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MINISTRY OF FINANCE



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Preparing the UAE Government Finance Statistics Reports Guide

Sponsoring Administration	UAE Fiscal Policy Coordination Department
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Introduction

This chapter outlines the work methodologies applied by the Fiscal Policies Coordination Department at the Ministry of Finance to compile and prepare the government finance statistics data at the UAE level. It also covers the scope of coverage, the tools used for compiling and consolidating the data received from different sources, plus processing, amending and reviewing data.

Purpose of creating the manual

- The purpose of this guide is to serve the users of government finance statistics in the United Arab Emirates, as a guideline to explain the theoretical framework, concepts used internationally in the preparation of government financial statistics, and the methodology of the data collection, to avoid any confusion in reading the data and comparing it with other data with different methodology.
- Ensure that the government finance statistics in the UAE level follow the sound international methodology in preparing and publishing it in order to raise the quality of published data.
- Documenting the process of preparing the government finance statistics and facilitating the flow of information among all the officials responsible for preparing the data.

Field of application

Government Finance Statistics in the United Arab Emirates

Concepts and Definitions

Terms and concepts are used in accordance to the Government Finance Statistics Manual (GFSM2014) and the System of National Accounts (SNA2008).

Concept	Definition
The Economic Sectors	The economy is divided according to the international classification of the United Nations to five main economic sectors:
The nonfinancial corporations sector	Which consists of entities created for producing goods and nonfinancial services for the market.
The financial corporations sector	Which consists of entities engaged in providing financial services for the market.
The nonprofit institutions serving households sector	Which consists of all resident nonprofit institutions, except those controlled and mainly financed by government, that provide nonmarket goods or services to households.

Concept	Definition
The households sector	Which consists of small groups of persons who share the same living accommodation, pool some or all of their income and wealth, and consume certain types of goods and services collectively.
The general government sector	The general government sector consists of all government units and all nonmarket NPIs that are controlled and mainly financed by government units. Hereafter the term general government unit will be used to refer to units of the general government sector.
Central government	The political authority of a country's central government extends over the entire territory of the country. The central government can impose taxes on all resident institutional units and on nonresident units engaged in economic activities within the country. The central government typically is responsible for providing collective services for the benefit of the community as a whole, such as international relationship ,national defense and entire security
State, provincial, or regional government	A state, province, or region is the largest geographical area into which the country as a whole may be divided for political or administrative purposes. These areas may be described by other terms, such as provinces, cantons, republics, or administrative regions.
Local government	The legislative, judicial, and executive authority of local government units is restricted to the smallest geographic areas distinguished for administrative and political purposes. The scope of a local government's authority is generally much less than that of the central or state governments.
Government units	Are institutional units that carry out the functions of government as their primary activity. That is, they have legislative, judicial, or executive authority over other institutional units within a given area; they assume responsibility for the provision of goods and services to the community as a whole or to individual households on a nonmarket basis; they make transfer payments to redistribute income and wealth; and they finance their activities, directly or indirectly, mainly by means of taxes and other compulsory transfers from units in other sectors. All government units are members of the general government sector.

Concept	Definition
The institutional unit	<p>Is an economic entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. Some important features of institutional units follow:</p> <ul style="list-style-type: none"> • The ability of an institutional unit to own goods or assets in its own right means that it is also able to exchange the ownership of goods or assets in transactions with other institutional units. • An institutional unit is able to take economic decisions and engage in economic activities for which it is itself held directly responsible and accountable at law. • An institutional unit is able to incur liabilities on its own behalf, to take on other obligations or future • Commitments, and to enter into contracts. • Either a complete set of accounts, including a balance sheet of assets, liabilities, and net worth, exists for an institutional unit, or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if they were to be required.
A social security fund	<p>Is a particular kind of government unit that is devoted to the operation of one or more social security schemes, which are defined in the annex to this chapter. A social security fund must satisfy the general requirements of an institutional unit. That is, it must be separately organized from the other activities of government units, hold its assets and liabilities separately, and engage in financial transactions on its own account.</p>
A nonprofit institution (NPI)	<p>Is a legal or social entity created for the purpose of producing or distributing goods and services, but it cannot be a source of income, profit, or other financial gain for the institutional units that established, control, or finance them.</p>
Corporations	<p>Are defined as entities that are capable of generating a profit or other financial gain for their owners, are recognized by law as separate legal entities from their owners, and are set up for purposes of engaging in market production</p>

Concept	Definition
A quasi-corporation	Is either an unincorporated enterprise owned by a resident institutional unit that has sufficient information to compile a complete set of accounts and is operated as if it were a separate corporation and whose de facto relationship to its owner is that of a corporation to its shareholders, or an unincorporated enterprise owned by a nonresident institutional unit that is deemed to be a resident institutional unit because it engages in a significant amount of production in the economic territory over a long or indefinite period of time.
Economically significant prices	Are prices that have a significant influence on the amounts the producers are willing to supply and on the amounts purchasers wish to buy.
Market output	Consists of goods and services that are sold at economically significant prices.
Nonmarket output Transaction	Consists of goods and services that are supplied free or at prices that are not economically significant.
Other Economic	Is an interaction between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction. Mutual agreement means that there was prior knowledge and consent by the units, but it does not mean that both units entered into the transaction voluntarily. Some transactions, such as the payment of taxes, are imposed by force of law.
Revenue	Flows, presents influences on the government's net worth that are not the result of government transactions.
Expense	All transactions that increase the net worth of the general government sector.
Net Worth	A total value of owned assets by the government, after subtracting the liabilities deductions.
Time of recording	The Government finance statics manual use the accrual basis which the flows are recorded at the time economic value is created, transformed, exchanged, transferred, or extinguished. In other words, the effects of economic events are recorded in the period in which they occur, irrespective of whether cash was received or paid or was due to be received or paid.

Concept	Definition
Residence	This is defined in economic and not legal terms. The main criterion to determine residence of an entity is the center of economic interest.

Responsibilities and Capacities

- Director of the UAE Fiscal Policy Coordination Dept
- Head of Government Finance Statistics
- Financial analyst

References

Guide of Government Finance Statistics 2014 issued by International Monetary Fund.

The Coverage

- **The Central Government:** according to articles 45 and 47 of the enacted Constitution of the UAE, there is a group of federal authorities, highest of most is the Federal Supreme Council (FSC) that oversees the general policy in all invested matters in the Federation, endorse different federal laws, inclusive general fiscal budget laws, Federation accounting balances, and other legislations and special laws throughout the federal government. In addition to setting legislations, constitution articles, and distribution of authorities as per existing sectors of the Government Finance Statistics manual, issued by the International Monetary Fund (IMF), so that the Federal Government is considered to be the Central Government, as the Federal Government provide services throughout the State and has the authority to impose fees or taxation throughout State constituencies.

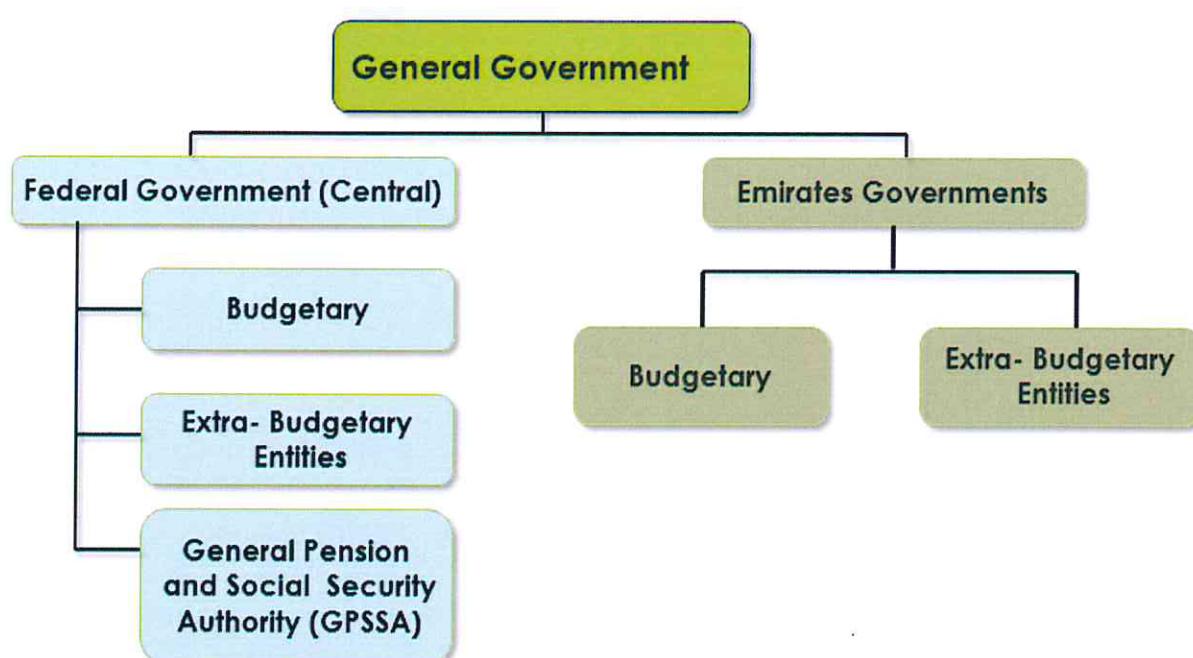
The Central Government is divided into three major components, according to sector-based classification:

- **Budgetary Central Government:** the Central Government within the budget is composed of a central group of ministries working within the jurisdiction of the Federal Government funded by the General Government Budget.
- **Extra-Budgetary Central Government:** this is composed of institutional units working under the jurisdictions of the Federal Government; established under federal decrees with an autonomous legal status with a certain degree of independence, particularly administrative and financial independence. The functions are geared to help and assist ministries and Federal Government institutions in carrying out their policies and programs, so that most of its funding is dependent on grants, and self /sustainable income and fees. In the event this Central Government would face a budget deficit or surplus, it will be transferred to or funded by the General Treasury.

- **Social security funds:** the UAE General Pension and Social Security Authority (GPSSA) manage this federal social security program, which is an independent body and operated apart from the Central Government. The Social Security fund for Government of Abu Dhabi, for which the data has not been collected.
- **The state Government (Emirates Governments):** this includes the seven Emirates, whether in or outside the budget. During previous years, the entire Emirates' Government budgetary data has been collected and compiled, in addition to some extra Budgetary data.

Worth mentioning that the comprehensiveness of this report is limited to General Government data at the UAE level, which do not include public sector data that represent the data of profitable companies owned or controlled by the Government, The coverage also does not include non-profit institutions controlled by the government.

The following illustrative figure shows the scope of coverage and sector-based distribution on different general government coverage throughout the State.



- Data sources

Accounting records at the Federal Government, independent federal entities and Emirates Governments represent the main source of data. The accounting records of the UAE General Pension and Social Security Authority (GPSSA) was used to prepare social security sector funds data. Hereunder is a list of sources for the data that is being used for each of the financial indicators.

Revenue:

- **Taxes (11):** taxes are defined as compulsory transfers to the general government sector. In UAE taxes are primarily collected from oil and gas producers in the Emirate of Abu Dhabi and from foreign banks operated in the State. It also includes taxation on hotels, tobacco, customs tariff and some licensing and fees that are classified as tax revenue due to the cost of services provision or if the licensing returns were relatively low in comparison to the overall paid fees.
- **Social contributions (12):** social contributions are receipts either from employers on behalf of their employees or from employees that secure entitlement to future social benefits for the contributors, their dependents, or their survivors. The records of the General Pension and Social Security Authority (GPSSA) is the primary source of social contributions data, which is primarily comprised of the subscriptions of the insured for their own benefits in addition to the share paid by the employers, and in accordance to the GPSSA program.
- **Grants (13):** are noncompulsory transfers received by government units from other government units or international organizations. When statistics are compiled for the general government sector, grants from other domestic government units are eliminated in consolidation so that only grants from foreign governments and international organizations would appear. Grants may be classified as capital or current and can be received in cash or in kind. The UAE is considered as a donor country, therefore, this type of income is not applicable at UAE level; however, on the level of transfers among different Government levels, there are grants that are availed through the contributions of the Governments of the Emirates of Abu Dhabi and Dubai in the Federal Government budget, whether these contributions were in the form of cash (current) or services (capital); nonetheless, these transactions are removed at the time of data compilation at UAE level, using what is referred to as “consolidation of data”.
- **Other revenues (14):** this includes other revenues from properties income, sales of goods and services, fines, penalties, and other miscellaneous and unidentified revenues.
- **Property Income:** is received when general government units place financial assets and/or non-produced assets at the disposal of other units. Interest, dividends, and rent are the major components of this category. The return on federal and Emirates Governments investments, are the main item within the property income category, in addition to royalties due to the Federal Government from two communications companies “Etisalat” and “Du”, in addition to other bank deposits returns favour the Governments of Abu Dhabi and Dubai, plus the UAE General Pension and Social Security Authority (GPSSA), which is considered a vital part of revenue from properties income.
- **Sales of goods and services:** include sales by market establishments, administrative fees, incidental sales by nonmarket establishments, and imputed sales of goods and services. Some administrative fees are so high that they are clearly out of proportion to the cost of the services provided. Such fees are classified as

taxes. In UAE, sales of goods and services are including the sales of oil and gas as available (Abu Dhabi data is not available as oil and gas sales is managed by ADNOC for which data not available) and all administrative fees collected by various ministries and DOF at Emirates governments.

- **Fines and penalties:** Fines and penalties are compulsory current transfers imposed on units by courts of law for violations of laws or administrative rules. these revenues are comprised of collected revenues from judicial sentences, court orders and resolutions, and other fines such as traffic fines, or municipality fines or penalties, and other.
- **Other miscellaneous revenues:** Included in this category are all revenues that do not fit into any other category.

Expenditures:

- **Compensation of employees (21):** is the total remuneration, in cash or in kind, payable to a government employee in return for work done during the accounting period, It includes both wages and salaries and social contributions made on behalf of employees to social insurance schemes. The accounting records in the Federal Government and finance departments of the Emirates Governments, is a sufficient source to cover the items of this indicator.
- **Use of goods and services (22):** This category consists of goods and services used for the production of market and nonmarket goods and services except for own-account capital formation. This indicator is composed of all the items pertaining to services and commodities needs, as they appear in the Federal Government and Emirates Governments records as maintenance expenditures, consultancy contracts, travel tickets, telecommunications, post, electricity and water expenses, and others.
- **Consumption of fixed capital (CFC) (23):** which is the reduction in the value of fixed assets due to usage or limitations. It is understood that the evaluations of the usages or consumptions are calculated according to the average of the current prices during specified or concerned time intervals. This indicator is available for the Government that uses the accrual principle of accounting only, where the data of the depreciation found in the accounting ledgers is considered as the source of this data.
- **Interest (24):** is payable by units that incur certain kinds of liabilities, namely deposits, securities other than shares, loans, and accounts payable. These liabilities are created when a general government unit borrows funds from another unit. Interest is the expense that the general government unit (the debtor) incurs for the use of the principal outstanding, which is the economic value that has been provided by the creditor. The main source for this item is the Government of the Emirate of Dubai, that normally issues many bonds that require interests payments.
- **Subsidies (25):** are current unrequited payments that government units make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services they produce

or sell. Subsidies are payable to producers only, not to final consumers, and are current transfers only, not capital transfers. Hence, these sums in the UAE are transferred by the Federal Government and the Emirates Governments to the owned companies or associations or clubs who are producers NOT consumers.

- **Grants (26):** are noncompulsory current or capital transfers from one government unit to another government unit or an international organization. Grants are classified first by the type of unit receiving the grant and then by whether the grant is current or capital. The primary source for this item are the ledgers of the Government of the Emirate of Abu Dhabi during the assistance it gives as Government to other countries or international agencies, in addition to the federal and Emirate Government transfers. As for the special transfers between the Federal Government and the different Emirates Government, these do not show during the preparation of the data on the UAE level because of - what was already described as - consolidation processes and removal of intra-transactions.

Social benefits (27): Social benefits are transfers in cash or in kind to protect the entire population or specific segments of it against certain social risks. A social risk is an event or circumstance that may adversely affect the welfare of the households concerned either by imposing additional demands on their resources or by reducing their incomes. The data for this indicator is available through Federal Government and Emirates Governments transfers to the families, such as when they assist families in matters to do with housing, electricity and water subsidies, and other. This item also includes the transfers that are made in favour of those who have retired, and end-of-service rewards available by the Federal Government and the UAE General Pension and Social Security Authority (GPSSA) and other Emirates Governments.

- **Other expenses (28):** as per the available data, this item includes all the miscellaneous expenditures that cannot be classified or referred to any of the previously listed items. This specifically includes the transfers of the Emirate of Abu Dhabi and its payments on behalf of the Federal Government, that - once again - cannot be classified elsewhere.

Transactions in assets and liabilities: the data of assets and liabilities are available on the level of transactions only (flow), but stocks data (balance sheet items) is not available from current sources.

- **Non-financial assets (31):** these are comprised of all the assets with the exception of financial assets and this includes the fixed assets (buildings, constructions, machinery, equipment and other fixed assets) plus the non-produced assets, inventories, and valuables, which are portrayed on the level of acquisitions, sales, consumption of fixed capital
- **Financial assets (32):** these are comprised currencies and deposits, securities (without shares), loans, shares and properly shares, technical guarantees reserves, financial derivatives, and other accounts receivables. Data is collected and compiled from accounting records of the Federal Government and the Emirates Governments where data and information is available on bank accounts, loans, investments and whatever is related to financial assets.

- **Liabilities (33):** These are basically in the form of currencies and deposits, financial securities (without shares), loans, shares, technical guarantees reserves, financial derivatives and other accounts payables. The data from these items are gathered, from the records of the Federal Government and the Emirates Governments, whenever available on liabilities, most important of which are the loans, bonds, short-term securities, payables and whatever relates to liabilities.
- **Functional classification of expenditures:** it is a detailed classification of functions, social and economic goals that the Government sector seeks to achieve, through different types of expenditures, the functions classification provides a classification of the Governments' expenditures on functions, that experiences proved worthy of public interest, and can be subject to several types of analytical applications. This classification of Government functions is used to classify the Government expenditures transactions and the transactions in non-financial assets. Therefore, the classification is for transactions not balances; they are composed of expenditures from the incurred and from transactions that are non-financial. The data is attained for this classification from the expenditures of different ministries or independent entities or Government departments, hence classified function-wise, and thereafter the data is compiled according to the spending of each department on its own.

Data compiling and processing

The data is processed through several stages from identify the sources, to preparing statements and tables. The operation of data preparation goes through the following steps.

- Identification and specification of Government sectors and institutional units that form the Government sector, this is done by using the Decision Tree, which helps in classifying the institutional units and the Government units, and to identify the sector they belong to.
- Mapping the chart of accounts (COA) of the Federal Government and each Emirates Government with the classifications according to the Government Finance Statistics (GFS) classifications.
- The chart of accounts (COA) is periodically reviewed to align new accounts with GFS ratings.
- Preparation of financial Statements using set tables as per the Government Financial Statistics manual 2014.
- Consolidation of data, removal of intra-transactions among Government units, on the federal and Emirates levels.
- Compile the data, and process it through the UAE Gate for Government Finance Statistics by following these steps:
 - Compile data from different sources and inform the Ministry of its readiness.
 - Upload data to the system through pre-adopted forms.

- Review data and get audits from technical specialists at the Ministry, in order to either adopt or refuse data, in which case - if data has been refused, the data is removed or amended, so that the amended data is uploaded and has to go through the cycle of reviewing and adoption all over again.
- Once data of the entities has been adopted, it is referred to the reporting system, where the final reports forms have been designed, according to the Government Financial Statistics manual; and all the indicator-based computation formulas have been set, according to the recommendations of the GFS-2014 manual, through this system.
- Supply the system with unified data to remove any intra-transactions among the Federal Government and independent entities on the one side and the Emirates Government and the Federal Government on the other.
- Pull out the unified final report on the UAE level through the reporting, for review and accreditation via specialized technical personnel, and attain appropriate administrative or managerial accreditation.

Quality of Data

From the onset when collecting and compiling Government Finance Statistics data at UAE level, and since 2009, the Ministry of Finance has been working diligently on increasing the quality of data, by taking the following steps:

- Expanding the coverage and comprehensiveness of data, by taking on new entities for the consolidated report at UAE level.
- Electronically receive and process data, through UAE Gate for Government Finance Statistics which provides a practical methodology to verify the credibility of the data, and review it.
- Reviewing data and cross-matching it with other sources, such as the audited data and the final accounts.

Review and develop the manual

UAE Fiscal Policy Coordination Department is responsible for the review and development of the Manual whenever necessary.