Revenues from non-renewable natural resources (NRNR) represent a key source of income for many LAC countries. Between 2000 and 2013, the region experienced a commodity boom that resulted from high international commodity prices, increasing significantly the fiscal resources available. During the boom period, a few countries had established reserve funds and put in place stabilisation mechanisms aimed at counterbalancing possible price plunges from commodities and guaranteeing inter-generational equity. However, in 2014 the trend reverted and a decline in tax and non-tax revenues from NRNR occurred in the region. The negative effects of declining commodity prices on government revenues across the majority of LAC countries have been acute, adding pressure on the sustainability of public finances.

In 2014, aggregated revenues from NRNR represented more that 10% of GDP in Bolivia (13.8%), Trinidad and Tobago (12.3%) and Ecuador (10.8%). On the other end, NRNR were below 2% of GDP in Chile (1.8%), Brazil (1.7%), Dominican Republic (0.6%) and Jamaica (0.04%). Between 2013 and 2014 aggregated revenues deriving from NRNR declined on average by 0.8 p.p. in the LAC region. The decline was steeper in Venezuela (3.3 p.p.) and Ecuador (1.3 p.p.). Meanwhile, Trinidad and Tobago (0.6%) and Argentina (0.1%) were the only LAC countries where resources from NRNR increased. In the case of Trinidad and Tobago, it is attributed to a one-off increase in corporate income tax receipts. For Argentina it was caused by an increase on the excise tax applied to fuels. It is projected that with diminishing prices, revenues in these two countries will be negatively affected.

Revenues from NRNR can be split into two categories: hydrocarbons and mining. For 10 out of 13 LAC countries with available information, hydrocarbons are relatively more important as a source of revenues than mining. Chile (copper and silver), the Dominican Republic (gold) and Jamaica (bauxite) are the only LAC countries that derive their NRNR revenues exclusively from mining. While prices for both categories of commodities diminished, the decrease was much steeper for hydrocarbons. As a result, between 2013 and 2014, the decrease in revenues that could be attributed to changes on the prices of hydrocarbons was 0.7 p.p. of GDP compared to an average decrease of 0.1 p.p. associated to changes on the prices of mining.

For some LAC countries, revenues from NRNR are a key source of funding. In Venezuela, Bolivia, Ecuador and Mexico these revenues accounted for over 30% of total revenues between 2010 and 2014. Compared to the period between 2005 and 2009 the relative importance of NRNR in total revenues decreased in Chile (10.9 p.p.), Venezuela (6.0 p.p.), Argentina (3.5 p.p.), Peru (2.9 p.p.), Mexico (2.8 p.p.) and Brazil (2.1 p.p.). Maintaining a steady or increasing level of public expenditures with diminishing revenues from NRNR entails finding alternative sources of revenues.

Methodology and definitions

Data are from the CEPALSTAT databases and publications by the Economic Commission for Latin America and the Caribbean (ECLAC). Non-renewable natural resources refer to mining and hydrocarbons. Fiscal revenues from hydrocarbons include revenues from upstream (exploration and production) and downstream (refining and commercialisation) activities. Revenues from non-renewable natural resources typically refer to government levies from corporations and are distributed along the categories of tax revenues, non-tax revenues and social contributions. Fiscal regimes for such revenues relate to royalties, income tax, other taxes on income and other levies. For example, royalty payments refer to the right to extract oil and gas or exploit other mineral resources and are normally regarded as non-tax revenues as they are property income from government-owned land or resources. General government and public corporations constitute the public sector. Public corporations in the case of non-renewal natural resources refer to non-financial enterprises.

Further reading

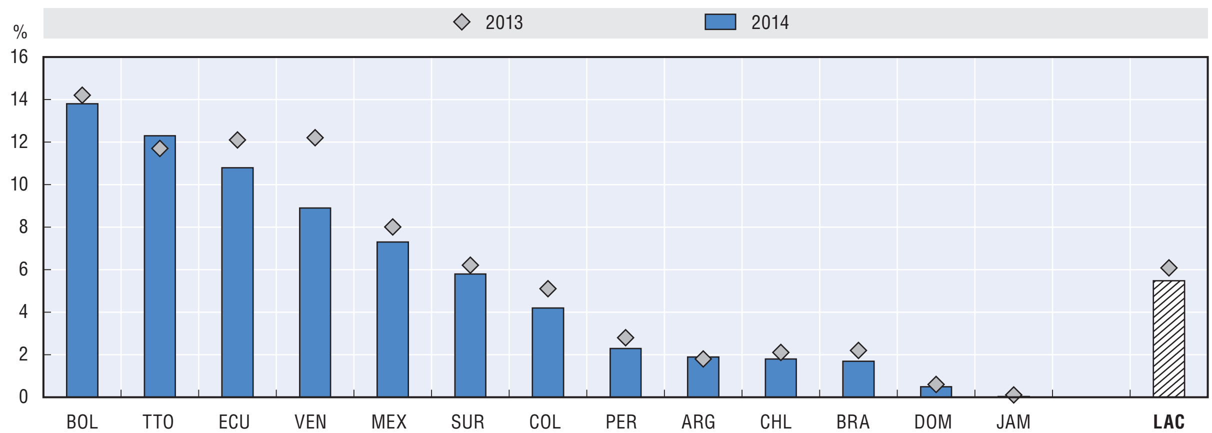
OECD (2016), Revenue Statistics in Latin America and the Caribbean 2016, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_lat_car-2016-en-fr*.

Figure notes

2.11: Revenues include hydrocarbons and mining. Data for 2014 are preliminary. Data for 2013 are revised.

2.12: Regional averages of hydrocarbon and mining revenues do not add up to the regional average of total non-renewable natural resources revenues as each represents a simple average of the available data. Data for 2014 are preliminary. Data for 2013 are revised.

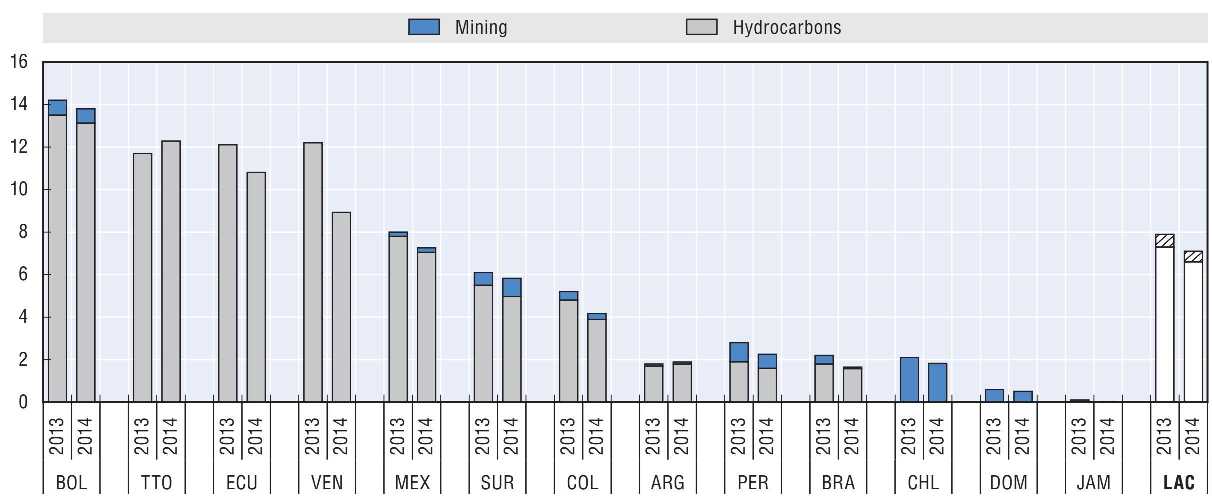
2.11. Fiscal revenues from non-renewable natural resources as a percentage of GDP, 2013 and 2014



Source: OECD/ECLAC/CIAT/IDB (2016) based on ECLAC data.

StatLink http://dx.doi.org/10.1787/888933430809

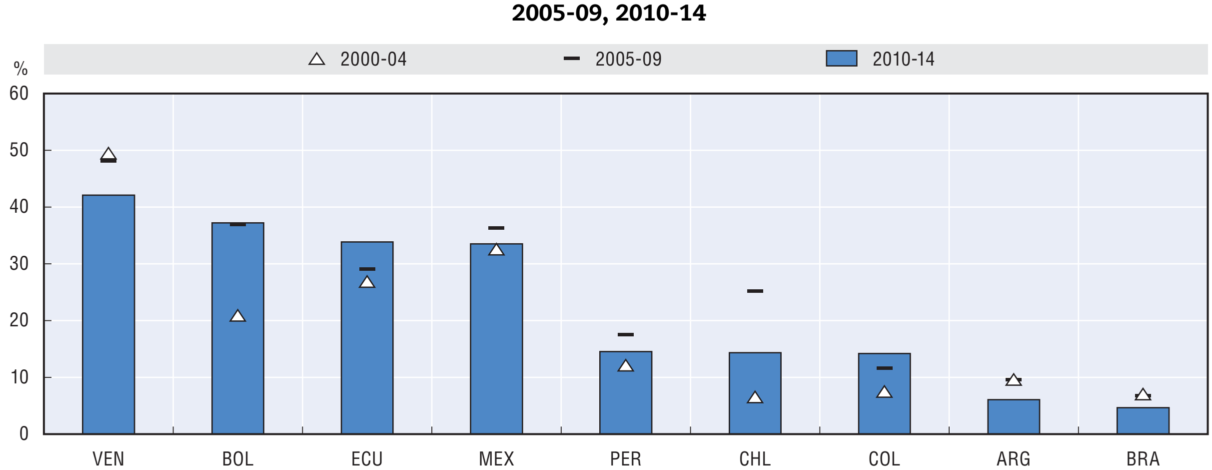
2.12. Fiscal revenues from non-renewable natural resources by country and commodity as percentage of GDP, 2013 and 2014



Source: OECD/ECLAC/CIAT (2016) based on ECLAC (2015).

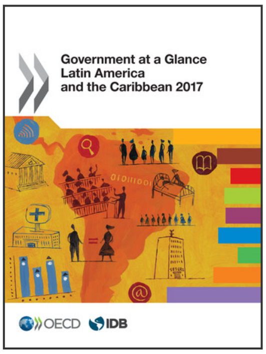
StatLink http://dx.doi.org/10.1787/888933430978

2.13. Relative participation of revenues from non-renewable natural resources as a share of total revenues, 2000-04, 2005-09, 2010-14



Source: OECD/ECLAC/CIAT (2016) based on ECLAC (2015).

StatLink http://dx.doi.org/10.1787/888933430988



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