

Budgeting and Public Expenditures

*Diálogos por un Pacto Tributario
Santiago de Chile*

Jón R. Blöndal
3 April 2023



Agenda

The Role of the Budget

Fiscal Challenges in OECD countries

Public Spending in Chile vis-à-vis other
OECD countries



The Role of the Budget (1/5)

- **Presents the Public Finances**
 - Level of government revenue and expenditures, deficits/surplus, debt
- **Sets Priorities**
 - Reconciles in concrete terms the many policies, plans and strategies of government
- **Vehicle for Affecting Change**
 - Green budgeting, gender budgeting, SDG budgeting



The Role of the Budget (2/5)

Fiscal Sustainability

Resource Allocation

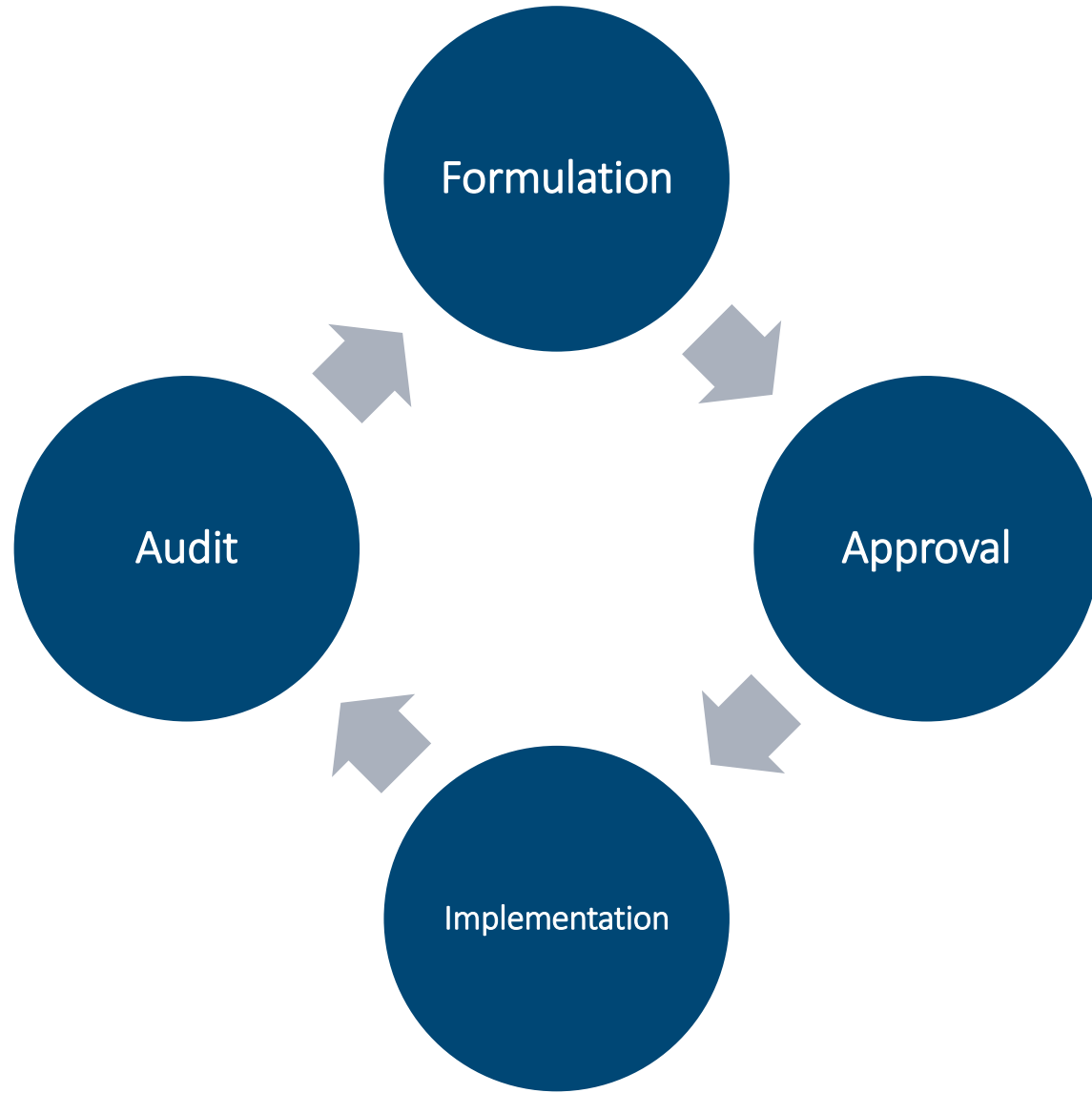
Efficiency /
Value-for-Money

OECD Recommendation on
Budgetary Governance

OECD Spending Better
Framework



The Role of the Budget (3/5)



OECD Recommendation on
Budgetary Governance

OECD Spending Better
Framework



The Role of the Budget (4/5)

Transparency

Engagement

Accountability

OECD Best Practices for
Budget Transparency

OECD Best Practices for
Parliaments in Budgeting



The Role of the Budget (5/5)

Effectiveness

Productivity

Value-for-Money

OECD Best Practices for
Spending Review

OECD Recommendation for
Public Policy Evaluation



Agenda

The Role of the Budget

Fiscal Challenges in OECD countries

Public Spending in Chile vis-à-vis other
OECD countries



Fiscal Challenges in OECD countries

High Deficits and High Debt

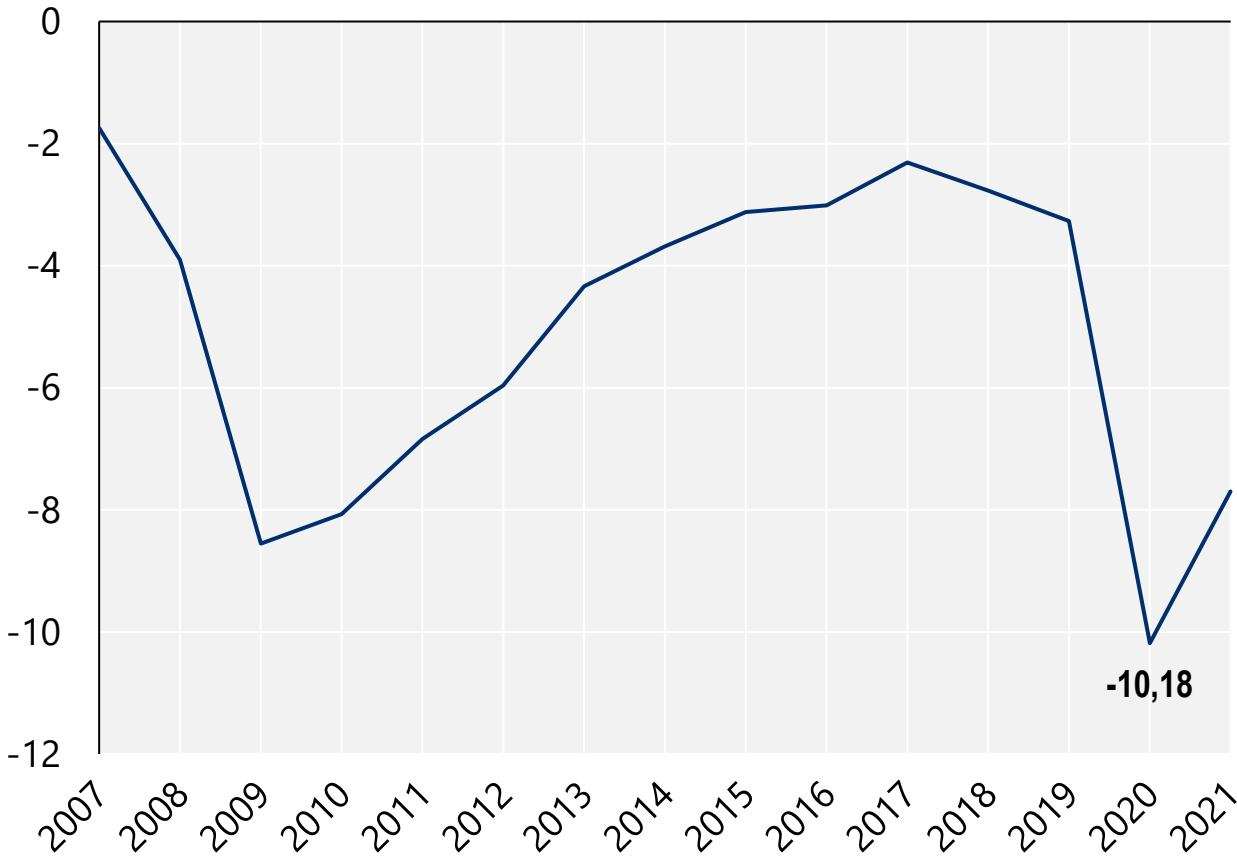
Mounting Spending Pressures

Ensuring Fiscal Sustainability

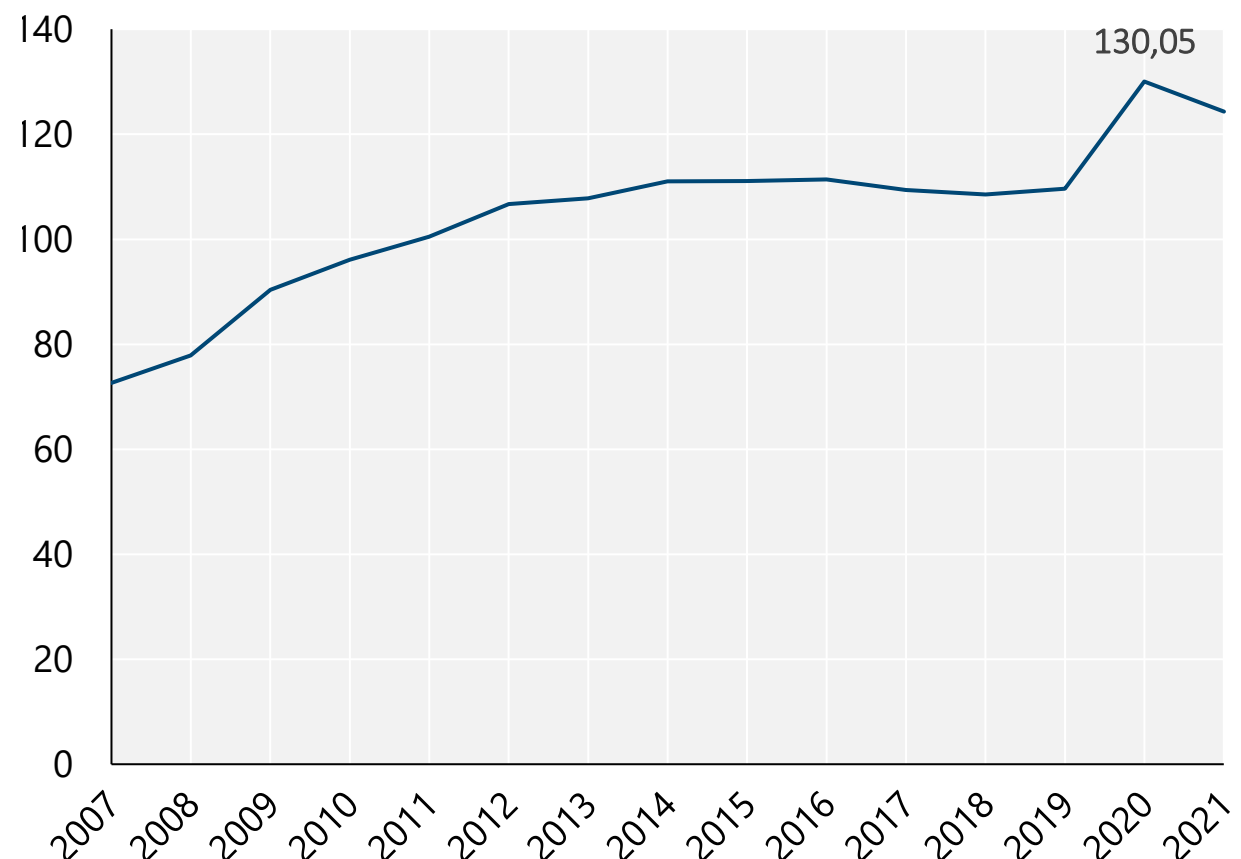


High Deficits and High Debt

General Government Fiscal Balance, % of GDP



General Government Gross Debt, % of GDP



— OECD (weighted average)



Mounting Spending Pressures



Health Care



Climate



Ageing



Defense



Social Care



Interest on Debt



Ensuring Fiscal Sustainability

Increase overall
government
revenues



Re-allocate resources
more lower priorities



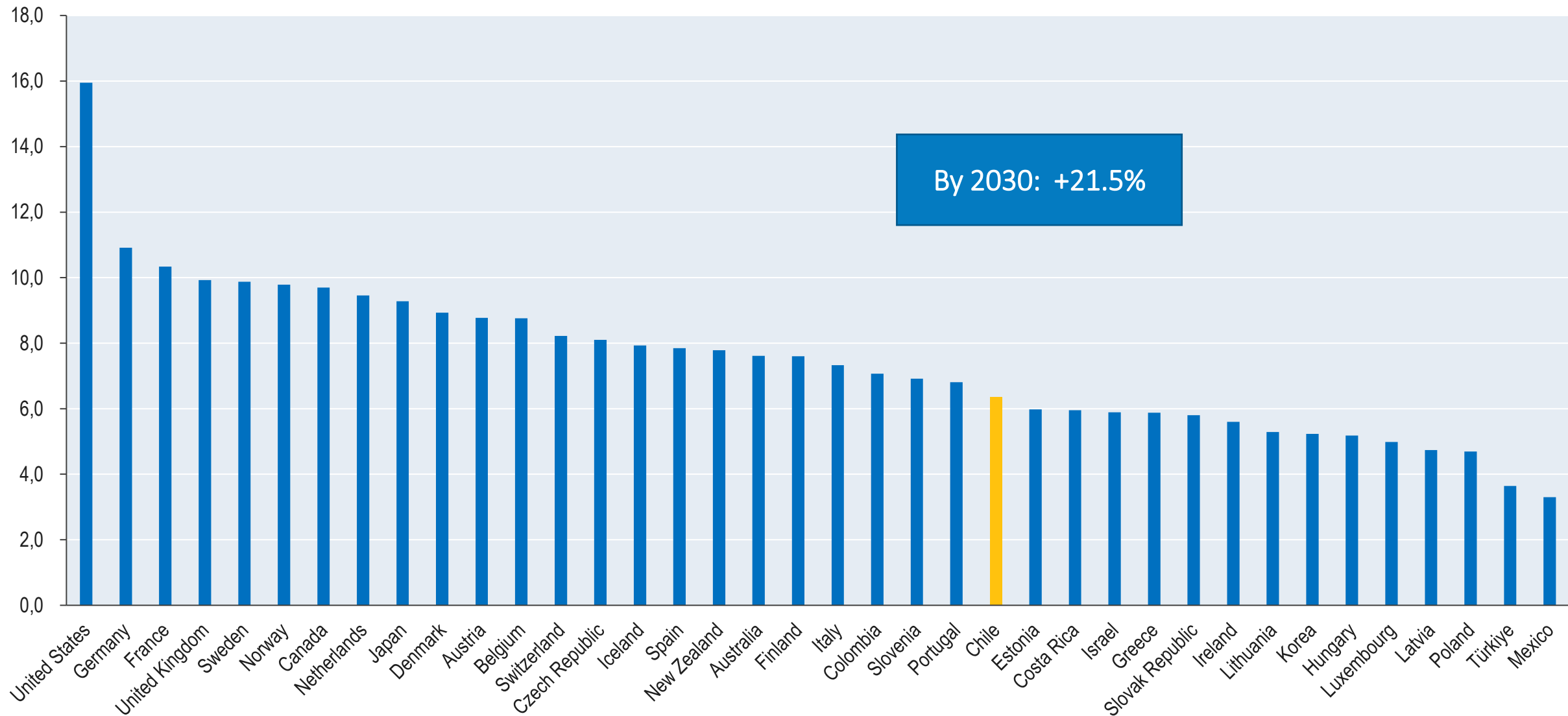
Increase user charges
and means-testing



Identify
efficiency gains



Public spending on health, % of GDP

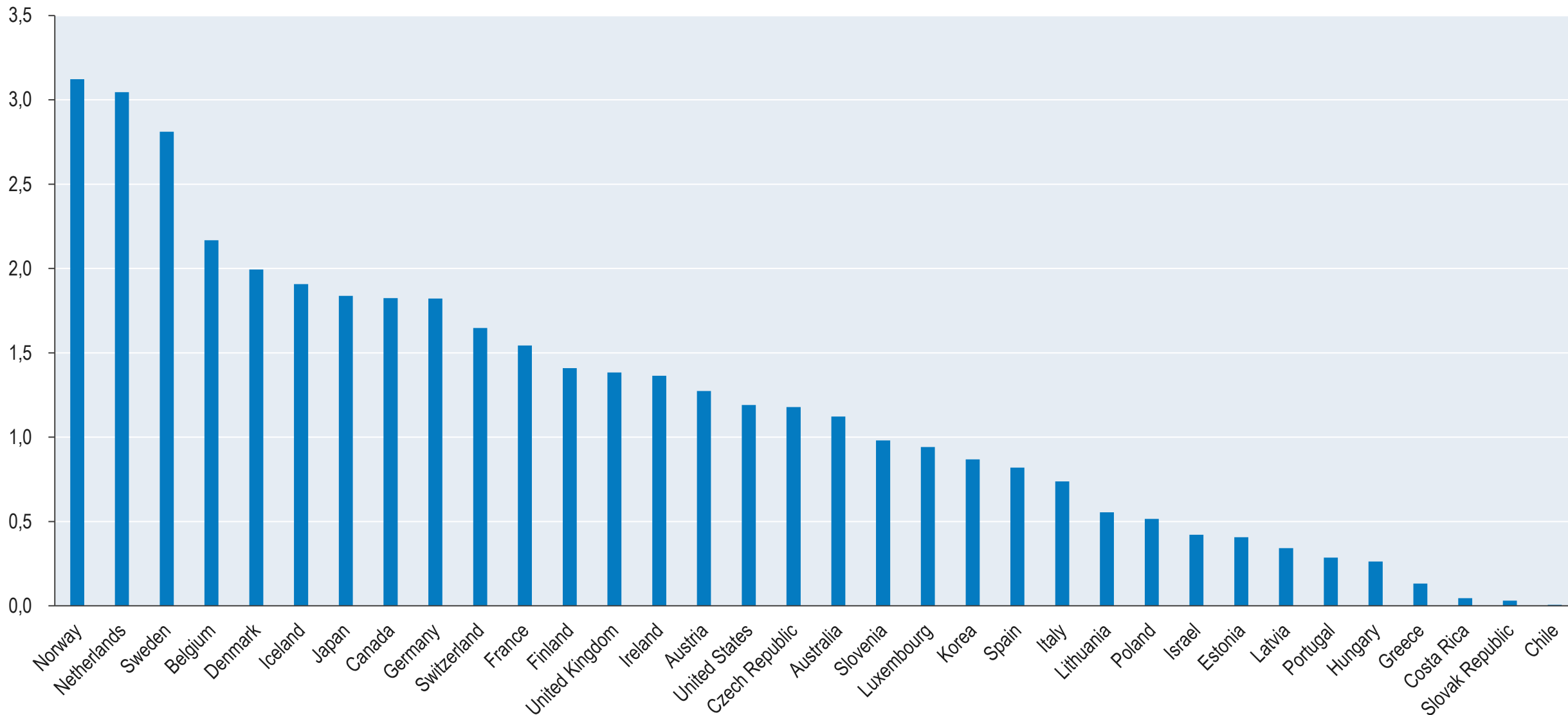


Source: OECD Health Statistics (2023)

Note: Data for 2020. Includes financing from government schemes and compulsory contributory health insurance schemes. Estimates for Australia and New Zealand. Provisional values for Sweden, Canada, Japan, Israel, and Lithuania



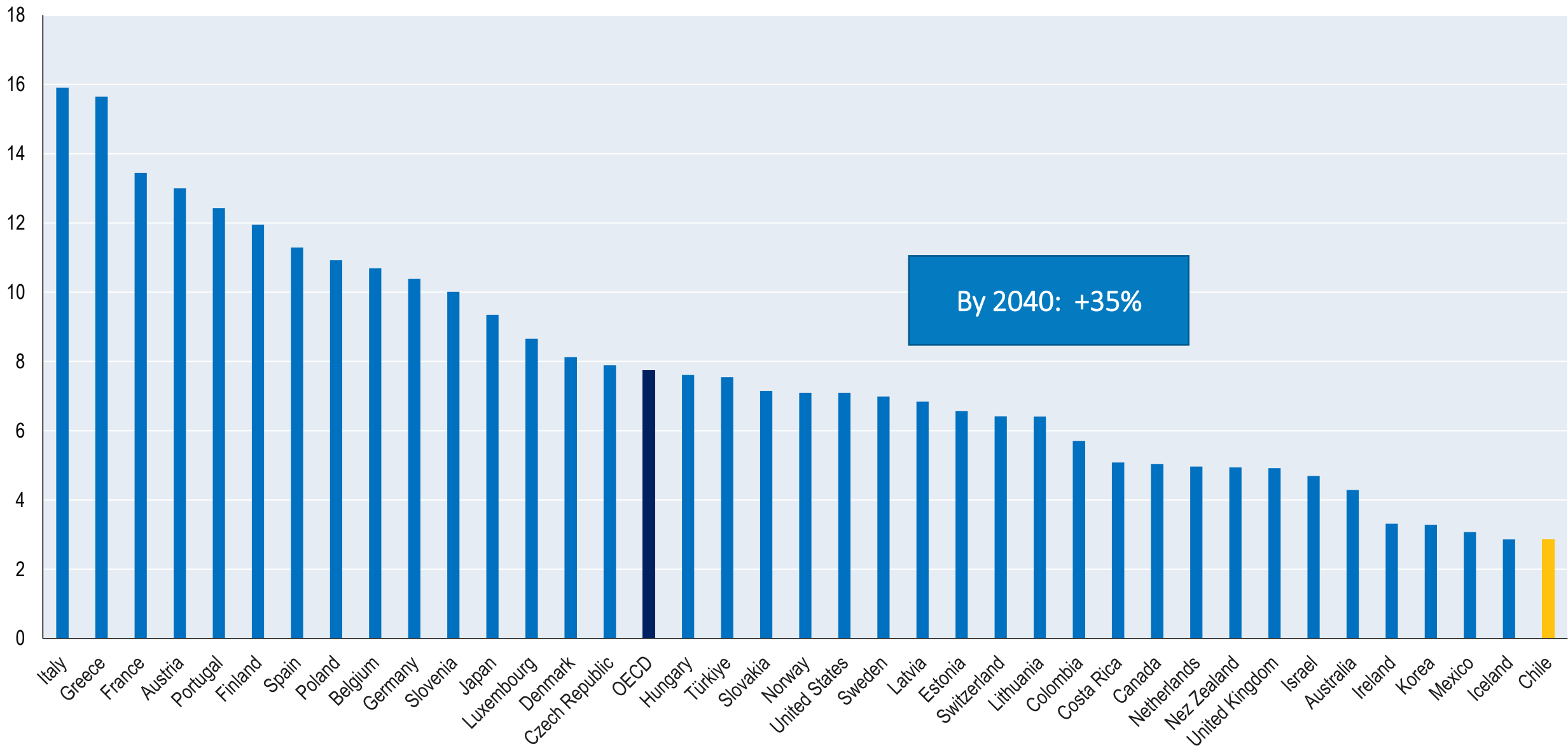
Public spending on long-term care, % of GDP



Source: OECD Health Statistics (2023)

Note: Data for 2020 or nearest year. Includes financing from government schemes and compulsory contributory health insurance schemes

Public spending on pension, % of GDP

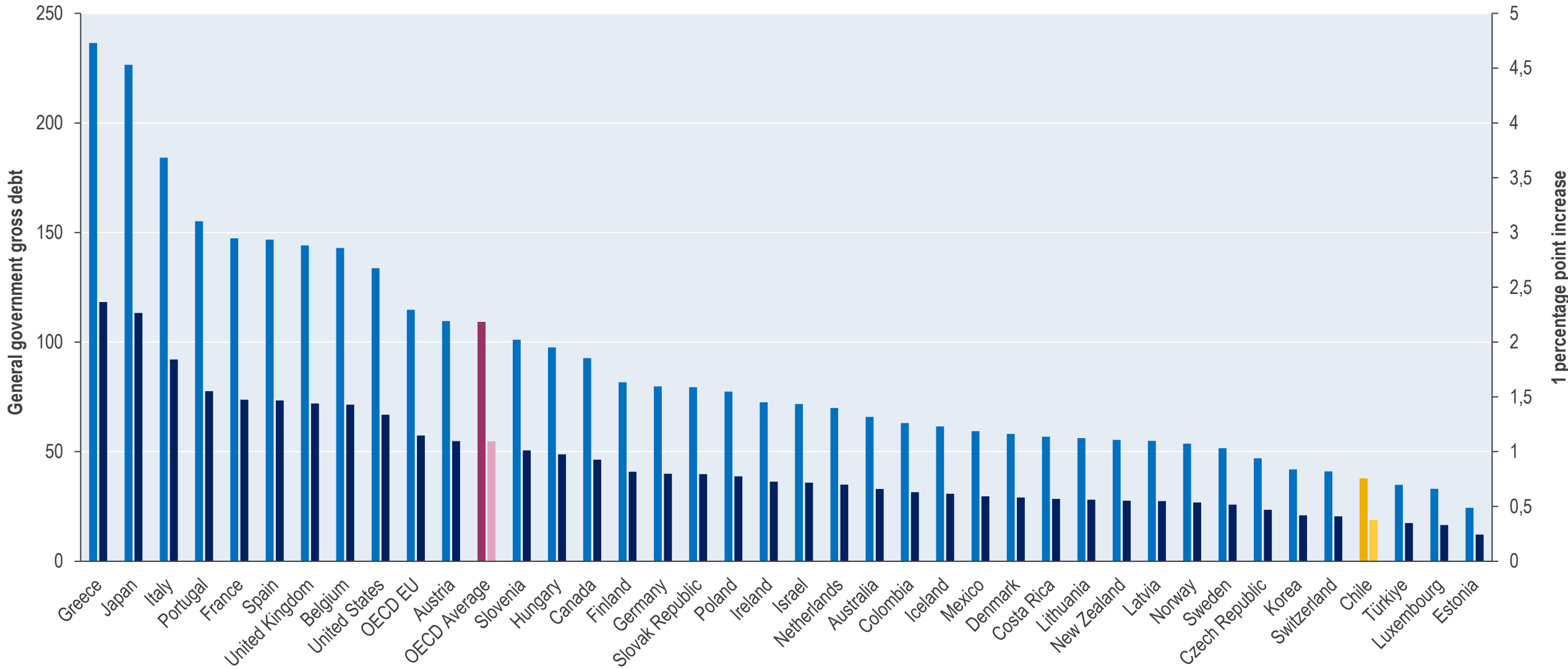


Source: Pension spending, OECD (2023)
Note: Data for 2019



What would a one percentage point increase in interest rate look like for government debt?

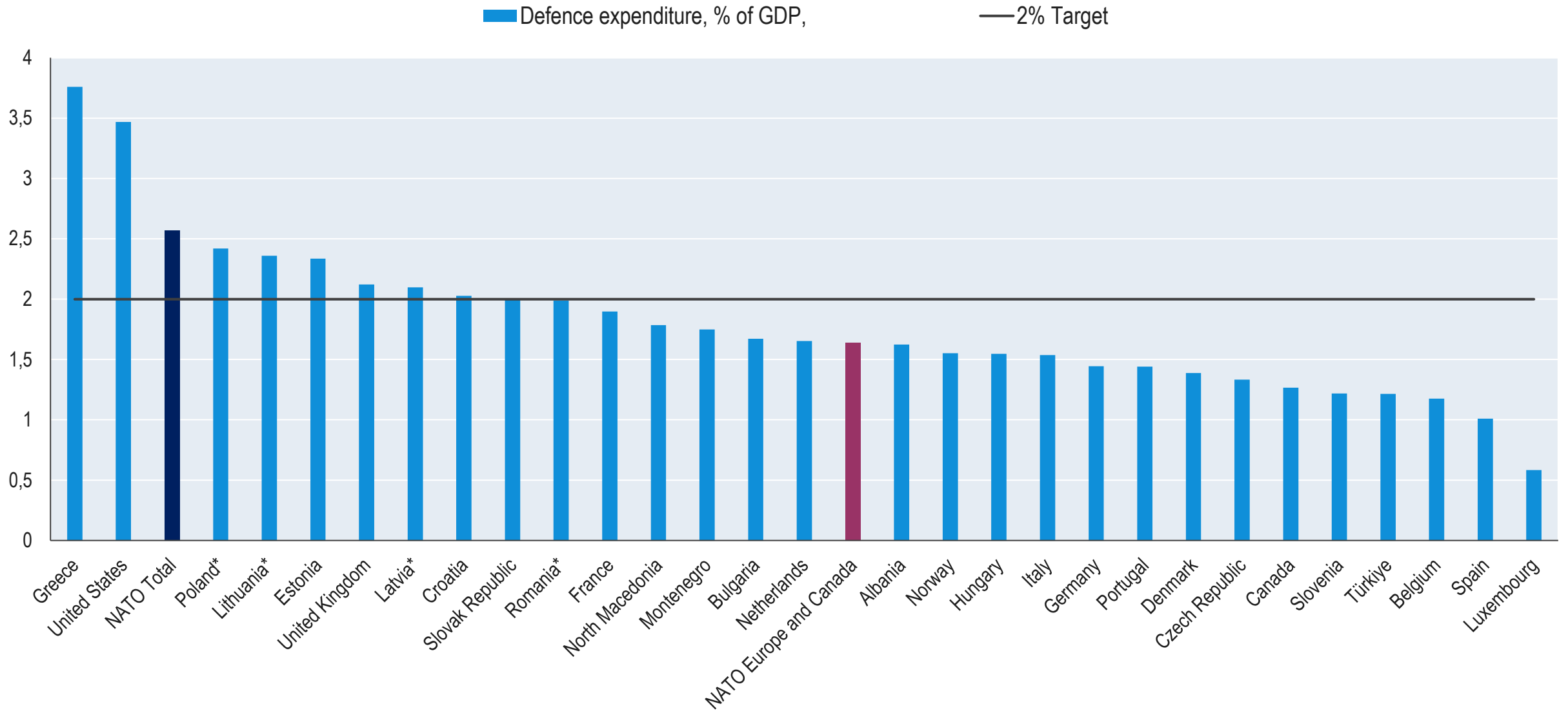
■ General government gross debt, % of GDP, 2020 (left axis) ■ 1 percentage point increase, estimate (right axis)



Note: Data is for 2020 or most recent. Data for Canada, Chile, Colombia, Costa Rica, Iceland, Japan, Mexico, New Zealand, Switzerland and New Zealand is for 2019. Data for Israel and Korea are for 2018.
 The OECD average is a weighted average for 2019.
Source: Government at a Glance 2021 (OECD)



Defence expenditure in NATO countries



Source: NATO.
Note: Data for 2022 (Estimated)



Ensuring Fiscal Sustainability

Increase overall
government
revenues



Re-allocate resources
more lower priorities



Increase user charges
and means-testing



Identify
efficiency gains





Agenda

The Role of the Budget

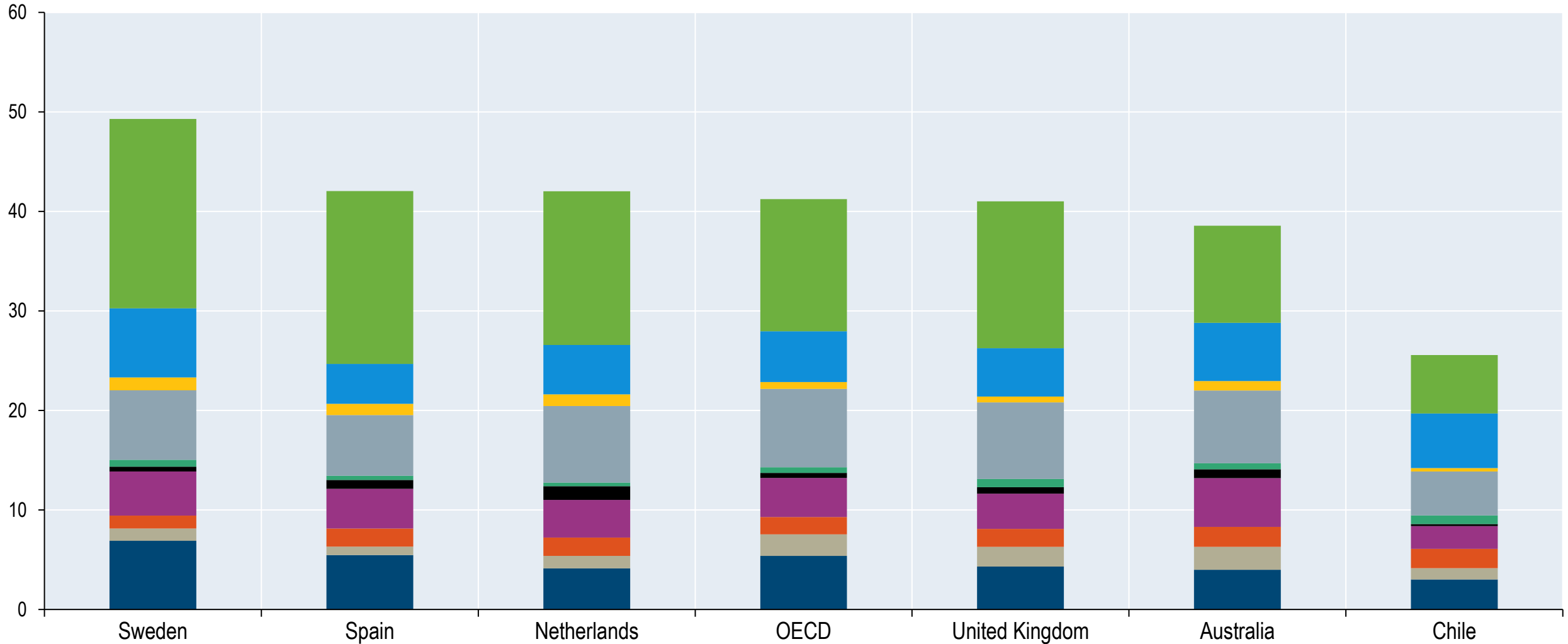
Fiscal Challenges in OECD countries

**Public Spending in Chile vis-à-vis other
OECD countries**



General government expenditures by function, % of GDP

- General public services
- Defence
- Public order and safety
- Economic affairs
- Environmental protection
- Housing and community amenities
- Health
- Recreation, culture and religion
- Education
- Social protection



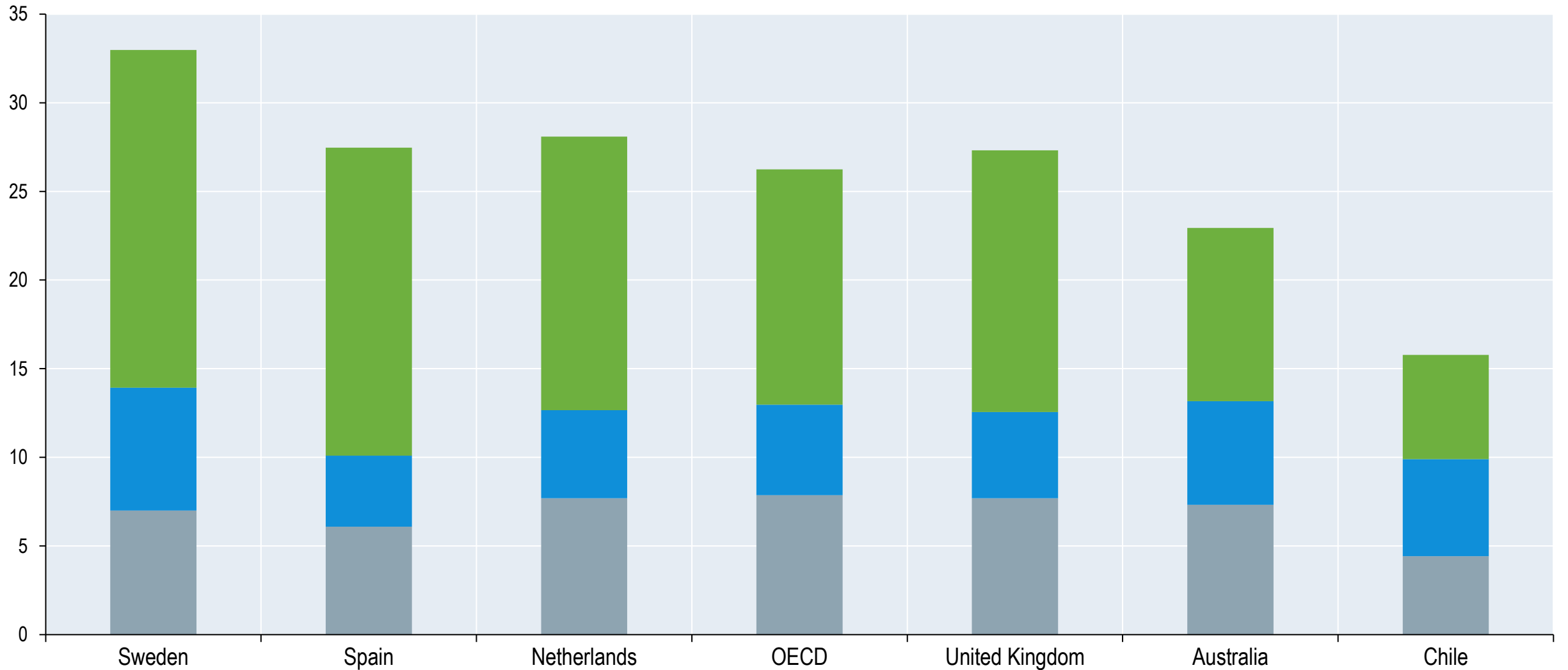


General government expenditures by selected function, % of GDP

Health

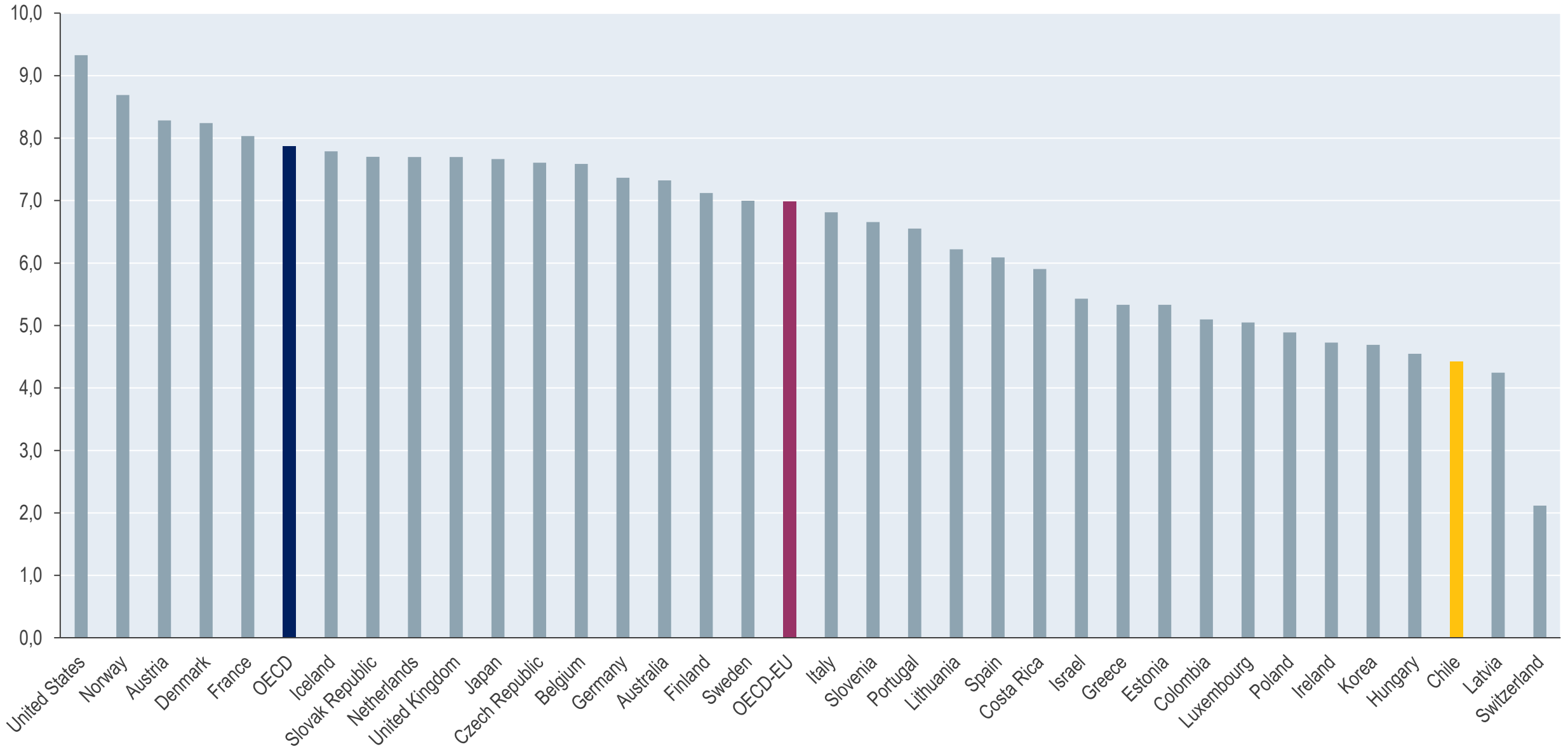
Education

Social protection



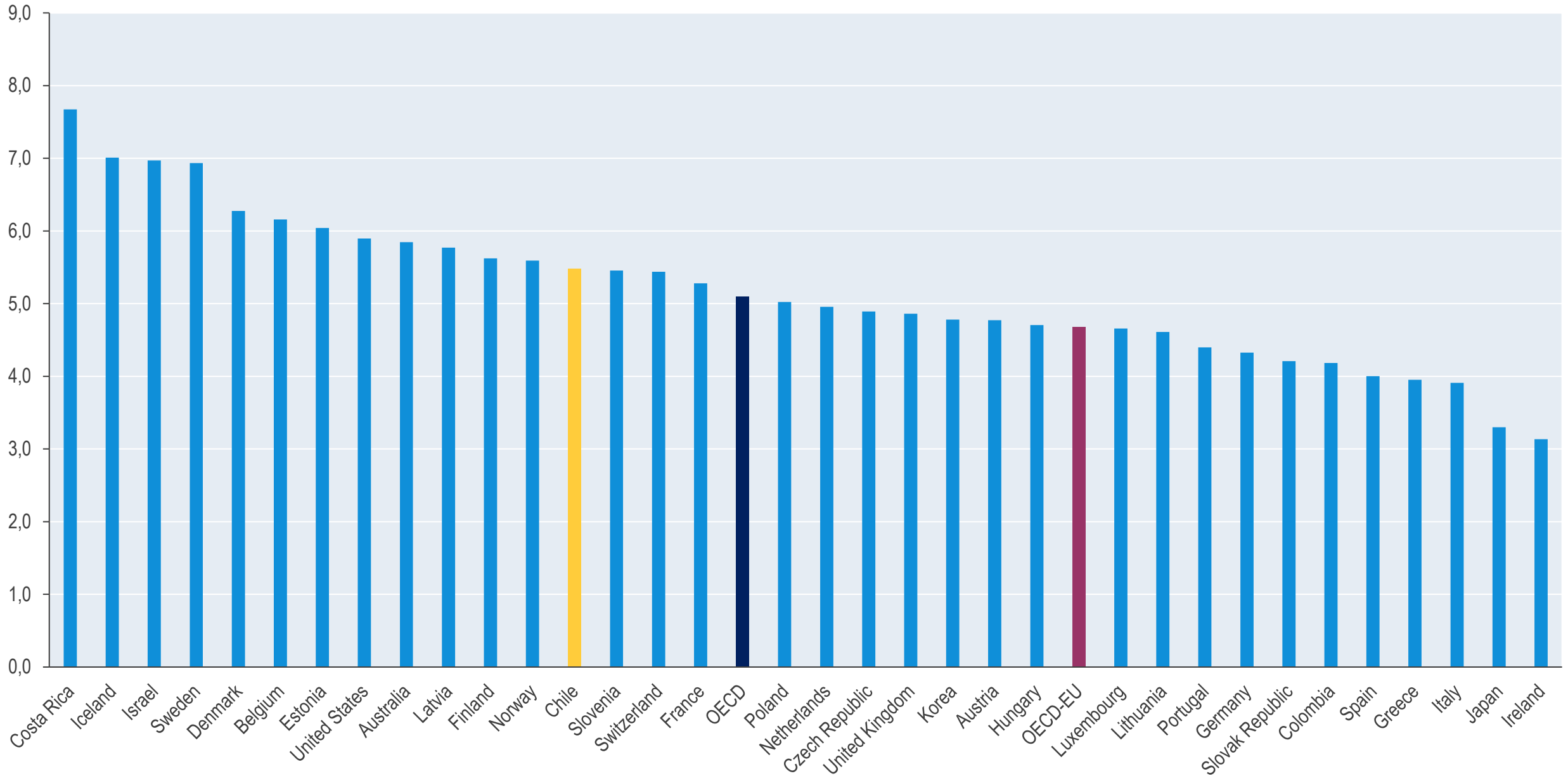


General government expenditure on health, % of GDP



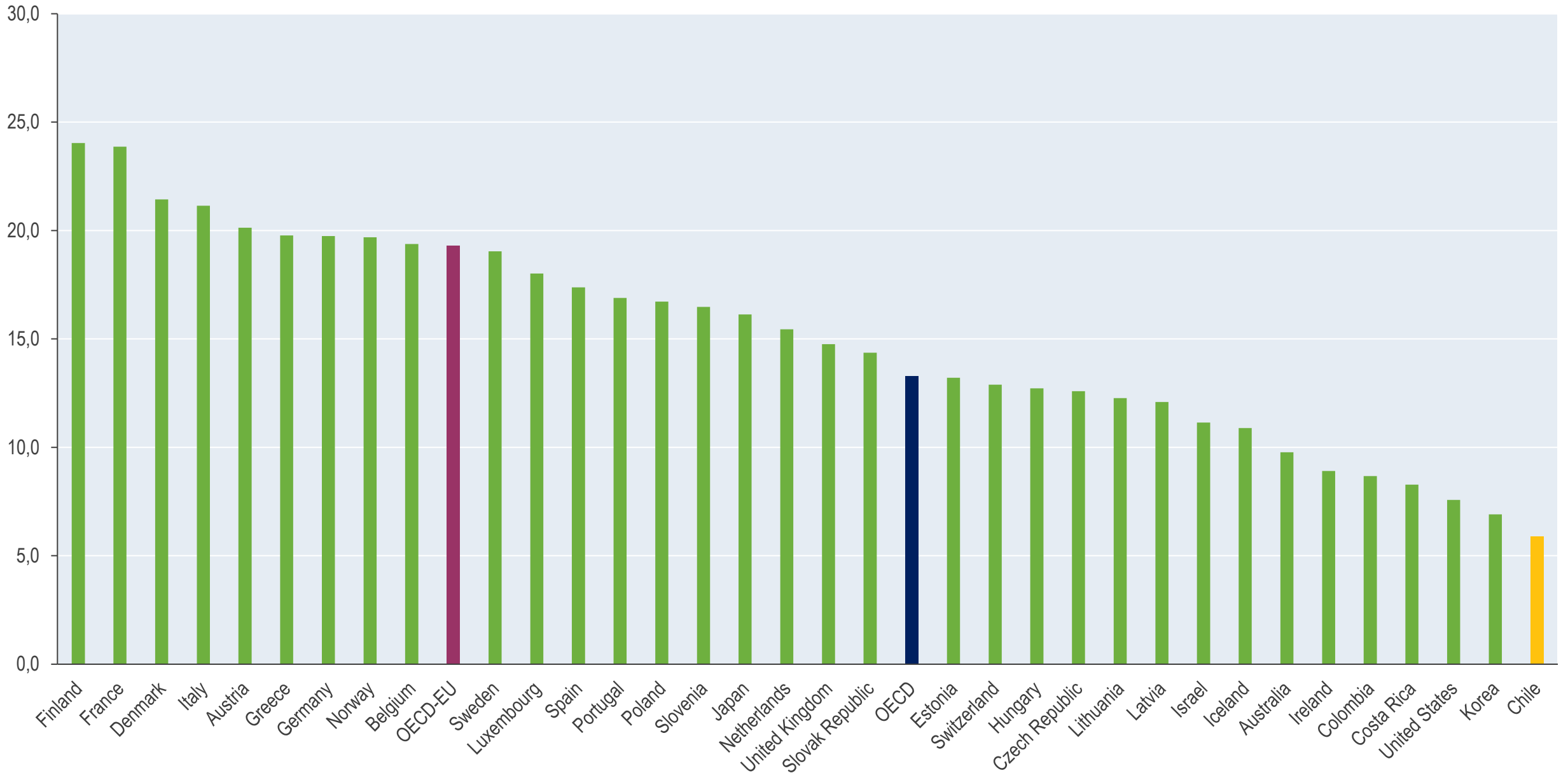


General government expenditure on education, % of GDP





General government expenditure on social protection, % of GDP



Budgeting and Public Expenditures

*Diálogos por un Pacto Tributario
Santiago de Chile*

Jón R. Blöndal
3 April 2023