BANCO DE DESARROLLO DE AMÉRICA LATINA Y EL CARIBE

América Latina y el Caribe
Cada camino, una oportunidad

FLAR-CAF XXI Annual Economic Studies Conference

Discussion of the Fiscal Landscape in Emerging Market Economies: Challenges and Urgencies

Jessica Roldán Peña | Macroeconomic Studies, CAF

June 5th, 2026

Beyond debt dynamics

- Debt remains elevated
- Fiscal space is constrained
- Risks are increasing amid structural shifts
- Building on Rodrigo's diagnosis, I would like to add another dimension to the discussion:

From fiscal sustainability → To the ability to respond to shocks.

- Fiscal sustainability remains an essential and necessary condition, but it is no longer sufficient.
- **Fiscal resilience is an increasingly important complement.**

BANCO DE DESARROLLO DE AMÉRICA LATINA Y EL CARIBE

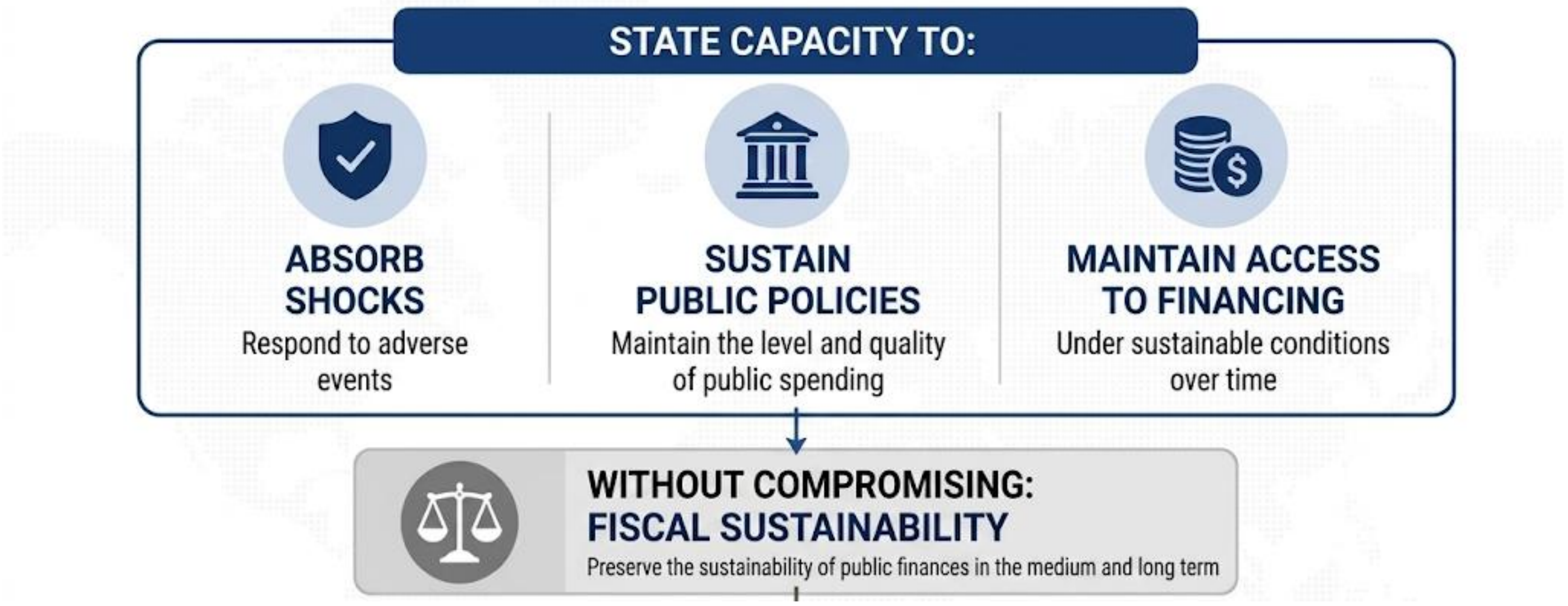
A more volatile environment makes fiscal management more difficult

- Fiscal policy increasingly being tested

BANCO DE DESARROLLO DE AMÉRICA LATINA Y EL CARIBE

Fiscal resilience as a policy objective

- Can countries absorb shocks without compromising stability or development objectives?



Why resilience matters particularly for Latin America

Exposure to shocks	Institutional capacity	Investment pressures
• Climate	• Targeting	• Infrastructure
• Commodities	• Execution	• Energy transition
• External finance	• Coordination	• Climate adaptation
		• DIgitalization

The progress of the region should not be overlooked: Resilience in the face of the oil shock

Over the past two decades, LAC has strengthened its macroeconomic credibility through:

- Inflation targeting
- Greater central bank independence
- Reduced fiscal dominance
- Progress in macro-financial regulation

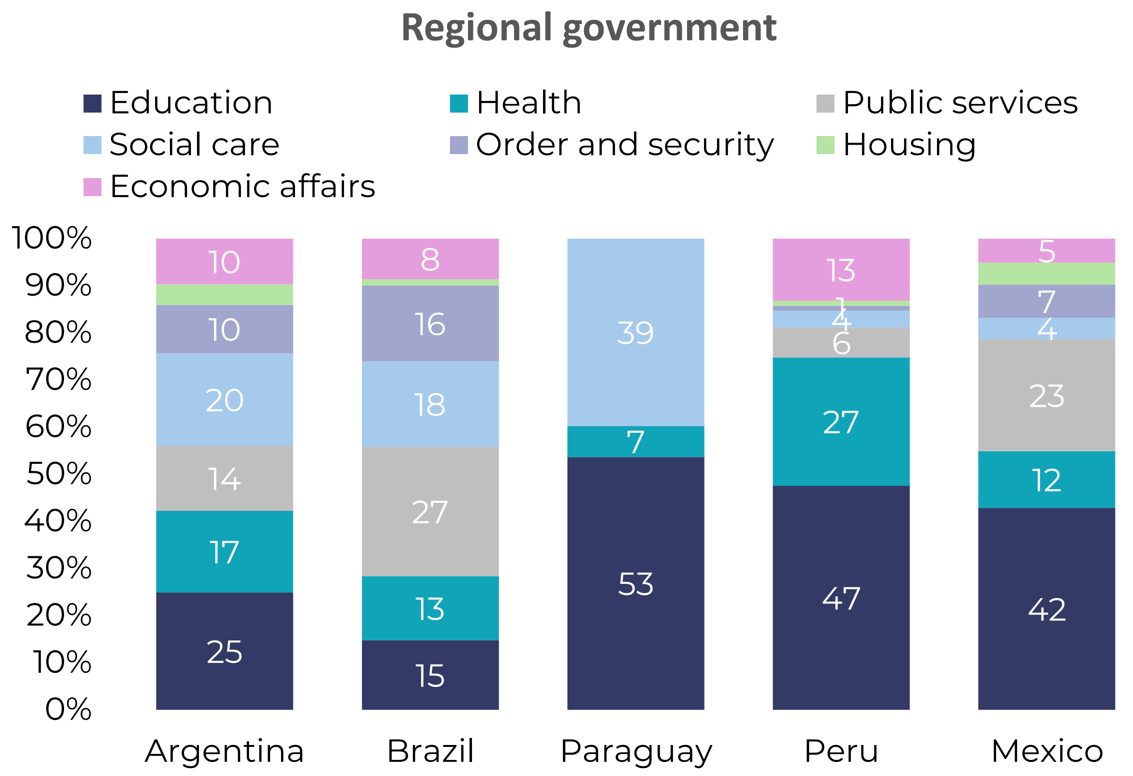
The next frontier:

- Fiscal resilience

Resilience is also built at the territorial level

A very significant share of social spending is executed by subnational governments

Functional composition of subnational government spending



Resilience depends on the capacity of subnational governments to:

- Maintain essential services during shocks.
- Manage fiscal risks and contingent liabilities.
- Mobilize own-source revenues.
- Support countercyclical responses when needed

Source: CAF, RED 2025: Close Solutions. The Role of Local and Regional Governments in Latin America and the Caribbean.

BANCO DE DESARROLLO
DE AMÉRICA LATINA
Y EL CARIBE

A changing fiscal question

The key fiscal challenge is no longer only how to reduce vulnerabilities.

It is how to preserve the capacity to respond when shocks occur.

- **Fiscal resilience is what connects these two objectives. It can provide a framework for prioritizing policies that preserve response capacity.**
  - Build buffers before shocks occur
  - Strengthen automatic and rules-based responses
  - Protect investment capacity
  - Strengthen subnational resilience.