

Classification of govt.Expenditure

Public expenditure may be classified on the following basis:

(i) Nature of Expenditure Incurred: Under this basis Government expenditure is broadly divided in to two (2) main categories, namely recurrent or revenue expenditure and capital expenditure:

(a) **Recurrent/revenue expenditures:** Recurrent expenditure is the type of expenditure that happens repeatedly on daily, weekly or even monthly basis. This includes for example payment of pensions and salaries, administrative overheads, maintenance of official vehicles, payment of electricity and telephone bills, water rate and insurance premiums etc.

(b) **Capital expenditures:** Capital expenditure on the other hand refers to expenditure on capital projects. This includes construction of houses, roads, schools and hospitals, human capital development (expenditures on education and health), purchase of official vehicles, construction of boreholes and electrification projects, etc.

ii). Economic Purpose for Expenditure: Under this basis we have three classes, namely:

(a) **Government consumption:** Government purchases of goods and services for current use.

(b) **Government Investment:** Purchases of goods intended to create future benefits e.g. infrastructure, education and research and development.

(c) **Transfer payments:** Transfers that do not involve purchase of any good or service, eg. unemployment benefits, scholarships, social welfare support, interest on public debt, etc.

iii) Basis of function at which expenditure is directed:

a) justice and public order;

b) infrastructure (roads, railways, etc);

c) military;

d) Education;

e) health care;

f) support for the poor, the old, the disadvantaged;

g) support for firms, export and production in general;

h) special policy expenditure (e.g. foreign aid, fight against drugs, etc). –