

Managing fiscal revenues from commodities: Why do they matter and what can be done?

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LAC Tax Policy Forum

Macroeconomic implications of the tax treatment of extractive industries and relationships between levels of government

Mexico City – July 3-4, 2014

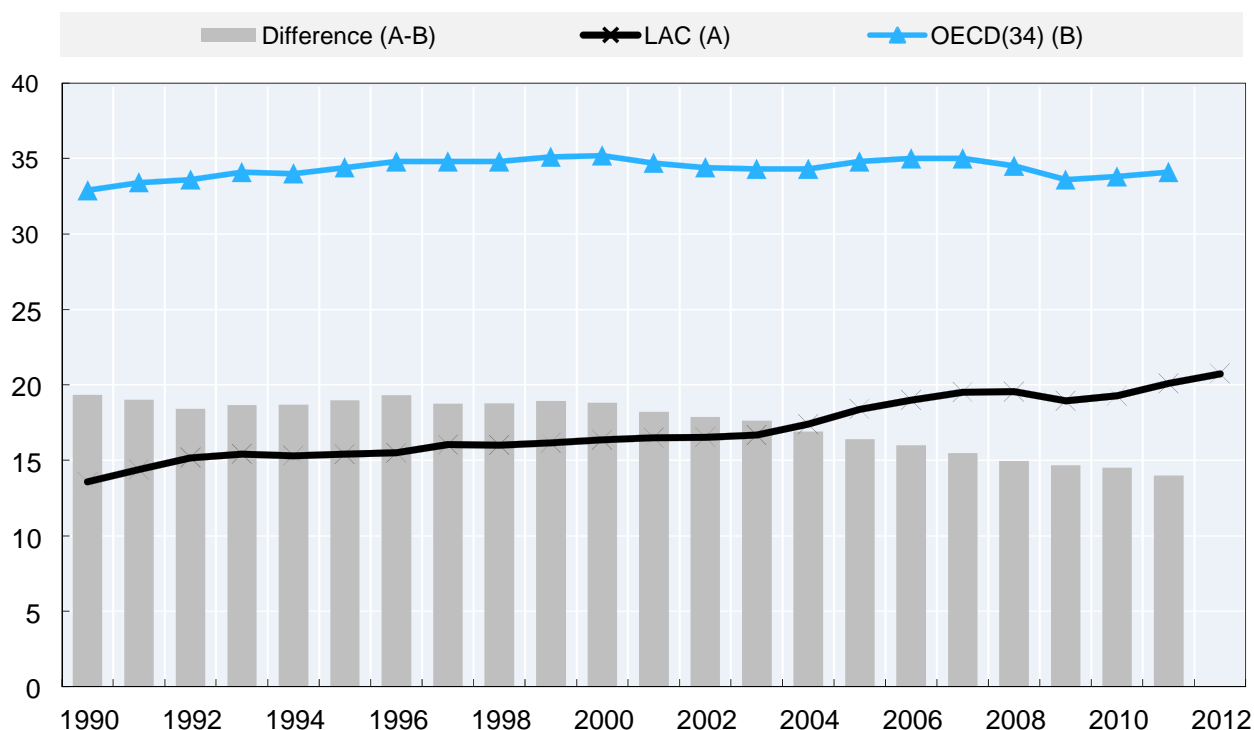


Managing fiscal revenues from commodities: why do they matter and what can be done?

- **Some key recent fiscal developments in Latin America are commodity-related**
- **Commodities have also been very relevant for the macro of the region**
- **(We suspect) Latin America is not saving (enough)**
- **Saving revenue windfalls: how? how much? what for?**

Tax revenues convergence to OECD levels

Tax revenue over GDP

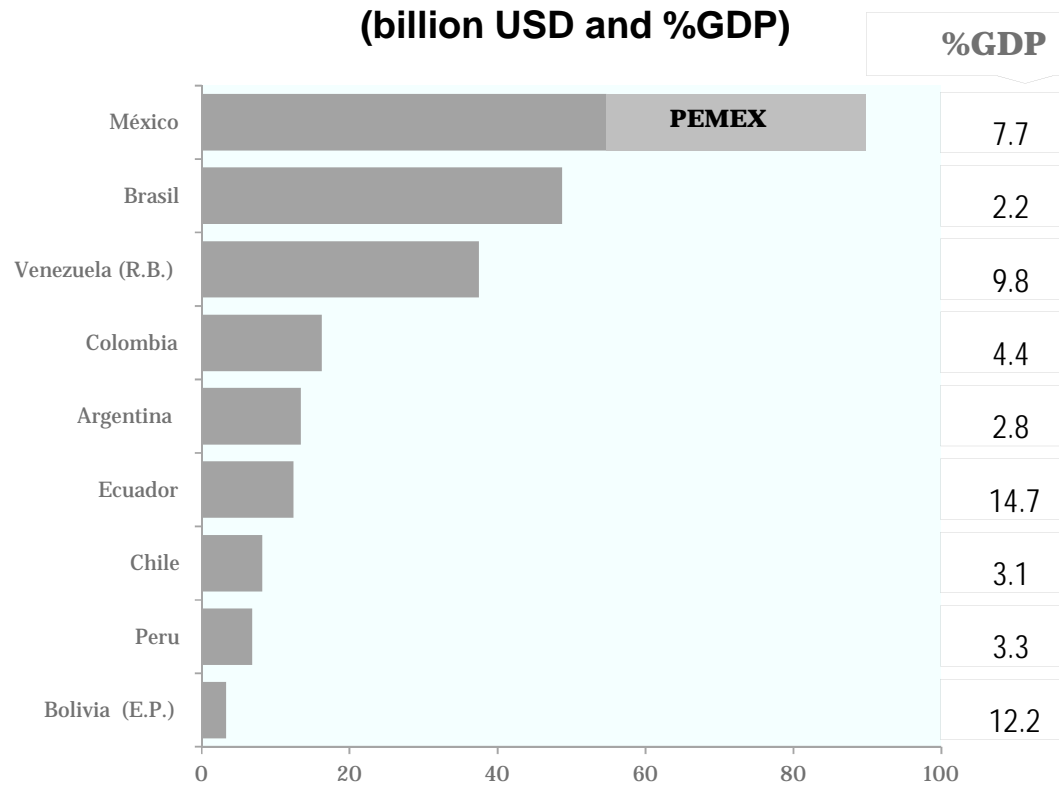


Source: OECD-ECLAC-CIAT (2014), *Revenue Statistics in Latin America 1990-2012*

Tax revenues over GDP in LAC have been converging to OECD levels since 1990

... related to the commodity-prices boom

Fiscal revenues from non-renewable resources (billion USD and %GDP)



Source: OECD-ECLAC-CIAT (2014), *Revenue Statistics in Latin America 1990-2012*

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Resource windfalls related to commodities have historically increased macro volatility

Resource windfalls in LAC (mid 60s – 2013)

LAC Promedios lamda = 400	# bonanzas	Duración (años)	Tamaño promedio (% PIB)	brecha promedio antes de la bonanza	brecha promedio durante la bonanza	brecha promedio despues de la bonanza	Cambio en la brecha promedio durante la bonanza	Cambio en la brecha promedio despues de la bonanza	Cambio en la brechaentre antes y despues de la bonanza
Alimentos	41	4,4	5,9	-0,3	2,6	-0,7	3,4	-3,8	-0,4
Minerales	10	4,1	5,3	-0,8	1,1	-2,0	1,9	-3,4	-1,4
Combustibles	13	4,1	5,7	0,0	0,9	-1,6	0,9	-2,9	-1,9
Remesas	21	4,1	2,9	-1,7	-0,4	-1,3	1,6	-0,9	0,2
Flujos de capital de corto plazo*	14	2,9	6,8	0,7	4,4	-0,5	3,7	-4,9	-1,2
Inversión extranjera directa	24	3,3	5,1	1,3	4,0	-0,5	3,5	-3,2	0,6
Total recursos naturales	64	4,3	5,7	-0,3	2,0	-1,1	2,6	-3,5	-0,9
Total con flujos de capital	123	3,9	5,3	-0,1	2,3	-0,9	2,7	-3,2	-0,5
Suramérica Promedios lamda = 400	# bonanzas	Duración (años)	Tamaño promedio (% PIB)	brecha promedio antes de la bonanza	brecha promedio durante la bonanza	brecha promedio despues de la bonanza	Cambio en la brecha promedio durante la bonanza	Cambio en la brecha promedio despues de la bonanza	Cambio en la brechaentre antes y despues de la bonanza
Alimentos	21	4,0	5,0	-1,3	2,8	-0,8	4,3	-3,9	0,3
Minerales	9	4,0	5,6	-1,5	1,6	-1,8	3,1	-3,8	-0,3
Combustibles	10	4,2	6,0	-0,5	0,1	-1,0	0,6	-1,4	-0,8
Remesas	5	3,8	2,8	0,3	-0,1	-2,3	-0,3	-2,2	-2,5
Flujos de capital de corto plazo	12	2,4	7,3	0,7	1,9	-0,9	1,2	-2,8	-1,6
Inversión extranjera directa	7	4,3	3,2	3,5	5,0	-1,5	4,8	-3,2	1,6
Total recursos naturales	40	4,1	5,4	-1,1	1,9	-1,1	3,1	-3,3	-0,1
Total con flujos de capital	64	3,8	5,3	-0,2	2,1	-1,2	2,7	-3,1	-0,4

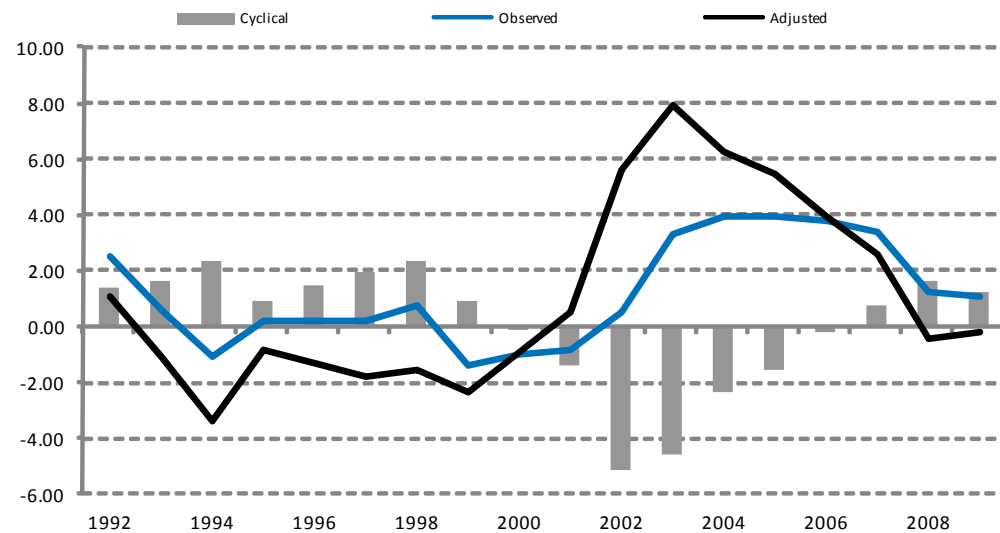
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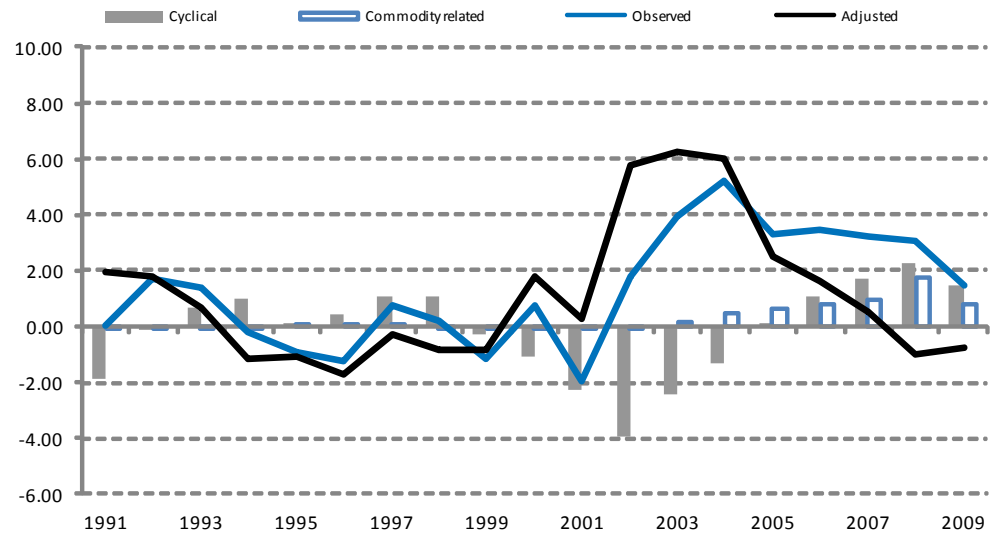
Commodity-related public revenues explain a lot of recent improvements in Argentina ...

Adjusted primary budget balance (%GDP)

Uruguay



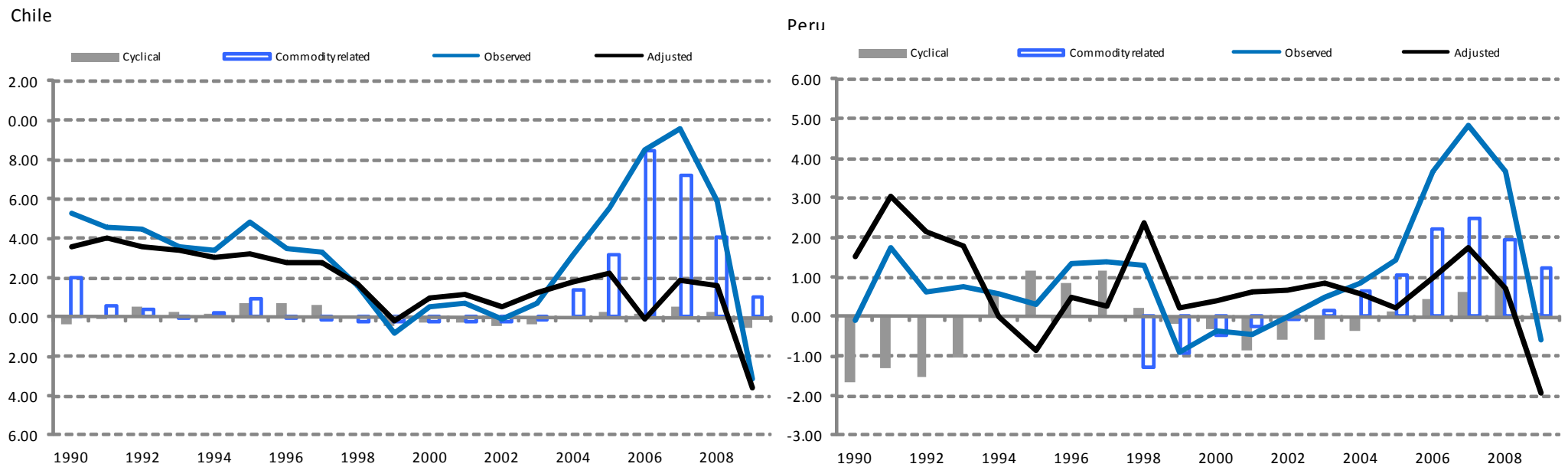
Argentina



Source: Daude, C., A. Melguizo and A. Neut (2010), "Fiscal policy in Latin America: Countercyclical and sustainable at last?", OECD Development Centre *Working Paper 291*

... Chile, Peru...

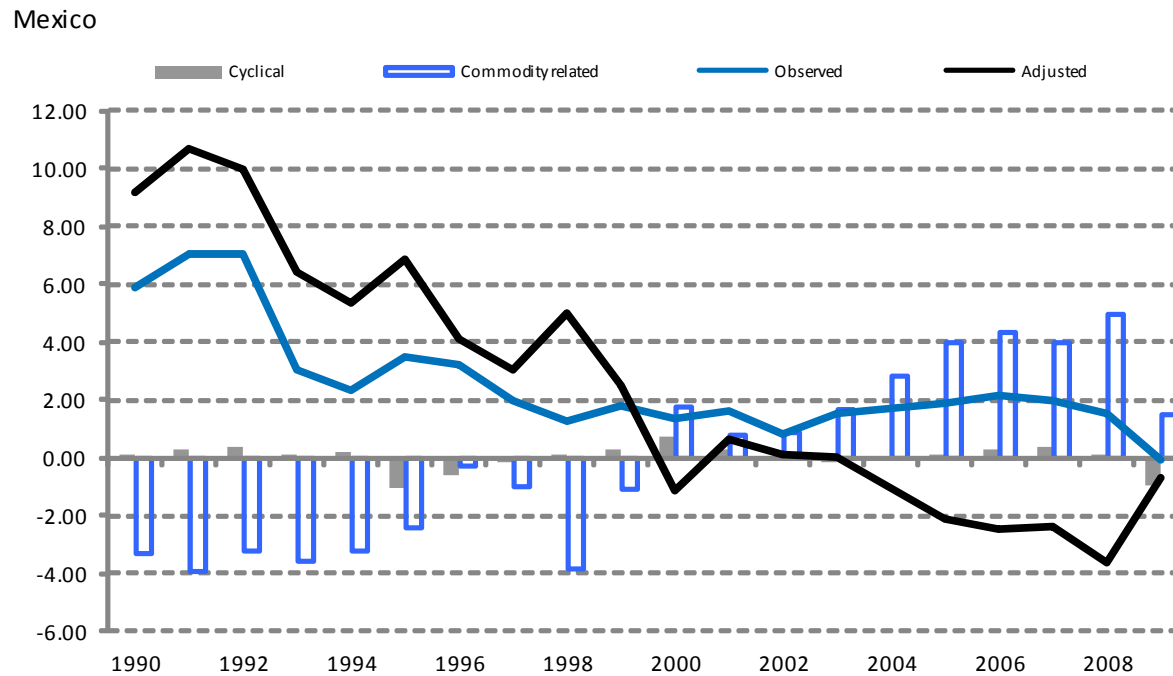
Adjusted primary budget balance (%GDP)



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... and Mexico

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Saving revenue windfalls: learning from peers from the region and outside

- **How?**
 - **Fiscal framework (e.g. rule) with a stabilisation fund?**
 - **Separated from the general budget?**
- **How much?**
 - **Structural (long-term) prices and quantity**
- **What for?**
 - **Fiscal sustainability** and/or
 - **Stabilisation** and/or
 - **Development (infrastructure, health, education)** and/or
 - **Equity (inter-generational, territorial)**

Gracias!



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