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Ministry of Finance obtains the approval of the Budget Law 2022 in congress

Santiago, November 24, 2021. On Monday 22, November, the Congress approved the 2022 Budget Law. This Law aims to normalize the government's expenditures, retake the fiscal consolidation path and, at the same time, recover the fiscal savings.

The Minister of Finance, Rodrigo Cerda, the Budget Director, Cristina Torres, and the Undersecretary of Finance, Alejandro Weber, valued the dialogue and agreements reached with both pro-government and opposition parliamentarians, which allowed the approval of a Budget in line with the needs of the population and whose fundamental pillars are fiscal responsibility, economic reactivation, and job recovery.

Minister Cerda pointed out that "We have had a very good discussion in Congress. We reached an agreement in the Senate two weeks ago, and now in the Chamber of Deputies we have been able to dispatch it in record time. This is a very important budget for the country, because it normalizes fiscal policy and allows us to have a sustainable fiscal policy going forward and to reactivate the economy. It is a budget that, in addition, increases public investment, leaves important funds to support SMEs and employment, as well as resources to face the pandemic".

The 2022 Budget maintains the framework proposed by the Executive when presenting the bill, it is, a growth in public spending of 3.7%, compared to the Law approved for this year, reaching the equivalent to US\$ 82,135 million and withdrawing the extraordinary fiscal impulse. Based on the projected execution estimated for this year, public spending is reduced by 22.5%, corresponding to a decrease of approximately US\$ 23,785 million, reaching 23.8 points of GDP.

2022 Budget Priorities by Sector:

- **Health:** this sector grows 11.6%, to strengthen primary health care, through a per capita increase of 6.6%.
- **Childhood:** Among the items where spending grows the most compared to this year's Law, the Ministry of Social Development and Family stands out, with an increase of 12%, mainly explained by the installation of the new Specialized Protection Service for Children and Adolescence.
- **Elderly:** One of the main commitments of this Administration is the attention and recognition of the elderly, which contemplates a growth of 4% in relation to 2021 for this area.

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- **Public investment:** to stimulate economic activity and job creation, public investment grows 11.6% and 8%, in the Ministries of Public Works and Housing, respectively. These increases allow to reach unprecedented levels of resources for public investment. In Public Works, the resources oriented to the Water Resources infrastructure stand out, whose spending will have a growth of 8.7%. On the other hand, in Housing, are contemplated 50,000 additional housing subsidies for the next period, doubling the delivery of new units with respect to the trend of previous years.
- **Creation of jobs with a focus on Women:** the budget considers special initiatives that make it possible to protect the income of workers and encourage their hiring. These resources, added to those destined to support the transition of the programs implemented in the context of the health emergency, add up to the equivalent of more than US\$ 800 million. Additionally, the Subsidy for the Employment of Women, created by Law No. 20,595, increases its budget by 32.5%.
- **Regional governments:** Resources for regional governments show an increase of 3.5% compared to 2021, highly exceeding the average growth of the 2017-2021 period, corresponding to 1.8%. Regarding the regional investment budget, it reflects an increase of 5.3% compared to 2021. The resources not executed in the current year will be added for an amount of up to \$ 50,000 million, as Initial Cash Balance in 2022.
- **Migrations:** In order to strengthen the resources allocated to the new Migration Service, its budget was increased to create 4 areas of work, associated with the requirements raised for a better functioning of this new service.
- **Sports:** The Ministry of Sports also stands out as the one with the highest growth, with 55.2%, related to the resources for the Pan American and Parapan American Games.
- **Science:** The 2022 Budget contemplates a growth in the Budget of the Ministry of Science, Technology, Knowledge and Innovation, of 8.2% in its regular budget, given the beginning of the implementation of the National Policy of Science, Technology, Knowledge and Innovation.
- **Special support for rural education:** The 2022 budget law contemplates the creation of a competitive infrastructure fund for subsidized private educational establishments located in rural areas, to build, remodel or repair classrooms, sports or recreation spaces, dining halls and restrooms. Additionally, the benefit of rural school transportation is extended to students who attend preschool education in educational establishments or kindergartens.

Special Funds:

In addition, the 2022 Budget Law includes various special funds that grant greater budget flexibility to the next administration:

- The Republican Gloss” stands out, reaching US \$ 800 million. This is a freely available fund for the next administration
- The Special Health Contingency Fund is contemplated in the Budget of the Ministry of Health, for a total amount equivalent to US \$ 1,000 million to finance expenses related to the management of Covid-19 and for the work behind on waiting lists because of the pandemic.

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- Also, in response to the health and economic crisis, a fund is created with resources over US\$ 805 million to support sectors that are lagging behind as a result of the pandemic, which will make it possible to finance expenses associated with support programs and employment promotion, support for micro, small and medium enterprises. Of these resources, US \$ 20 million will be allocated for the implementation, during the first semester of 2022, of a special program that allows the development of support measures for collaborators in the culture, arts and heritage sector, whose activity, personnel, collective or grouping has been affected by the pandemic.
- Additionally, the transfer that the State must make to the Strategic Capacities Fund was extended from March to December, releasing the first months of the year resources for approximately US\$ 900 million.
- Finally, it should be noted that the 2022 Budget Law begins the rebuilding of the country's savings by injecting resources into sovereign wealth funds. In particular, it considers a contribution of US\$ 2 billion to the Economic and Social Stabilization Fund (FEES).