

The dynamics of the Primary Result Target and the Brazilian Army's budget execution from 2008 to 2021

La dinámica de la Meta de Resultado Primario y la ejecución presupuestaria del Ejército Brasileño de 2008 a 2021

Abstract: This study aims to investigate the relationship between the budget execution of the Brazilian Army and the primary result target. A documentary and bibliographical overview was developed, as well as an analysis on the Force's budget and budget execution. Considering the mechanics of the fiscal rule and the risk that contingencies represent to the institution's activities, reverberating in the National Defense, a process of rigidity of the Army's budget structure was observed in the last years, which would suggest a protective measure in relation to the constant limitations of commitment imposed by the Federal Government in each fiscal year. There was also a concentration of commitments issued in recent semesters and quarters, due to contingency decrees. Additionally, a moderate correlation was considered between the annual, half-yearly, and quarterly budget execution and the registration of pending unpaid obligations.

Keywords: Primary Result Target; Brazilian army; Budget Execution; Budget Sequestration.

Resumen: El objetivo de esta investigación es analizar si la normativa del Comando Aeronáutico (COMAER) enfocada en Ciencia, Tecnología e Innovación (CT&I) promueve la participación efectiva de la Base Industrial de Defensa (BID) en el desarrollo de proyectos del Departamento de Ciencia y Tecnología Aeroespacial (DCTA). La metodología consistió en una revisión bibliográfica y documental para identificar legislación externa e interna al COMAER, además de entrevistas semiestructuradas a representantes de la Triple Hélice (Gobierno, Industria y Academia). El análisis de las legislaciones reveló la necesidad de alinear y medir metas, y adecuar el término "proyecto". Se encontró que un proceso no está bien definido para seleccionar el instrumento legal para el desarrollo de proyectos de CT&I, afectando los criterios de participación de la BID. En las entrevistas, los puntos resaltados fueron la escasez de metas medibles, la existencia de múltiples áreas prioritarias, el desconocimiento sobre los instrumentos de contratación y cooperación tecnológica y la dificultad para mejorar la gobernanza de los proyectos. Se concluye que las normativas del COMAER son insuficientes para promover la efectiva participación de la BID en el desarrollo de proyectos tecnológicos del DCTA.

Palabras clave: Legislaciones; BID; Tecnología aeroespacial; Innovación.

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1 INTRODUCTION

Brazil's military defense instrument is the Armed Forces, composed by the Brazilian Navy (MB), the Brazilian Army (EB), and the Brazilian Air Force (FAB). The Ministry of Defense and these three Forces make up the Defense Sector (Brasil, 2020).

The EB, scope of this research, aims to ensure national sovereignty and the constitutional powers of law and order, safeguard national interests, and cooperate with national development and social well-being (Brasil, 2016).

In 2021, a total of R\$ 113.9 billion was allocated to the Ministry of Defense, excluding extraordinary credits: 85.8% to personnel payment, 5.6% to defrayals, and 6.4% to investment expenses, in particular, expenses with strategic defense programs and projects (Brasil, [20--?]a).

The role of regional leadership in South America and of participant in peacekeeping operations by the United Nations (UN) implies the need for modern and well-equipped Armed Forces, for which they require compatible resources. The *Política Nacional de Defesa* (PND – National Defense Policy) has some requirements, such as keeping the Armed Forces adequately motivated, prepared, and equipped, so they are able to achieve their constitutional mission; providing adequate deterrence capacity; and seeking budgetary-financial regularity for the Defense Sector, suitable to fulfill its constitutional missions and the continuity of Defense projects (Brasil, 2016).

Given it is a priority to ensure continuity and predictability in the allocation of budget and financial resources to the Defense Sector (Brasil, 2016), the role of fiscal rules, which are incorporated to avoid irresponsible use of public resources, is important (Menezes; Junior, 2006).

The global interest in fiscal rules has advanced due to the fiscal deterioration observed throughout the 1990s, and Brazil has not escaped this trend. Complementary Law No. 101, of May 4, 2000, which enacted the *Lei de Responsabilidade Fiscal* (LRF – Fiscal Responsibility Law), a legal framework for Brazilian fiscal management, sought to promote responsibility in fiscal management. This legislation founded the primary result target fiscal rule, which establishes the need to define the primary result target (difference between primary expenditure and revenue) in the budget process (Brasil, 2000).

However, regarding the management of the primary result target, the literature points out that part of its effects on public institutions is the budget sequestration, that is, budget cuts (Barros, 2020; Santos, 2020); disbursements concentrated in the last months of the year (Cavalcanti, 2018; Barros, 2020; Queiroz, 2020; Barbosa; Rodrigues, 2021), and registration of expenditures in unpaid obligations (UO) (Cavalcanti, 2018; Queiroz, 2020; Barbosa; Rodrigues, 2021).

This study proposes to answer the following research problem: Was there a connection between the execution of the EB budget and the dynamics of the primary result target from 2008 to 2021?

Thus, this research aims to verify the dynamics of the primary result target and the effects on the execution of EB budget using the following variables: budget sequestration, disbursements at the end of the fiscal year, and registration in pending unpaid obligations (PUO) from 2008 to 2021.

This analysis is justified because it raises a relevant discussion for public finances and Brazilian society, investigating the primary result target and whether the budget process has adequately contemplated the formulation and maintenance of National Defense planning and activities in the EB.

Understanding the conception and dynamics of Brazilian fiscal rules over time is important given the potential to influence the present and future of Brazilian society. Analyzing fiscal sustainability goes beyond the state's financial health, as it affects people's quality of life, since inadequate tax administration and execution directly interfere with the amount of resources allocated to providing services and delivering public goods (Bento; Araújo, 2016).

2 THEORETICAL FRAMEWORK

2.1 Budget Process

The main budget laws are the *Plano Plurianual* (PPA – Multi-Year Plan), the *Lei de Diretrizes Orçamentárias* (LDO – Budget Guidelines Law), the *Lei Orçamentária Anual* (LOA – Annual Budget Law), and the Additional Credits (Brasil, [20--?]a).

The Brazilian budget is of the authorizing type and, therefore, planned forecasts do not mean its execution is mandatory, given the possibility of changes due to variations in the economic or fiscal framework, signaling the need for budget adjustments, including forcing the government to stop executing some discretionary expenditures (Santos; Gasparini, 2020).

Primary expenditures are those that make it possible to offer services to society, minus financial expenditures. They are classified as mandatory and discretionary (Brasil, 2020).

Mandatory expenditures are those the government cannot fail to execute, and cannot, in theory, be frozen (Brasil, 2020). Considering the Army's budget, they are basically intended for personnel payment, medical and dental care, food; funeral and birth assistance for civil servants; feeding military personnel; movement and uniforms of military personnel; judicial decisions in writs of mandamus and others (Brasil, 2020; Andrade, 2020).

Discretionary expenditures are those that grant the Executive Branch flexibility in establishing their amount and enable their execution (Barros, 2020). Other current expenditures, investments, and financial investments are examples of discretionary expenditures.

2.2 Fiscal Rules and the primary result target

Fiscal rules are widely used to restrict the discretion of fiscal policy and promote fiscal discipline. Its main objectives involve committing policymakers to fiscal sustainability, increasing transparency, and signaling the course of fiscal policy to financial markets. Fiscal rules can also have a political role by enabling agreements on solid tax strategies (Eyraud *et al.*, 2018).

Fiscal rules can be numerical, corresponding to a lasting restriction on fiscal policy through numerical limits on budget aggregates, implying limits on fiscal policy that cannot be changed frequently (Lledó *et al.*, 2017).

In this context, the LRF established the preparation of the Fiscal Targets Annex of the LDO, which must contain the primary result target for the corresponding fiscal year and for the two following years (Brasil, 2000).

The primary result is the comparison of primary expenditures and revenues for the year, excluding the nominal interest on net debt. Its calculation provides an assessment of the impact of fiscal policy on public accounts, showing the fiscal effort of the public sector, free from the “burden” of past deficits, and makes it possible to assess the government’s ability to honor commitments (Paganotto; Olive tree; Antunes, 2017).

2.3 Budget Sequestration

After the LOA is sanctioned, the Executive Branch effectively implements the budget by issuing decrees. Disbursement schedules and financial programming are established by means of budget sequestration (or budget and financial programming) that public entities must follow in the fiscal year to meet the objectives and goals established in the PPA (Brasil, 2000; Barros, 2020).

Budget sequestration is a tool used by the Executive Branch which blocks or delays and, in some cases, does not execute part of the expenditure foreseen in the LOA. The Executive Branch has frequently taken advantage of this to achieve the established fiscal adjustment goals (Barros, 2020).

The target of budget sequestration is discretionary expenditures. Thus, investments tend to be more targeted, as they have a greater flexibility degree than other expenditures. Being responsible for boosting the economy and contributing positively to the gross accumulation of fixed capital, they compromise the state’s growth capacity as they are reduced and, ultimately, worsen the quality of life (Assis, 2019).

Notably, budget sequestration can generate negative impacts in public institutions and in Brazilian society, since public managers carry out plans to fulfill their goals and actions with society in a timely and effective manner, as foreseen in the LOA. Studies by Andrade (2020) and Barros (2020) sought to highlight part of the effects of budget sequestration.

Andrade (2020), when analyzing the budget sequestration in the EB, stated that interruptions in the budget flow directly reflect on delivering contracted products and meeting deadlines for implementing strategic projects and programs, in addition to causing legal and commercial uncertainty in the investment environment of the private sector.

Barros (2020), when studying the budget sequestration in the Department of Science and Technology, confirmed they have the potential to negatively impact the execution of public spending. The author also mentioned that budget sequestration favors the concentration of appropriations at the end of fiscal years, characterizing what is pejoratively called “*dezembrada*”

(“december rush”). This phenomenon favors acquiring products or contracting services that do not adhere to government planning, due to the “immediate commitment” condition at the end of the year.

Additionally, to achieve the primary result in the first months of the year, the Executive Branch limits financial disbursement and restricts the volume of commitment. In the last months of the year, when the goal is already achieved, a massive volume of resources is released, but time is scarce to complete all stages of expenditure (Queiroz, 2020; Barros, 2020). This can generate negative impacts, as those responsible for public spending plan to effectively and timely comply with the execution of the expenditure proposed for their institution in the LOA. However, throughout the fiscal year, they are unable to predict the amount of appropriation their body will receive, nor when the budget credit will be available so they can commit the expenditure (Barros, 2020).

Research such as those by Barros (2020), Queiroz (2020), Santos (2020), and Barbosa and Rodrigues (2021) show there is a tendency to release the budget (disbursement) at the end of the year (close to the commitment deadline). This is a consequence of the manner in which the Federal Government’s commitment limits operate, reflecting the dynamics of the primary result target, considering the ratio of budget sequestration decrees aimed at achieving this fiscal target throughout the year.

Another reflection of budget sequestration operability is the encouragement toward contracting that is not aligned with institutional planning. Further, the late release of the budget, near the end of the fiscal year, promotes an increase in the registration of unpaid obligations (UO), impacting current and future budget(s) (Brasil [20--?]b).

Queiroz (2020), Barros (2020), and Barbosa and Rodrigues (2021) highlighted the lack of timeliness (due to the late release of the budget) as a barrier to achieve part of the public expenditure stages (commitment, settlement, and payment), causing the registration of processed and unprocessed UO, depending on the case.

Thus, it is feasible that certain discretionary expenditures are included in the list of exemptions of the LDO, with the possibility, in theory, of not being frozen throughout the fiscal year. This study analyzes this aspect, given its connection with budget freezing, extending to the primary result target dynamics.

In terms of budget sequestration decrees to the EB, the 2021-2022 Army Command Directive states the restriction of budget resources caused by budget sequestration represents a risk factor to which the EB is exposed to (Brasil, 2021). If such a risk materializes, it could jeopardize the Force’s operability and the support for executing assistance projects for populations at social risk; impact the continuity of strategic programs and projects, not complying with schedules; and harm the transformation process that requires investments in the main strategic programs and projects so they are not interrupted, which may impact the Army’s operability (Brasil, 2021, [20--?]b).

2.4 National Defense and the Brazilian Army

The National Defense, as a public good provided to society through public policies, is essential to achieve the desired level of security in Brazil (Brasil, 2016). It encompasses attitudes, measures, and actions of the State to defend the National Territory, sovereignty, and national interests against predominantly external, potential, or manifested threats (Brasil, 2020).

The basic assumption—“to seek budgetary-financial regularity for the Defense Sector”—is highlighted in this study, as there is a direct connection with its general objective, since the way the primary result target is managed can potentially compromise EB activities and, consequently, this basic assumption. Reflections on this aspect can go further, since deficiencies in the budget and financial structure of the Armed Forces can reverberate in, essentially, all basic assumptions.

Among the documents related to National Defense, it is essential to mention the National Defense Policy (PND) (Brasil, 2016). The PND is based on foundations, objectives and principles set out in the Brazilian Constitution and is aligned with government guidelines and the country’s foreign policy (Brasil, 2013). Thus, it is the conditioning document of the highest level of defense planning, establishing the National Defense Objectives (OND), which are conditions to be achieved and maintained in the defense field (Brasil, 2016).

The National Defense Strategy (END), based on stances established in the PND, is based on the most important objectives in the defense field (Brasil, 2016). It guides actions that must be taken for each OND to be achieved. Therefore, it represents the link between Brazil’s position on Defense issues and necessary actions to provide the State with the capacity to meet its interests (Brasil, 2020). Regarding the scope of this study, the objective “OND II – Ensuring defense capacity for the fulfillment of the Armed Forces’ constitutional missions” stands out, as well as the strategy “D-5 – Budget regularity and its deployment in AED” (Brasil, 2016, our translation).

Thus, the study of the federal budget and, more specifically, the Defense budget in Brazil, is opportune, since it can be an instrument for the analysis of government planning aimed at this sector. Its relevance is related to budget crisis scenarios because, even so, it is necessary to formulate and maintain a coherent defense plan with the END and the PND (Matos; Fingolo; Schneider, 2017).

3 METHODOLOGY

3.1 Object of study and period of analysis

The Brazilian Army manages the Budgetary Units : Army Command, Brazilian War Material Industry – IMBEL, Osório Foundation, and Army Fund. The focus of this research, for convenience, is the Army Command and the Army Fund.

The period chosen, 2008 to 2021, was due to the large data availability, mainly in the *Tesouro Gerencial* (TG – Management Treasury). The data was collected throughout 2022.

All analyzed variables were corrected at 2021 prices using the annual average of the Extended National Consumer Price Index (IPCA), available on the *Instituto de Pesquisa Econômica Aplicada* (IPEA – Institute of Applied Economic Research) website.

It was decided not to use 2020 data due to its particularity. In that year, a state of public calamity was declared in the Federal Government by Legislative Decree No. 6/2020, effective until December 31, 2020, releasing governmental entities from meeting fiscal targets, such as the primary result target (STN, 2020).

3.2 Variables analyzed

Discretionary primary expenditures are at the heart of the discussion of budget sequestration toward achieving the primary result. Thus, only the Force's discretionary expenditures, which can be made more flexible with budget sequestration decrees, were analyzed.

Budget sequestration (as in cutting the authorized budget) that occurred during the budget execution was surveyed. The data was requested to EB in the Fala.BR platform. In response, data were obtained, considering the values of primary result identifiers 2 and 3 (UO 2 and 3), not including parliamentary amendments. It was impossible to use data prior to 2008, since the EB did not have access to this information.

Subsequently, data on budget sequestration that occurred at the end of the year, considering the last semesters and quarters of each year, were collected using the Fala.Br platform. However, until the end of the research, no viable data were presented on the platform.

To enable the analysis of budget sequestration, as well as the continuation of the research, it was decided to carry out the survey based on the volume of discretionary expenditures committed by the institution throughout each year of the period under study. This was inspired by the work of Barros (2020), Queiroz (2020), and Barbosa and Rodrigues (2021) who indicated that the late release of budget appropriations would lead to a concentration of commitments made at the end of the fiscal year. Hypothetically, a connection between the releases of movement and commitment limits and the commitments issued could be established, according to these studies.

Data on discretionary expenditures committed on a quarterly basis were obtained after consulting the TG. Then, commitments from 2008 to 2021 were analyzed.

Finally, inspired by Cavalcanti (2018) and Queiroz (2020), this research sought to verify the correlation between the budget execution of discretionary expenditures and registration of values related to these expenditures in PUO, using the Pearson correlation coefficient.

This coefficient measures the degree of linear association between two variables and its value is between -1 (perfect negative correlation) and $+1$ (perfect positive correlation) (Levine *et al.*, 2013). The variables analyzed were:

Independent values: (x) – Discretionary expenditures committed in the last semester/quarter from 2008 to 2021.

Dependent values: (y) – Discretionary expenditures registered in PUO from 2008 to 2021.

The data of variables (x) and (y) were obtained after consulting the TG. Table 1 was created to interpret the correlation coefficients.

Table 1. Pearson's correlation coefficient

Pearson's correlation coefficient	Interpretation
0.00 to 0.19	Very weak correlation
0.20 to 0.39	Weak correlation
0.40 to 0.69	Moderate correlation
0.70 to 0.89	Strong correlation
0.90 to 1.00	Very strong correlation

Source: Shimakura (2006).

Visualizing this correlation is important, as expenses are reduced by budget sequestration decrees throughout the year, which establish limits for commitment. In recent quarters, expenditures have been uncompressed and belatedly committed, potentially affecting the registration of government expenditures in UO (Cavalcanti, 2018; Santos, 2020; Queiroz, 2020).

To delimit the research cut, only PUOs were analyzed, since among discretionary expenditures of the EB, this type of UO registration prevailed in a preliminary research developed during the initial study design.

Re-registered PUOs were excluded from each year of the sample, based on Cavalcanti (2018). The author indicated that, in the re-registration, the principle of annuality is already more flexible and, therefore, the interaction between the validity of the budget and its execution does not persist in the same way for the registered and re-registered UOs. Likewise, only registered UOs were considered in Queiroz (2020).

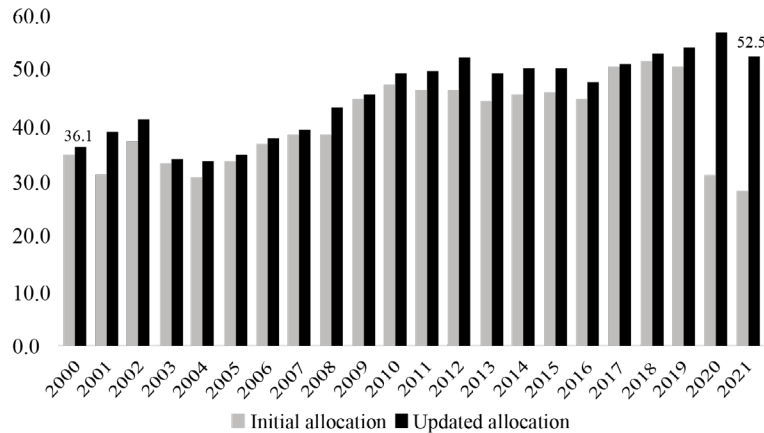
4 RESULTS

4.1 Budget sequestration in the EB

To contextualize the discussion on sequestrations of the budget execution of the EB, Graph 1 illustrates the evolution of budgeted amounts in relation to the initial and updated allocations. Considering the updated allocations, a real growth trend of 45.4% from 2000 to 2021 is expected. However, this increase is not interpreted as significant in relation to the GDP. The Armed Forces budget in 2021 was 1.3% of the GDP, lower than the average of the last ten years (Santana, 2022).

The difference between the initial budget allocation and the updated allocation is due to additional credits and parliamentary amendments. A more detailed analysis of the budget execution of the Brazilian Army can be seen in Santana (2022).

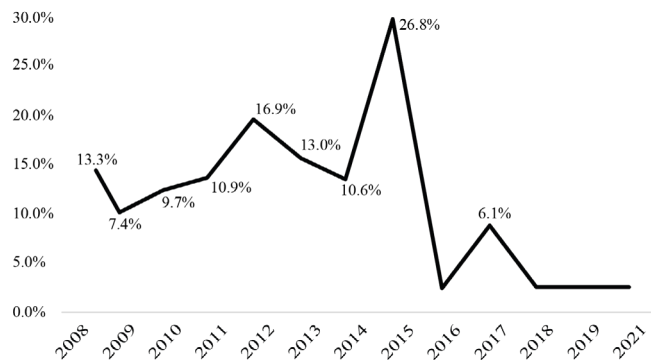
Graph 1. Initial and updated allocation of the EB (R\$ billion from 2021)



Source: Based on SIOP (20--?).

Graph 2 shows the proportion of budget sequestration that occurred in the EB in relation to the updated allocation of discretionary expenditures subject to cuts during the period. From 2008 to 2021, there was budget sequestration from 2008 to 2015 and in 2017, with total discretionary expenditures ranging from 6.1% to 26.8%.

Graph 2. Ratio of budget sequestration to updated appropriations of discretionary expenditures (% of discretionary appropriations)



Source: Based on the Fala.BR platform (2008 to 2021) (20--?).

The peak in 2012 (16.9% of the total) can be partly explained by the fact that this year had the highest allocation of discretionary expenditures. In real 2021 values, the allocation of sequestered expenses in 2012 was around R\$ 8.9 billion.

The high percentage in 2015 (26.8% of the total) can be explained by the deepening of the fiscal crisis in the Federal Government, which culminated in the enactment of the Spending Limits, restricting the growth of public spending (Brasil, 2020). As of 2014, the primary result of the Federal Government is in deficit.

As of 2016, there was no discretionary expenditure freezing, but this occurred in a context in which there was a 21.4% reduction in discretionary appropriations in the EB budget.

Regarding 2020, Legislative Decree No. 6/2020 recognized the state of public calamity. Under the terms of article 65 of the LRF, the achievement of fiscal results and the commitment limitation foreseen in article 9 of said legislation was waived, making budget sequestration unnecessary (STN, 2020). Therefore, according to criteria established, this year was eliminated from the sample, since there was a total release of the federal budget, without successive budget sequestration decrees (Barbosa; Rodrigues, 2021).

Further, some discretionary expenditures assumed a “mandatory” character, being exempt from budget sequestration. In this regard, Andrade (2020), when analyzing the Force’s discretionary expenditures, stated there was a transition movement from 2010 onwards, based on article 9, paragraph 2, of the LRF, which prescribes that expenditures representing constitutional and legal obligations of the entity and those exempt by the LDO will not be limited.

In 2010, the 2004 budget action (expenses with medical and dental care for civil servants, employees, military personnel and their dependents) became part of the exhaustive list of the LDO, being considered expenses that could not be subject to commitment limitation (Andrade, 2020).

Food expenses for Armed Forces personnel were initially included as exempt of budget sequestration in the 2011 LDO, becoming mandatory as of the 2012 LDO (Brasil, [20--?]; Andrade, 2020).

As of the 2013 LDO, expenses with uniforms of the Armed Forces would not be subject to limitation of commitment (Brasil, [20--?]; Andrade, 2020).

In 2014, expenses with the movement of military personnel of the Armed Forces also became mandatory, according to Annex III, of the 2014 LDO (Brasil, [20--?] a; Andrade, 2020). New discretionary expenditures were included in this group in 2020 and 2021.

As of the 2020 LDO, the following were included as expenses that could not be subject to budget sequestration: registration and inspection activities of controlled products; implementation of the ASTROS 2020 strategic defense system; acquisition of the Guarani armored vehicle; and implementation of the SISFRON. In short, these expenditures were deemed “mandatory” despite technically being discretionary.

The shift of discretionary expenditures into expenditures exempt from budget sequestration may explain the downward trajectory of budget sequestration in the last years of the sample.

In 2020 and 2021, 92.0% and 94.1%, respectively, of the total expenses in the EB were mandatory expenditures and not subject to budget sequestration. Regarding

these high levels, Andrade (2020) highlighted that mandatory expenditures and those subject to budget sequestration within the scope of EB ensure the budget execution of the activities linked to such expenses and guarantee the continuity of strategic projects and programs.

In addition, there are institutional studies focusing on other discretionary expenditures; specifically, ammunition and inspection of controlled products becoming mandatory (*Secretaria de Economia e Finanças do Exército* – SEF, 2021).

For discretionary expenditures exempt of budget sequestration, as seen in the LDO in 2020 and 2021, budget continuity and constancy enable meeting deadlines planned for the realization of the strategic projects and programs involved, favoring the formulation of more advantageous contracts, as well as creating positive conditions for the growth and consolidation of a National Defense industry (Andrade, 2020).

This aspect can be related to the objective “OND-7– Promoting Productive and Technological Autonomy in the Defense Area,” whose defense strategies are linked to the promotion of sustainability of the production chain of the Defense Industrial Base and the strengthening of defense technology science (Brasil, 2016).

Saving part of sequestered discretionary expenditures (especially strategic programs and projects) and increasing the scope of mandatory expenditures helps in the technological and doctrinal evolution of the Force, as well as supports the maintenance of activities at a level that enables the effective use of troops. One of the basic assumptions of National Defense in Brazil is reinforced, to seek budgetary-financial regularity for the Defense Sector (ED-5 strategy), to ensure the defense capacity for the fulfillment of the Force’s constitutional missions (OND 2 objective).

However, mandatory expenditures (and those exempt from budget sequestration) can be understood as a way to make the EB budget more rigid, discouraging new investments as they are discretionary expenditures and further compressing other discretionary expenditures that are not exempt. As Santana (2022) notes, the Force’s budget has been greatly committed to mandatory expenditures over the years.

Additionally, the rigidity in the EB budget can result in consequences for the Federal Government’s budget as a whole. Consistent with this idea, Presidential Message No. 569, of November 11, 2019, vetoed some provisions of the 2020 LDO, including the qualitative increase in exempt expenditures. The document stated that not allowing the budget sequestration of additional groups of expenditures can raise the level of “mandatory expenditures” and reduce the fiscal space of discretionary expenditures, in addition to restricting the assigned efficiency of the Executive Branch in the implementation of public policies (Brasil, [20--?]a).

The increase in mandatory expenditures, contributing to the increase in budget rigidity, hinders not only the fulfillment of the primary result target, but also the compliance with the new fiscal regime, established by the spending limit and the golden rule. Failure to comply with these fiscal rules, or even the risk of non-compliance, could cause legal uncertainty and adverse economic impacts in the

country, such as rising interest rates, inhibiting foreign investments, and increased indebtedness (Brasil, [20--?]a).

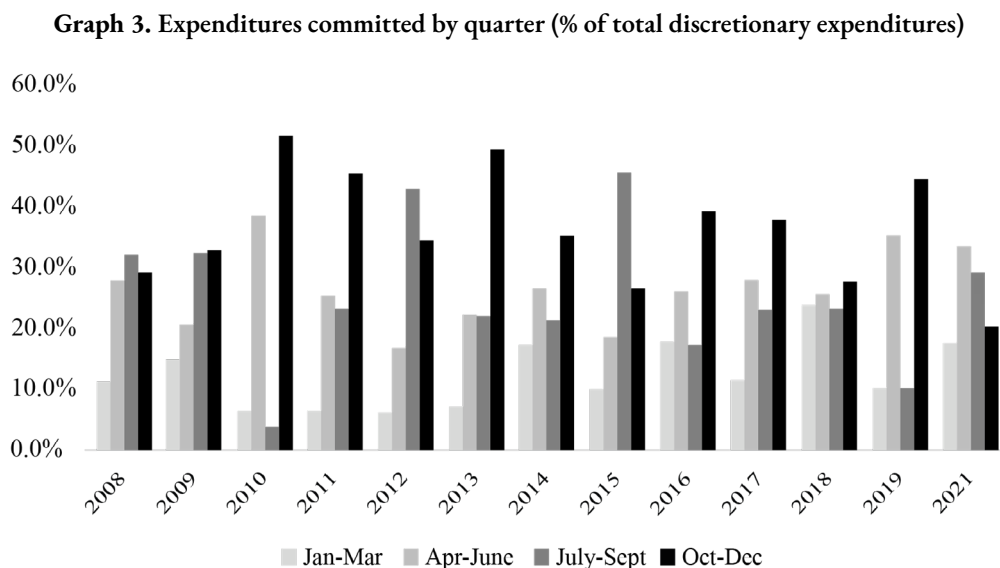
Furthermore, Silveira (2014) observed that budget sequestration forced the creation of “sub-budgets” in the Federal Government, according to specific interests, with a dispute to save some discretionary expenditures categories from the budget sequestration, so they are actually executed. This demonstrates that expenditures exempt from budget sequestration in the LDO are less likely to be realized.

Considering what was discussed, in the context of a recurrent primary deficit within the scope of the Federal Government and the primary result target, budget sequestration has been minimized in the EB after including discretionary expenditures in the list of expenditures exempt from commitment limitation in each year’s LDO and by the trajectory of some expenditures that became mandatory.

As the public budget becomes more rigid, with the increase in mandatory or reserved expenditures, fiscal management and fulfilling the primary result target are more difficult. Additionally, reducing the scope of flexibility with the budget sequestration of discretionary expenditures may encourage the use of target changes and legal deductions (removal of expenditures from the calculation of the primary result), bringing uncertainty around fiscal management itself. The decision to sequester the budget would not only depend on the availability of cash and the primary result target, but also on accounting adjustments to be made.

4.2 Disbursements at the end of the year

Graph 3 identifies the commitments made in each quarter of the years between 2008 and 2021, referring to discretionary expenditures.



Source: Based on TG (2008 to 2021).

Graph 3 shows that the highest percentages committed usually occur in the last quarters. In all years, more than half of committed discretionary expenditures occurred in the second half of the year; except in 2021, when 49.2% of total discretionary expenditures were committed in the second half of the year.

For the period analyzed, on average, the first semester presented 38.7% of commitment, and the second semester, 61.3% of discretionary expenditures. The last quarter of the year presented a 36.3% average commitment of total discretionary expenditures.

This can be explained by the Federal Government's attempt to achieve the primary result target, restricting the volume of expenses committed in the first months of the year. Towards the end of the year, with less uncertainty regarding revenues and targets, there is a relevant release of resources, disbursing what had been previously sequestered (Queiroz, 2020). Another aspect that may contribute to commitment restriction at the beginning of the year is the fact that it is not uncommon for the fiscal year to begin without the Legislative Branch approving the LOA (Queiroz, 2020; Barros, 2020).

Extending the budget to the end of the year, by means of late budget sequestration, challenges the execution of budget actions and some implications for the EB.

Barros (2020), when dealing with discretionary budget actions related to research, development, and innovation in the EB, also identified there are significant releases in the last months of the year. These budget actions require more time to complete related processes, given the stages of expenditures to be covered and the complexity of this type of contracting, which depend on refined technical-legal analyses and interpretations.

Thus, there is the possibility of contracting that is not aligned with strategic planning, as managers have an interest in not losing the current budget or not reducing the future budget, given there is an incremental budget culture in the Federal Public Administration (Cavalcanti, 2018; Barros, 2020). Therefore, obligations contracted by the Public Administration with suppliers at the end of the year are often due to unplanned contracting, as managers rush to commit all available appropriations before the end of the fiscal year to avoid losing resources (Santos, 2020).

Another potential repercussion of the late release of movement and commitment is the registration of expenditures in unpaid obligations, given the insufficient time to go through all phases of expenditure (Cavalcanti, 2018; Queiroz, 2020; Barbosa; Rodrigues, 2021).

Concentrating commitments at the end of the year is not exclusive to Brazil. A study by Liebman and Mahoney (2017) dealt with purchases of the United States government at the end of the year. By testing their research hypotheses on these expenses, they proved there is a spending wave during this period. They found that spending in the last week of the year is 4.9 times higher than the weekly average for the rest of the year. They also identified contracts are of substantially lower quality, given the incentives for managers to rush in spending resources.

Significant disbursements near or at the end of the year demands attention for the preparation of the institution's budget planning by managers. There is an unpredictability, since it is not uncommon for disbursed budgets to be blocked, collected, or "cut" again, depending

on the fiscal balance the Executive Branch seeks. To a large extent, public managers are limited regarding the amount or timing of when their institution will receive funds foreseen in the LOA (Barros, 2020).

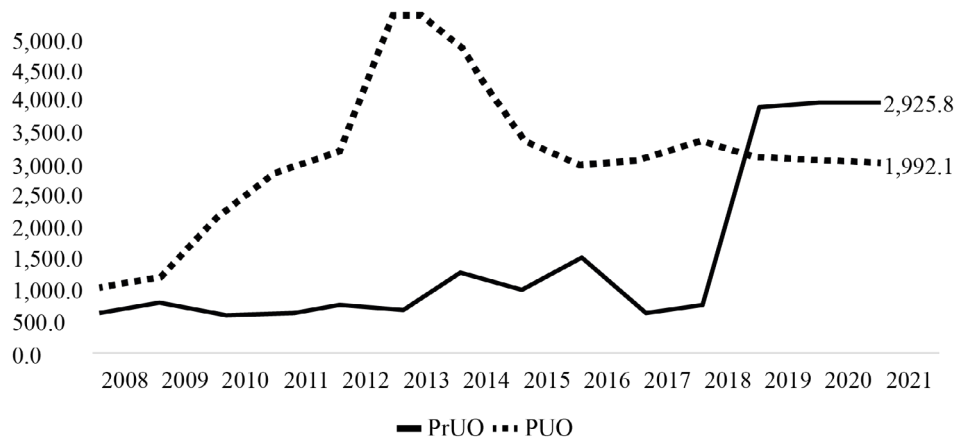
As an alternative to overcome the concentration of end-of-the-year expenditure release commitment in the EB, Barros (2020) proposes that part of the Army's discretionary actions he studied can be converted into budget actions with a mandatory character to avoid budget sequestration. As previously argued, this solution has been adopted by the EB over the years, so expenditures subject to budget sequestration have been reduced. The use of the commitment limitation exemption ultimately makes the budget more rigid and even condemns unreserved expenditures to almost certain budget sequestration.

Hence, the commitment accumulation in the last semesters and quarters may be the result of budget sequestration and, by extension, associated with the management of the primary result target.

4.3 Registration in pending unpaid obligations

Graph 4 presents the evolution of UOs registered in the EB (PUO and processed unpaid obligations – PrUO).

Graph 4. Registered unpaid obligations (R\$ million in 2021)



Source: Based on TG (2008 to 2021).

Graph 4 shows that PUOs prevailed until 2018 and, as of 2019, there are higher PrUO values. This inversion may be due to the change in the payment system of expenditures related to the issuance of bank orders in 2019. This change led to an increase in the PrUO and UO paid in the Federal Government (STN, 2022).

Given the greater representativeness of PUOs throughout the research period, complementary analyses were carried out on this type of UO and its possible connection with disbursement mechanics throughout the years 2008 to 2021.

Table 2 shows data regarding committed discretionary expenditures and the linear correlation coefficients in relation to discretionary expenditures registered as PUO.

Table 2. Data on dependent and independent variables (R\$ million in 2021)

Year	Committed discretionary expenditures	Commitments in the second half of the year	Commitments in the last quarter	PUO registration
2008	3,809.6	2,356.2	1,119.6	520.2
2009	4,734.1	3,098.3	1,560.1	622.1
2010	4,614.7	2,604.4	2,429.8	1,238.1
2011	5,210.3	3,610.9	2,388.2	1,818.3
2012	7,053.6	5,484.6	2,432.5	2,109.1
2013	4,891.3	3,519.1	2,438.1	4,130.6
2014	3,971.5	2,281.0	1,421.2	2,325.6
2015	2,803.5	2,038.6	750.3	1,024.1
2016	2,715.0	1,542.5	1,069.3	620.6
2017	3,439.0	2,105.5	1,306.9	665.8
2018	3,343.2	1,713.9	932.3	1,317.8
2019	3,306.9	1,873.2	1,523.3	956.6
2021	2,487.9	1,224.8	505.0	1,080.7
Pearson's coefficient	0.48	0.50	0.58	

Source: Based on TG (2008 to 2021).

Regarding annual values, there is a 0.48 correlation coefficient between committed discretionary expenditures and the PUO registration. In the correlation analysis between the commitments of the second semester and those registered in the PUO, a 0.50 coefficient was found. In the correlation analysis between the quarterly commitments and those registered in the PUO, a 0.58 coefficient was found.

The correlation coefficients found suggest a moderate and positive connection between the variables, indicating that an increase in committed expenditures implies a less than proportional increase in UO registration. However, an increase in the linear correlation coefficient was observed when the analysis went from annual values to values of the second semester and the last quarter of the year, indicating a connection between the time of expenditure commitment and UO registration.

This research aggregates knowledge for the purpose of understanding the budget execution of the EB and the registered PUO, but it does not prove a cause and effect effect between the variables (Levine *et al.*, 2013). Thus, a greater understanding of the causes of PUO registrations would require deeper research.

However, we hypothesize that the budget sequestration of expenditures and the concentration of discretionary expenditure commitments at the end of the year, in the context of managing the primary result target, would imply a greater registration in PUO.

5 FINAL CONSIDERATIONS

One of the main findings of this study, taking as a parameter the limit of movement and commitment, is that, in recent years, the non-execution of part of the expenditure schedule foreseen in the LOA is being minimized. Basically, the Force has been receiving the entire authorized budget. Hypothetically, this downward trajectory of budget sequestration can be partly explained by the institution's increased list of mandatory expenditures over the years and by the inclusion of discretionary expenditures subject to budget sequestration by article 9, paragraph 2, of the LRF.

This study demonstrated a conjuncture marked by a rigidity of the Force's budget, highlighted by the trajectory of some discretionary expenditures assuming a "mandatory" character, with the possible purpose of not being part of expenditures that suffer the flexibility promoted by budget sequestration. This movement can be explained by the fact that discretionary expenditures coexisted with the "ghost" of budget sequestration, given the need to meet fiscal targets, especially the primary result target.

Hence, sequestering an amount perceived as scarce when analyzed from the perspective of the total arrangement of budget expenses possibly represents a risk to the fulfillment of the Force's activities and planning and, consequently, to their performance with society. This argument gains strength with the current PND. Increasing the core of mandatory expenditures helps in budget regularity (ED No. 5), which is essential to achieve OND No. 2 (ensuring defense capacity for the fulfillment of the Armed Force's constitutional missions). However, this trajectory undermines the management of the fiscal rule by minimizing the scope of discretionary expenditures subject to flexibility, and may represent a risk to discretionary expenditures reserved for other federal agencies and the EB, given the continuity of budget sequestration throughout future financial years, and may stimulate maneuvers by the Government in the management of the fiscal rule.

Additionally, there was a scenario of late disbursements materialized by the execution of commitments. Considering the years studied, more than half of committed discretionary expenditures occurred in the second half of the year, except in 2021, when the percentage was around 49.2%. This finding is hypothetically motivated by the Federal Government's attempt to achieve the fiscal target for the primary result, generating a limitation of the commitment volume in the first months of the year and, near the end of the year, with the goal already achieved, releasing relevant amounts of resources, reducing commitments. This government action, according to the literature, has the potential to cause, for example, losses to defense contracts not aligned with the Force's strategic planning due to variables such as the complexity involved in these contracts and the short time frame.

Another potential reflection is the registration of expenditures in UO given the insufficient time to go through all stages of expenditure, according to the basic literature of this investigation. Considering the EB budget execution as an independent variable and the registration of discretionary expenditures in PUO with a dependent variable for the calculation of the Pearson coefficient, the budget execution of the fiscal year, especially the last semesters and quarters, showed a moderate positive correlation with registered PUOs, indicating that the registered PUOs in terms of committed discretionary expenditures in

the year were proportionally moderate. Additionally, an understanding of the EB budget execution and the registered PUO provides an opportunity to delve deeper into the motivations for registration in UO.

Thus, it was possible to identify a connection between the EB budget execution and the primary result target dynamics. This is the result of observing the Force's budget aspects, such as minimization of budget cuts in recent years, concentration of expenditures committed in the final months of the year, and moderate connection between budget execution and registration of discretionary expenditures in PUO.

By adding information on the effects of conducting the Primary Result Goal on the EB budget execution, this investigation can be another data and information source to benefit the Army's planning, allocation, and decision-making support, contributing to the maintenance of investments in defense programs, projects, or activities. Thus, this research contributes to the planning and execution of the Force's activities so the precepts of the PND and END are achieved and, consequently, their constitutional mission.

This study presents some limitations: some variables were analyzed only from 2008 to 2021, given the difficulty to obtain data from 2000 to 2007, since they are not available on the TG or are not easily accessible by the Force.

Another restriction was the non-presentation of data regarding the limitation of quarterly and semiannual efforts through the Fala.BR platform until the end of this study, which resulted in the use of data related to the efforts made, to allow the continuation of this research. The COVID-19 pandemic also caused limitations in this research due to peculiarities of fiscal management.

For future research, it is recommended to continue this study and/or carry out similar investigations in other Brazilian Armed Forces to complement the understanding around the dynamics of the primary result target and the National Defense. Within the scope of the Army, there is the possibility of investigating registration in PUO as a phenomenon related to budget execution, complementing the findings of this study.

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