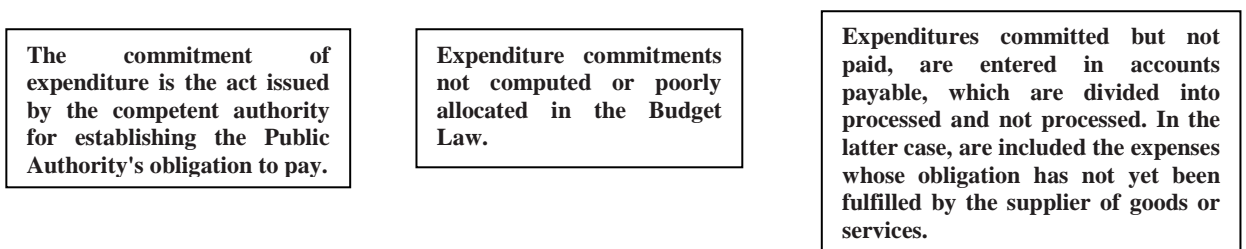


Budget Expenditure

Public expenditure is the application of State resources to fund public services or to invest in the development of the country. In the Annual Budget Law for 2009 (LOA 2009), tax and social security expenditure budgets were adopted with the initial value of R\$1.581 trillion.

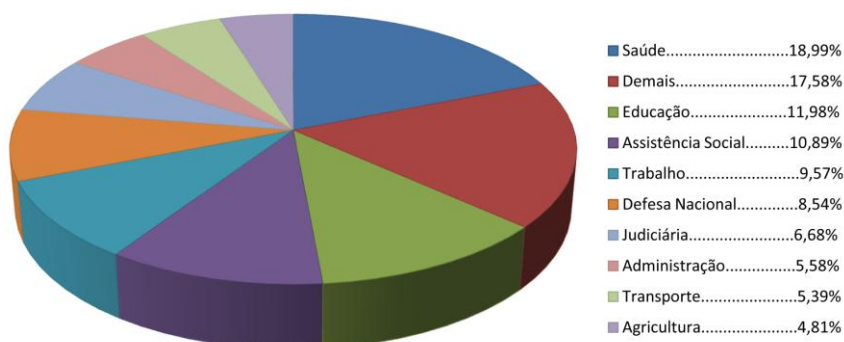
By late 2009, after the approval of **additional credit**, the allocation reached the authorized amount of R\$1.705 trillion. The **committed expenditure** totaled R\$1.416 trillion, equivalent to 83.1% of the total amount authorized. Of this amount, 94% was actually paid, so 6%, or R\$ 85.1 billion, were entered in **accounts payable**.



Of the total value committed in 2009, 78.4% refer to Social Security and **Special Charges**. Excluding these two items, Chart 1 highlights the most representative areas of expenditure.

It aggregates expenses for which one cannot associate a good or service, such as those related to refinancing and public debt service and constitutional and legal transfers.

Chart 1: Distribution of expenditures committed in 2009 in the main functions of the government, excluding Special Charges and Social Security.



Source: Siafi

[Caption: Healthcare – Others – Education – Welfare – Labor – National Defense – Judiciary – Administration – Transportation – Agriculture]

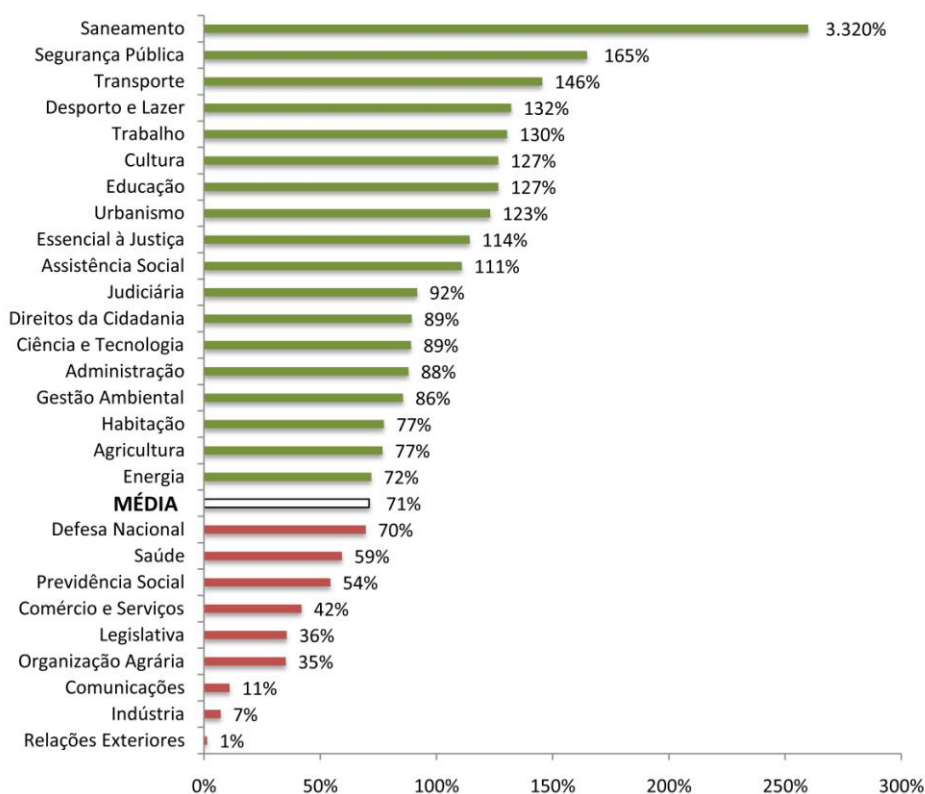
Compared to the previous year, the expenditure committed in 2009 grew 13%. The areas with the largest increase were Sanitation (69.45%), Energy (51.67%) and Agriculture (50.64%). On the other hand, there was a great reduction in expenses in the areas of Industry (-29.73%) and Foreign Relations (-19.42%).

Analyzing the growth rate of the expenditures committed from 2005 to 2009, it stands out the growth of 3,320% on Sanitation, mainly due to the Growth Acceleration Program (PAC). Public Safety and Transportation, among others, also achieved significant growth, as illustrated in Chart 2, which also records nine areas that were below the average growth of 71% in the period.

Regarding expenditures committed by group, Chart 3 shows that, while the share of spending with Amortization/Debt Refinancing fell from 49.6% in 2005 to 36.6% in 2009, spending with Other Current Expenditures jumped from 30.2% to 37.2% and the Personnel and Payroll charges from 8.5% to 11.8% in the same period. Another important fact is that the participation of the costs involved with investment doubled between 2005 and 2009.

The Executive Branch, which is the main enforcer of public services, accounted for almost 80% of personnel expenses in 2009. The Ministry of Defense, which concentrates all the State's military force, accounts for 23.7% of personnel costs. The Ministries of Finance and Education accounted for 13.6% and 12.4%, respectively, of the total of the fiscal year. Comparing with the numbers of 2008, the agencies that showed the highest increase in personnel expenses were the Ministry of Mining and Energy (34%), Ministry of Agriculture, Livestock and Food Supply (32%) and Ministry of Science and Technology (30%).

Chart 2. Percentage growth of expenditures committed between 2005 and 2009



Source: Siafi

[Caption: Sanitation – Public Safety – Transportation – Sports and leisure – Labor – Culture – Education – Urban Development – Essential to Justice – Welfare – Judiciary – Rights to Citizenship – Science and Technology – Administration – Environmental management – Housing – Agriculture – Energy – AVERAGE – National Defense – Healthcare – Social Security – Trade and Services – Legislative - Agrarian Organization – Communications – Industry – Foreign Relations]

In the analysis that compares spending with outsourcing in relation to spending on personnel, we observed that in 2009 outsourcing spending amounted to 8% of the total of the personnel expenses.

Regarding the amount of investments of the fiscal budget and social security, there is a significant increase from 2007, after the implementation of PAC. In 2009, investments of the program were responsible for 38% of the total allocated to investments. For 2008, the volume of resources committed increased by 27%, while payments have increased by 56%. By area of operation, the Federal Government investments are mainly concentrated in Transportation, whose expenditure committed represented 26% of the total paid in 2009.

Capital expenditures targeted to the planning and execution of public works, to the implementation of special work programs and to the acquisition of facilities, equipment and permanent material

A relevant aspect of the implementation of investment spending is the high amount of resources entered in accounts payable, which have received growing attention from the Brazilian Court of Audit (TCU) because of its huge growth in recent years. Considering its overall value, the accounts payable increased from R\$39 billion in 2005 to R\$115 billion at end-2009. For comparison, while the expenditure in the tax budget and social security grew 28% between 2005 and 2009, the volume accounts payable increased by 195% over the same period.

In this scenario, for purposes of accountability, under TCU Decision No. 2659/2009-Plenary it became necessary to include in the performance audit report issued by the competent agency of internal control, verification of meeting the legal conditions that must be observed when registering the accounts payable.

Chart 3. Participation (%) of the groups of expenses in the total committed expenses between 2005 and 2009



Source: Siafi

[Caption: Personnel and Social Security – Interests and Debt Charges – Other Current Expenses – Investments – Financial Inversions – Amortization/Debt Refinancing]

Access the full chapter on Budget Expenditure at: www.tcu.gov.br/contasdegoverno