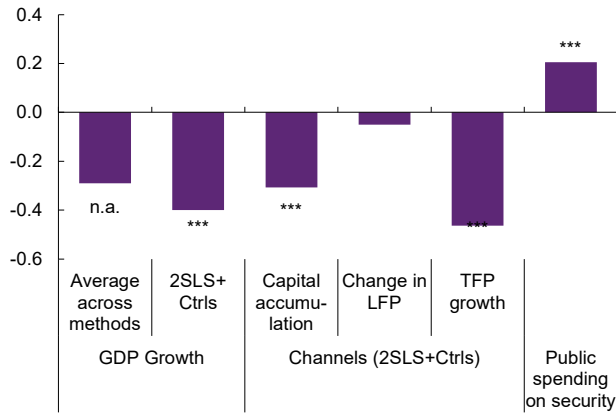




and safety may be necessary to prevent additional crime,<sup>4</sup> this also suggests that more effective practices to combat crime could free up significant resources for other priority expenditures.<sup>5</sup> These other priority spending could, by tackling structural impediments to growth in LAC, generate labor market opportunities to reduce crime levels in the region (Dix-Carneiro et al., 2018; UN, 2023).

**Online Annex Figure 4.2. Economic Impact of Crime**

(Regression coefficients)

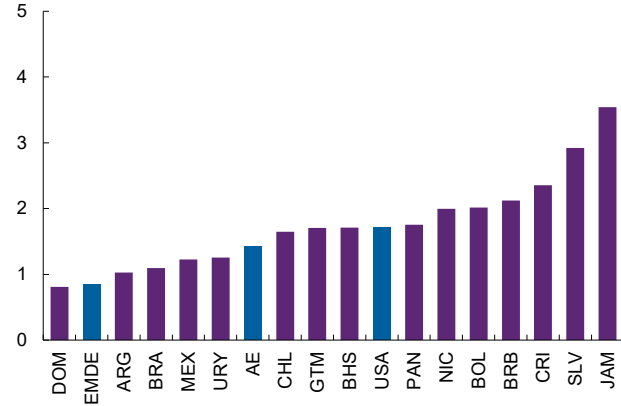


Source: IMF staff calculations.

Note: Each bar depicts the effect, in percentage points, of a 1 percent increase in homicide rates. Public spending on security is measured as a share of GDP. Average across methods = OLS, OLS+controls, 2SLS and 2SLS+controls. Controls = lag GDP, lag inflation, lag trade openness, lag FDI, population growth rate, capital account openness, natural disaster, terms of trade, lag poverty and human capital index. All first stage F-stats rule out weak instruments. \*\*\*p<1%, \*\*p<5%, \*p<10%, n.a. = conf. intervals not available.

**Online Annex Figure 4.3. Spending on Public Order and Safety**

(Percent of GDP, 2016–19 average)



Sources: IMF, Government Finance Statistics, Classification of Functions of Government; and IMF staff calculations.

Note: Data linearly interpolated with historical information for countries with missing observations. Data labels use International Organization for Standardization (ISO) country codes. AE = advanced economies excluding the United States; EMDE = emerging market and developing economies in Asia and Europe.

<sup>4</sup> For example, evidence suggests that crime is negatively associated with police spending (Chalfin and McCrary, 2017) and welfare/education spending (Fishback et al. 2010; Meloni, 2014; Hazra and Aranzazu, 2022).

<sup>5</sup> The IADB's Security and Justice Evidence-based Platform is a valuable source of scientific-based evidence on the effectiveness of existing security and justice solutions.