

2.10. FISCAL REVENUES FROM NON-RENEWABLE NATURAL RESOURCES (NRNR)

Several countries in LAC are endowed with non-renewable natural resources (NRNR) mainly hydrocarbons and metals and minerals that constitute an important source of public revenues. These resources are, however, finite and the stream of revenues they generate is subject to high levels of volatility, as prices are set in international markets. Furthermore, the management of NRNR should also consider intergenerational equity ensuring that depletion of these natural resources would not compromise or restrict opportunities of future generations as well as the sustainability of the environment. As a whole, the LAC region has experienced two recent periods of high NRNR prices, between 2006 and 2008 and again between 2010 and 2014. However, only few countries (e.g. Colombia and Chile) have established reserve funds and put in place stabilisation mechanisms aimed at counterbalancing possible price volatility.

On average in LAC countries with available information, fiscal revenues from NRNR reached 2.9% of GDP in 2017 a sharp decline since 2007 when it was 6.9%. In 2017, as a percentage of GDP, Bolivia (5.9%) and Ecuador (5.6%) reported the highest values while Colombia (1.2%) and Chile (0.9%) the lowest. Between 2007 and 2017, revenues from NRNR decreased in all LAC countries with available information. This reflects the interplay of the evolution of prices and changes in the level of production as well as country specific one-off factors with effects on revenues. The largest reductions between 2007 and 2017 took place in Trinidad and Tobago (11.7 p.p.) and Chile (7.1 p.p.) In the case of the former, it relies heavily in oil and natural gas as the main activity of its economy, which on the one hand is shrinking, and, on the other hand, has been affected by diminishing prices. In the case of Chile and despite increases in production, copper prices are still below 2007 levels. Still, a solid macroeconomic policy framework has smoothed adjustment to the end of the commodity boom, contributing to low unemployment, resilient household consumption and a stable financial sector (OECD 2018).

Revenues from NRNR can be split into two categories: hydrocarbons and metals and minerals. Chile has no oil extraction and in Peru (e.g. copper, gold, lead and silver) mining is relatively more important than hydrocarbons as a source of revenue. Revenues from NRNR remains a key source of funding in several LAC countries, for example, it represents 32% and 28% of total revenues in Bolivia and Mexico respectively. In all countries with available information, however, the relative participation of NRNR as a source of revenues diminished between 2007 and

2017 thus increasing pressure on LAC governments for finding alternative sources of funding or to implementing adjustments.

Methodology and definitions

Dara are from the CEPALSTAT database. Fiscal revenues from non-renewable natural resources refer to tax payments and property rents that the public sector receives for the exploitation of these resources. These payments are classified by each NRNR considered and by the type of fiscal instrument, 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 used. Non-renewable natural resources refer to metals and minerals and hydrocarbons. Fiscal revenues from hydrocarbons include revenues from upstream (exploration and production) and downstream (refining and commercialization) activities. General government and public corporations constitute the public sector. Public corporations in the case of non-renewal natural resources refer to non-financial enterprises. For further information see <https://cepalstat-prod.cepal.org>.

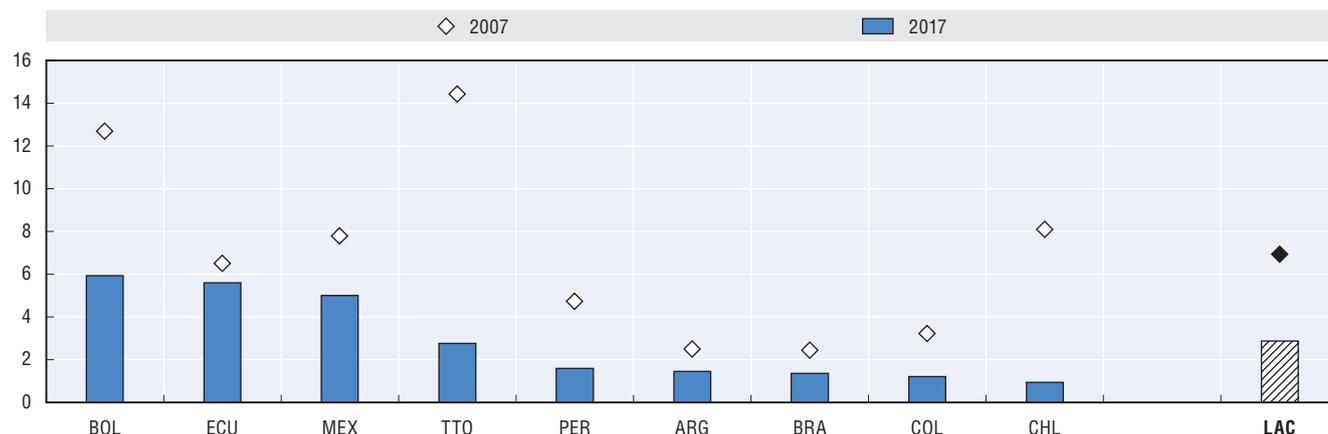
Further reading

- ECLAC (2019), *Fiscal Panorama of Latin America and the Caribbean 2019*, Economic Commission for Latin America and the Caribbean, Santiago, <https://www.cepal.org/en/publications/44517-fiscal-panorama-latin-america-and-caribbean-2019-tax-policies-resource>.
- OECD et al. (2019), *Revenue Statistics in Latin America and the Caribbean 2019*, OECD Publishing, Paris, <https://doi.org/10.1787/25666b8d-en-es>.
- OECD (2018), *OECD Economic Surveys: Chile 2018*, OECD Publishing, Paris, https://doi.org/10.1787/eco_surveys-chl-2018-en

Figure notes

- 2.25 Revenues from NRNR and total revenues are expressed in national currency at current prices.

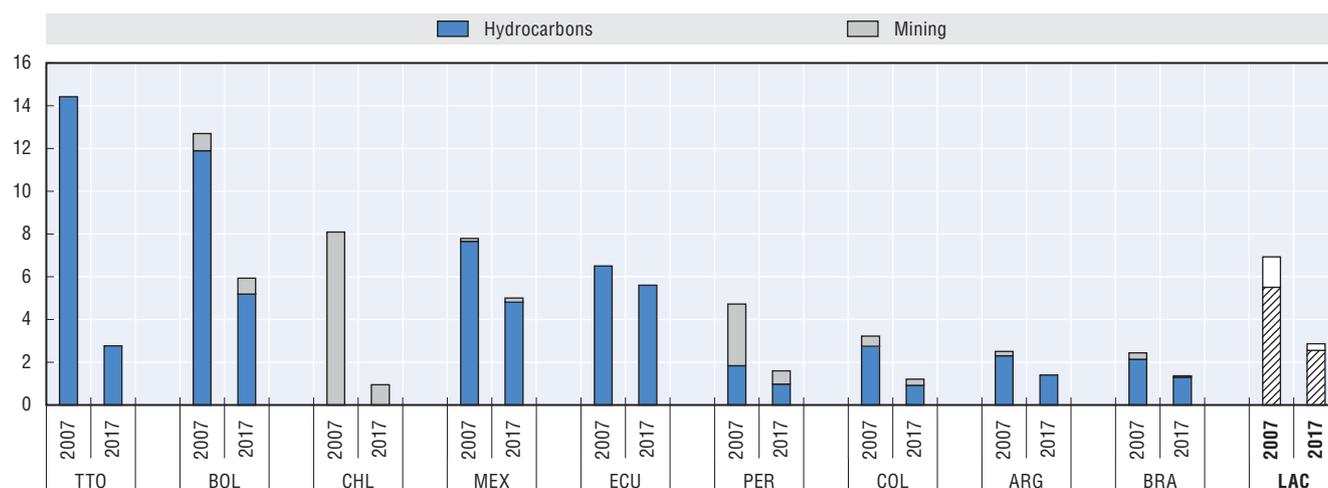
2.23. Fiscal revenues from non-renewable natural resources as a percentage of GDP, 2007 and 2017



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean Database.

StatLink <https://doi.org/10.1787/888934091543>

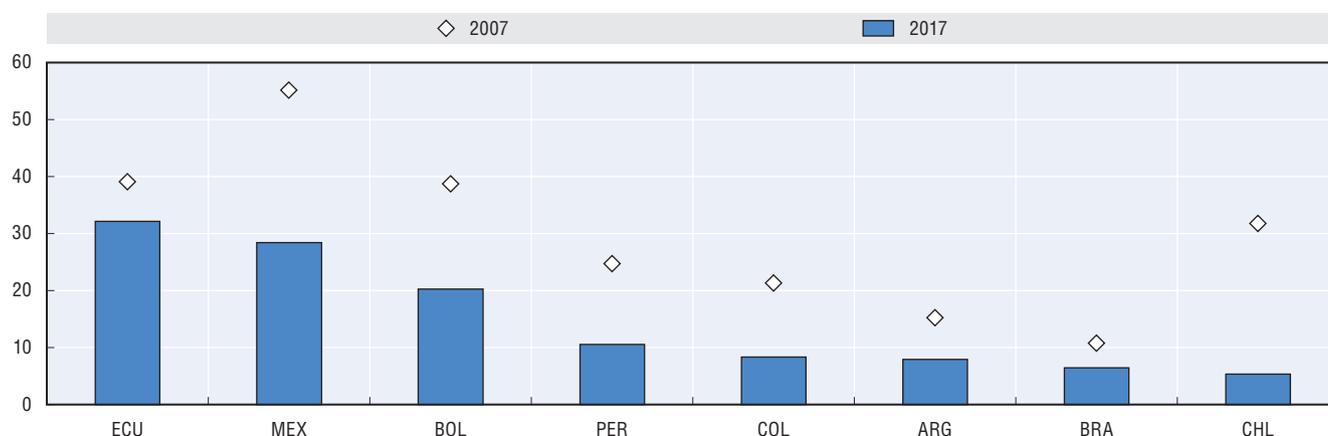
2.24. Fiscal revenues from non-renewable resources by country and commodity as percentage of GDP, 2007 and 2017



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean Database.

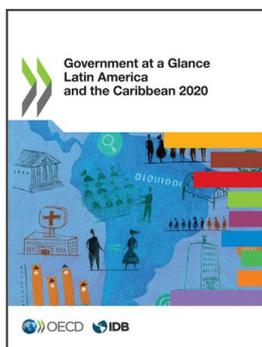
StatLink <https://doi.org/10.1787/888934091562>

2.25. Relative participation of revenues from non-renewable natural resources as a share of total revenues, 2007 and 2017



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean Database.

StatLink <https://doi.org/10.1787/888934091581>



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