

## 11.1 General government expenditures

Governments are responsible for providing various services and public goods to their populations and for redistributing income through social benefits and subsidies. Government involvement in service provision varies widely across the Latin American and Caribbean (LAC) region, as does the corresponding government expenditure: while some countries rely predominantly on direct provision of services such as health and education, others opt for a mix of public and private provision.

General government expenditures in the LAC region increased slightly from an average of 34.0% of GDP in 2019 to 34.8% in 2022, while OECD countries saw a more substantial increase, from 40.8% of GDP to 43.3%. Within this average, some LAC countries saw significant reductions: by -9.9 percentage points (p.p.) in Suriname and -7.6 p.p. in Guyana. The LAC countries with the highest general government expenditure as a percentage of GDP in 2022 were Brazil (46.4%) and Ecuador (39.3%); while Guatemala (14.4%) and Haiti (8.3%) reported the lowest percentages (Figure 11.1). Differences in government spending reflect varying levels of institutional capacity, policy choices and constituent needs, among other factors.

Average government expenditure in LAC countries relative to GDP increased gradually in the period 2007-22, by a total of 4.7 p.p. In 2020, government expenditures in the LAC region increased by 3.1 p.p., probably in response to the COVID-19 pandemic, less than in OECD countries (7.4 p.p.). The pandemic required countries to increase spending on healthcare, social welfare programmes, and support for affected businesses and individuals. By 2021 this trend had reversed, with general government expenditures in the LAC region returning to pre-pandemic levels (34.0%). In contrast, although in OECD countries general government expenditures decreased in 2021, they remained above pre-pandemic levels (46.1% in 2021, compared to 40.8% in 2019) (Figure 11.2).

Average government expenditure per capita in the LAC region increased by 17.7% between 2019 and 2022 from USD 5 785 PPP in 2019 to USD 6 809 PPP in 2021, lower than the average OECD increase of 23.5%, from USD 19 928 PPP to USD 24 609 PPP. Benefitting from a surge in oil revenues, Guyana led the world in real GDP growth in 2022, and its government expenditure per capita soared from USD 3 828 PPP in 2019 to USD 8 770 PPP in 2022 (IMF, 2023). The largest reductions in expenditure per capita over the period were Trinidad and Tobago (from USD 8 994 PPP to USD 7 571 PPP) and Suriname (from USD 7 875 PPP to USD 5 409 PPP). There are significant differences across the region in per capita government spending in 2022. Argentina led the group spending USD 9 871 PPP per capita, while Haiti remained the lowest at just USD 262 PPP per capita (Figure 11.3).

Real government expenditure per capita grew at an annual rate of 5.7% in 2021-22 in the LAC region. During 2019-20, real growth was 0.9%, much lower than the 12.5% average in OECD

countries. The annual growth rate in real government expenditure per capita varied greatly within the region during 2021-22: there was rapid growth in Guyana (27.7%), Mexico (9.8%) and Brazil (9.2%), while in Chile it decreased by 18.7% (Online Figure F.8.1).

### Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (October 2023), which is based on the Government Finance Statistics Manual (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and valuating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. General government consists of central government, state government, local government and social security funds.

Expenditures encompass intermediate consumption, employee compensation, subsidies, property income (including interest spending), social benefits, grants and other expenses, and investments. Therefore, total expenditures consist of total expenses and the net acquisition of non-financial assets. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period. Purchasing power parity (PPP) is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. For information on the calculation of government expenditures per capita, see General government revenues. For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

### Further reading

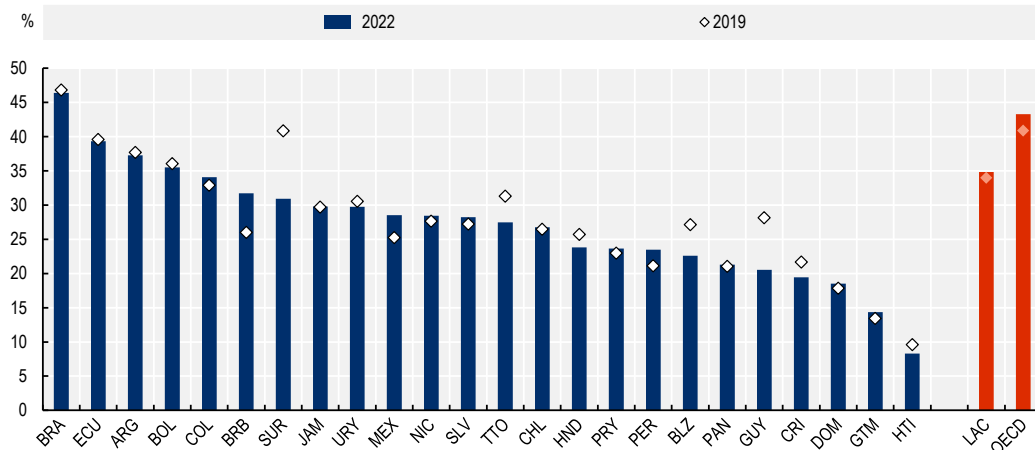
IMF (2023), Guyana Staff Concluding Statement of the 2023 Article IV Mission, International Monetary Fund, <https://www.imf.org/en/News/Articles/2023/09/11/cs91123-guyana-staff-concluding-statement-of-the-2023-article-iv-mission>.

OECD (2023), *OECD Economic Outlook, Volume 2023 Issue 1*, OECD Publishing, Paris, <https://doi.org/10.1787/ce188438-en>.

### Figure notes

Data for 2022 for Guyana and Suriname refer to forecasts. F.8.1 (Annual growth rate of real government expenditures per capita, 2019-20, 2020-21 and 2021-22) is available online in Annex F.

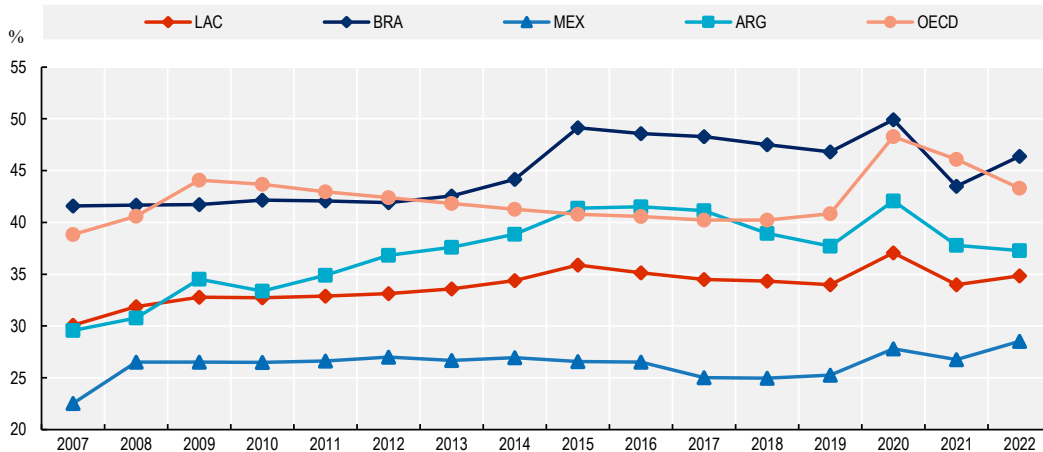
**Figure 11.1. General government expenditures as a percentage of GDP, 2019 and 2022**



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2023); data for the OECD average: OECD National Accounts Statistics (database).

StatLink <https://stat.link/megpk4>

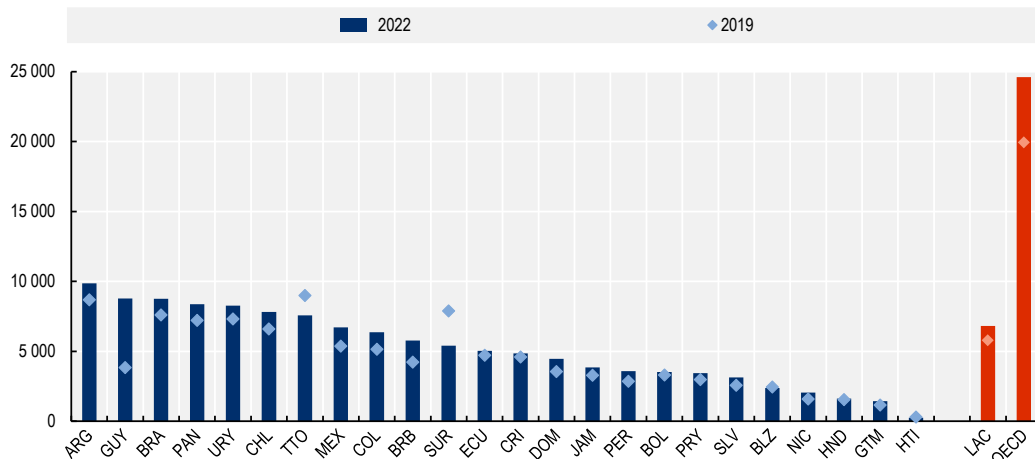
**Figure 11.2. General government expenditures as a percentage of GDP; LAC, OECD and largest LAC economies, 2007 to 2022**



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2023); data for the OECD average: OECD National Accounts Statistics (database).

StatLink <https://stat.link/tar3yb>

**Figure 11.3. General government expenditures per capita, 2019 and 2022**



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2023); data for the OECD average: OECD National Accounts Statistics (database).

StatLink <https://stat.link/b1cnm2>



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