

## Executive summary

Despite the recent financial and economic crisis, Latin America and the Caribbean (LAC) countries have experienced economic growth. The positive economic performance has been driven in part by important structural reforms intended to contribute to the prudent management of public finances, and by the commodities boom in the last decade. Among others, these factors have afforded many LAC countries the opportunity to strengthen their fiscal positions, enhancing their resilience to negative economic shocks.

Nevertheless, several challenges remain in the coming years, namely the euro area's weak performance, the uncertainty of the United States monetary policy and the slowdown of China's economy. In addition, the foreseen moderation of commodity prices might challenge LAC governments and societies to do more with less, in particular as countries continue their path to development and demands from citizens continue to grow. The indicators presented in *Government at a Glance: Latin America and the Caribbean 2014: Towards Innovative Public Financial Management* shed light on the progress achieved by LAC countries in recent years as well as the areas calling for further development and improvements.

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### Key findings

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- **Governments in the LAC region are relatively small.** Public employment in the LAC region represented 10.7% of the total labour force in 2010; government expenditures were 27.8% of GDP in 2011. For OECD countries these figures were 15.3% and 45.2% respectively. Furthermore, in contrast to the OECD, LAC governments spend substantially less in social benefits and transfers for their citizens.
- **Data on the compensation of public employees reflects an unequal pay structure.** Data has been collected for the first time on the compensation of central government employees in core ministries, for selected occupations. While lower in monetary adjusted terms, relative to GDP per capita compensation for all positions is higher in LAC countries than in the OECD. On average the compensation of a top manager (D1) is 11.3 times the GDP per capita in LAC countries, compared to 5.9 times in OECD countries. In addition, when compensation levels are compared across several positions, larger differences are found in the LAC region than in OECD countries, for example, while in the OECD on average the compensation of a senior manager amounts to 4.6 times the compensation of a secretary, this figure is 6.7 times in the LAC region.
- **The representation of women in politics is increasing; in LAC countries 21% of the ministers were women in 2012.** For the same year women held 20% of parliamentary seats in lower or single houses of parliament and both of these figures increased since 2005. In addition, 12 LAC countries have introduced legislated quotas as a means of addressing the gender gap in among parliamentarians. In OECD countries, women held 25% of parliamentary and ministerial positions while only nine countries have adopted legislated quotas.

- **LAC countries are strengthening fiscal frameworks through innovative budget practices.** Many countries in the region have adopted budget practices in order to ensure greater adherence to fiscal discipline and long term sustainability. Among these tools are fiscal rules, which are used in 10 LAC countries in an effort to increase macroeconomic stability. In many cases fiscal rules are accompanied by stabilisation funds as means of smoothing fluctuations in non-renewable commodity revenues by accumulating additional resources during price surges and financing necessary expenditures during declines. Furthermore, medium term expenditure frameworks (MTEF) have been established by 8 countries seeking to create the necessary budget discipline to manage expenditure in an anti-cyclical manner. In addition, 11 LAC countries (from 17 surveyed) have established performance budgeting frameworks at the central government level in order to improve the allocation and effectiveness of public expenditure. In 14 countries, support is available to parliament or congress, to a varying degree, as a means to generate budgetary and economic information, and also to ensure the efficiency and transparency of public spending. In comparison 88% of OECD countries have established MTEFs and 97% have implemented fiscal rules, the average number of rules per country has increased. Furthermore, standardised performance budgeting frameworks are used in all but eight OECD countries.
- **Investment levels are relatively low and governments are faced with high budgetary earmarks.** On average investment represented 2.6% of GDP in 2011 for LAC countries, these levels are relatively low when compared to other developing regions. In addition, many governments are faced with a significant amount of pre-assigned expenditures limiting their possibility to create fiscal space.
- **E-procurement and the public availability of procurement documents is a widespread practice in LAC countries.** Public procurement systems in LAC countries cover up to 20% of GDP, making them an essential component of public administrations and the objects of much reform in recent years. LAC countries have made important progress in guaranteeing that procurement information is available and currently all countries have an e-procurement system in place. However, further progress could be achieved in the use of procurement as a strategic governance tool; only 40% of LAC countries incorporate social and environmental objectives into the procurement process. In contrast, policies and strategies to promote green procurement, the promotion of SMEs and support of innovative goods and services exist in 80%, 74% and 51% of OECD countries respectively.



**From:**

## **Government at a Glance**

### Latin America and the Caribbean 2014: Towards Innovative Public Financial Management

**Access the complete publication at:**

<https://doi.org/10.1787/9789264209480-en>

#### **Please cite this chapter as:**

OECD/Inter-American Development Bank (2014), "Executive summary", in *Government at a Glance: Latin America and the Caribbean 2014: Towards Innovative Public Financial Management*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264209480-3-en>

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