

DESAFIOS FISCALES EN LA CRISIS

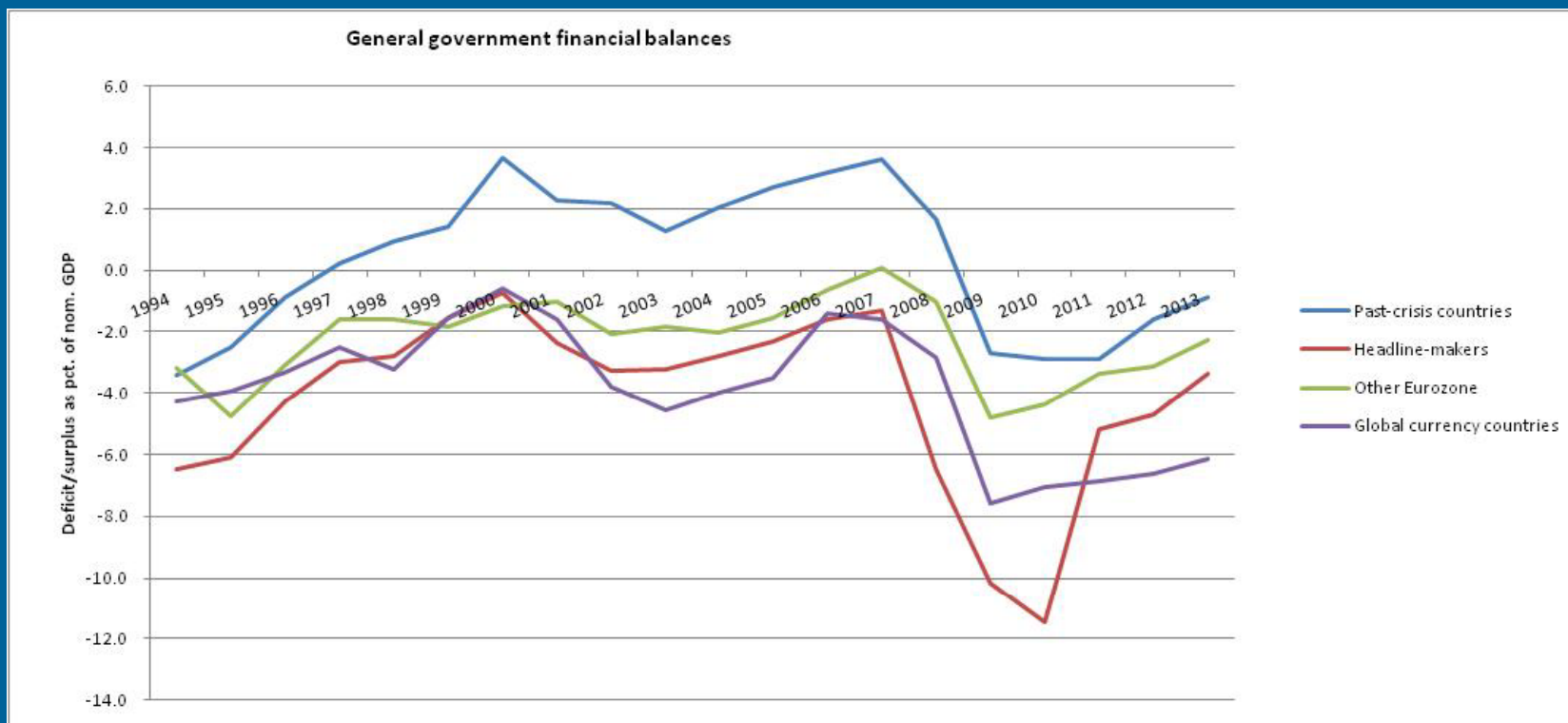
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How large are fiscal constraints?



Source: OECD Economic Outlook 90 database.

Group averages are unweighted.

Note: Financial balances include one-off factors, such as those resulting from the sale of the mobile telephone licenses. As data are on a national accounts basis (SNA93/ESA95), the government financial balances may differ from the numbers reported to the European Commission under the Excessive Deficit Procedure for some EU countries. For more details, see OECD Economic Outlook Sources and Methods (<http://www.oecd.org/eco/sources-and-methods>).

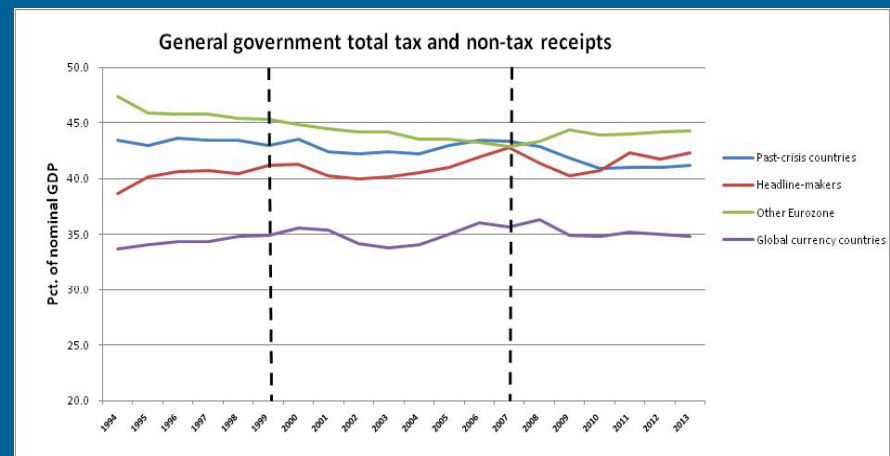
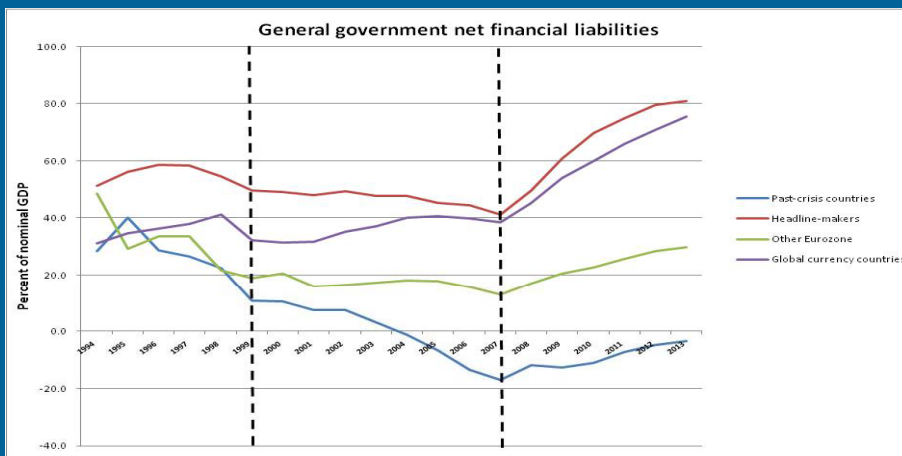
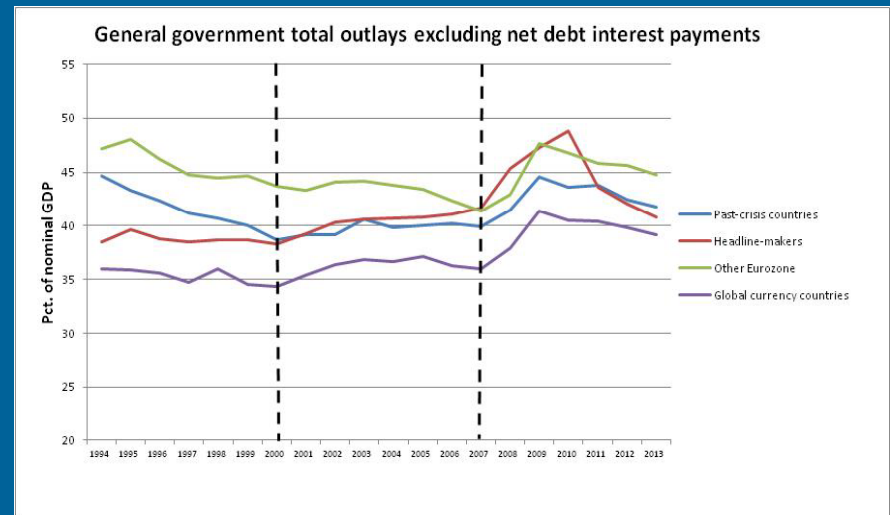
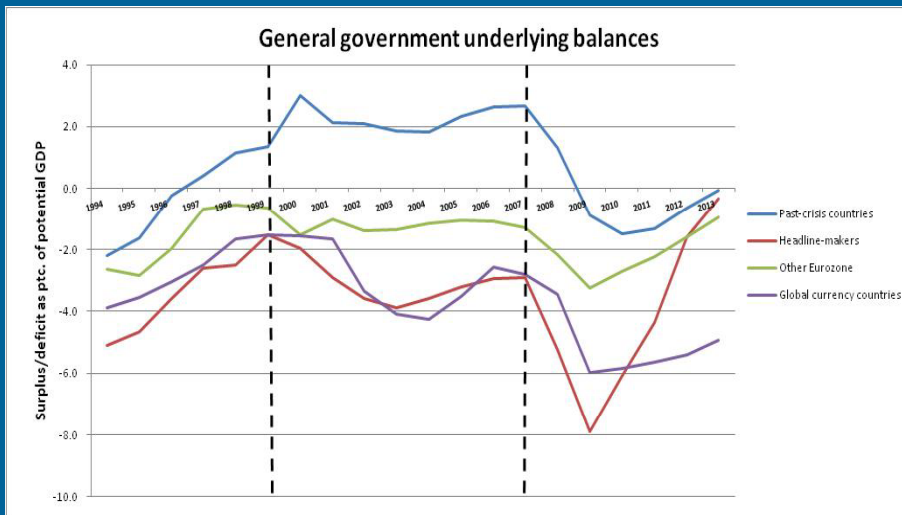
Post-crisis countries: Australia, Canada, Korea, New Zealand, Sweden, Finland

Headline-Makers: Greece, Hungary, Ireland, Portugal, Italy, Spain, Iceland

Other Eurozone: Austria, Belgium, Estonia, France, Germany, Luxembourg, Netherlands, Slovak Republic, Slovenia

Global Currency Countries: United States, Japan, UK, Switzerland

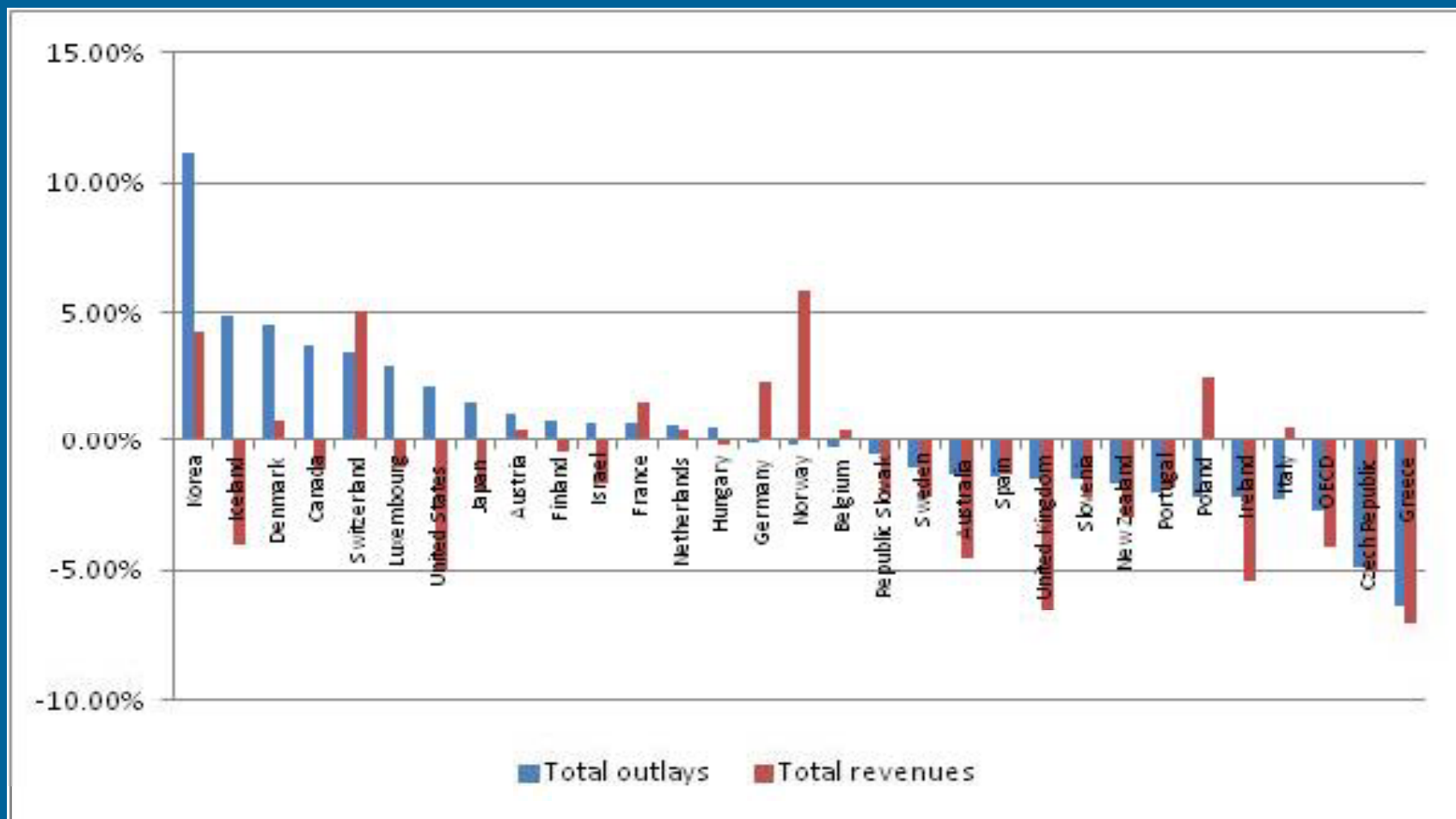
How large are fiscal constraints?



Source: own estimates on the basis of database in OECD Economic Outlook, December 2011

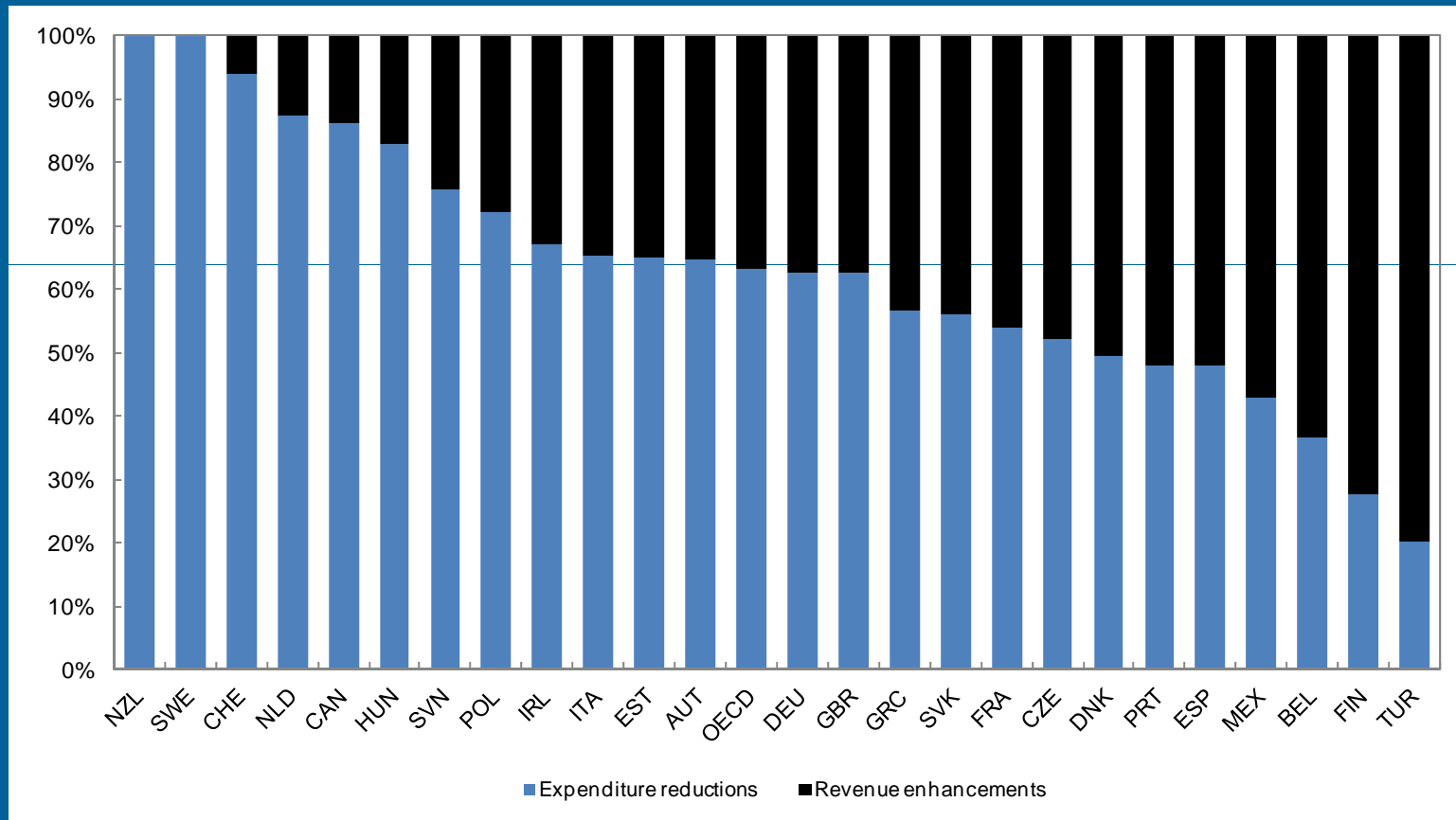
Evolving fiscal targets

Change in projected revenues and outlays for 2012 in EO dec 2010 and 2011 (%)



Fiscal consolidation programs at early 2011

Percentage share of expenditure cuts and revenue increases



Source: OECD (2011) Restoring public finances, fiscal consolidation in OECD countries. *OECD*

Journal on Budgeting

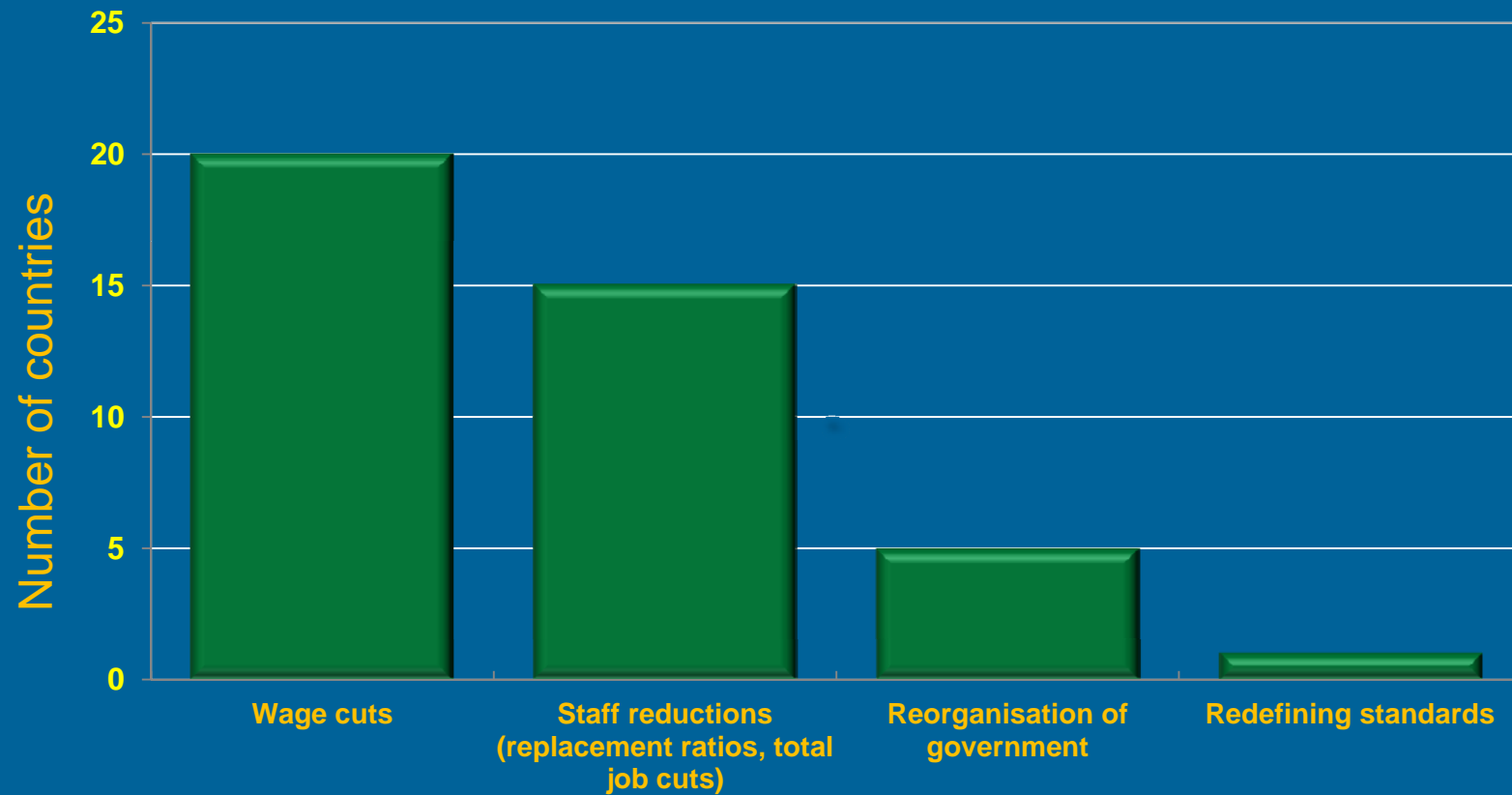


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Operating expenditure cuts

Measures in fiscal consolidation plans to reduce operating expenditure



Source: OECD (2011) Restoring public finances, fiscal consolidation in OECD countries. *OECD Journal on Budgeting*.

Fiscal consolidation

- Fiscal consolidation needs concentrate on countries that are more vulnerable to market pressures because of high indebtedness at the outset of the crisis or less policy instruments --not necessarily those with largest governments or most keynesian policies
- Fiscal pressures may emerge from developments outside conventional fiscal policy: financial crisis, slow growth, contingent liabilities, PPPs, subnationals
- Consolidation plans include both cutting spending and increasing taxes. Few countries are expecting to reach 2013 with a government smaller than at the outset of the crisis
- However, spending reallocations may be much larger, with a substantial pressure to outsource, and the risk of operational cuts disrupting institutional capacity
- Public management, efficiency, innovation may make a major difference in the capacity of countries to respond to these challenges
- Key concerns remain post-election policies in the US, resumption of growth, effectiveness of fiscal compact un EU, rethinking of budgeting

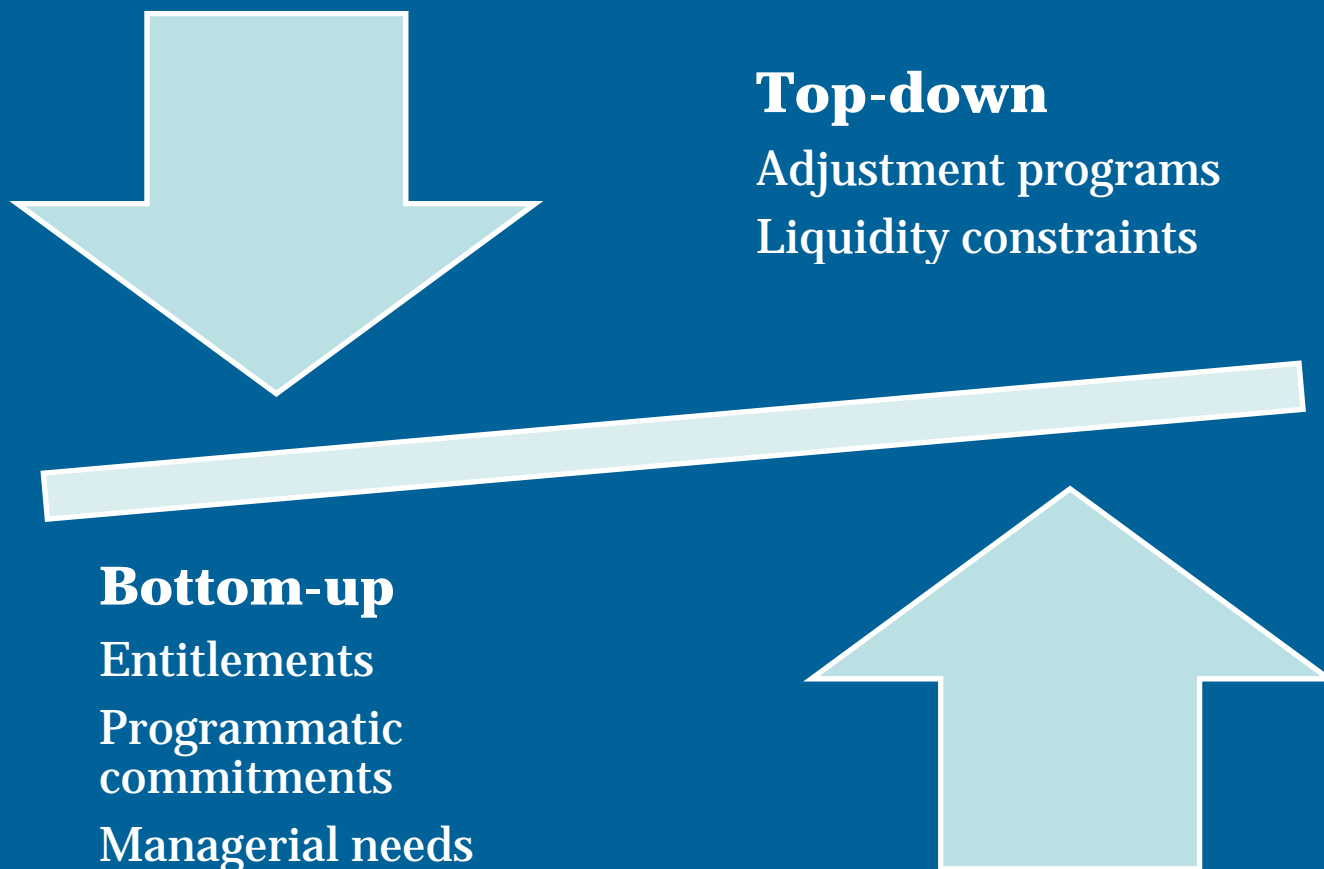
Fiscal rules

- Fiscal rules were abandoned or suspended at the beginning of the crisis in many countries
- Yet fiscal rules are making a major comeback to guide recovery and restore trust
- EU (less UK) moving towards a new set of fiscal rules based on a structural balance rule and tougher sanctions
- Many countries setting fiscal councils to further prevent government discretionality and reassure markets
- Yet new institutional, political and operational challenges
- Is there going to be room for fiscal councils in EU fiscal compact? Will Brussels process have the legitimacy of a domestic fiscal council?
- Fiscal rules have different challenges in guiding recovery than in imposing discipline during expansions

Rethinking budgeting

- Fiscal volatility compromises effectiveness of programs
- Built-in inertia, despite years of fighting incrementalism
- Many fiscal decisions taken outside the scope of budget process
- Programmatic structures, performance measurement increase the cost of fiscal adjustment
- Line-item across-the-board cuts disrupt operation of public services
- Fiscal stress makes basic problems in PFM, transparency issues surface

A key budgeting dilemma



Some possible responses

1. Generate a more stable and predictable spending framework
 - Fiscal rules that stabilize spending and demand
 - Improve ALM to reduce exposure to financial and liquidity risks
 - Budget for contingencies
2. Improve control over commitments
 - Integrate information and analysis of permanent legislation
 - Improve fiscal governance of PPPs
3. Incorporate fiscal space-making as part of the budget process
 - Measuring fiscal space: revisit rationale of MTEF
 - Creating fiscal space: efficiency dividend; expenditure reviews, overlapping ZBB exercises, specify sunset clauses
 - Using fiscal space: centralization of decisions over use of available fiscal space to facilitate reallocation
4. Devolve capacity to adjust
 - Operational expense envelopes
 - First option in reallocation

Issues for LAC

- Importance of fiscal discipline during good times
- LAC resilience is not due only to fiscal discipline
- Fiscal needs may emerge from crisis elsewhere, especially the financial sector
- Work on PFM: ALM, currency hedging, contingent liabilities, fiscal transparency
- Challenges in establishing fiscal rules due to weak budget stabilizers
- Risk of commodity-dependent fiscal revenues
- Fiscal policy to promote inclusive growth: sufficiency, stability, equity

Thank you for you attention

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