

# Fiscal policy and development: A comprehensive approach is needed



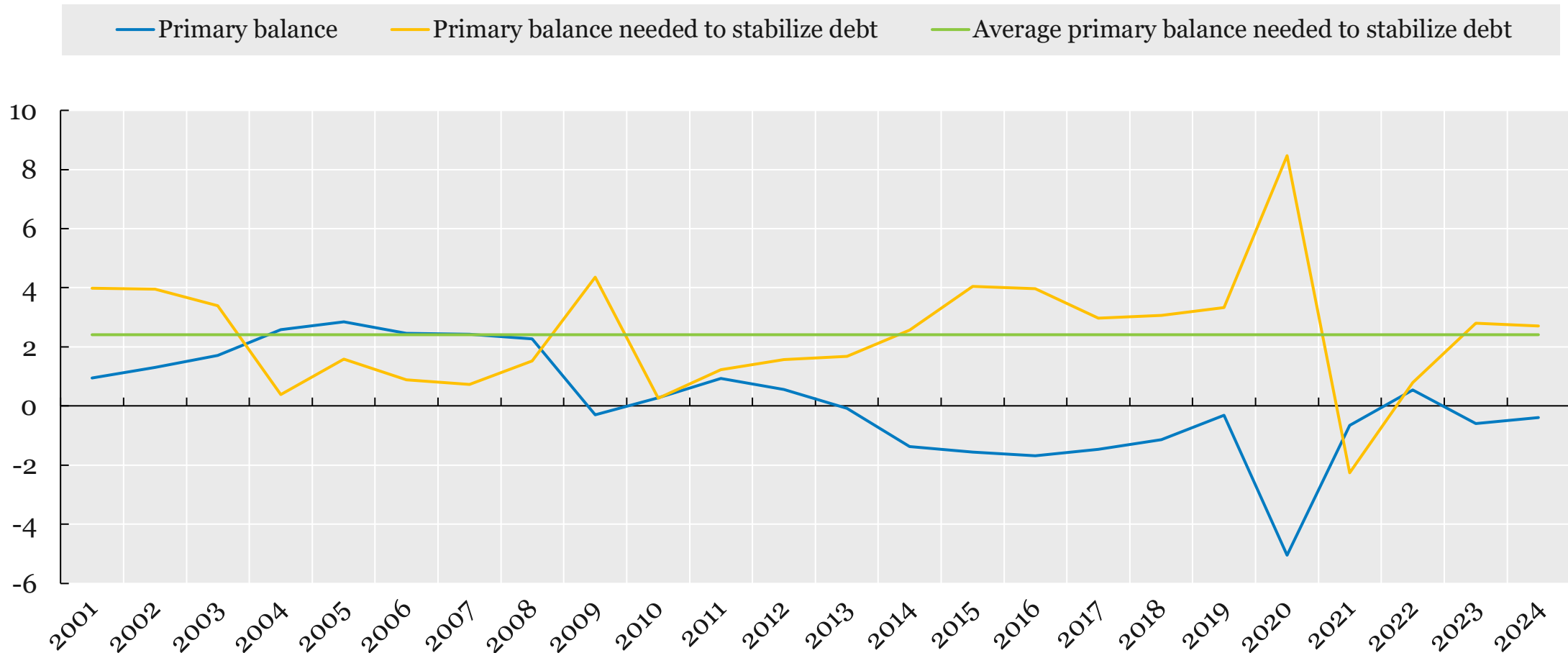
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OECD Development Centre

36th Regional Seminar on Fiscal Policy  
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While the financing needs are considerable to close development gaps, primary fiscal balances have consistently been below the level needed to stabilize public debt

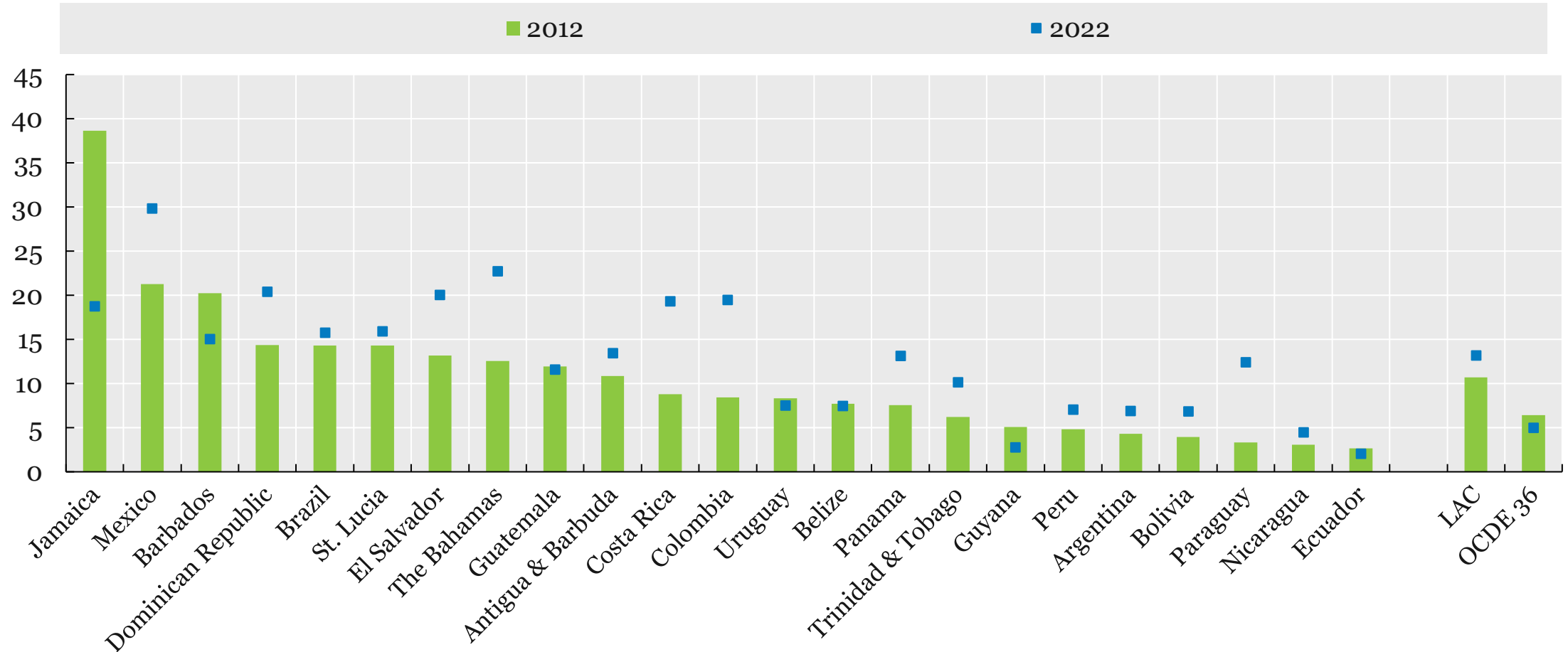
Fiscal space and primary fiscal balance (% of GDP)





# Debt service has increased, constraining fiscal space for government spending and investment

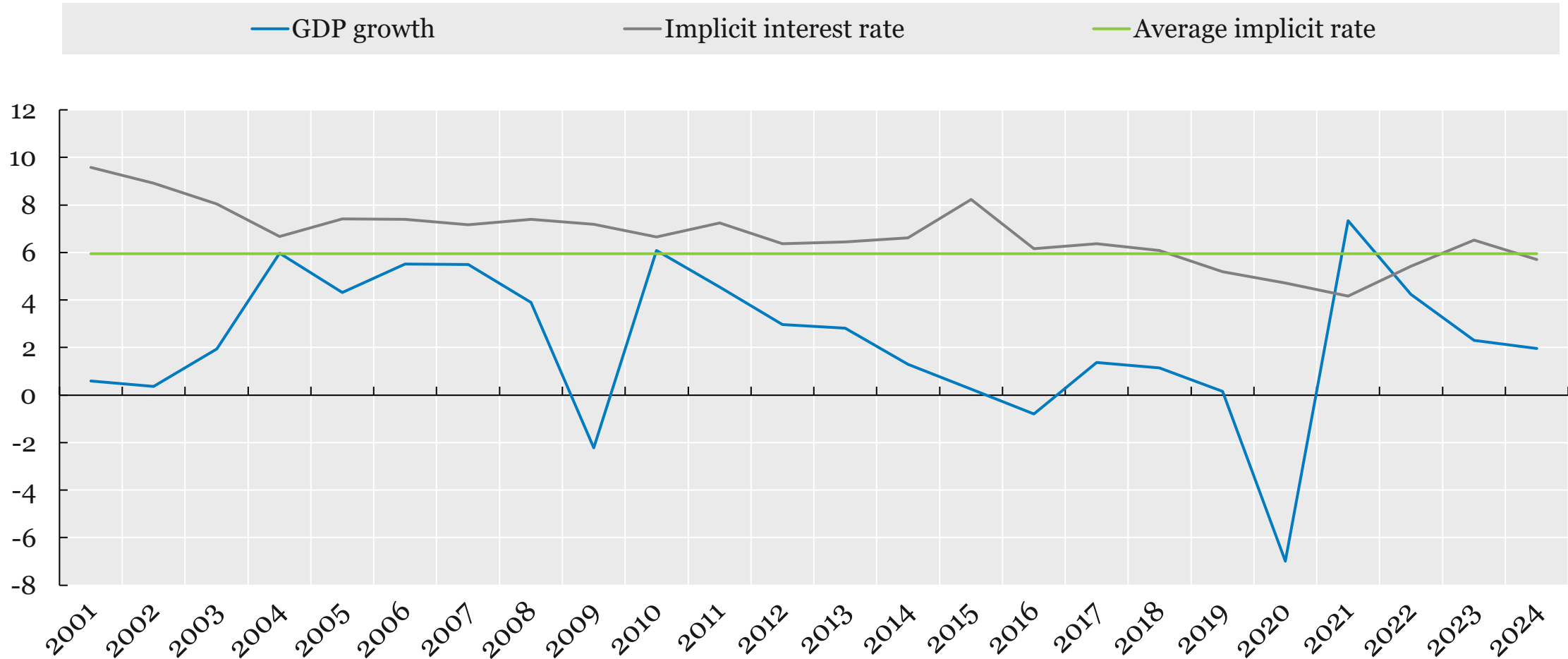
Debt service to tax revenues ratio (%), 2012 and 2022





# And GDP growth has been below the implicit interest rate affecting public debt sustainability

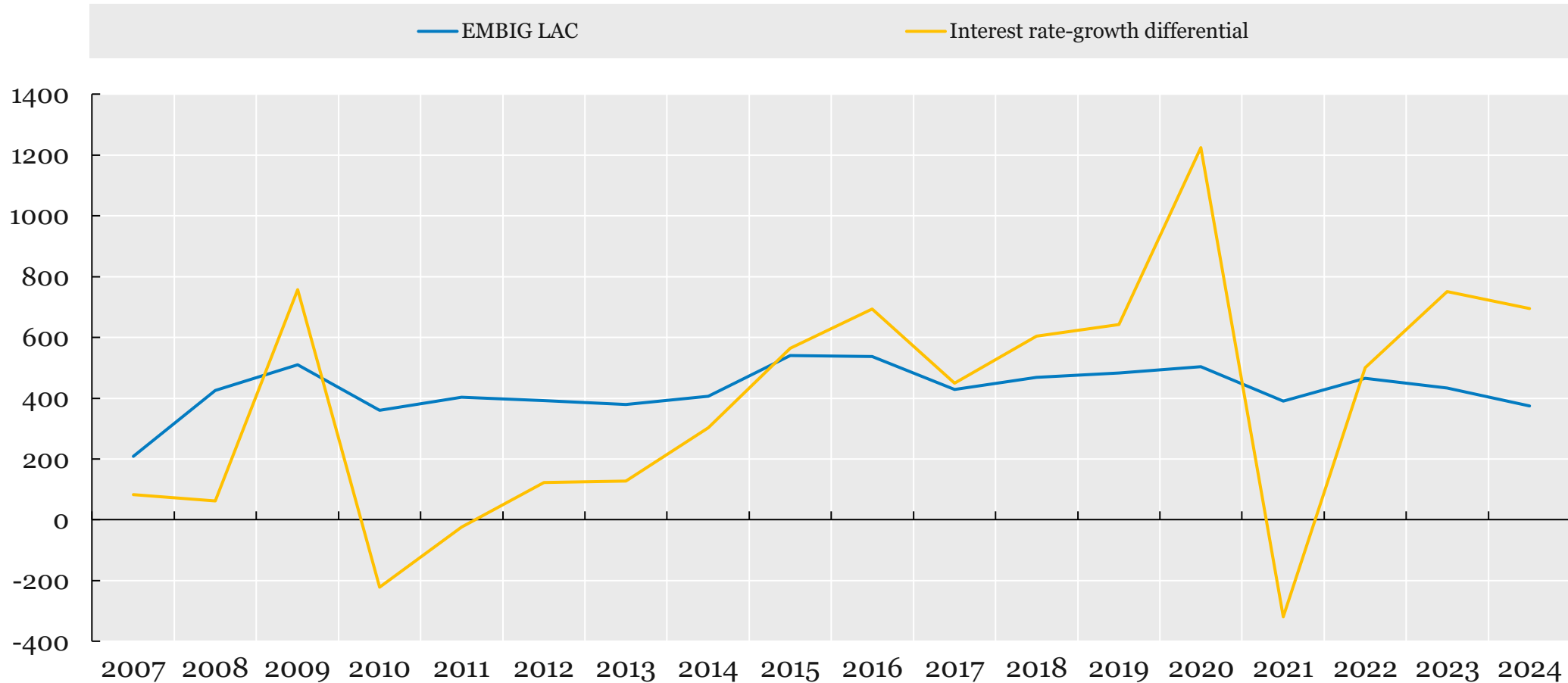
GDP growth and interest rates (%)





# This is in particular evident regarding external public debt

Sovereign bond spreads and interest rate - growth differential in LAC, 2007/24 (basis points)

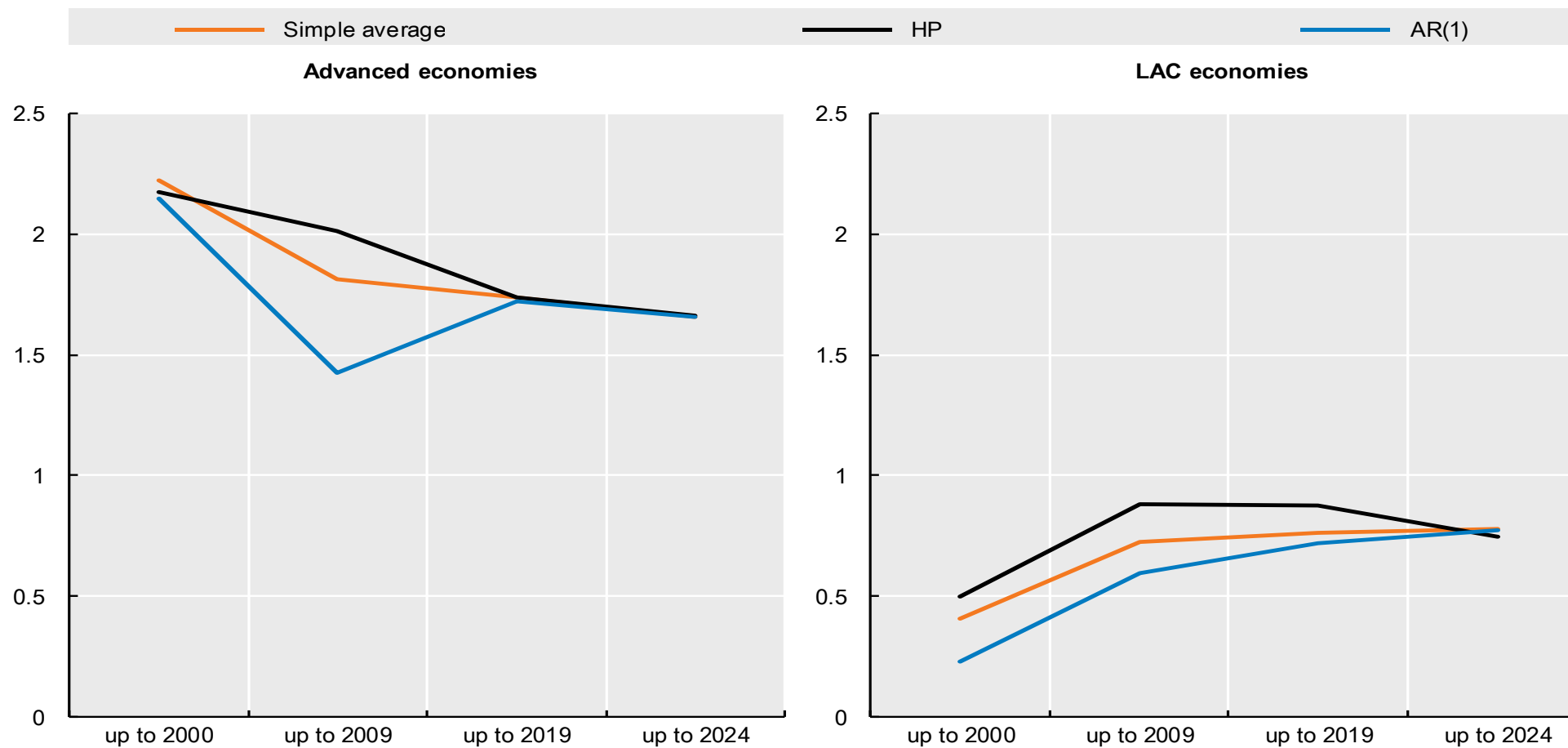


Note: Interest rate-growth differential refers to FED rate + EMBIG spread – domestic GDP growth rate.  
OECD et al. (forthcoming), *Latin American Economic Outlook 2024*



# We need to find new sustainable engines of growth

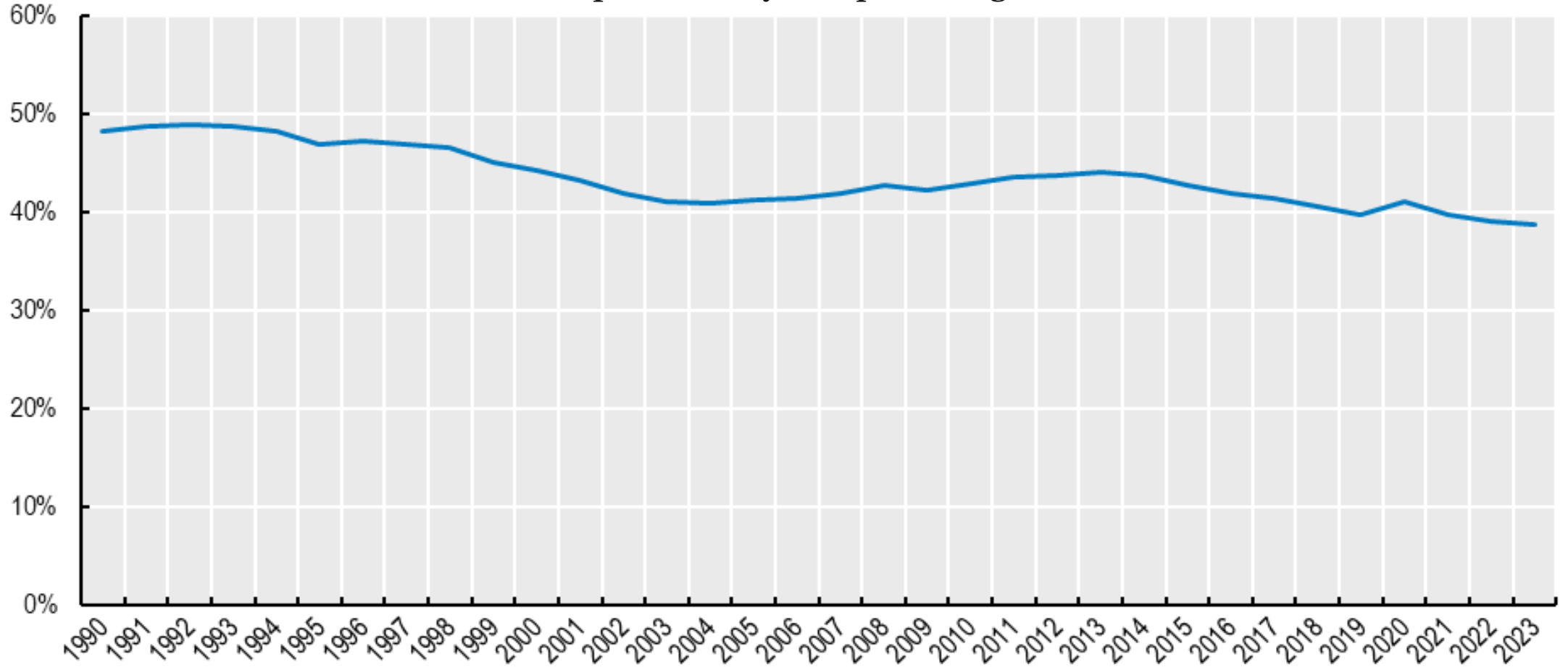
Potential GDP per capita growth in LAC and advanced economies, estimated since 1980 under different methods (%)





In terms of labor productivity, the gap is increasing compared to the OECD average






Relative labor productivity as a percentage of the OECD







# Strategic sectors to boost production transformation




## Transición verde

-  Transición energética
-  Economía circular
-  Gestión sostenible del agua
-  Electromovilidad
-  Turismo sostenible



## Salud y economía del cuidado

-  Industria farmacéutica y de dispositivos médicos
-  Sociedad del cuidado

## Transformación digital

-  Economía digital
-  Exportación de servicios modernos
-  Manufactura avanzada

## Sistemas sostenibles de agricultura y producción de alimentos

-  Bioeconomía
-  Producción sostenible de alimentos





# Investing in the green transition (+3 p.p. per year) can generate higher quality jobs and boost the economy

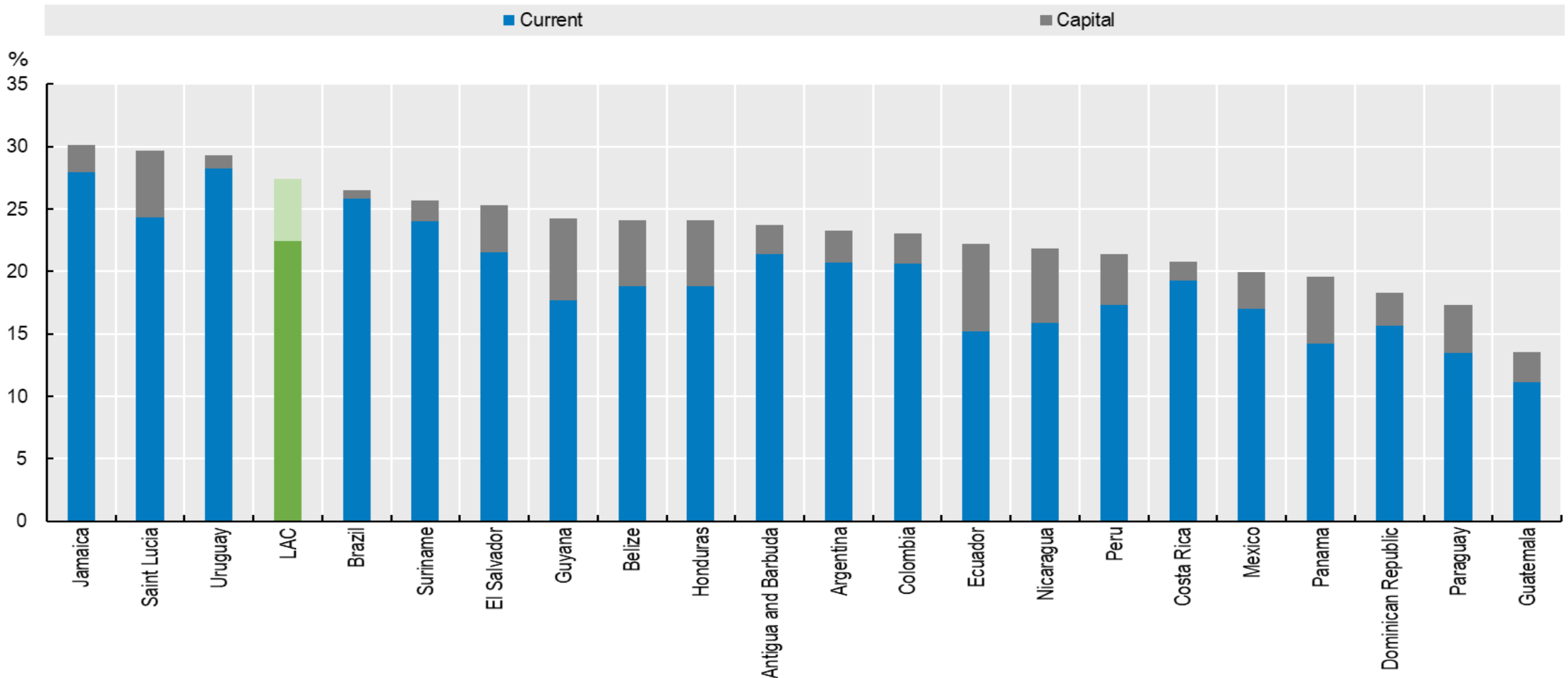
Green sectors with the greatest potential for job creation in LAC towards 2030  
(under the context that investments in these sectors increase by 3 p.p. yearly)





# Government expenditure in LAC is relatively low, heterogenous, and tends to follow the economic cycle

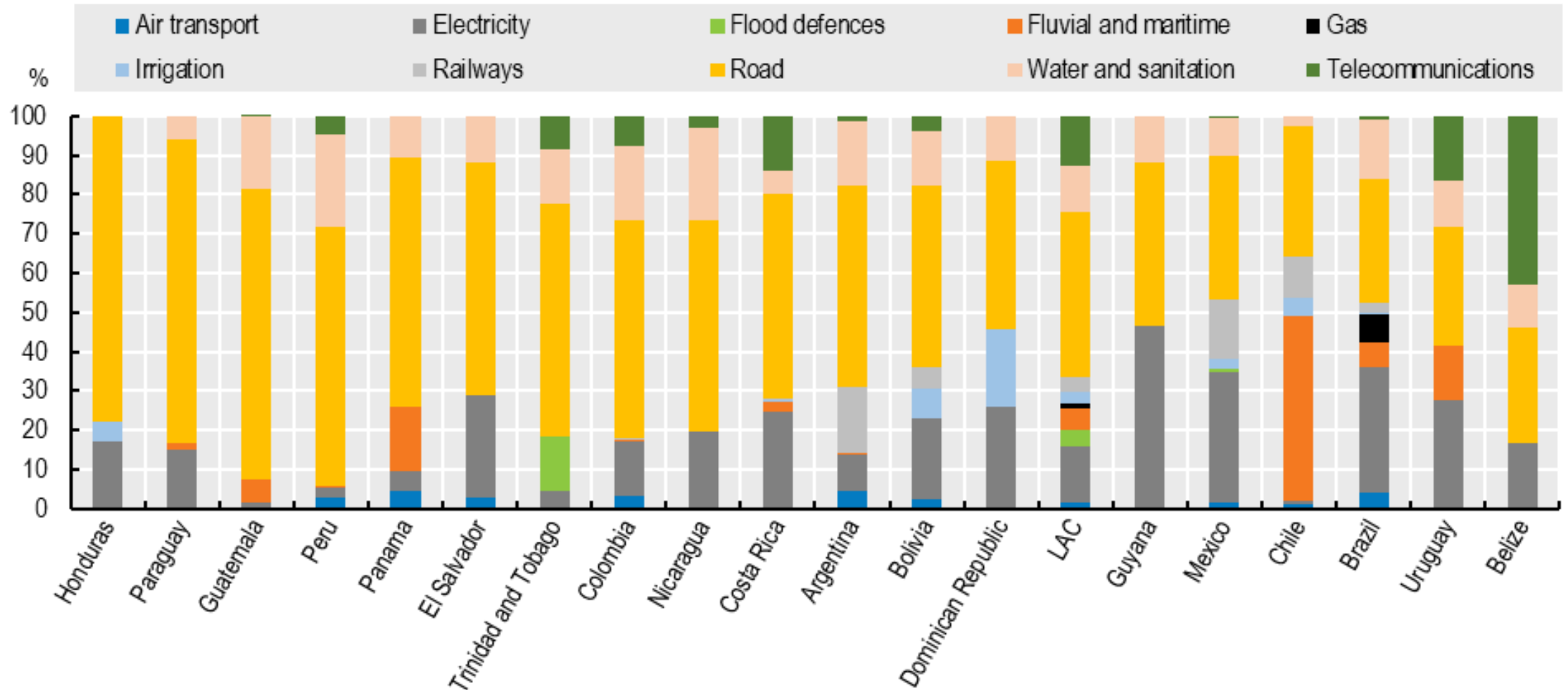
Central Government total expenditure as % of GDP, by function and by country in 2021





# To promote investment in key public services and increase investments in different transport modes

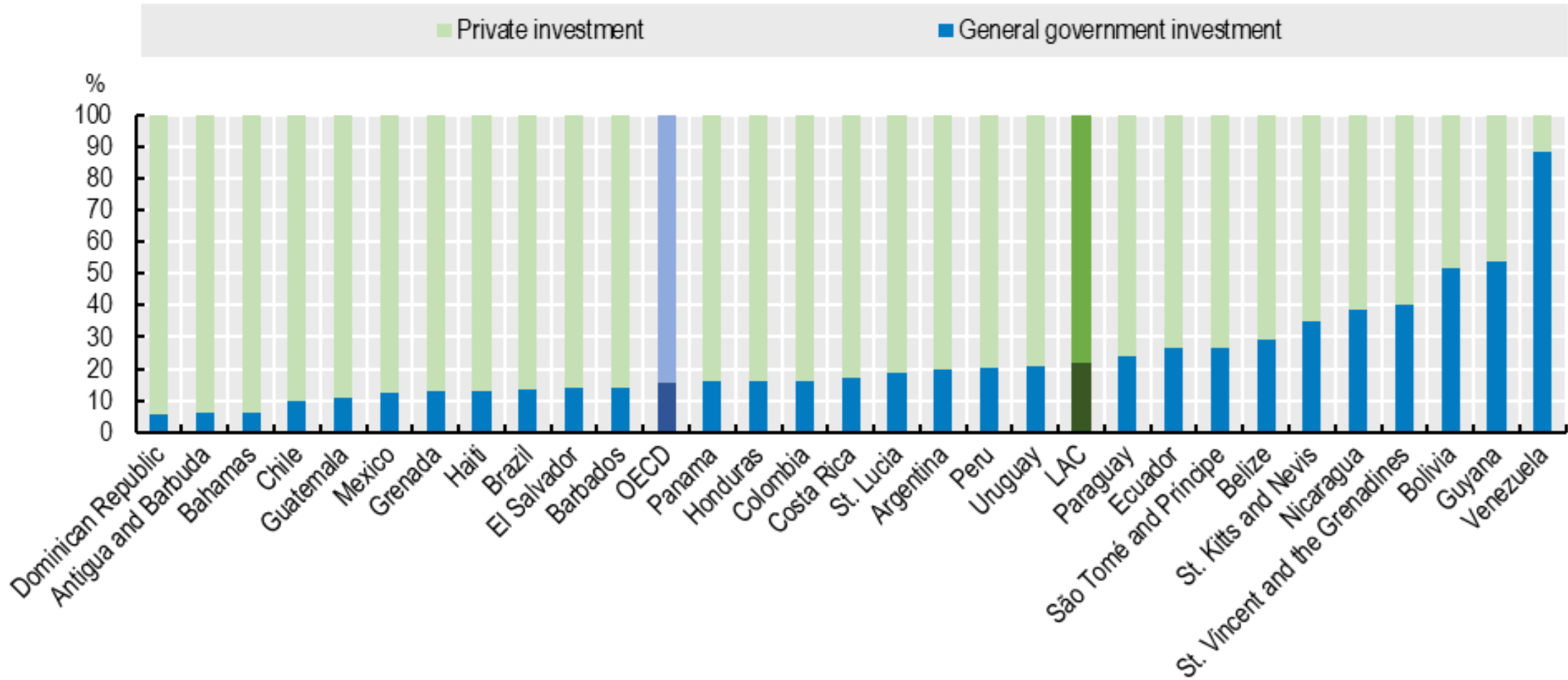
Public investment in infrastructure in LAC as a percentage of total investment, 2019





# Addressing the financing gap for sustainable development in LAC is a critical task that demands coordinated action

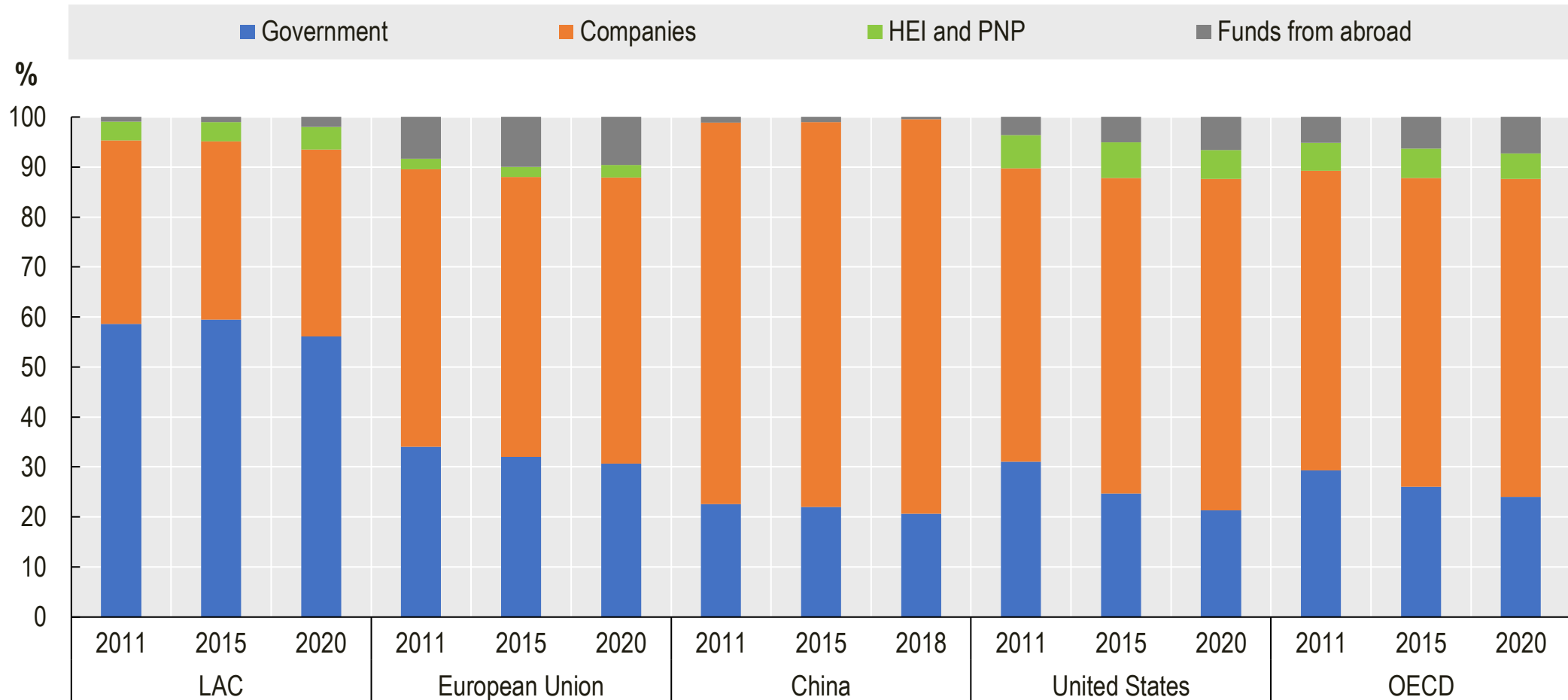
Private vs. public investment as a share of total investment in LAC and OECD, 2019





# Further private sources of investment are needed to increase R&D in LAC (it only represents 2.3% of the world total)

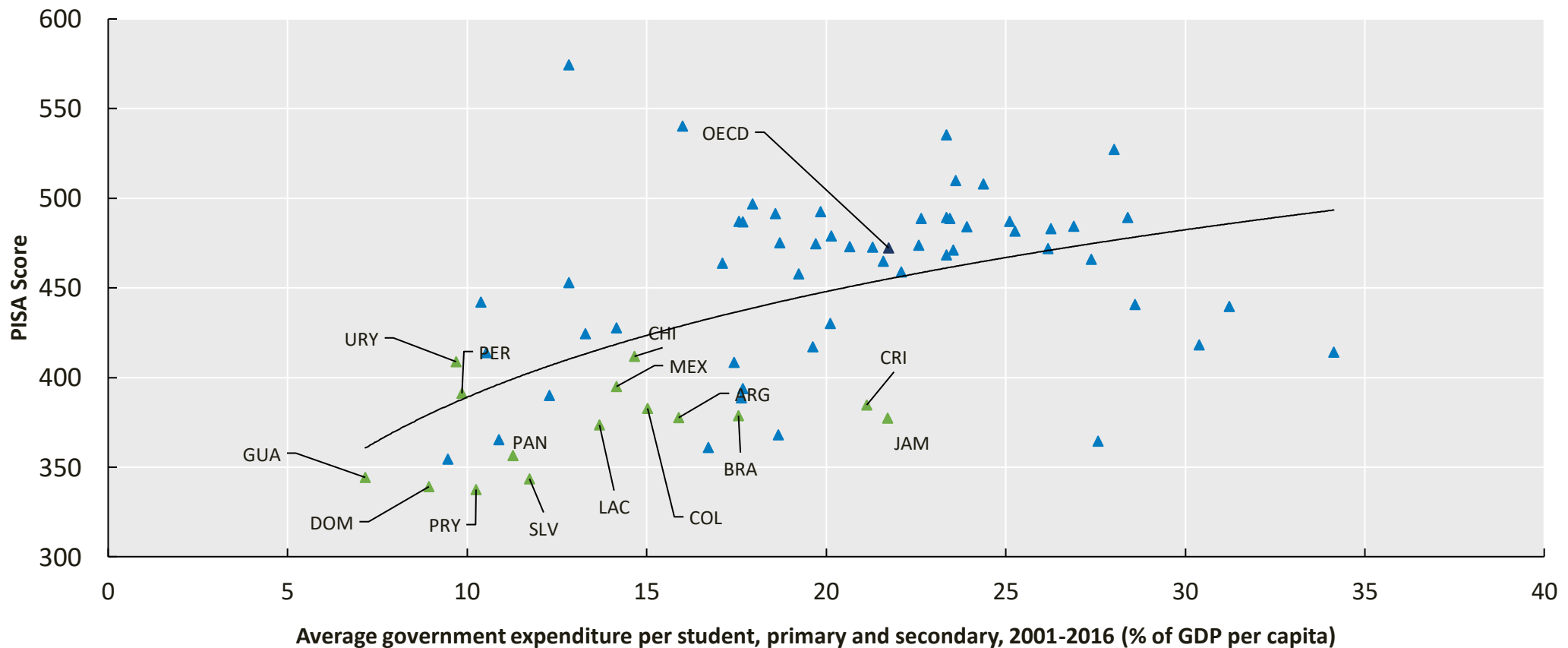
Share of R&D investments by funding source in LAC and other territories, 2011-20





# Towards a more effective investment in public services: the case of education

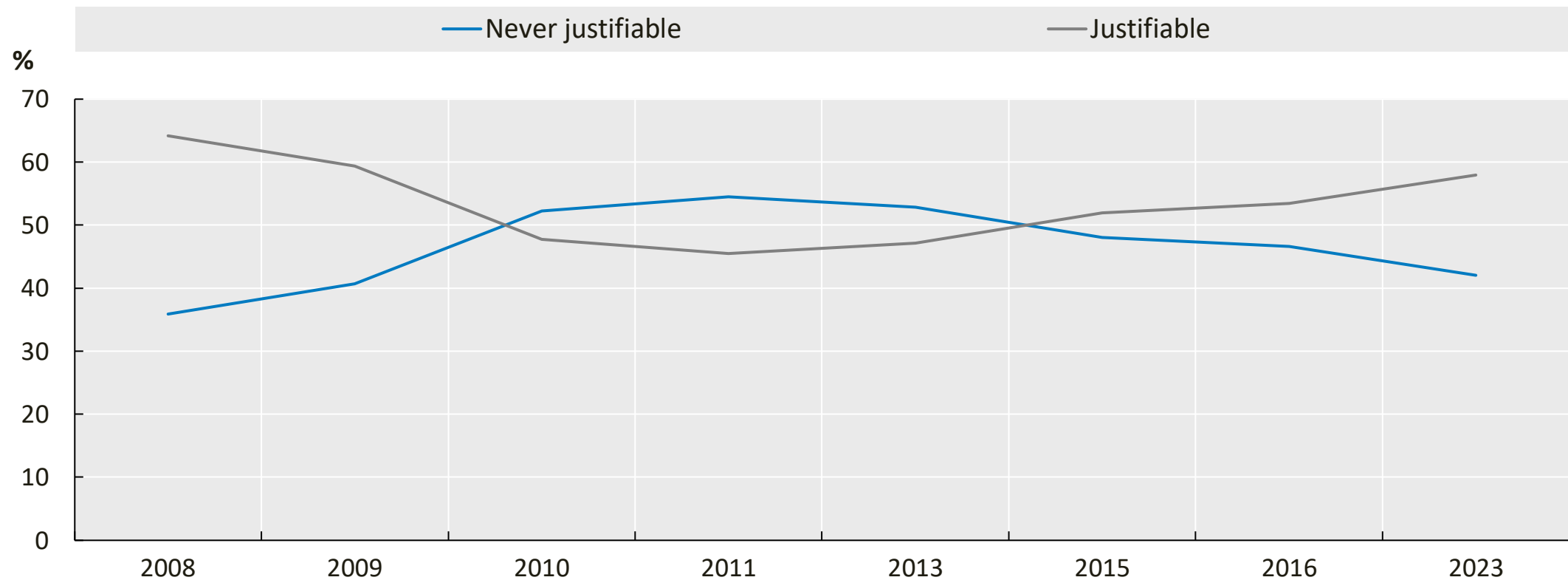
Average government expenditure per student, primary and secondary, 2001-2016 (% of GDP per capita) vs PISA score (Maths) in 2022





# Tax morale in LAC has been fluctuating over the last decade but appears to be deteriorating

% of LAC population that justifies not paying taxes, 2008 - 2023

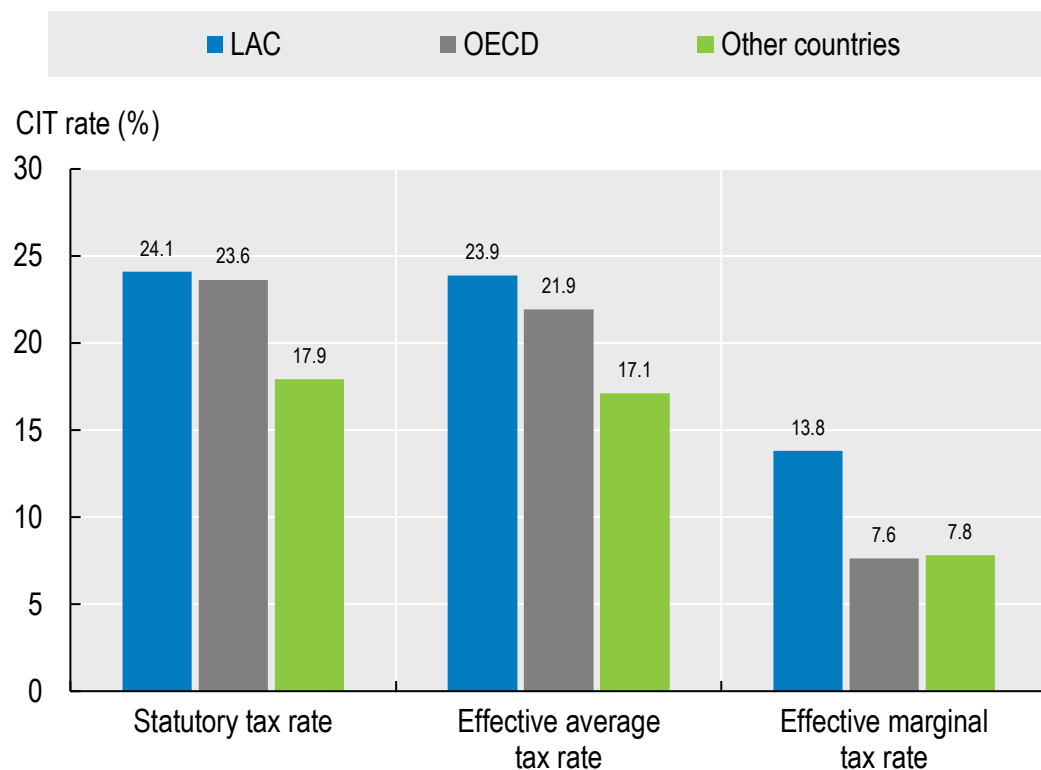




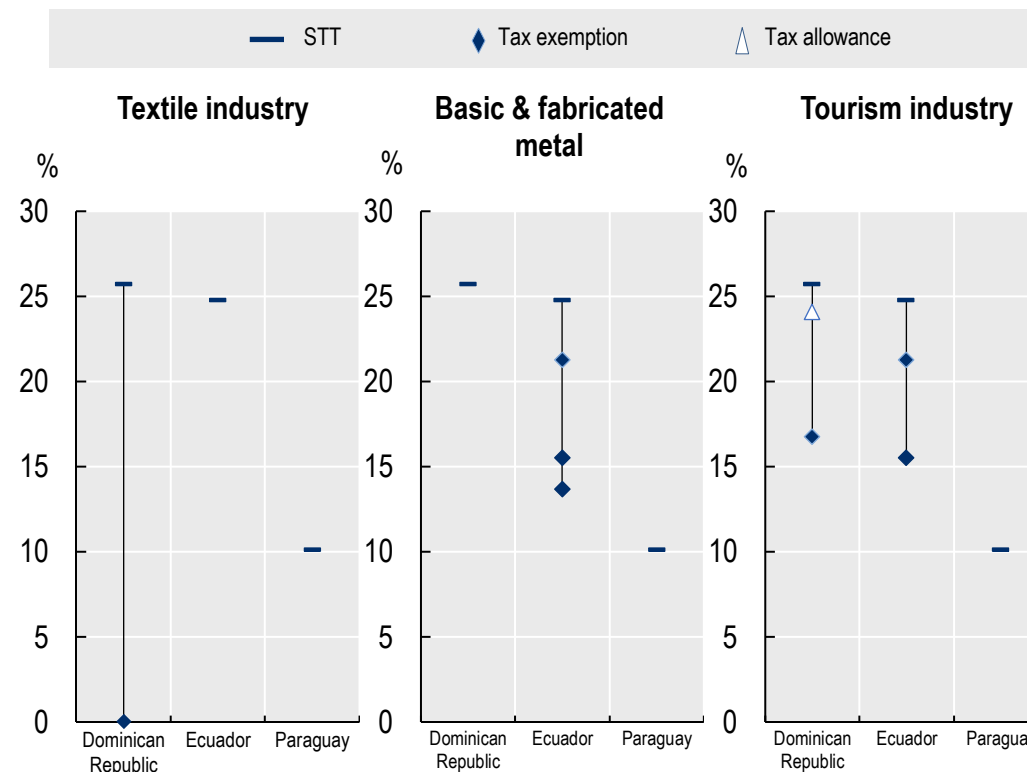
# Effective corporate tax rates remain relatively high while there are sector-specific tax incentives mechanisms in LAC

## Corporate effective tax rates and sector-specific investment tax incentives

Panel A. Corporate effective tax rates in LAC, 2021



Panel B. EATRs under standard tax treatment (STT) and investment tax incentives in the corresponding sector

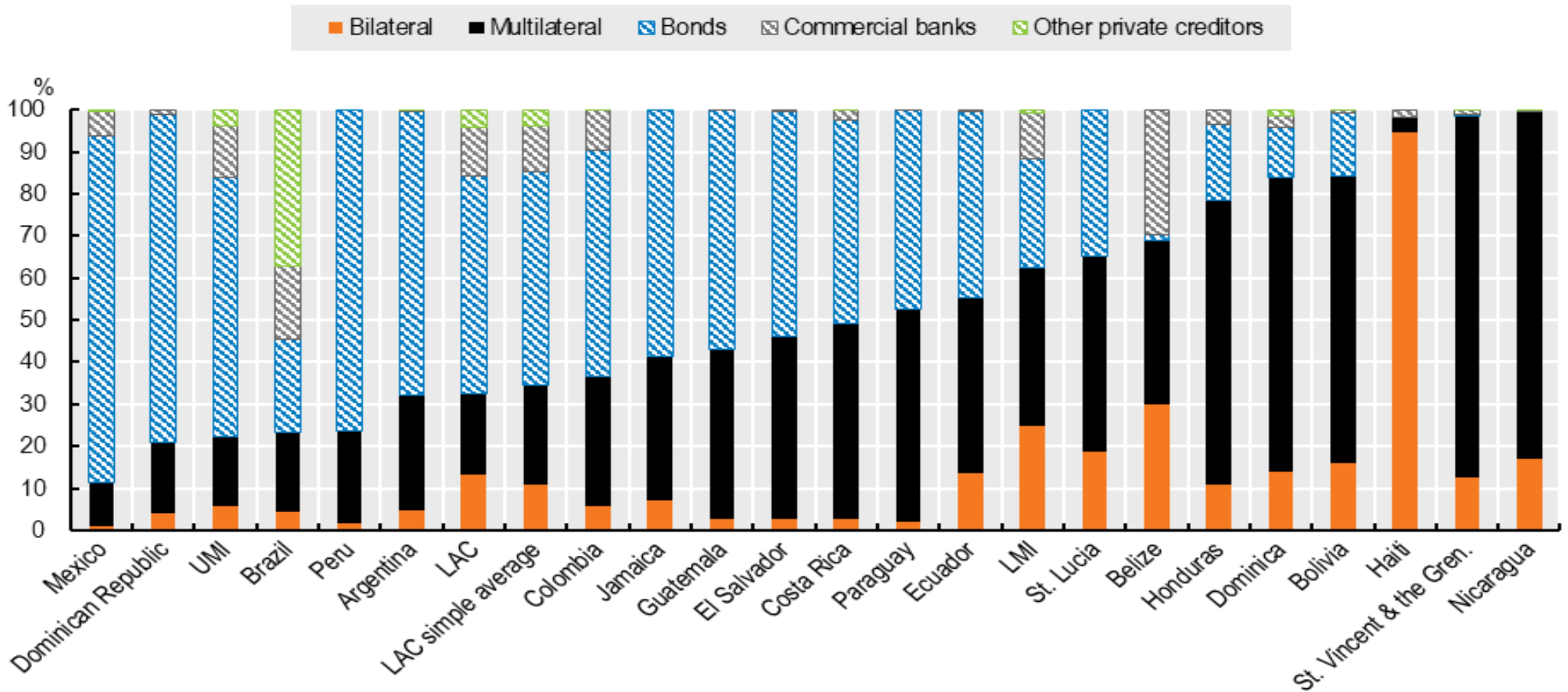






# High heterogeneity in terms of debt's creditors in LAC: There is no unique solution

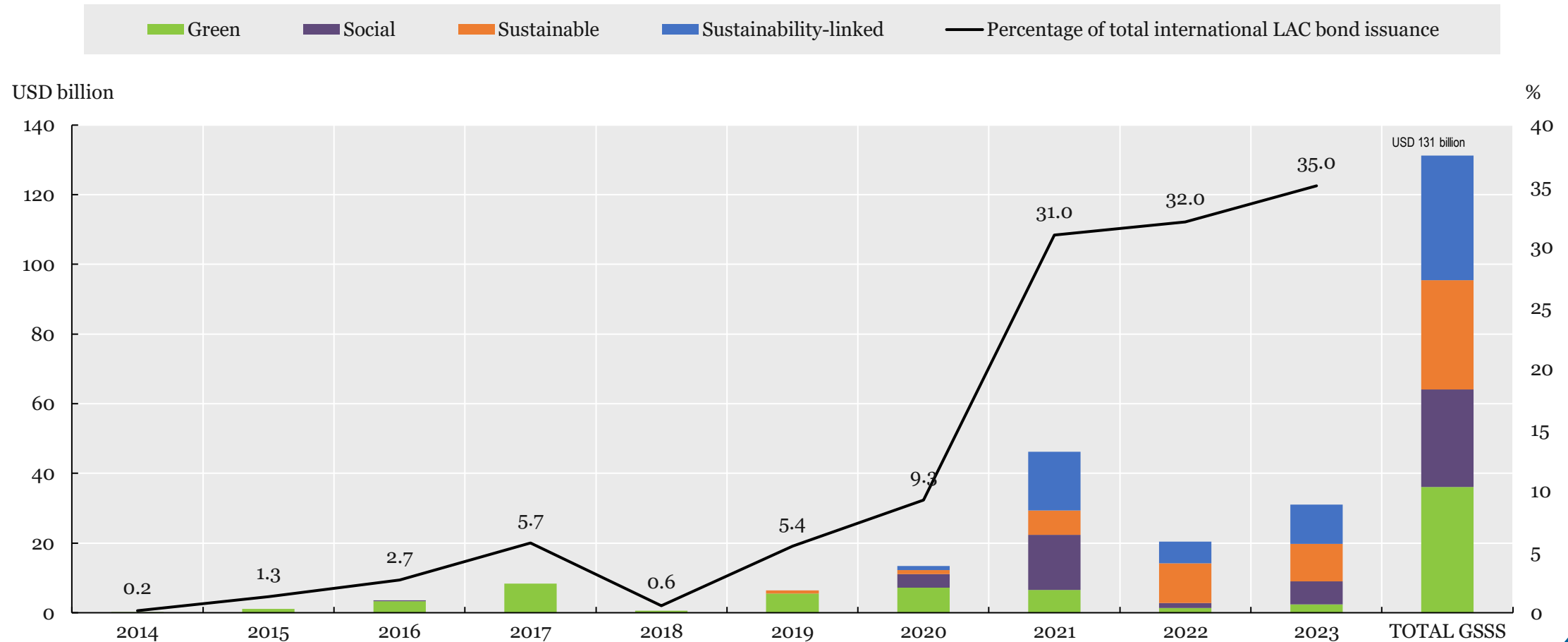
External public debt stock by creditor (public and private) in selected Latin American and Caribbean countries, 2022





# GSSS bonds can mobilize direct investment to sustainable dev.

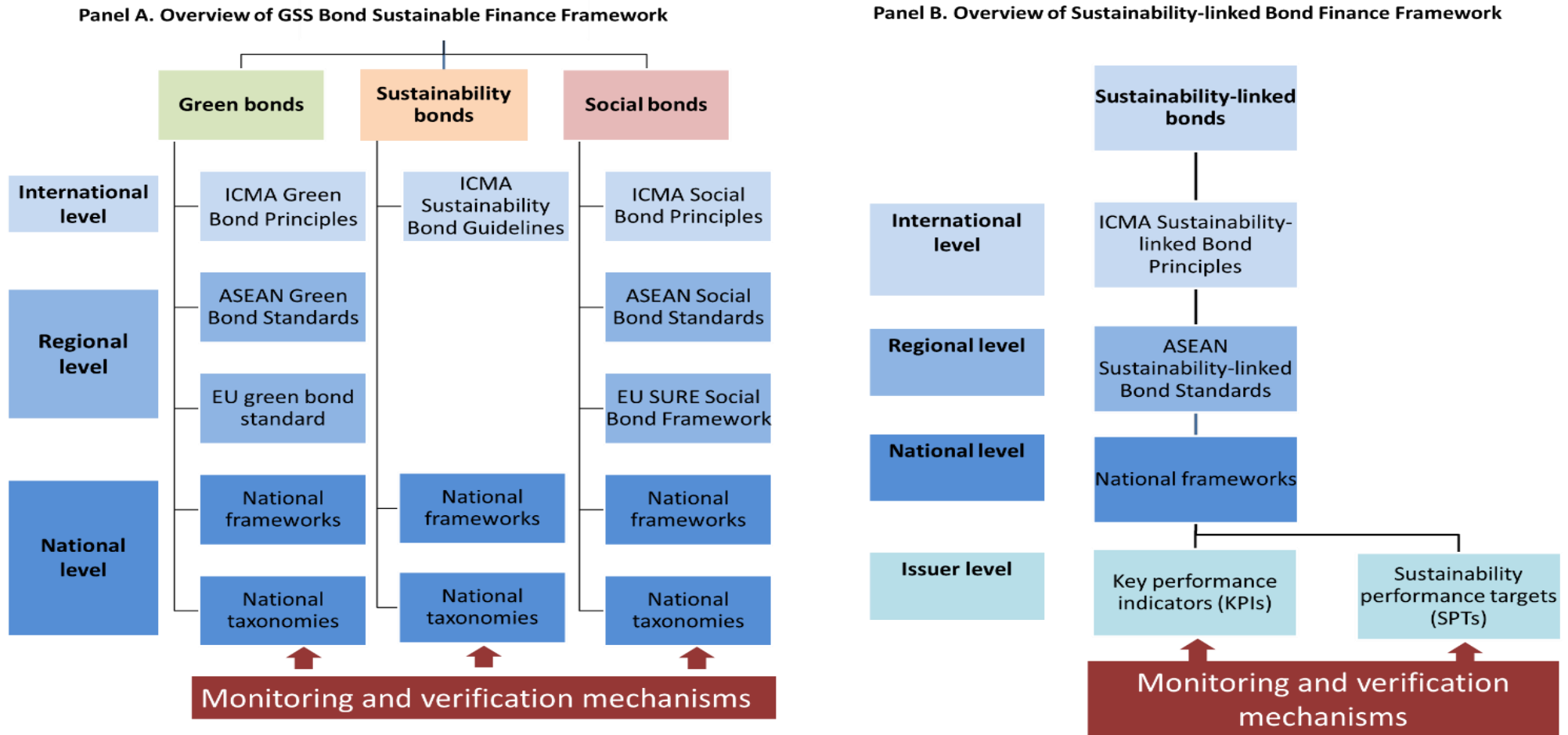
## External public debt stock by creditor (public and private) in selected Latin American and Caribbean countries, 2022





# Enhanced regulation and oversight are essential to ensure the effectiveness of these instruments and mitigate risks

## Overview of sustainable finance frameworks for GSSS bonds



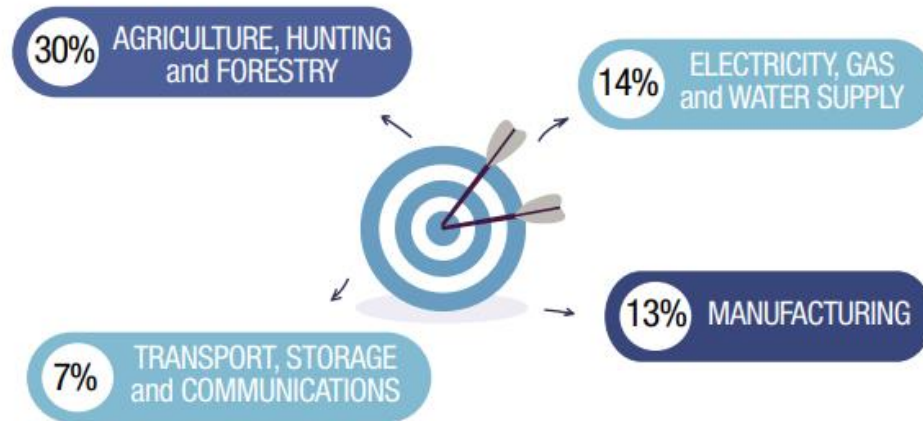


# National Development Banks are fundamental to achieve the dev agenda



Access finance through different mechanisms: credits, factoring, leasing, guarantees, etc.

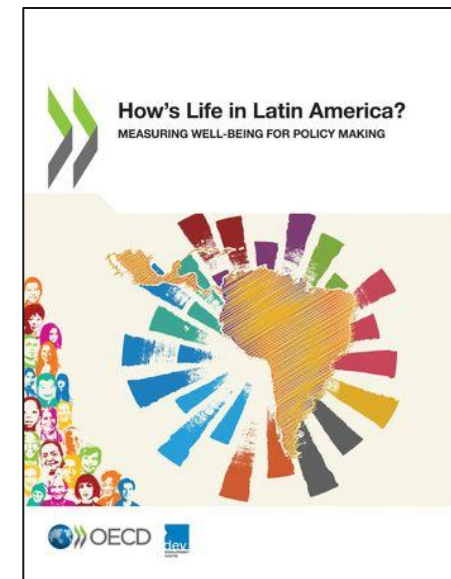
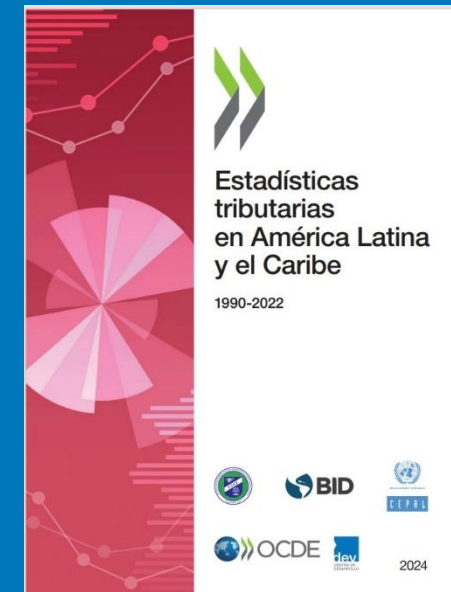
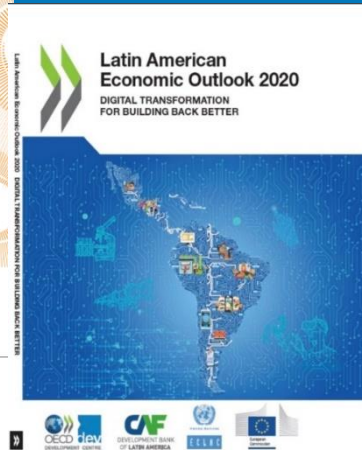
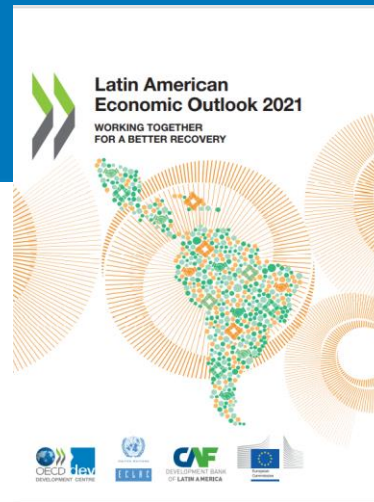
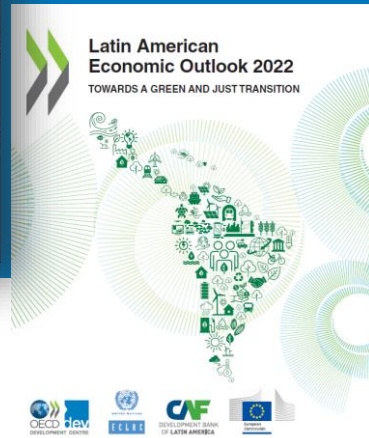
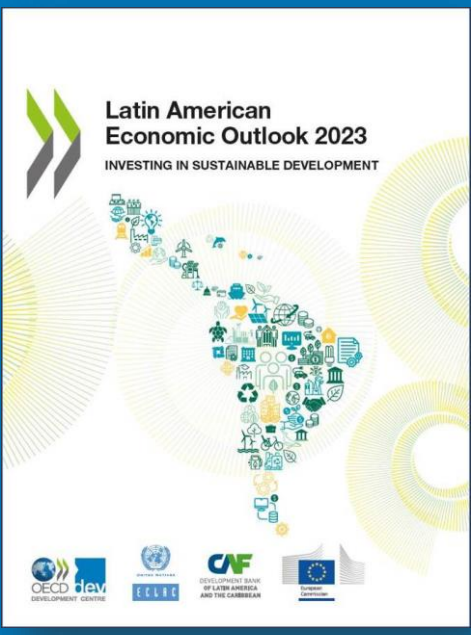
## National and subnational DFIs can help MSMEs:



Contribute to investments in strategic sectors



Contribute to green, digital and gender goals



# Thank you!

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