

Launch of the LAC Fiscal Initiative

The *LAC Fiscal Initiative* was launched in parallel to the II International Economic Forum for Latin America and the Caribbean, on 25 January 2010 in Paris.

Participants included the Finance Minister and Vice-Minister of Panama (Mr. Vallarino and Mr. De Lima), and the Finance Minister of Uruguay (Mr. García), the former Finance Minister of Peru (Mr. Carranza), the Commissioner of Servicio de Impuestos Internos of Chile (Mr. Escobar), the Sub-Secretary of Taxation of the Secretariat for Federal Revenues of Brazil (Mr. de Vargas Serpa), the Spanish Secretary of State for Ibero-America (Mr. De Laiglesia), the Ambassadors to the OECD of Mexico (Mr. García-López) and Spain (Ms. Narbona), and delegates from 23 countries, including 13 Latin American countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru and Uruguay) and 10 non-Latin American member states of the OECD (Australia, Belgium, Canada, Germany, Italy, Portugal, Switzerland, Spain, Turkey and United Kingdom).

Several multilateral organisations also attended the session, including the Inter-American Development Bank (IDB), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Center for Tax Administrations (CIAT), and the World Bank. Other potential partners also present included various tax policy analysis think-tanks, like the Spanish Institute for Fiscal Studies.

The Initiative was very well received by all participants. Representatives of LAC countries welcomed OECD support to promote regional policy dialogue on tax and expenditure issues. The importance of sharing fiscal policy experiences in shaping an efficient, effective and fair tax system as well as the need to reinforce the link between taxes and expenditures were highlighted several times. Multilateral organisations explicitly expressed interest in collaborating in this new project and proposed coordination of efforts.

The main issues raised by the participants were the following:

1. The priority of building an internationally comparable tax database for Latin America and the Caribbean and OECD countries. The Centre for Tax Policy and Administration (CTPA) and the Development Centre (DEV) will build a Revenue Statistics database for the main economies in the region (based on size). The database will cover 1990-2008, for Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Mexico, Peru, Uruguay and Venezuela. Efforts will be made to co-ordinate this work with related efforts by multilateral organizations and other institutions.

The elaboration of this database, its public release (expected for the end of 2010), and the launch of a Policy Dialogue Network of decision makers in the LAC region will comprise much of the Initiative's work for 2010.

Subject to availability of funds, this tax database will be extended to include internationally comparable indicators of the tax burden on labour and investment in the LAC region.

2. Participants also expressed interest in initiating regional policy dialogue among senior officials on the following policy areas:

- analysis of tax expenditures and tax loopholes which can significantly erode effective tax bases and introduce distortions,
- fiscal rules and institutions based on cyclically adjusted budget balances, and their implications in terms of demand stabilisation policies, and debt sustainability,
- the political economy of fiscal reforms and its interaction with the functioning of and citizen's satisfaction with democracy, including also the expenditure side of public policies (in terms of both quantity and quality of spending)
- the analysis of fiscal policy issues between different levels of government (local, regional, and national),
- and the training of tax and expenditure officials.

The OECD offers its assistance in promoting tax dialogue and developing comparative indicators, drawing on its experience not only with OECD Member countries but also its management of two similar regional initiatives, one in the Middle East-North Africa (MENA) and another one in South East Europe (SEE).

3. The Initiative is open to new donors (Chile, Mexico and Spain have committed so far), and to co-operation with other institutions.

4. The following table includes the **CTPA's proposed events in the LAC region in 2010:**

<u>EVENTS</u>	<u>CALENDAR</u>	<u>PLACE</u>
<i>Funded by the LAC Fiscal Initiative</i>		
<i>Exchange of Information Workshop (jointly with CIAT)</i>	May	tbc
<i>1st meeting of the Working Group on Tax Policy</i>	June (tbc)	tbc
<i>Seminar on Fiscal Federalism (jointly with the Spanish Institute for Fiscal Studies)</i>	8-12 November	Cartagena de Indias (COLOMBIA)
<i>Funded by CTPA Global Relations Programme</i>		
<i>Tax Microsimulation Modelling Workshop</i>	8-12 March	Mexico DF (MEXICO)
<i>Taxation of Non Residents</i>	24-28 May	Mexico DF (MEXICO)
<i>Exchange of Information Workshop</i>	24-26 March & possibly 20 -24 September	Mexico DF (MEXICO)
<i>Tax Treaty Negotiations Workshop</i>	August	Mexico DF (MEXICO)
<i>Transfer Pricing</i>	8-12 November	Mexico DF (MEXICO)