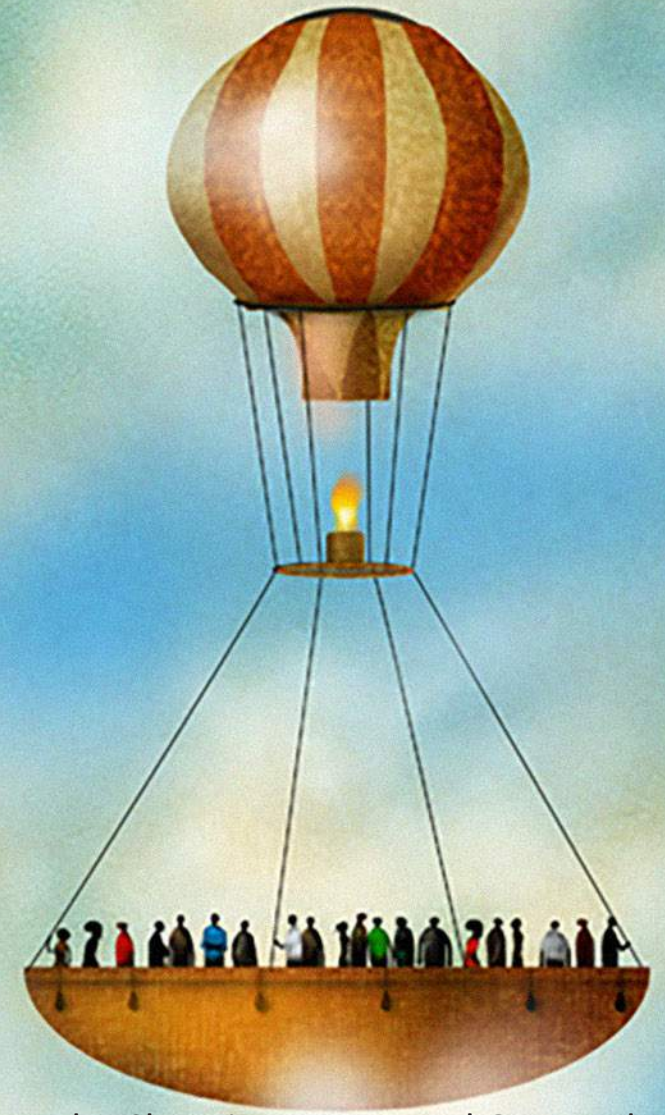


Better Spending  
for **Better Lives:**  
Lessons for Managing the Next  
Downturn

Edited by Alejandro Izquierdo,  
Carola Pessino, and Guillermo Vuletin



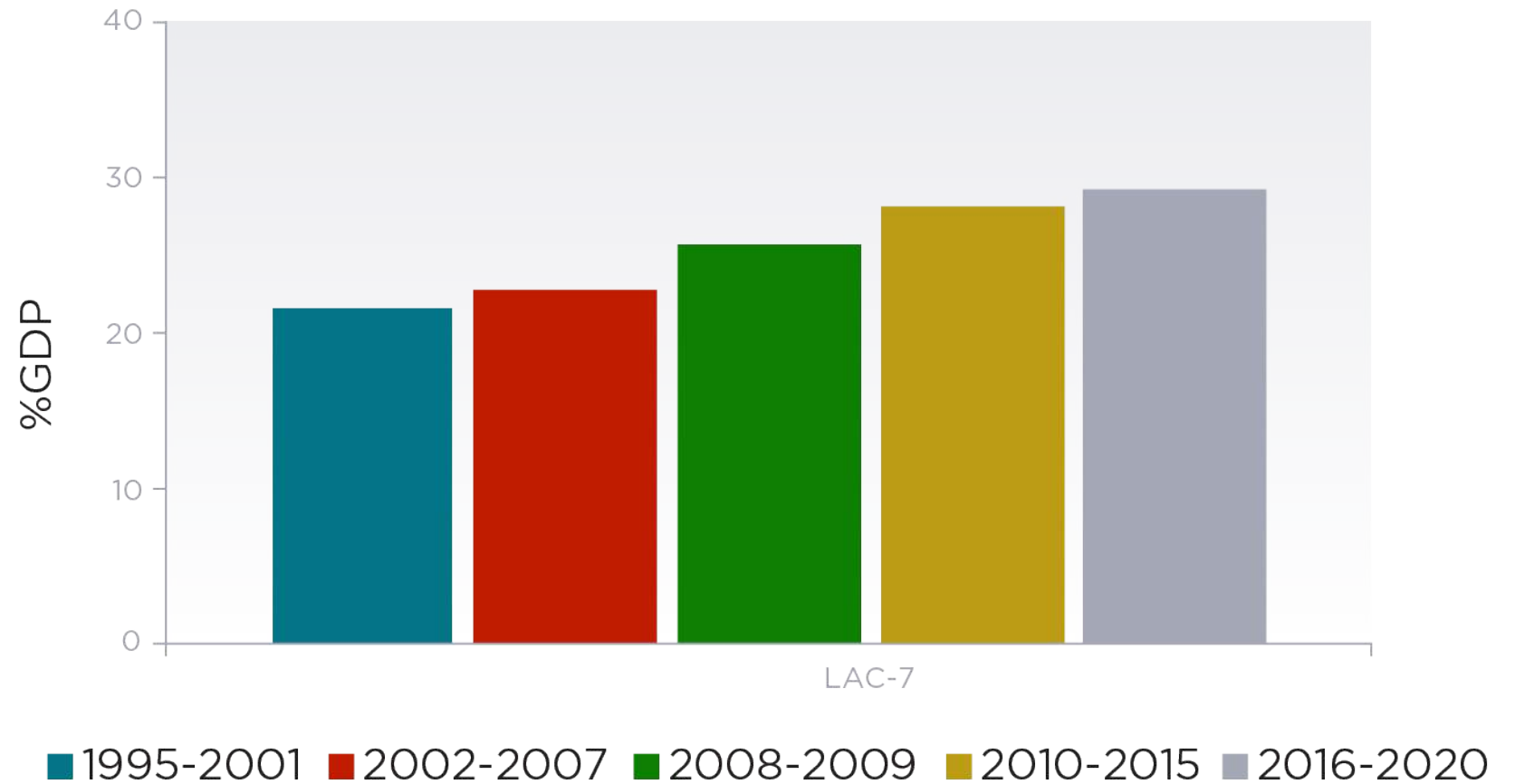
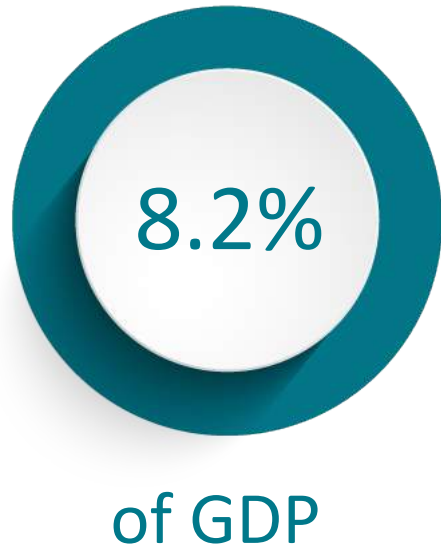
The Changing Nature and Geography  
of Global Finance

Cusco, Peru

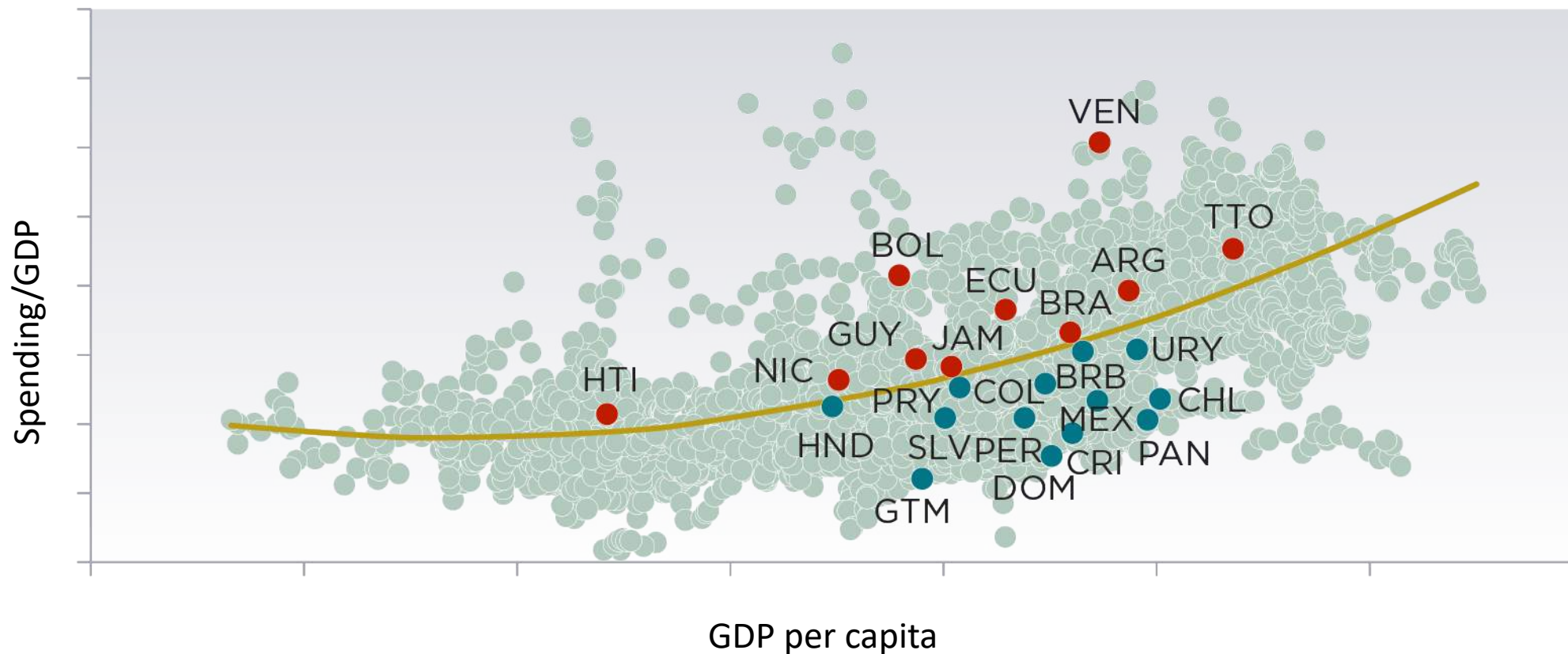
July 18th, 2019



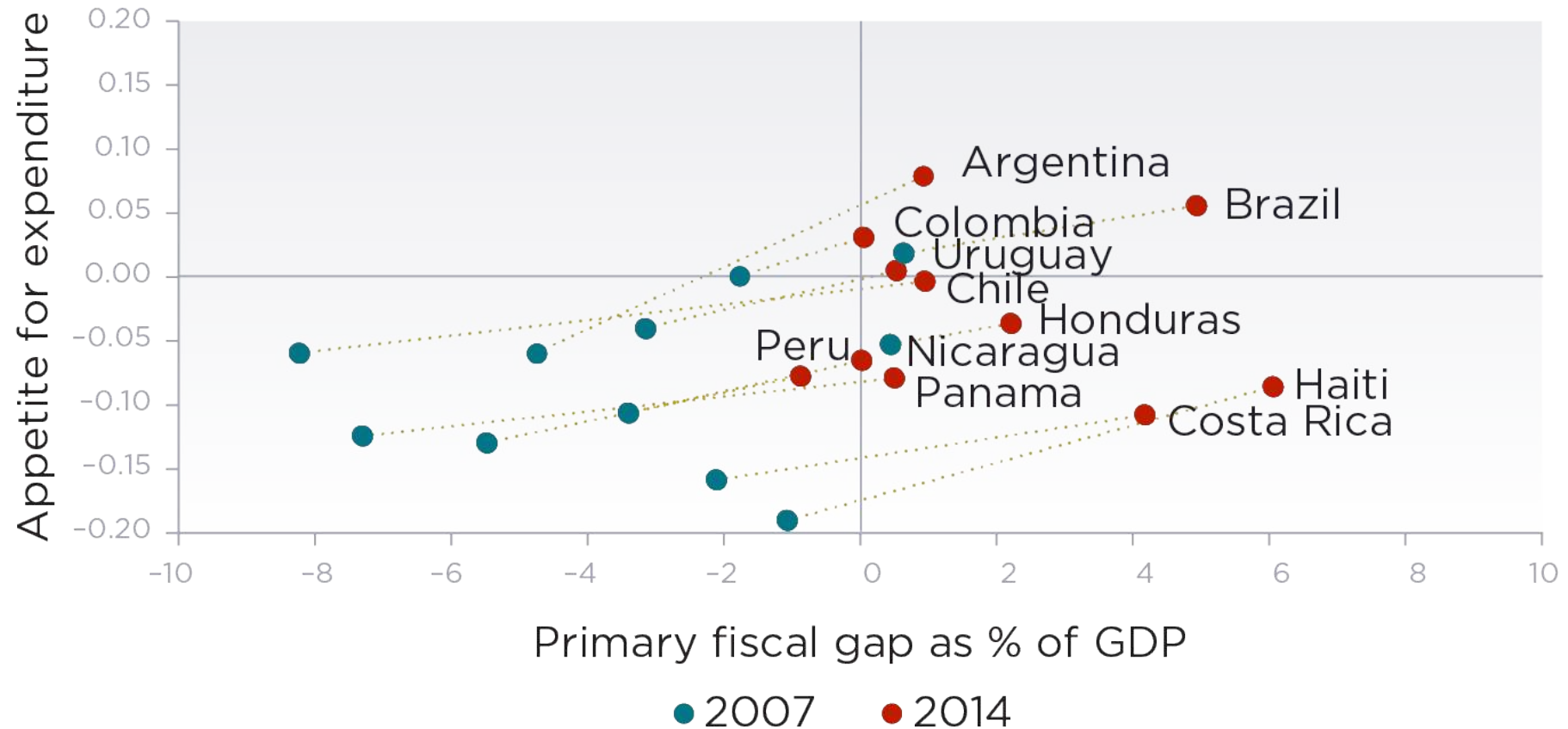
## » Public Spending across the Region's Largest Economies



## » Some Spend Above Their Level of Development, Others Below

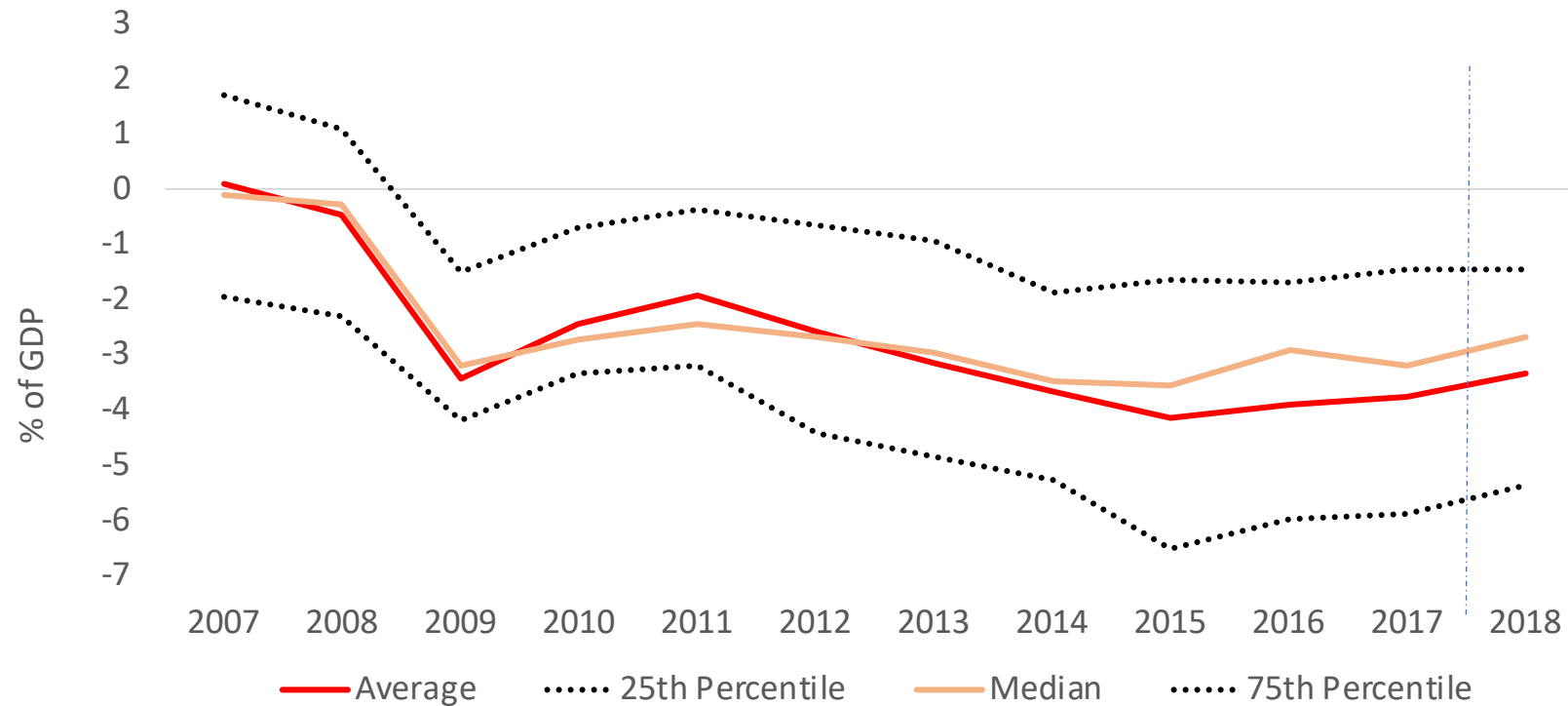


## » Greater Appetite for Expenditure, Greater Vulnerability



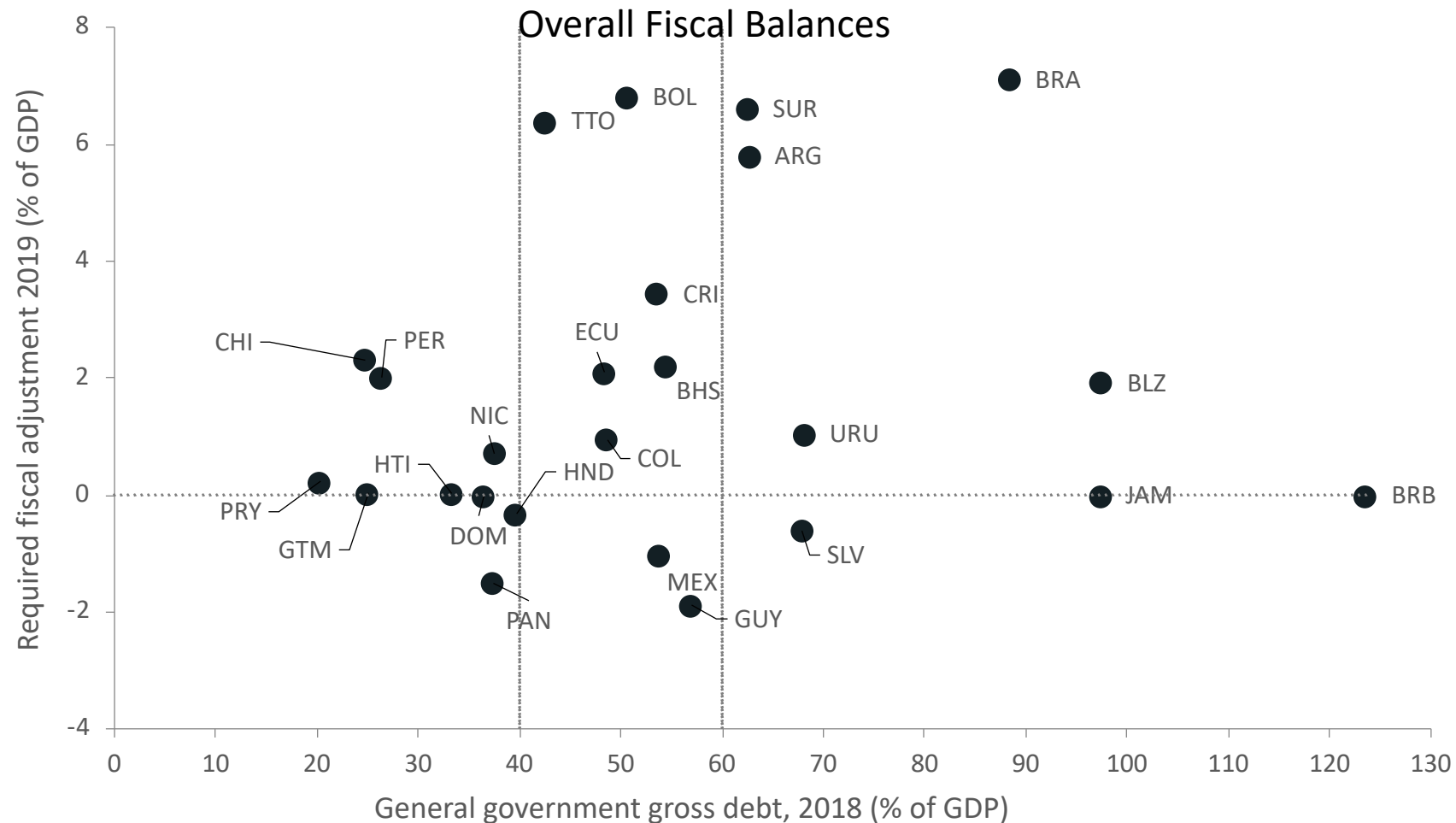
## » Overall deficits remain high. There has been some improvement, but only gradual

Overall Fiscal Balances



Source: IDB staff calculations based on national sources and IMF (2018).

# » In many countries, large fiscal adjustments are still required to stabilize Debt-to-GDP ratios



Source: IDB staff estimates based on IMF (2018b), WEO.



# » Indicators of resilience to "sudden stops" today are weaker than before the global crisis, particularly on the fiscal side

(% OF GDP)	FISCAL BALANCE			CURRENT ACCOUNT			LIABILITY DOLLARIZATION			RESERVES		
	2007		2018	2007		2018	2007		2018	2007		2018
LAC 6	1.0	●	−3.9	0.7	●	−2.2	7.7	●	11.0	13.8	●	18.2
Central America	0.0	●	−3.1	−8.8	●	−3.0	20.4	●	23.0	15.7	●	16.2
Caribbean	−4.3	●	−0.7	−10.4	●	−3.3	16.1	●	19.5	10.8	●	17.0
South America	1.4	●	−4.1	2.7	●	−2.2	14.4	●	15.2	18.1	●	19.4
Avg. LAC	0.4	●	−3.4	−2.3	●	−2.5	15.6	●	17.4	15.8	●	18.4

Source: Building Opportunities for Growth in a Challenging World, 2019 Latin American and Caribbean Macroeconomic Report, IDB.

Note: LAC 6 includes Argentina, Brazil, Chile, Colombia, Mexico and Peru.

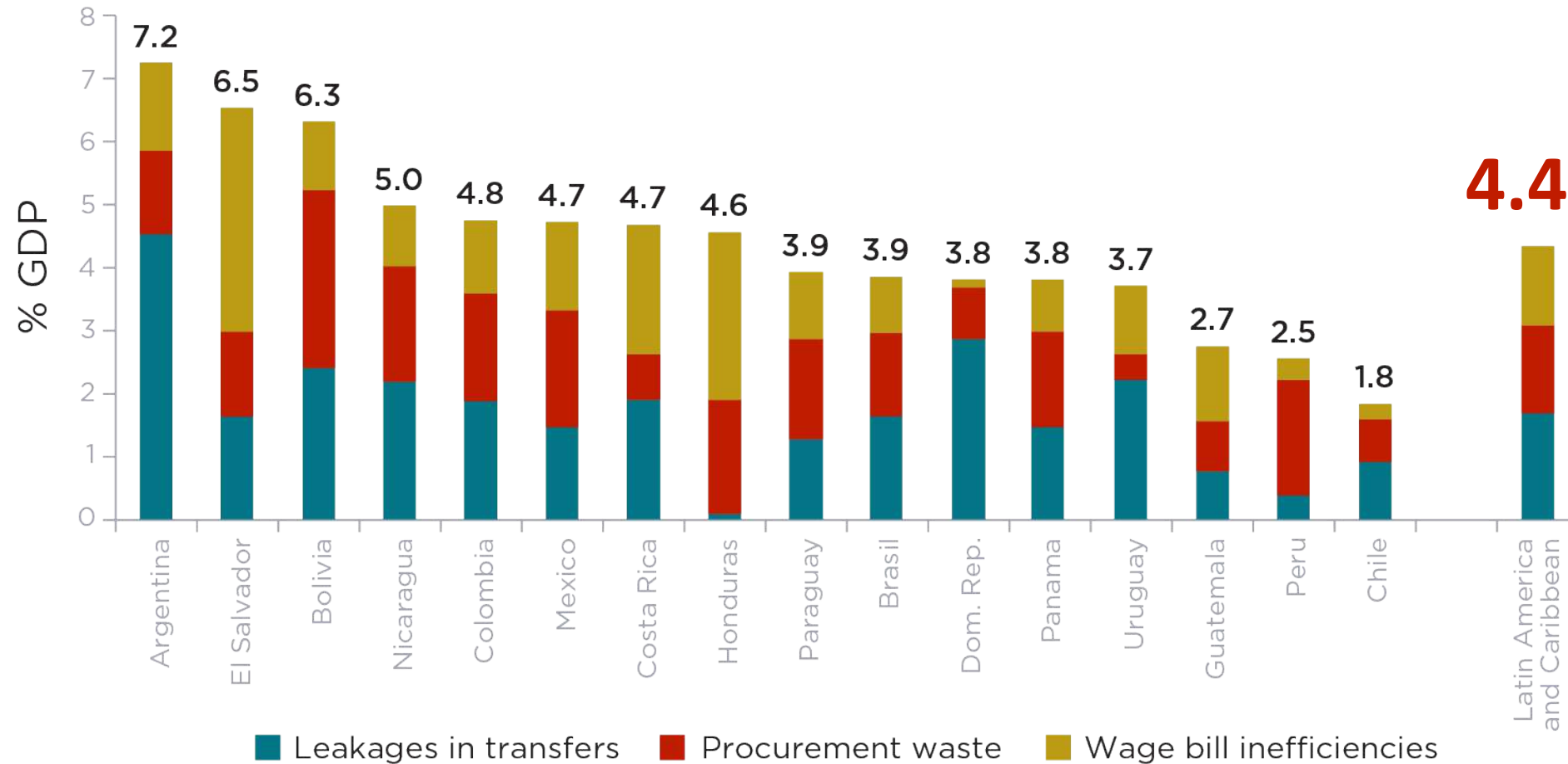




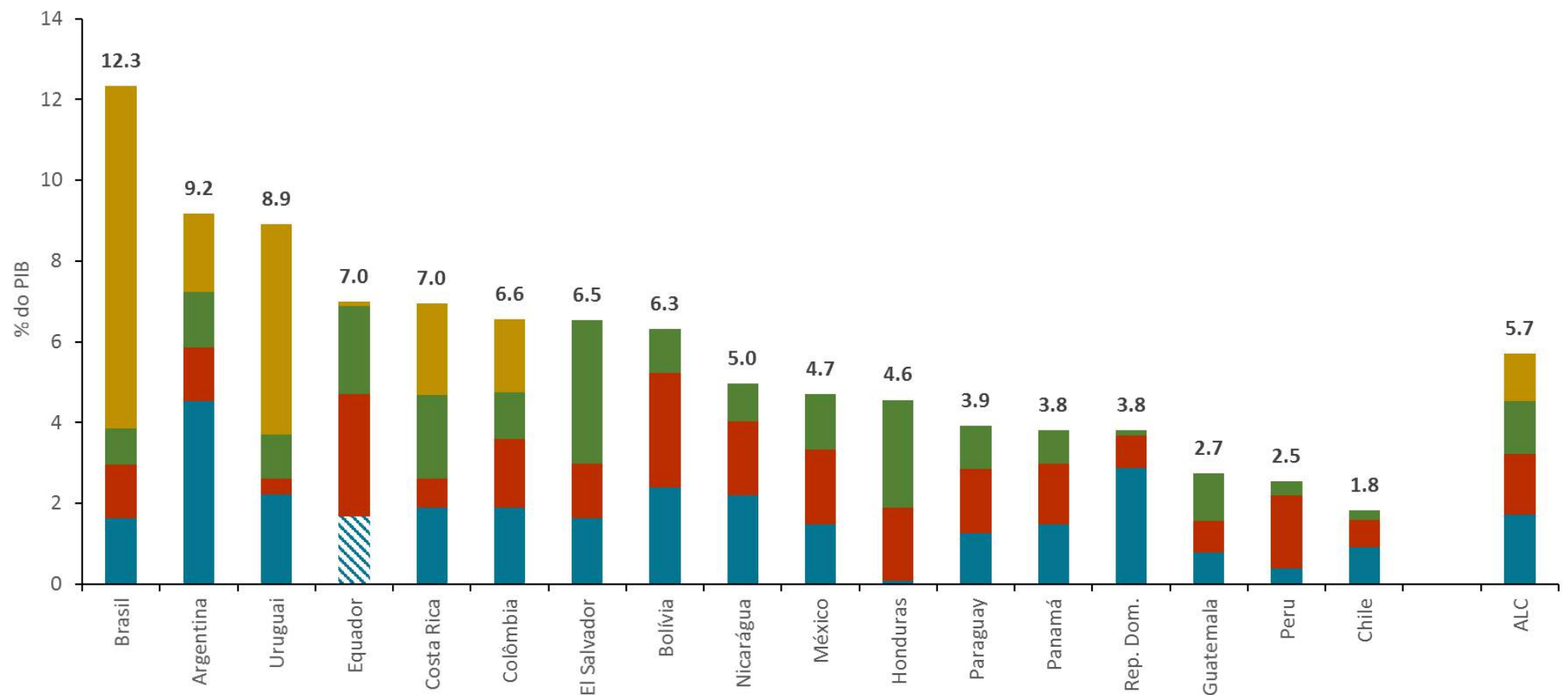
Better Spending for **Better Lives** - How Latin America and the Caribbean Can ***Do More with Less***



## » Transfers, Procurement, and Wages: Large Potential Gains



# » Even more gains if excess transfers to pensioners are considered



■ Vazamentos em transferências ■ Desperdício em compras públicas ■ Ineficiência na massa salarial ■ Ineficiências em gastos de aposentadorias

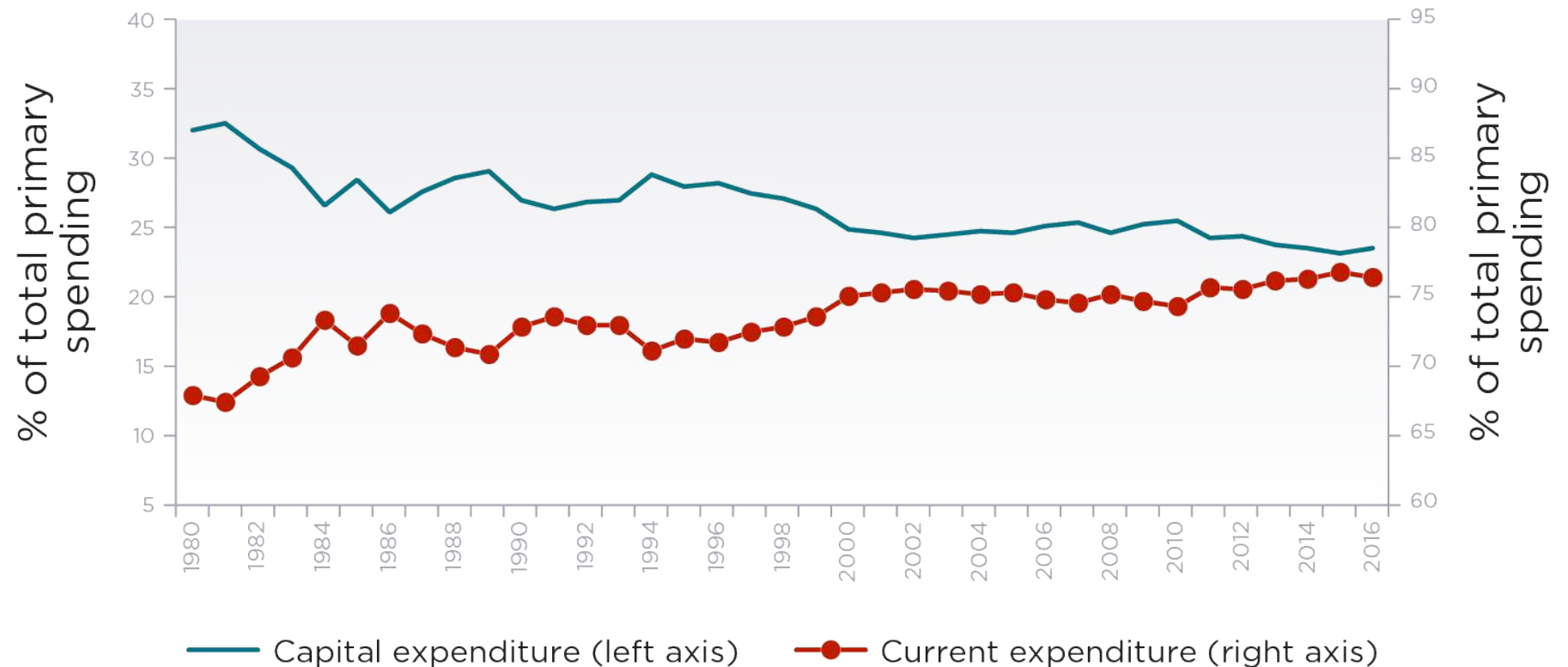
Brasil → 1.6% 1.3% 0.9% 8.5%





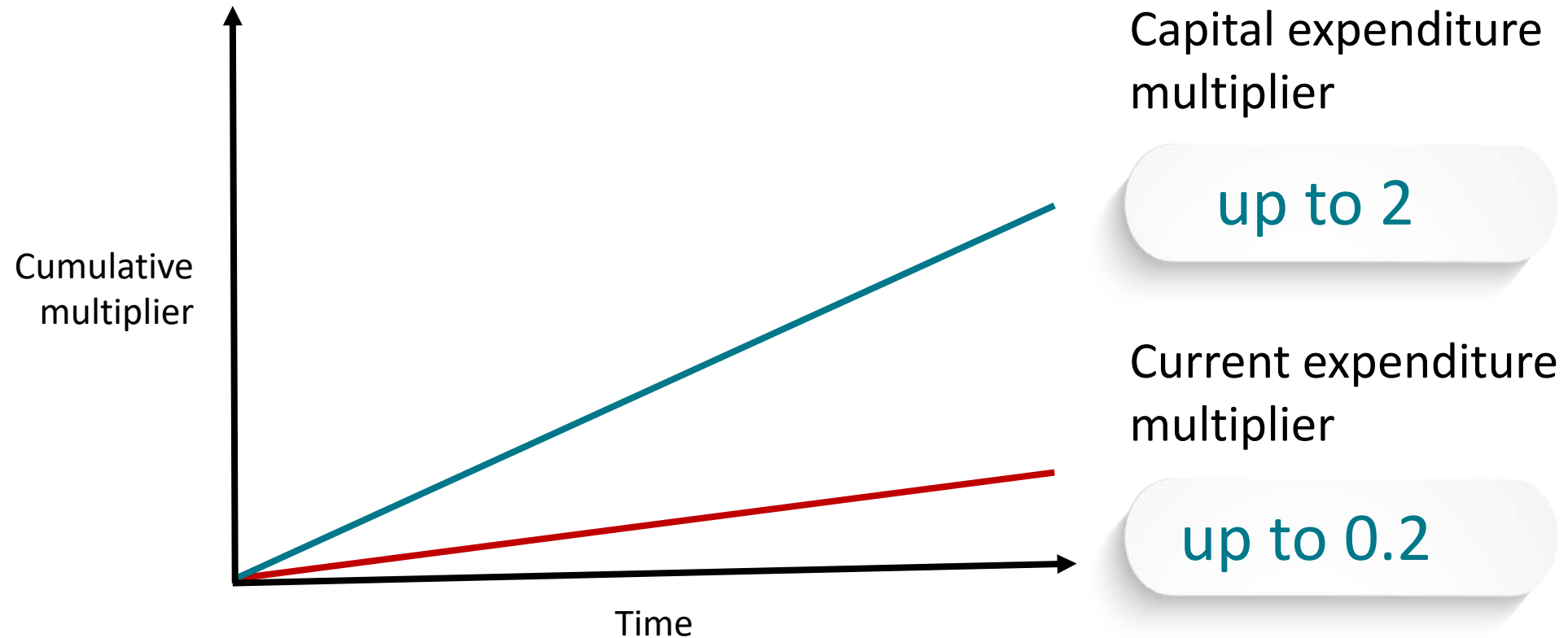
## » Shortchanging the Future: Current vs. Capital Expenditure

Developing  
Economies

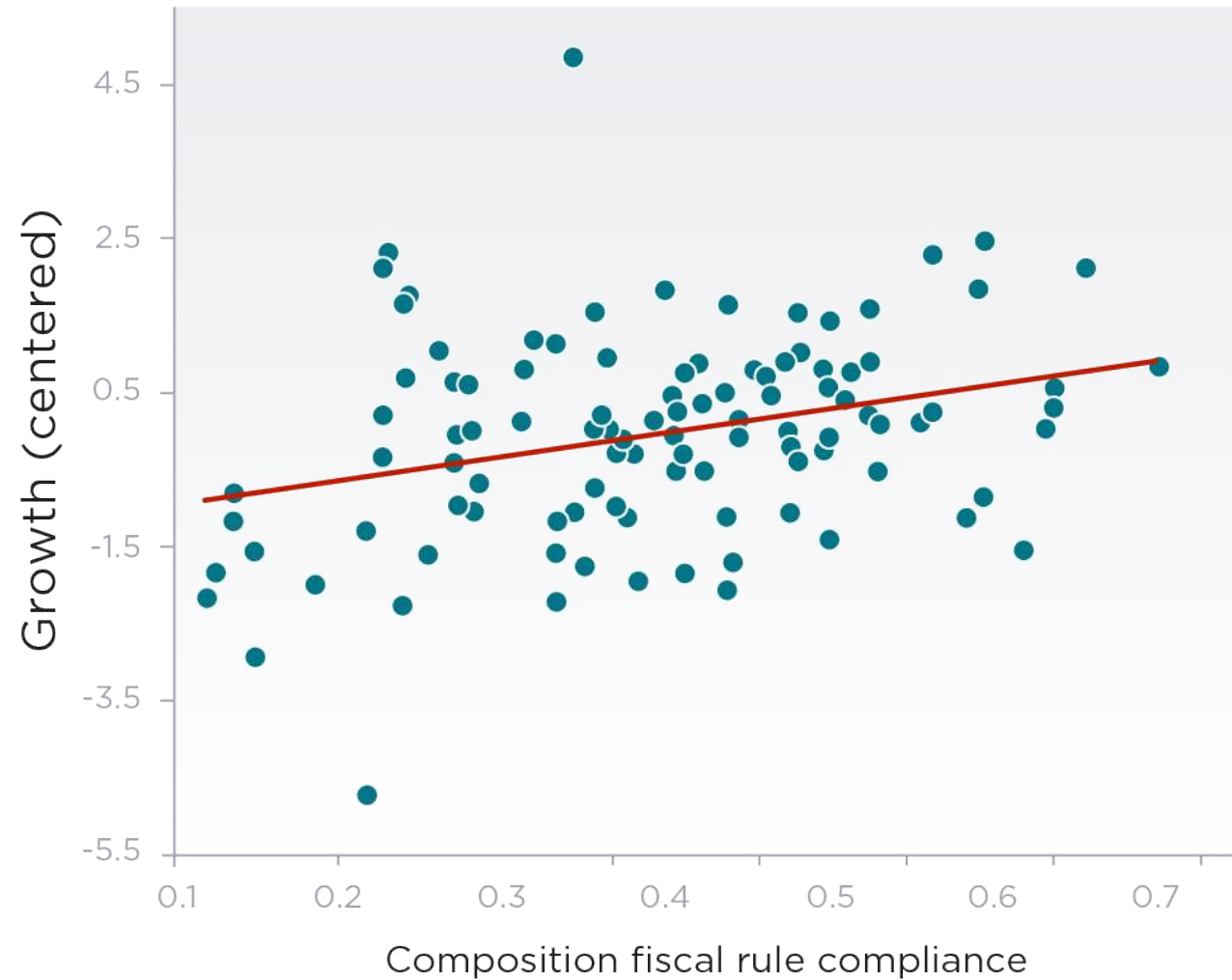




## » The Power of Multipliers

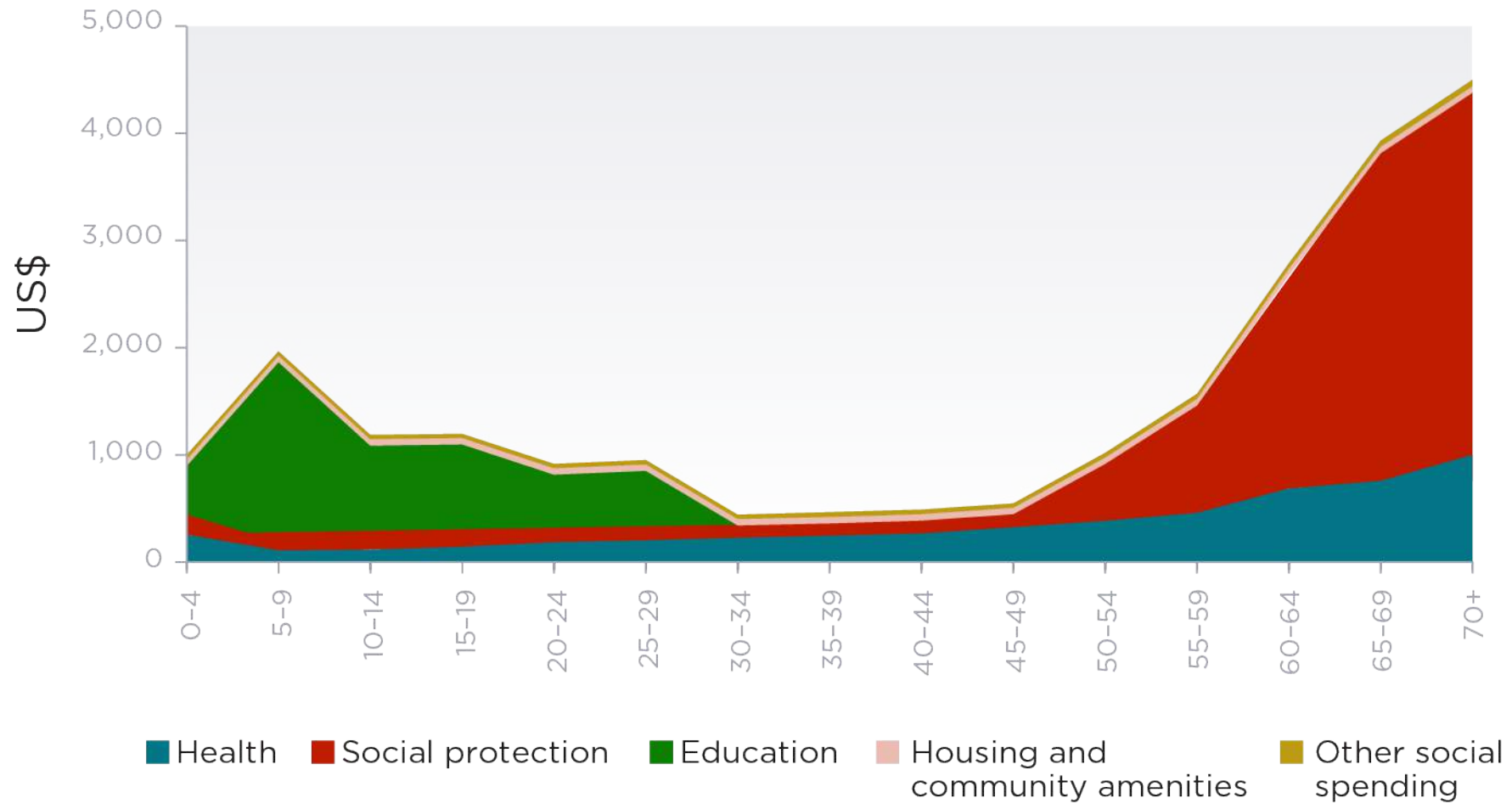


» Promote fiscal rules that **protect investment**

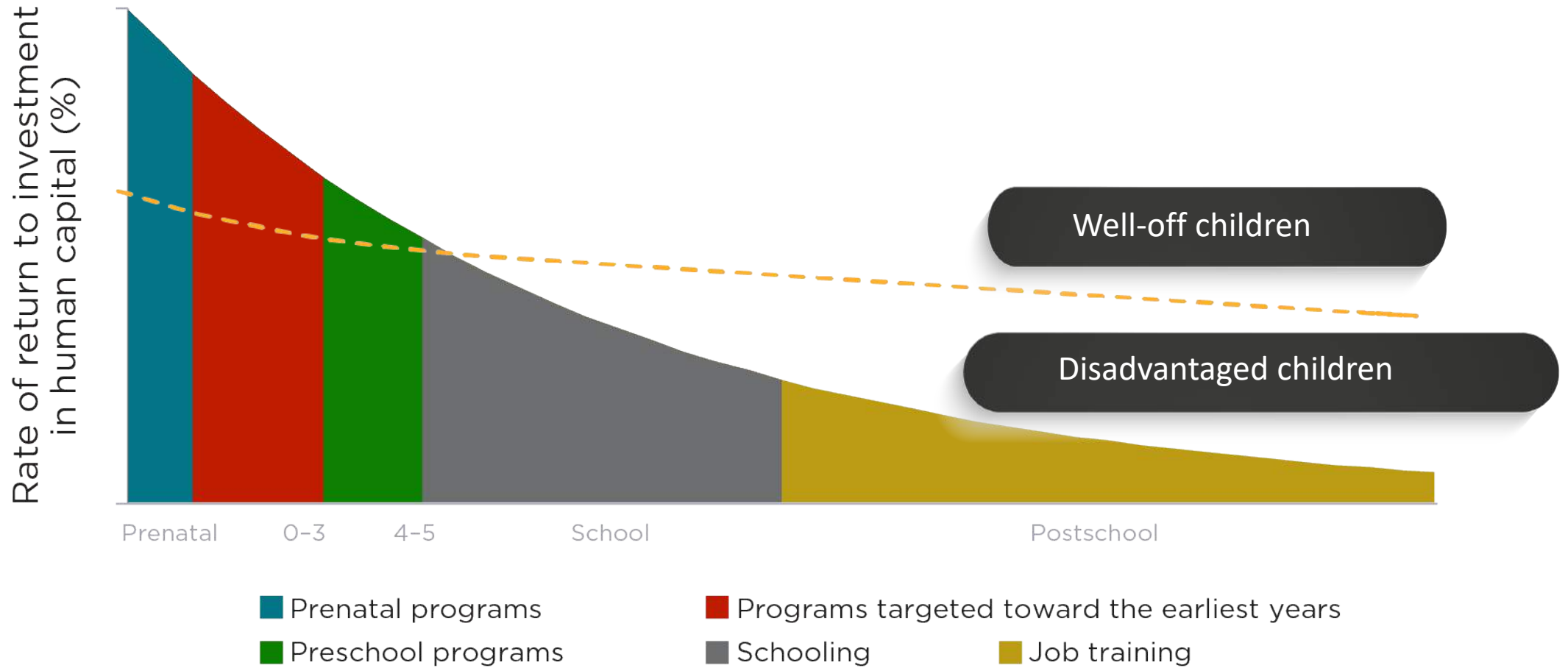




## » Young vs. Old



## » Early vs. Tertiary Education

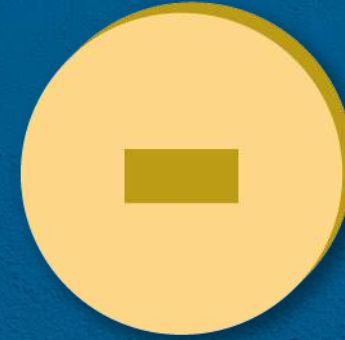




## » What favors growth?

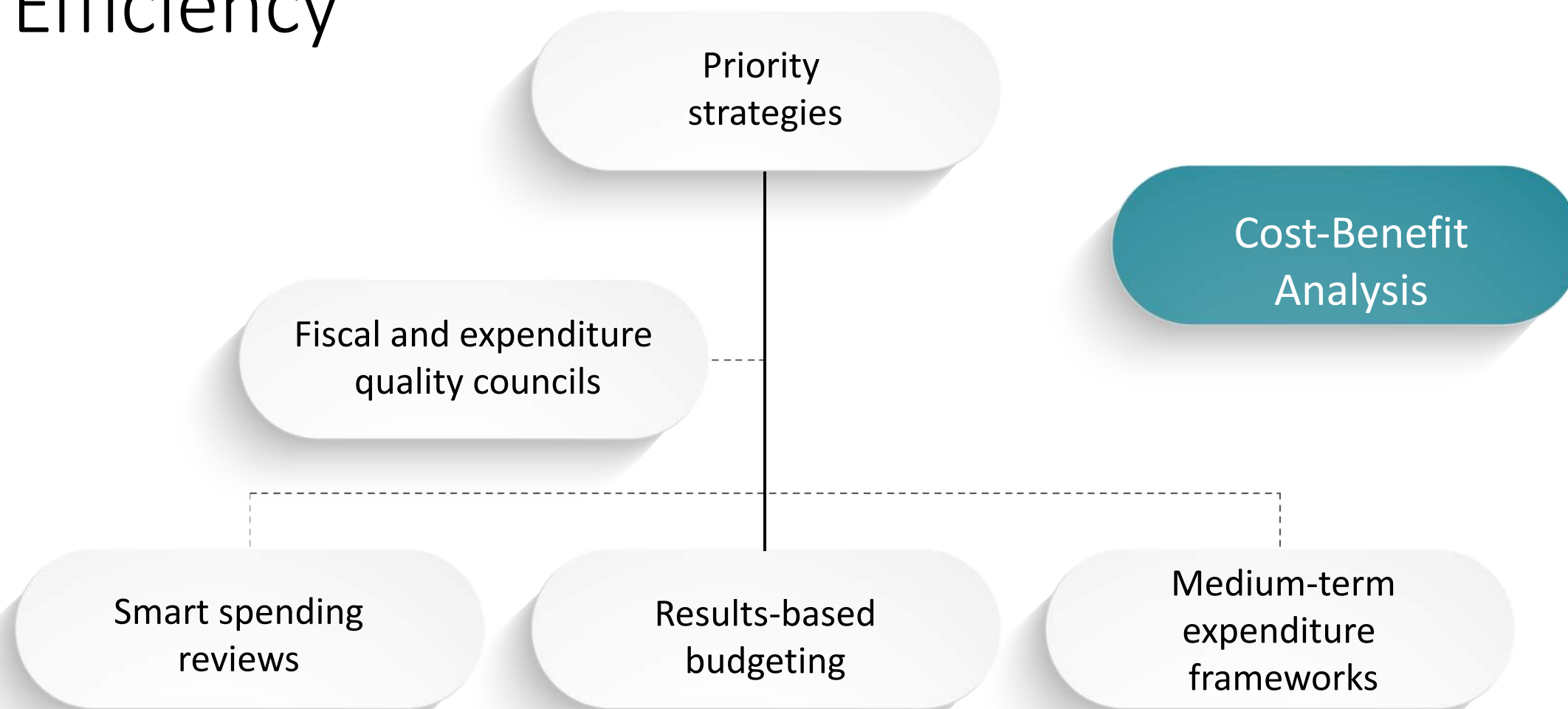


Capital expenditures  
Quality human  
capital



Excessive transfers  
Large expenditure  
without good management

# » Strengthen Institutions for Allocative Efficiency







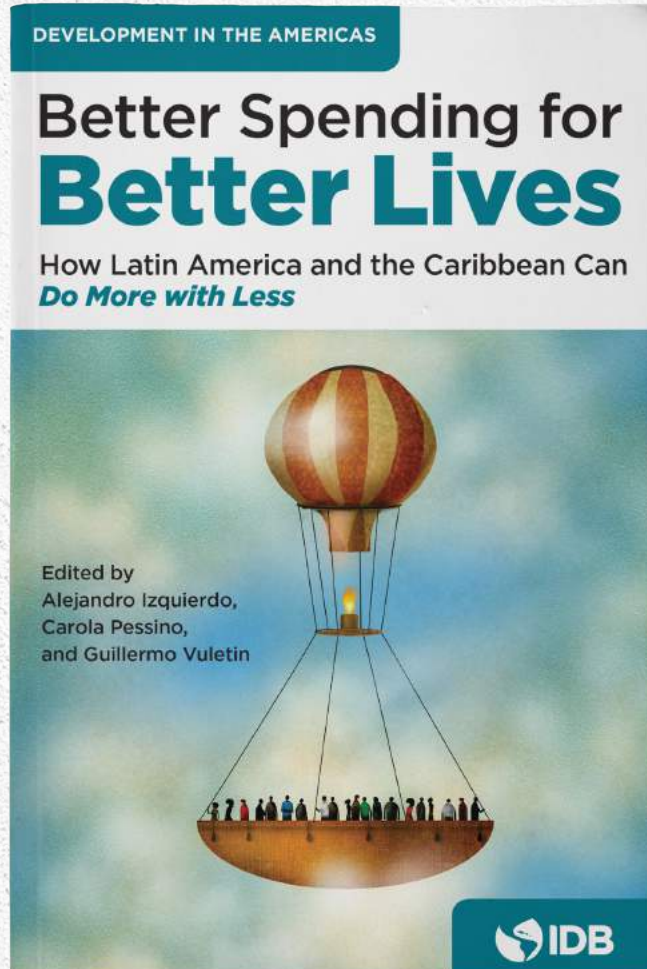


## » Reducing Inequality through Transfers and Direct Taxes

4.7%  
in Latin  
America



38%  
in OECD  
and EU



[www.iadb.org/DIA2018spending](http://www.iadb.org/DIA2018spending)

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