Press release

Document was presented to ECLAC Committee of the Whole:

Countercyclical Policies to Buffer Impact of Economic Crisis Predominate in Latin America

The report summarizes policies announced by 32 countries in the region.

(**10 February 2009**) Latin America is implementing a variety of countercyclical policies to address the global financial and economic crisis, says the **ECLAC** report *"The reactions of Latin American and Caribbean governments to the international crisis"*.

The document sums up the policies announced by governments of 32 countries in the region up to 30 January (click here for an updated version up to 20 February 2009). These include raising subsidies, lowering taxes and increasing public spending, particularly in infrastructure, among others.

Demand for Latin American exports is dropping, and in many cases, the terms of trade are also deteriorating. Additionally, access to external financing is becoming increasingly difficult to obtain. This occurs in a context of uncertainty that is deteriorating the labour market and negatively affecting consumption and investment.

At first, most policy initiatives were geared at assuring the liquidity of local financial markets, but the focus of policy announcements has gradually shifted towards fiscal policy, says **ECLAC**.

Since the impacts of the crisis differ from country to country, so do the instruments used to counteract them, and this explains the broad array of policies that are being implemented. These differences are partly due to that the problems are not identical in every country, but mostly because each country's capacity to apply these policies also vary and are determined by their ability to finance them and the institutional framework in which they are immersed. The report classifies the types of polices in five categories: monetary and financial; fiscal; exchange-rate and foreign-trade policy; sectoral; and labour and social.

Under the present circumstances, fiscal policies have more potential than monetary policies, but not just any fiscal policy, warns **ECLAC**:

"Measures designed to raise spending levels have more potential than those based on tax cuts... If spending is raised by increasing direct transfers, the impact will be greater if the transfers can be targeted on sectors which have a higher propensity to consume.... By the same token, when measures designed to expand investment in infrastructure are used to increase spending, it must be borne in mind that not all projects have the same impact in terms of employment and demand for locally-produced inputs".

Moreover, states the document, "a list of ready-made projects that can be executed in the short term is not always available."

ECLAC considers important that governments continue using all their potential to apply countercyclical public policies to mitigate the impact of the projected slower growth in the region and buffer its consequences on employment and poverty.

Further information on the ***Twenty-fifth Session of the Committee of the Whole*** is available at the link.

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