

# UAE federal spending grows 7% in 10 years

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The federal budget recorded a rapid increase after 2005, jumping by around 21.5 per cent annually between that year and 2009. (FILE)

The UAE's federal expenditure has grown by around seven per cent annually over the past 10 years and the bulk of the increase was after 2005, when oil prices began their rapid rise, according to government data.

Revenues recorded slightly higher growth of around eight per cent and the federal budget has ended without deficit in the past five years in line with plans to issue balanced revenue and spending, the Ministry of Finance's figures showed.

From Dh22.91 billion in fiscal year 1999, federal spending leaped to nearly Dh42.2 billion during 2009, an annual growth rate of seven per cent.

Revenue swelled from about Dh20.43 billion to Dh42.2 billion in the same period, recording an annual rise of nearly eight per cent, the report showed.

Both spending and revenue sharply fluctuated during 1999-2004 before they were balanced in 2005 as part of the Ministry of Finance's stated policy of releasing a deficit-free federal budget.

As a result, the budget recorded a rapid increase after 2005, jumping by around 21.5 per cent annually between that year and 2009, the figures showed.

Analysts said forecast revenue and spending in the federal budget were close to actual levels since the budget is financed through fixed contributions by each UAE emirate, mainly oil producers Abu Dhabi and Dubai.

The report showed the 2009 budget recorded an increase of about 20.9 per cent, rising to Dh42.2 billion from Dh34.9 billion in the previous year.

The Ministry gave no data for 2010 but the federal budget approved by the cabinet a few months ago showed there was a sharp slowdown in spending growth, as it edged up by only 3.3 per cent to Dh43.6 billion.

The slowdown followed a steep decline in the country's oil export earnings in 2009 and the first half of 2010 because of lower crude prices and output. From around \$92 billion in 2008, when oil prices hit a record high average of \$95, the UAE's income plunged below \$50 billion in 2009.

A budget breakdown showed social services and defence and security consumed up more than two thirds of the 2009 budget, receiving nearly 38.3 and 35.8 per cent of the allocations respectively.

Infrastructure projects received about 5.1 per cent while around 1.6 per cent was allocated for economic affairs and 3.1 per cent for foreign affairs.

"A sum of Dh2.1 billion was earmarked for infrastructure projects in 2009, an increase of nearly 24 per cent over the previous fiscal year," the report said.

It showed the total cost of projects listed in the 2009 federal budget grew to around Dh8.69 billion from Dh8.45 billion in the 2008 and Dh6.61 billion in 2007. The value in 2009 was nearly double the project costs of around Dh4.3 billion listed in the 2005 federal budget, the figures showed.

The UAE's federal budget is part of the much larger consolidated financial account (CFA), which better reflects the country's real fiscal position as it includes federal spending and the budget of each emirate.

In 2009, CFA hit a record Dh289 billion despite the fall in oil revenue, far higher than the 2008 spending of around Dh254 billion.

Official data showed actual revenue in the 2009 CFA budget plunged to around Dh292.6 billion from a record high of Dh450.3 billion in 2008.

The decline was a result of a sharp drop in hydrocarbon export earnings to nearly Dh217.5 billion from a peak of Dh362.1 billion in 2008.