Revenues raised by governments are used to finance the provision of goods and services to citizens and businesses and carry out a redistributive role. The two main sources of government revenues are taxes and social contributions. The amount of revenues raised by governments is determined by multiple factors such as government policies, political institutions, the stage of economic and social development, the endowment of non-renewable natural resources, and macroeconomic conditions. While for a certain period of time, additional revenue requirements could be financed by acquiring debt, in the long run, revenues and expenditures should be balanced to guarantee the sustainability of public finances.

In 2014, general government revenues represented, on average, 28.6% of GDP across LAC countries. Ecuador reported the highest level of general government revenues as a share of GDP (38.7%), followed by Barbados, Argentina and Brazil (36.6%, 33.6% and 33.1% of GDP respectively). On the other end of the spectrum El Salvador, Dominican Republic and Costa Rica collected revenues representing less than 18% of GDP.

The LAC region experienced significant volatility in revenues during the last decade. Between 2007 and 2009, general government revenues as a share of GDP decreased by 0.2 percentage points due to the economic and financial crisis. However, as the majority of LAC countries experienced some recovery from the crisis and benefited from high commodities prices, revenues increased by a total of 0.8 p.p. between 2009 and 2014.The largest changes between 2007 and 2014 occurred in Ecuador, where the general government revenue increased by 11.9 p.p. and Panama where it decreased by 5.8 p.p.

An alternative way of comparing the size of government revenues is by looking at the revenues collected per capita. In 2014, LAC countries collected on average USD 4 654 PPP per capita. The countries with the highest collections were Argentina and Uruguay (USD 7 483 PPP and USD 6 047 PPP respectively). On average, revenues per capita in the LAC region increased by 3.2% over the last decade. Jamaica is a special case in the region, experiencing a negative average growth rate of 1.6% for the eight-year period between 2007 and 2014. However, it is expected that the recent elimination of discretionary tax waivers and the replacement of sector-specific tax incentives with a more standardised approach could help to create a broader and more reliable revenue base as a basis to reverse this pattern.

Compared to OECD countries (USD $15 448 PPP on average), the LAC region raises less revenue per capita. However, the average annual growth rate between 2009 and 2014 was higher in LAC countries than in OECD countries (3.2 p.p. and 2.2 p.p. respectively) signalling some convergence between both groups for the period under study.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2016), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the overarching System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

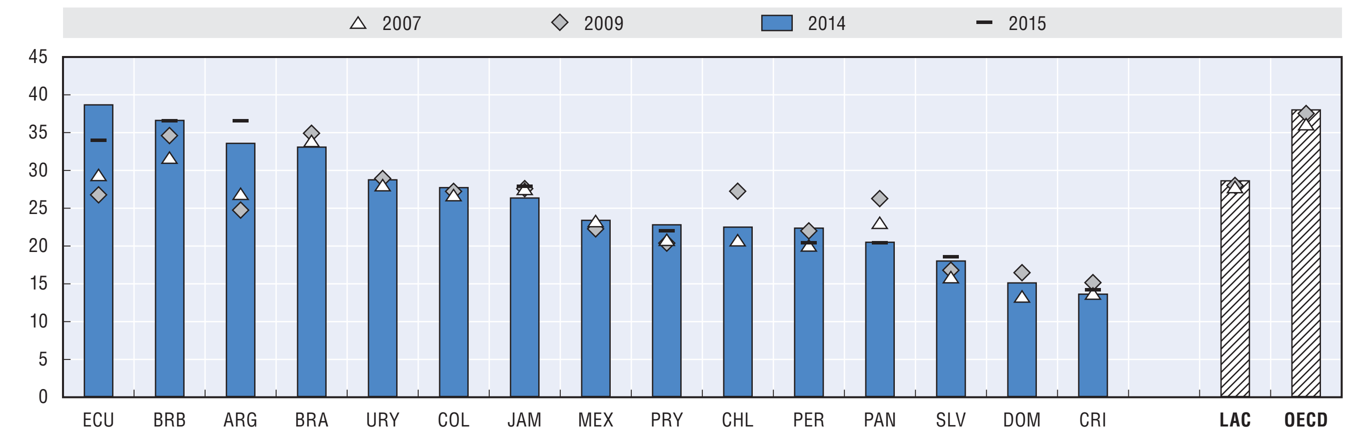
General government consists of central government, state government, local government and social security funds. Revenues encompass taxes, net social contributions, and grants and other revenues. Government revenues per capita were calculated by converting total revenues to USD using the implied IMF purchasing power parities (PPP) conversion rates and dividing it by population. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period. For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

IMF (2014), "2014 Article IV Consultation and fourth review under the Extended Fund Facility and request for modification of performance criteria – Staff Report", IMF Country Report No. 14/169, International Monetary Fund, Washington, DC.

Corbacho. A., V. Fretes Cibils and E. Lora (eds.) (2012), *More than Revenue: Taxation as a Development Tool*, Inter-American Development Bank, Washington, DC.

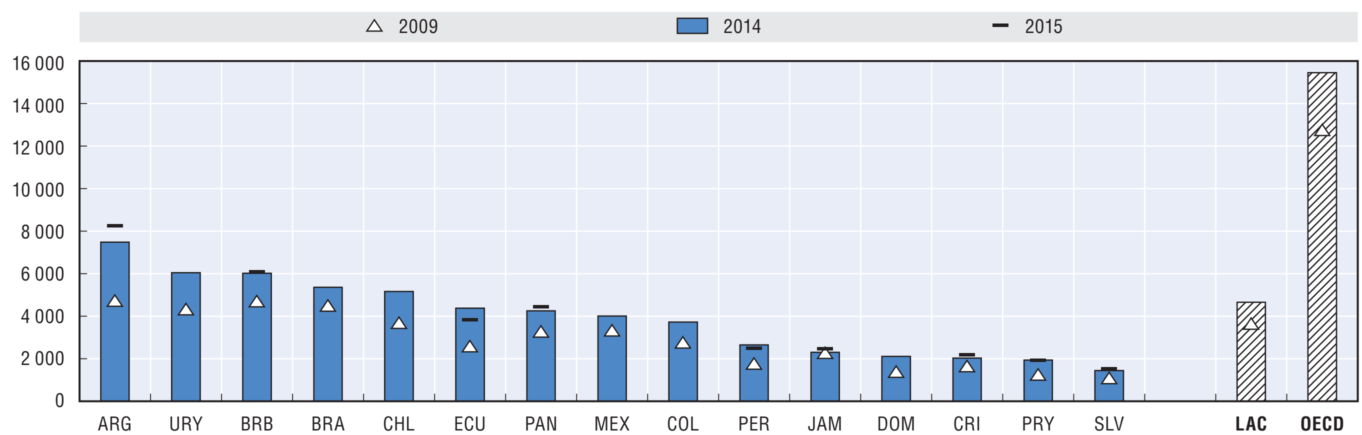
2.6. General government revenues as a percentage of GDP, 2007, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430932

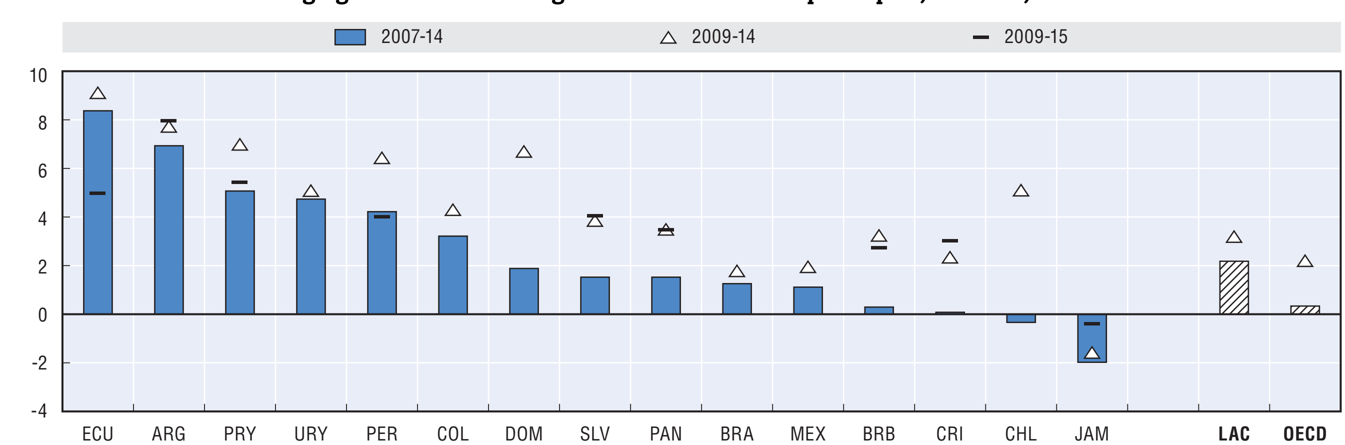
2.7. General government revenues per capita, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

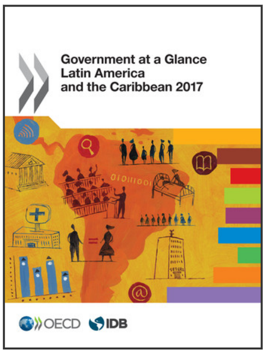
StatLink http://dx.doi.org/10.1787/888933430943

2.8. Annual average growth rate of real government reveneus per capita, 2007-14, 2009-14 and 2009-15



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933430957



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