

Forum European Union-Latin America and the Caribbean

Fiscal policies in times of crisis: volatility, social cohesion and the political economics of reform

Montevideo, 19-20 May 2009

PRELIMINARY PROGRAMME

Convened by:	Ministry of Economy and Finance of Uruguay Federal Ministry for Economic Cooperation and Development of Germany (BMZ), Germany
Technical support:	Economic Commission for Latin America and the Caribbean (ECLAC) German Agency for Technical Cooperation (GTZ)
In cooperation with:	Ministry of Foreign Affairs, Uruguay Federal Ministry of Foreign Affairs, Germany European Commission InWEnt – International Development Training
Under the auspices of:	Ministry of Foreign Affairs, Worship and International Trade, Argentina (Presidency for Latin America and the Caribbean) Ministry of Foreign Affairs, Czech Republic (Presidency for the European Union)

Brief description and purpose of the event:	<p>Combating poverty and promoting social cohesion are key policy priorities, central to the relations between the countries of Latin America and the Caribbean with the European Union. At the fifth Latin America and Caribbean – European Union Summit, held in Lima in May 2008, the countries decided to focus on key challenges: first, poverty reduction and the need for more inclusive societies, and second, sustainable development and climate change.</p> <p>Considering the high levels of inequality in our societies, the fight for improved social cohesion undeniably remains a priority issue for the cooperative links between Latin America, the Caribbean and Europe. Fiscal policies are of key importance for the achievement of that goal. Participants in the Latin America and the Caribbean – European Union Forum entitled "Fiscal Policies for Social Cohesion and the Fight Against Poverty", held in Berlin in 2008, emphasized the importance of public policies in building more inclusive societies and better income distribution. Participants proposed to continue the biregional dialogue on that issue, with particular emphasis on fiscal policies.</p> <p>The second Forum European Union-Latin America and the Caribbean, to be held in Montevideo on 19 and 20 May 2009, will provide an opportunity for more concrete and specific discussions of the role of fiscal policies in achieving greater social cohesion in the context of the major worldwide economic crisis.</p> <p>The Forum has been convened by Ministry of Finance and the Economy of Uruguay and the Federal Ministry for Economic Cooperation and Development (BMZ) of Germany, and it is sponsored by the Ministers for Foreign Affairs of Argentina, the Czech Republic, Germany and Uruguay and by the European Commission. The Economic Commission for Latin America and the Caribbean (ECLAC) and the German Agency for Technical Cooperation (GTZ) are responsible for the technical aspects of the meeting. InWent (International Development Training) has contributed to its preparation.</p> <p>The fiscal policy agenda in the near future, and probably in the longer term, will clearly be marked by the current economic crisis. What began as a problem in the subprime mortgage market has become a crisis of the worldwide financial system, and is now having very serious effects on the real economy worldwide.</p> <p>Although in macro-economic terms Latin America is better prepared than on earlier occasions, it is certainly not immune to this crisis. The growth rate forecast for 2009 will be significantly lower than in the previous years, and the governments of the region must deploy all their potential in terms of countercyclical policies, in order to avoid a still-worse decline. A very important factor for a region with such high levels of inequality is that slower growth has an uneven impact on households, and this worsens the already-fragile social cohesion in the societies of the region.</p> <p>In Europe, however, the crisis was felt earlier and harder than in Latin America. Most European countries are expected to go through at least a year of recession, followed by slow recoveries. As in the rest of the world, governments in Europe are deploying fiscal measures to counter those negative impacts.</p> <p>Thus, both in Latin America and the Caribbean and in Europe, fiscal policies are facing the challenge not only of stabilizing economic growth through stimulus packages and countercyclical measures, but also of creating instruments to protect the most vulnerable population groups from these negative effects in terms of distribution. All this is taking place at a time when a widening is expected in the gap between fiscal resources, which are diminishing as a result of falling commodity prices, and growing demands on public spending, in a context of reduced access to the credit market. The scale of the challenges to be faced draws attention to the key importance of the debate on fiscal policies, from a number of viewpoints which we will discuss during this forum.</p>
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Tuesday 19 May

8.30 a.m. **Registration of participants**

9.00 a.m. **Inaugural session**

Welcome

- Álvaro García, Minister of Finance and the Economy, Uruguay
- Dorothee Fiedler, Director of Latin American Affairs, Federal Ministry for Economic Cooperation and Development of Germany
- Alicia Bárcena, Executive Secretary of ECLAC
- Stepán Zajac, Ambassador of the Czech Republic to Argentina

10.00 a.m. **First session**
Fiscal policy in times of crisis: the challenge of countercyclical policies in Europe and Latin America

Guidelines and topics for discussion:

- Implications of the global crisis for fiscal policy
- Analysis of the scope of fiscal policy in its dual role as stabilizer in the face of declining levels of activity and as source of compensation for the least privileged
- Coordination of macroeconomic policy
- Countercyclical fiscal policy: increasing spending or reducing taxes?

Presidency

- Álvaro García, Minister of the Economy and Finance of Uruguay

Keynote speaker from Latin America

- Alicia Bárcena, Executive Secretary of ECLAC

Keynote speaker from the European Union

- Hans Eichel, Member of the German Parliament, former Minister of Finance of Germany

11.15 a.m. **Coffee break**

11.45 a.m. Commentators

- José María Fanelli, Researcher, Centre for the Study of State and Society (CEDES)
- Ortwin Runde, Member of the Parliament of Germany, member of the parliamentary Finance Committee
- Luiz de Mello, Economist, Organisation for Economic Co-operation and Development (OECD)
- Pablo Rosselli, Director of Deloitte Uruguay

Discussion

1.30 p.m. **Lunch**

3.15 p.m. **Second session**

The funding of anti-crisis policies

At a time when public revenues are falling (as a result of falls in commodity prices and levels of economic activity), fiscal incentive policies require increased financing. In addition, the crisis has reduced the supply of international financing.

Guidelines and topics for discussion:

- How to obtain more financing?
- Financial restriction and access to credit: the role of international entities: Financing of countercyclical policies or reduction of the liquidity risk?
- How should fiscal income policy respond to the crisis? Have recent tax reforms prepared the tax structure to better face the crisis?

Presidency

- Bernhard Graf von Waldersee, Ambassador of Germany to Uruguay

Keynote speaker from Latin America

- Osvaldo Kacef, Director of the Economic Development Division of ECLAC

Keynote speaker from the European Union

- Andres Bajuk, former Minister of Finance and former Prime Minister of Slovenia

4.00 p.m. Coffee break

4.30 p.m. Commentators

- John Christensen, Director Tax Justice Network
- Alex Segovia, Economic Adviser to the President-elect of El Salvador
(*to be confirmed*)
- Gustavo García, Principal Fiscal Economist, Fiscal and Municipal Management Division, Institutional Capacity and Finance Sector, Inter-American Development Bank (IDB)
- Juan Gómez Sabaini, ECLAC consultant

Discussion

6.15 p.m. Cocktail reception

Wednesday 20 May

9.00 a.m. **Third session**

Public spending and crisis: the role of fiscal stimuli

Guidelines and topics for discussion:

- Analyse the impact, cost and benefit of the different measures taken on the expenditure side
- The differential impact of investment programmes and direct transfer mechanisms (employment and social protection programmes).

Presidency

- Carlos Alberto Barreda Taracena, Vice-Minister for Public Finance of Guatemala

Keynote speaker from Latin America

- Luis Felipe Céspedes, Economic Research Manager, Central Bank of Chile

Keynote speaker from the European Union

- María Dolores Beato, Secretary-General of the Ministry of Finance of Spain

10.15 a.m. Coffee break

10.45 a.m. Commentators

- Fernando Rezende, researcher, Institute of Applied Economic Research (IPEA) of Brazil
- Paul Bernd Spahn, Professor, University of Frankfurt am Main
- Julio Escolano, Deputy Chief, Fiscal Affairs Department, International Monetary Fund
- Fernando Lorenzo, researcher, Economic Research Centre (CINVE) of Uruguay

Discussion

12.30 p.m. Lunch

2.30 p.m.

Fourth session

Round table: Summary and conclusions

- Purpose: round table with economic experts and parliamentarians (two for each meeting)
- Summary of costs and benefits of the fiscal measures taken to tackle the crisis.
- Recommendations for the sixth Summit of Heads of State and Government from Latin America and the Caribbean and from the European Union, to be held in Madrid in 2010

Presidency: Uruguay

- Andrés Masoller, Deputy Minister of the Economy and Finance of Uruguay

Commentator 1

European Union

- José María Labeaga, Director of the Institute for Fiscal Studies of Spain, leader of the Consortium EUROsociAL Fiscal

Commentator 2

Latin America

- Nelson Henrique Barbosa Filho, Economic Policy Secretary, Ministry of Finance of Brazil (*to be confirmed*)

Commentator 3

European Union

- Heliodoro Temprano, Head of the Globalisation and Development Policy Unit, Directorate General for Economic and Financial Affairs of the European Union

Commentator 4

Latin America

- Martín Abeles, Economic Policy Secretary, Ministry of the Economy and Finance of Argentina (*to be confirmed*)

Commentator 5

European Union

- Matthias Witt, Head of the Public Policy Section – Public Finance, Public Administration, and Anti-Corruption of GTZ

Commentator 6

Latin America

- Alicia Bárcena, Executive Secretary of ECLAC

Discussion

5.00 p.m.

Coffee break

5.30 p.m.

Closing session

Closing statement: Latin America

Geoffrey Barrett, Head of Delegation of the European Commission to Uruguay

5.50 p.m.

Closure of the meeting