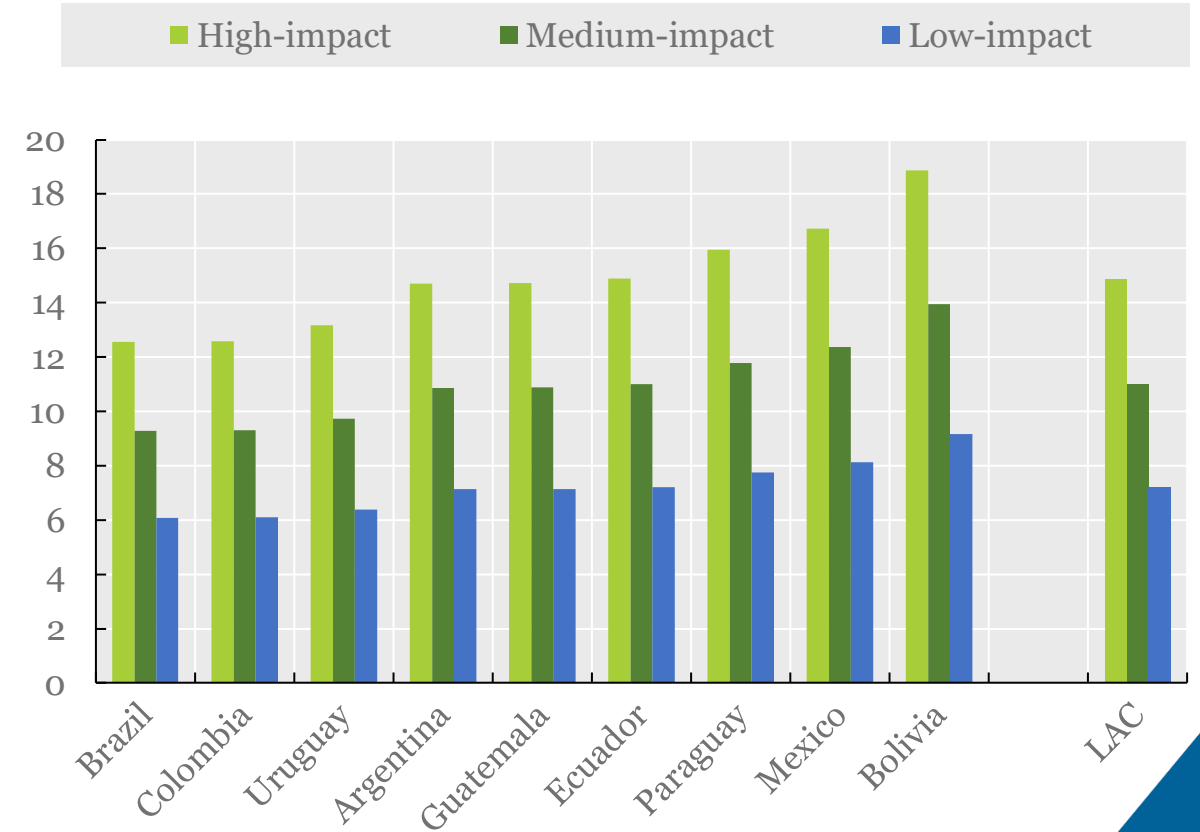
Job creation in green sectors in LAC, 2020-30

Change in employment in green sectors, under various green policies scenario, in LAC, compared to the BAU, as % of 2020 baseline employment in green industries



Job creation in green sectors in LAC countries

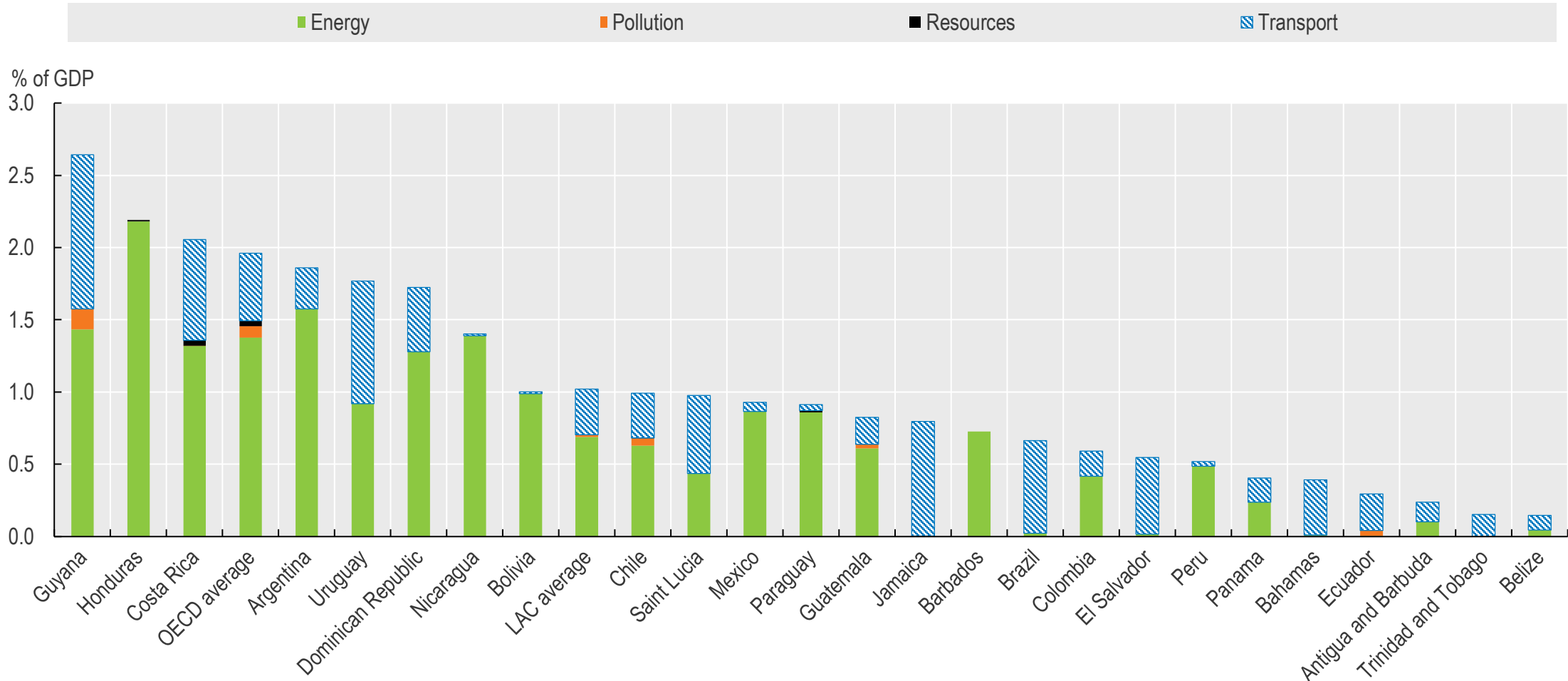
Change in employment in green sectors under various impacts of green policies scenarios in selected LAC countries, compared to the BAU, as % of 2020 baseline employment in green industries





Environmental taxes are still underdeveloped across the region and can pursue multiple objectives

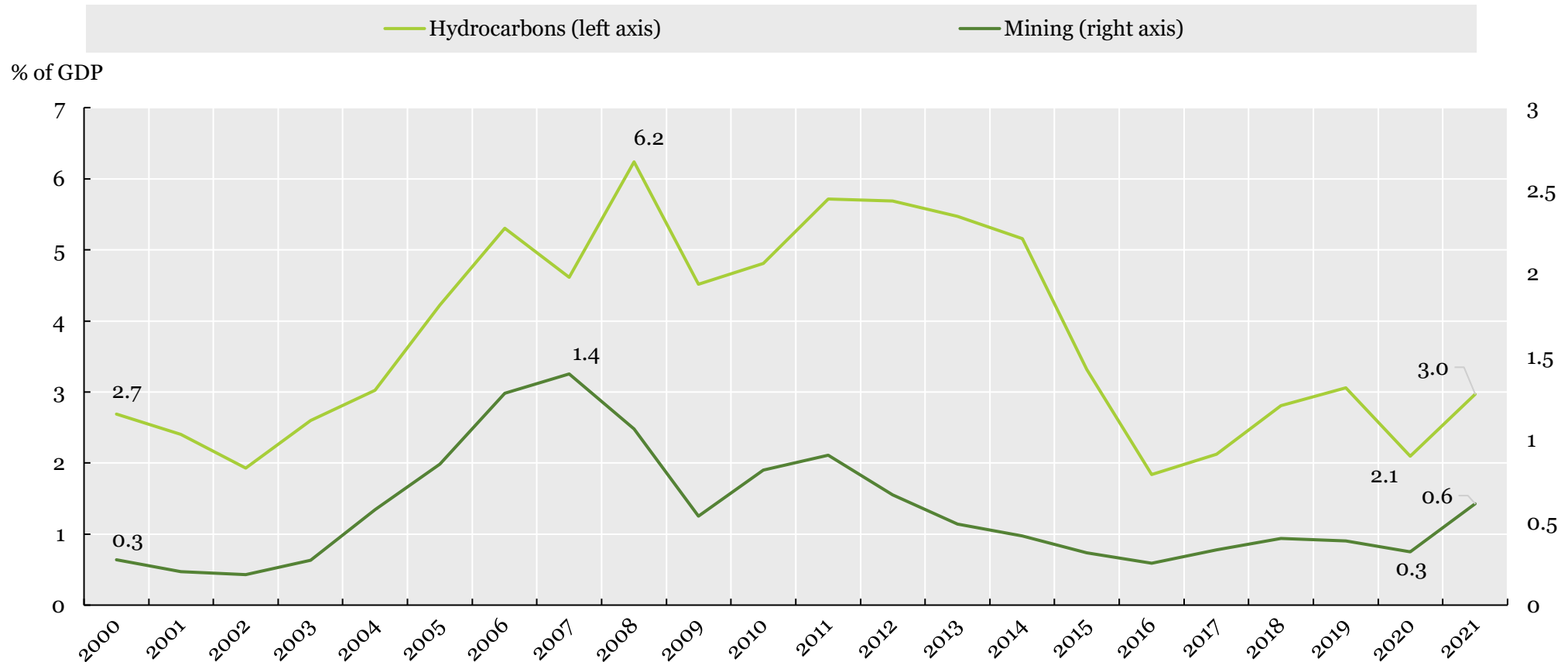
Environmentally related tax revenue in LAC countries by the main tax base, 2021





The phasing out among major hydrocarbon producers will have significant negative effects on fiscal revenues

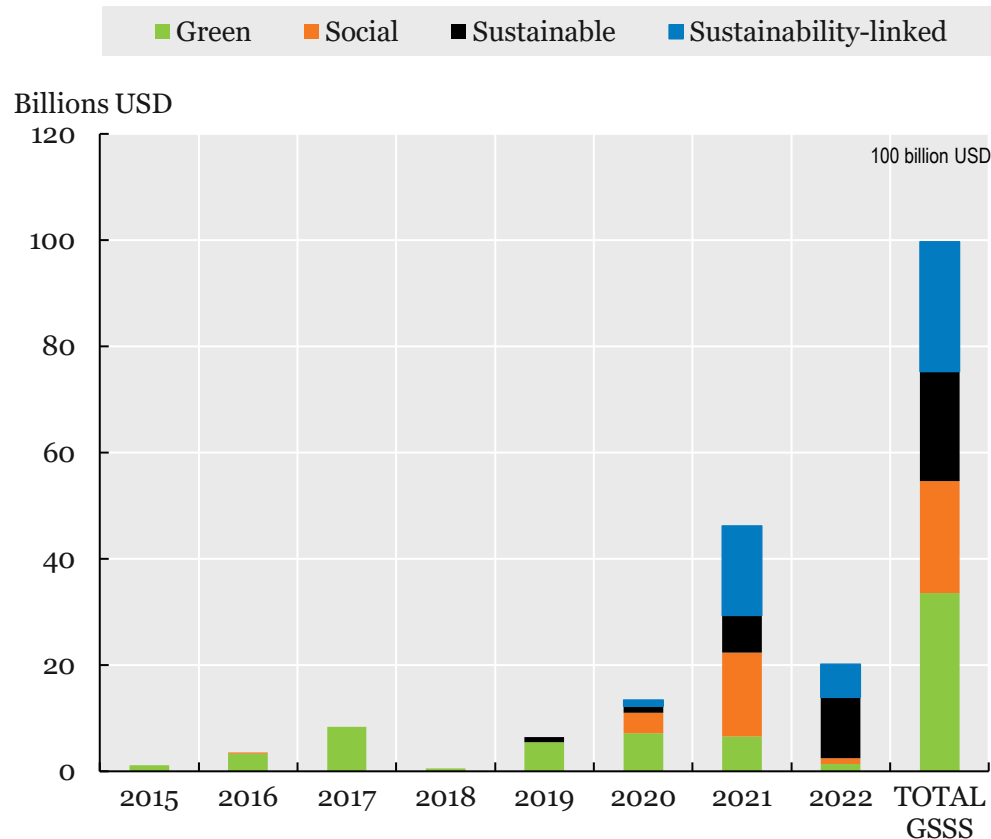
General government fiscal revenues from non-renewable natural resources in selected LAC economies



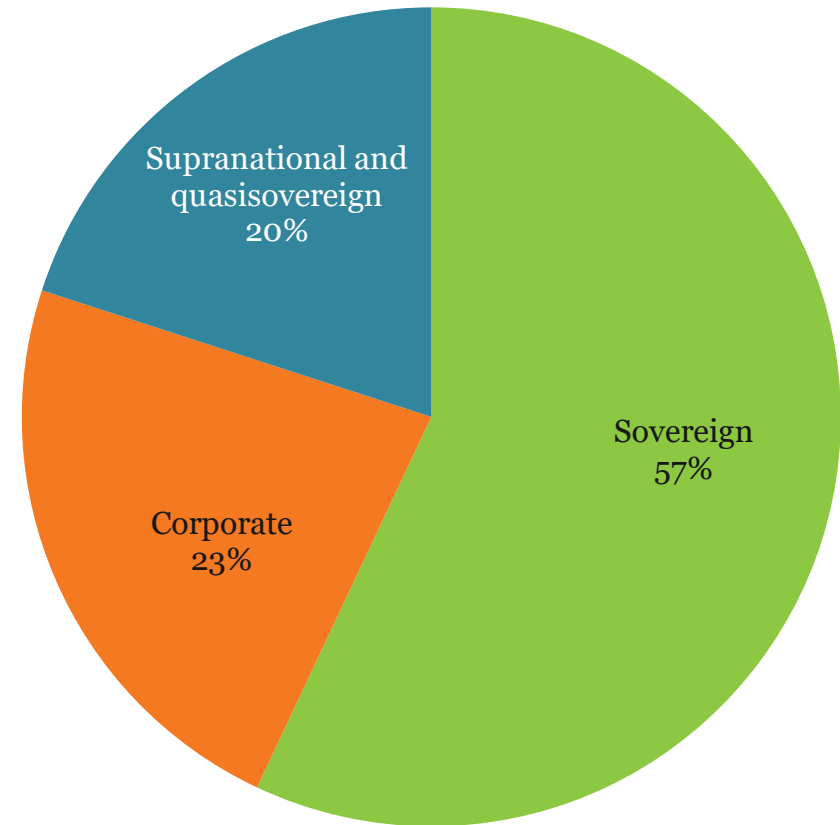


Not only taxes, there is a need to look for new sources of investment: LAC's GSSS bond issuances in international markets

Total LAC GSSS bond issuance in international markets, by type of instrument, 2015-2022



LAC international GSSS bond issuances by type of issuer, 2022





Fiscal policy is at the core of development, and the political economy is more important than ever

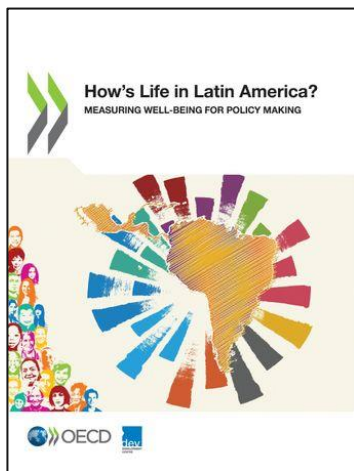
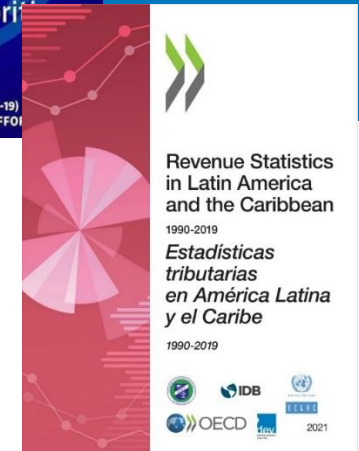
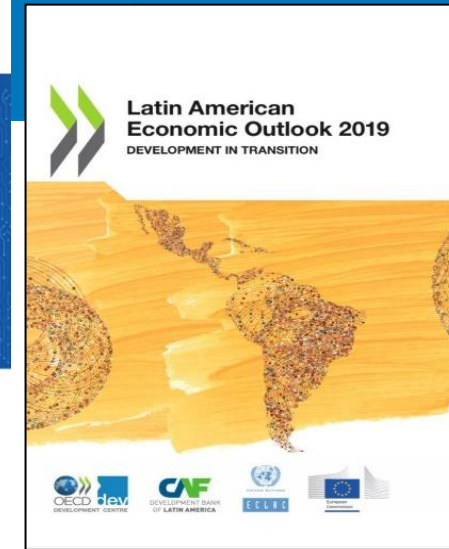
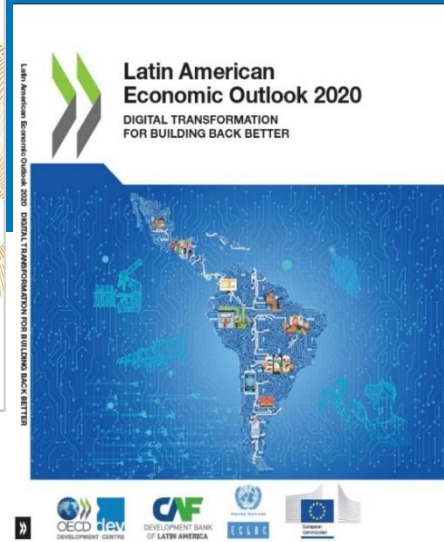
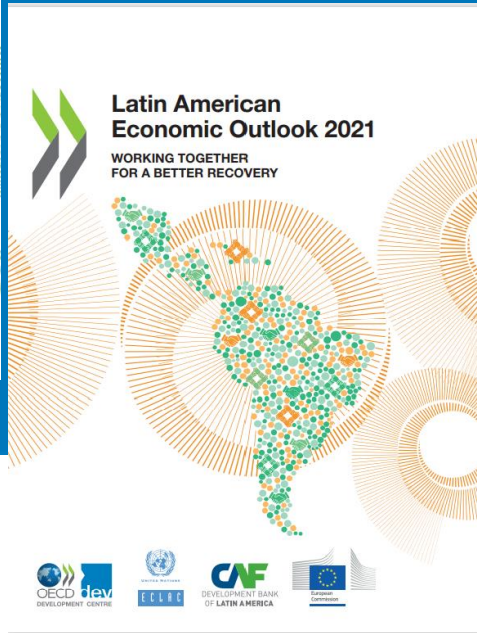
Take into account the current context
and the *Americas Latinas*

Sequencing

Backed by a
broad
consensus

Effective
communication

International
co-operation



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