

# What is in it for policy makers in LAC?

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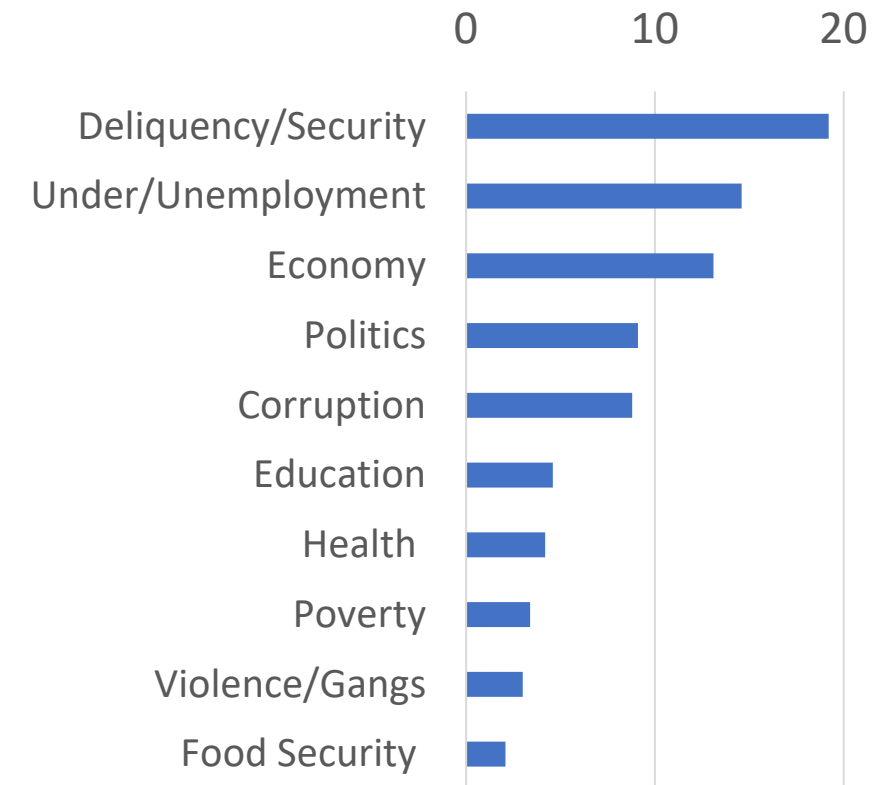
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# Recovery agenda in LAC

- Inequality, jobs
- Fiscal space
- Social unrest
- “Living another lost decade”
- Trade-offs are starker than in other MIC regions
- Social and fiscal closely connected
- No wonder:
  - EMDEs choose high speed/ fast impact
  - More “brown” than “green”

## What is the greatest problem facing your country?

All LAC % Latinobarometro 2018



# Inserting climate into the development agendas

- ...Means giving viable choices/calculated trade-offs (e.g. green tax externality)
- Need for a different strategy (from Paris to Mexico City)
  - LAC is a carbon sink. Role of small MICs in mitigation
  - The unfortunate history of “picking winners” in LAC – Must do better now
  - Lack of productivity is closely linked to distortions (e.g. Levy 2021, on social protection system)
  - High informality interferes with policy outcomes (e.g. vehicle/property taxes)
- The Post-COVID LAC Regional report “New ideas for a (green) recovery”
  - Puts fiscal constraints front and center
  - Cost/benefit analysis of policy options/packages
  - To deliver in 4 dimensions: growth, fiscal, equity, and green

# Why these papers are great

- Climate and policy: Pigato-Rafaty-Kurle
  - Links between short-term objectives and long-term outcomes
  - Benchmarking/cross-country comparisons
- Revenue/jobs/growth nexus: Heine-Schoder
  - Acknowledging policymakers “walk the fine line” (and giving us tools!)
  - Costs/benefits of fiscal policies
  - Differentiated by fuel prices level, business cycle
  - *Principles* of successful recovery
  - Informality and upstream/downstream implementation
- Spending composition: Catalano-Forni
  - Developing/detailing all-of-economy models
  - Link to energy prices
  - Trade-off investment/spending: Helpful for adaptation policy costing
  - Focus on policy packages and joint policy impact

# We look forward to more insights...

- ...To support “evidence-based arguments for GRID”
- Refocus on adaptation (in a more systematic way)
- Better macro models that include fiscal, sectors, climate, and distributional side
  - Informality
  - Feedback loops with specific sectors: energy, forest/land
  - Policy instruments: fiscal, labor market
- More tailoring to MICs issues and attention to policy trade-offs
  - Small MICs are “climate-takers”
- Deepening understanding of cost-benefits of specific policies
  - Climate impact of traditional policies
  - Fiscal/output/jobs impacts of “green” policies