



Latin American Economic Outlook 2009

Fiscal Policy and Latin America's Development

Experts' Meeting
FIIAPP – OECD DEVELOPMENT CENTRE

24 -25 April 2008

OECD
Château de la Muette - Room D
Paris, France



I. Context: the OECD Development Centre and the Latin American Economic Outlook

The OECD Development Centre (www.oecd.org/dev) conducts comparative analysis and promotes informal policy dialogue on development issues of mutual interest to OECD member countries and emerging and developing economies, including those in Latin America. Three Latin American countries—Brazil, Chile and Mexico—are full members of the OECD Development Centre, represented on its Governing Board. The Centre also has an extensive network of counterparts in Latin America, both in academic and policy making circles.

The Development Centre presented the first *Latin American Economic Outlook (LEO)* in November 2007 in Santiago de Chile. This annual publication aims to be OECD's reference on development issues in Latin America. The first report's conclusions and policy recommendations have been warmly received in presentations in various Latin American and OECD country capitals. The findings of the report have also steered constructive debate on key development issues for the region, and generated extensive media coverage.

Building and expanding on one of the main themes in the 2008 report, the *Latin American Economic Outlook 2009* will focus on fiscal policy in Latin America. This Experts' Meeting is intended to generate critical feedback on ongoing background work for *LEO 2009*, gather new insights from both academia and practitioners and provide a platform for dialogue on key issues surrounding fiscal policy in Latin America.

The meeting is organised by the OECD Development Centre in collaboration with the International and Ibero American Foundation for Administration and Public Policy (FIIAPP), a Spanish public foundation, which works to promote democratic governance and institutional consolidation worldwide. As an instrument of the Spanish public sector, FIIAPP has the mandate to mobilize the *know how* and expertise of the Spanish Public Administration in the service of the country's international development efforts.

II. Fiscal policy in Latin America: leading questions

Extending the benefits of modest but nevertheless continuous growth to the majority of citizens is a major challenge for economic policy in Latin American countries. Indeed, this challenge is critical not only for economic well-being, but also for strengthening democracy in the region.

The role of fiscal policy in reducing inequalities and enhancing democratic legitimacy was one of the main themes of the *Latin American Economic Outlook 2008*. *LEO 2008* shows that fiscal policy does less to fight inequality in Latin America than in Europe; moreover, public spending in the region is often too little, and of low quality. The failure of fiscal policy to deliver the (public) goods undermines fiscal legitimacy, which in turn hampers democratic consolidation in the region.

Given that fiscal policy is at the heart of the relationship between the citizen and the state, especially in the current context of democratic consolidation in Latin America, *LEO 2009* will deepen the analysis of the relationship between fiscal policy and development.

The experts gathered at this meeting are invited to explore linkages between fiscal policy and different dimensions of development in Latin America.

III. Structure of the meeting

The format of the event is very informal and we encourage all participants to enter into the discussion. Each session is organised around preliminary analysis that will be included, after taking into account comments and reactions, in LEO 2009. For this purpose, the structure of the sessions will be quite open; more than half of each session will be dedicated to debating in a roundtable manner.

The meeting is organised in six topical sessions. Session I will focus on **Fiscal Policy, Growth and Development**. The discussion will aim to identify the ways fiscal policy can promote growth and development in Latin America.

Session II continues with a focus on **Public Spending and the Quality of Education**. The objective of this session is to analyse how higher quality public spending on education can foster competitiveness and build social cohesion. This session will assess the quality of spending on education, drawing upon the recently released results of the OECD's PISA study on student performance.

Session III, on **Tax Systems and Tax Evasion**, asks, how do Latin American and OECD tax structures compare? Closely linked to this question is an analysis of the incentives provided by tax systems for tax payers to comply or to avoid payment and the role of tax expenditures in encouraging or discouraging tax evasion and avoidance.

Focusing on **The Political Economy of Fiscal Policy**, Session IV will analyse the main lessons that Latin American countries can learn from OECD countries' experience with the political economy of fiscal reforms. The session will also assess the effects of the political cycle in Latin American countries on foreign investors' perceptions of their economies.

Session V will focus on **Fiscal Policy and Informality**. Should fiscal policy be approached differently in countries where the majority of employment and a large share of value added occur outside the state's field of vision? This session will provide elements of an answer to this question, drawn from the experience of OECD countries and recent initiatives in Latin America.

Finally, Session VI, **Implications for Policy Makers**, will be a roundtable discussion dedicated to debating the practical implications of the two days' discussion.

The meeting will be held in English and Spanish and there will be simultaneous translation available for both languages.

Thursday, 24 April 2008

Château de la Muette, Room D

14:30-15:00 Introductory remarks

Javier Santiso
Director, OECD Development Centre

Antonio Fernández Poyato
Director, International and IberoAmerican Foundation for Administration and Public Policy (FIIAPP)

15:00-16:30 Session I – Fiscal policy, growth and development

This session will set a framework for analysing the role of fiscal policy in promoting growth, development, and social cohesion in Latin America. Participants will address the following questions:

1. *What are the main challenges and opportunities for governments and policy makers in terms of fiscal policy for development?*
2. *How can the quality of fiscal policy in Latin America be further improved?*
3. *What role does fiscal policy play in promoting social cohesion in Latin America?*

Session 1—Panel:

15:00-15:30

Chair: Augusto de la Torre
Chief Economist for the Latin America and the Caribbean Region, World Bank

Presentation

Jeff Dayton-Johnson (10 min.)
Senior Economist and Head of Latin America and Caribbean Desk, OECD Development Centre

Leading panellists

Lars Osberg (10 min.)
McCulloch Professor of Economics at Dalhousie University

Vito Tanzi (10 min.)
Senior Consultant at the Inter-American Development Bank

Session 1—Roundtable:

15:30-16:30

16:30-16:45 Coffee break

Thursday, 24 April 2008

Château de la Muette, Room D

16:45-18:15 Session 2 – Public spending and quality education

This session discusses the role of public spending in education as a tool for strengthening competitiveness and building social cohesion. Participants will address the following questions:

1. *How do educational systems perform in Latin America when compared with other emerging regions and OECD benchmarks?*
 2. *How can governments promote high quality education? What role can public spending play?*
 3. *Within a country, why do some schools perform better than others?*
-

Session 2—Panel:

16:45-17:15

*Chair: Nora Lustig
Elliott School of International Affairs, George Washington University*

Presentation

Pablo Zoido (10 min.)
Economist, OECD Development Centre

Leading panellists

Andreas Schleicher (10 min.)
Head of the Indicators and Analysis Division, OECD Directorate for Education

Joaquim Pinto de Andrade (10 min.)
Professor, Department of Economics, University of Brasilia

Session 2—Roundtable:

17:15-18:15

Friday, 25 April 2008

Château de la Muette, Room D

8:45–9:00 *Welcome Coffee*

9:00–10:30 **Session 3 – The political economy of fiscal policy**

This session will discuss political-economy aspects of fiscal policy with particular attention to the role of political cycles in explaining the recommendations of private banks for public debt and in driving policy reform. Participants will address the following questions:

1. *What can Latin American countries learn from OECD countries' experiences with the political economy of fiscal reform?*
2. *Does the political cycle affect the way foreign investors perceive Latin American economies? Have those perceptions changed in recent years?*

Session 3—Panel:

9:00-9:30

Chair: Luis Felipe Céspedes

General Coordinator of Advisors and Economic Policies, Ministry of Finance of Chile

Presentation

Mick Moore (10 min.)

Director of the Centre for the Future State, Institute of Development Studies, University of Sussex

Leading panellists

Sebastián Nieto (10 min.)

Economist, OECD Development Centre

Carlos Elizondo (10 min.)

Professor, Centre on Research and Teachings in Economics (CIDE)

Session 3—Roundtable:

9:30-10:30

10:30-10:45 *Coffee break*

Friday, 25 April 2008

Château de la Muette, Room D

10:45–12:15 Session 4 – Tax systems and tax evasion

This session discusses tax structures in Latin America with a particular attention to personal income taxes and tax evasion. Participants will address the following questions:

1. How do Latin American and OECD tax structures compare?
 2. What role does tax evasion play in explaining different patterns of taxation?
-

Session 4—Panel:

10:45-11:15

Chair: Jeffrey Owens

Director, OECD Centre for Tax Policy and Administration

Presentation

Ricardo Martner (10 min.)

Chief, Area of Budgeting and Public Management, ILPES-ECLAC

Leading panellists

Facundo Alvaredo (10 min.)

Paris School of Economics & Consultant, OECD Development Centre

David Butler (10 min.)

Head of the Tax Administration and Consumption Taxes Division, OECD Centre for Tax Policy and Administration

Session 4—Roundtable:

11:15-12:15

12:30-13:30 Buffet Lunch

Château de la Muette, George Marshall Room

Friday, 25 April 2008

Château de la Muette, Room D

14:00–15:30 Session 5 – Fiscal policy and informality

This session tackles one of the main symptoms of a broken social contract in Latin America: informality. Participants will address the following questions:

1. *To what extent is informality driven by fiscal variables?*
 2. *What should good fiscal policy look like when the informal sector is large?*
 3. *Universal versus targeted social policies: how do the experiences of the OECD and Latin America compare?*
-

Session 5—Panel:

14:00-14:30

Chair: Paulo Levy

Director, Institute of Applied Economics Research - IPEA, Brazil

Presentation

Juan Ramón de Laiglesia (10 min.)

Economist, OECD Development Centre

Leading panellists

Stefano Scarpetta (10 min.)

Head of Division for Employment Analysis and Policy, OECD Directorate for Employment, Labour and Social Affairs

Luis Servén (10 min.)

Research Manager for Macroeconomics and Growth, World Bank Development Research Group

Session 5—Roundtable:

14:30-15:30

15:30-15:45 Coffee break

Friday, 25 April 2008

Château de la Muette, Room D

15:45–17:15 Session 6 – Roundtable: Implications for Policy Makers

This session will consist of a roundtable discussion led by Latin American policy makers. They will address the following questions.

1. *What can Latin America and the OECD learn from each other?*
 2. *What are the practical implications for policy makers?*
-

Chairs:

Antonio Fernández Poyato and Javier Santiso (10 min.)
Directors, FIIAPP and OECD Development Centre

Leading panellists

Angelo José Mont´Alverne Duarte (10 min.)
Under Secretary for Macroeconomics and Fiscal Policy, Ministry of Finance of Brazil

Luis Felipe Céspedes (10 min.)
General Coordinator of Advisors and Economic Policies, Ministry of Finance of Chile

Miguel Messmacher Linartas (10 min.)
Head of Economic Planning Unit, Secretary of Finance and Public Credit of Mexico