UNITED ARAB EMIRATES
MINISTRY OF FINANCE

الإمـارات العربيـة المتحـدة
وزارة المـــاليـــة

Federal Budget
Budget Planning Handbook

2010
www.mof.gov.ae/budget

Our Vision

To be a world class ministry in managing financial resources for sustainable and balanced development.

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President of the United Arab Emirates

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Vice President - Prime Minister of the U.A.E - Ruler of Dubai

Table of Contents

Table of Exhibits

Table of Tables

How to use this handbook

1. Introduction: How to use this handbook

The Federal Budget Planning Handbook is the official communication of the UAE Ministry of Finance. It covers the budget preparation process in detail, in addition to underlying processes, and contains essential information concerning key dates, responsibilities, and requirements. It is complemented by the Budget Execution Handbook issued by the Ministry of Finance. This handbook supplements the Strategy Manual and the Performance Management Manual, which are issued by the Ministry of Cabinet Affairs and outline the strategic planning and performance management processes of federal entities.

This handbook will assist officials in government entities involved in the UAE federal budgeting process to successfully carry out the tasks required of them. The processes described in this handbook will apply to several future budget cycles.

A copy of this handbook will be sent to all federal ministries and autonomous agencies. It has been designed to accompany the annual Budget Circular – the document that outlines the points that the Ministry of Finance (MoF) would like to emphasize to officials in ministries and autonomous agencies as they develop the budget – as well as highlighting any significant changes towards previous years.

This handbook does not cover the internal financial operations of the MoF. While the Federal Budget Planning Handbook describes the budgeting process in as much detail as possible, there will always be complexities, exceptions, and items that are unclear to the reader.

With regard to the implementation of the budget automation system supporting the budgeting process, ministries/autonomous agencies (M/AA) should refer to the budget automation system user manual and training materials. It is important to note that the handbook describes the general instructions and guidelines that apply when both ministries and autonomous agencies have implemented the budget automation system. However, autonomous agencies will have not have access to the budget automation system in the first phase of implementation and will proceed with the appropriate forms and templates.

All deadlines mentioned in this handbook are provided as reference only. The Ministry of Finance will communicate the final deadlines in the Budget Circular it issues.

This handbook is organized in five chapters and has an appendix for users requiring greater detail.

Table 1:   Chapter overview

Chapter name	Purpose of use	Key content
2. Definitions	Reference for all officials involved in or contributing to the process	• Explanation of essential terms used throughout the budgeting process
3. UAE Federal budgeting framework 2011-2013	Introduction to budgeting for officials involved in or contributing to the process	• Major principles applied in budgeting - Alignment of the budget with government strategy through program budgeting and performance monitoring - Three-year budget cycle - Definition of sectoral spending targets and ministry/autonomous agency (M/AA) budget caps by FiCom - Elimination of unjustified vacancies - Integrated CAPEX and OPEX budgeting - Application of Zero-Based Budgeting
4. Strategy planning and budgeting process for the three-year budget cycle	Detailed guidelines for officials working in all process steps of the three-year budget preparation	• Strategy planning process • Budget Circular preparation • Entity draft zero-based three-year budget preparation • Budget negotiation • Approval of the final budget
5. Annual strategy planning and budget update process	Detailed guidelines for officials who are conducting the budgeting at M/AA	• Strategy planning process • Budget Circular preparation • Entity draft Zero-Based Budget preparation • Budget negotiation • Approval of the final budget
Appendix	Reference for officials deeply involved in the budgeting process on a technical level	• Overview of new budgeting concepts • Form for planning new strategic objectives/programs and activities • Activity-collection template

Different sections of the Budget Planning Handbook are relevant to different audiences. Exhibit 1 gives an overview of the handbook and indicates the primary reader group for each chapter.

Exhibit 1:   Target audience by chapter

Definitions

2. Definitions

Activities: <u>Individual acts</u> which, when grouped together, constitute an output. They are defined by the entity in cooperation with the MoF within the caps. The activities are considered the basic unit for costing purposes.

Activity-based budgeting: Activity-based budgeting is the allocation of resources to individual activities. It involves determining which activities incur costs within an organization, establishing the relationships between them, and then deciding how much of the total budget should be allocated to each activity.

Administrative backbone: The administrative backbone is a collection of services specific to the federal government that are delivered internally to a ministry/autonomous agency and do not serve the customers of this entity. The administrative backbone has a standardized structure that is the same for all ministries and autonomous agencies.

Annual budget update: The annual budget update is a process that refines the yearly budgets within the three-year budget cycle.

Assets: Assets are resources controlled by an organization comprised of various budgeting groups.

Autonomous agency (AA): Autonomous agencies are independent federal government entities that represent a part of the organizational and administrative structure of the state.

Balanced budget: In a balanced budget, expected expenses do not exceed expected revenues.

Benchmarking: An analysis focusing on comparing budgets between activities, programs, and strategic objectives within ministry/autonomous agency departments, across ministries/autonomous agencies, and across sectors and countries.

Budget automation system: Oracle Hyperion Planning is a centralized, Excel- and Web-based planning, budgeting, and forecasting solution that integrates financial and operational planning processes. Oracle Hyperion Planning supports the budgeting process across government entities in terms of workflow management, budget analysis, and data storage.

Budget cap: The budget cap is an upper limit to the three-year and yearly budgets during the budget cycle. It contains OPEX as well as CAPEX expenditures.

Budget Circular: The Budget Circular is an administrative document issued by the Ministry of Finance and includes rules, procedures and instructions for developing the draft budget.

Budget cycle: The budget cycle is the time between one budget and the next, comprising phases of budget preparation and budget execution. The basic budget cycle is annual, but is extended to three years in the federal government.

Budgeting: Budgeting is the detailed planning of federal revenues and expenditures to achieve strategic objectives. Budgeting involves a decision process, comparing costs and the value of expected outcomes, often under budget constraints.

CAPEX: Capital expenditure (CAPEX) is money spent to acquire or upgrade physical assets such as machinery.

CAPEX plan: The federal government develops a long-term CAPEX plan as well as a three-year CAPEX plan that is synchronized with the budget cycle.

CAPEX portfolio: The CAPEX portfolio is the sum of all CAPEX projects of the federal government within a given budget cycle. The CAPEX portfolio is part of the long-term CAPEX plan, managed by the Ministry of Finance on the basis of the predefined plan by the Ministry of Public Works.

CAPEX projects: CAPEX projects usually involve the construction of an asset where the asset cannot be "bought off the shelf." Instead, the asset may require development or construction over a period of time.

Chart of Accounts: The Chart of Accounts is structured into chapters; for the federal budget, Chapters 1 ("Revenues"), 2 ("Expenditures"), 3 ("Assets") and

4 ("Liabilities") are the most important. Chapters are broken down hierarchically into groups and line items.

Cost driver: A cost driver is any driver that causes a cost to be incurred. There can be one or more cost drivers for each activity. To carry out activity-based budgeting, it is necessary that cost drivers are defined and applied for different activities. Main cost drivers are usually employment of staff, consumption of goods, and asset utilization.

Costing: Costing describes the process used to estimate the overall cost of producing a product or service.

Department: A department is a specialized division within a larger organization. The department (or equivalent) level is the level at which activities are usually defined and carried out.

Entity: A federal government entity can be either a ministry or an autonomous agency.

Federal strategy: The federal government strategy describes the strategic objectives of the federal government and for each federal entity for a three-year period or more as decided by Cabinet.

FiCom: UAE Financial and Economic Commission formed by Cabinet decree no. 2 of 1995.

FTE: Full-Time Equivalent employee, meaning an employee who works 100% of the normal working year. If employees are measured in FTE, part-timers only count for a percentage of the normal workload, eg, 50%.

General Manager: The General Manager of a federal entity.

Goods and services: Goods and services are physical products and intangible services used for the production of an output.

Government sectors: Government sectors are groups of ministries or autonomous agencies within the government that pursue similar goals.

KPI: Key Performance Indicators (KPIs) are quantifiable measurements, usually defined as ratios that are generated and analyzed on a continuous basis to measure certain consistent performance attributes.

Line items: Inputs available to entity managers to achieve an output or outcome. Line items are specified in the Chart of Accounts.

Minister: The Minister (or equivalent) in a federal entity.

Operational plan: The operational plan of a government entity contains a detailed description of the operations the entity intends to carry out during the budgeting cycle.

OPEX: Operational expenditures (OPEX) are the ongoing costs incurred by an organization as a result of performing its normal operations. Mostly, OPEX refers to Groups 21 ("Salaries") and 22 ("Goods & Services") in the Chart of Accounts, but can also include other groups.

Outside contributions: Outside contributions as referred to in this handbook are contributions to an entity's budget that are not financed by the federal government. These can include cash as well as in-kind contributions, for example, from Emirate governments, business sectors or private persons.

Programs: Outputs or services that federal entities provide for the UAE society. They are defined by the federal entities in cooperation with the Ministry of Cabinet Affairs.

Program structure: Strategic objectives, programs, and activities for each ministry/autonomous agency.

Program budgeting: Resources are allocated to programs in such a way as to achieve the federal objectives and distributed to line items based on the chart of account.

Salaries: Salaries is the sum of basic salaries, benefits, and allowances granted to the employees of the federal government.

Sectoral spending targets: The maximum amount that can be spent in a government sector during a specified fiscal period. The total of all sectoral spending targets and the buffer set aside for unexpected requirements by MoF is equal to the federal revenue forecast.

Shared services: This is the program to which expenses are allocated when they cannot be directly allocated to any of the other programs in the

"administrative backbone" strategic objective. Examples include cleaning services and utilities.

Strategic objectives: <u>Outcomes</u> that have a direct impact on the community.

and address specific needs and/or interests of the UAE society.

Strategic objective manager: A dedicated manager who is responsible for compiling the budget and coordinating with all relevant Department Heads. He/she should also be the person overseeing the strategic objective budget execution.

Strategic plan: The strategic plan is a collection of the strategic objectives of a ministry/autonomous agency and determines the high-level objectives for the three-year budgeting cycle.

Zero-Based Budgeting: Zero-Based Budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. Zero-Based Budgeting is conducted at regular intervals as a project which starts from a "zero base" and analyzes every function within an organization regarding its needs and costs. Budgets – within the limits of the budget caps – are then built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one. It provides bottom-up costing for performed activities. The budget is based on the costing and prioritization of activities, taking into account resource limitations.

UAE Federal Budgeting Framework 2011-2013

3. UAE Federal budgeting framework 2011-2013

The framework for the federal budgeting has six major elements that all comply with international best practices and increase transparency and efficiency. These elements can be grouped under the following headings:

- Alignment of the budget with government strategy through program budgeting and performance monitoring
- Seamless integration of annual budgets in three-year budget cycles
- Definition of sectoral spending targets and ministry/autonomous agency budget caps by the FiCom
- Elimination of unjustified vacancies
- Integration of CAPEX and OPEX budgeting
- Application of Zero-Based Budgeting

Section 3

3.1. Alignment of the budget with government strategy through program budgeting and performance monitoring

The UAE government strategy is defined for three years in the 2011 cycle and is under the supervision of the Ministry of Cabinet Affairs. Based on the overall vision for the country, the UAE government strategy specifies strategic objectives that must be achieved during the strategy cycle by all federal entities.

The federal strategy cascades down to all federal entities through a detailed, individual strategy development process. The output of this process is a set of strategic objectives, programs, and activities for each ministry/autonomous agency. Each set describes how the operations of the entity will directly contribute to achieving the entity's specific strategic objectives, and – as an extension of this – to implementing the federal strategy and vision of the UAE. Hereafter, these strategic objectives, programs, and activities are referred to as the program structure.

The program structure contains three hierarchical elements that break down the government's strategic objectives into outputs and specific activities according to the following definitions:

- Strategic objectives are outcomes that have a direct impact on the community and address specific needs and/or interests of the UAE society.
- Programs are outputs or services that government entities provide for the UAE society.
- Activities are individual acts which, when grouped together, constitute an output.

Within the ministries and autonomous agencies program, budgeting ensures that the strategic objectives, programs, and activities (as specified in the program structure) are accurately budgeted. Bottom-up budgeting is conducted within the ministries/autonomous agencies and are reviewed together with MoF.

Section 3

Exhibit 2: Overview of the program budgeting process

MOCA
strategic focus
2011–2013

MoF
budgeting focus
2011–2013

Monitor strategy
and operational KPIs

Monitor
financial KPIs

Strategy
development

Approve and
spend money
to implement

Strategic objectives
and initiatives

Cost objectives
to create three year
federal budget

Ministry/
Autonomous Agency
2011–2013

Strategy
development
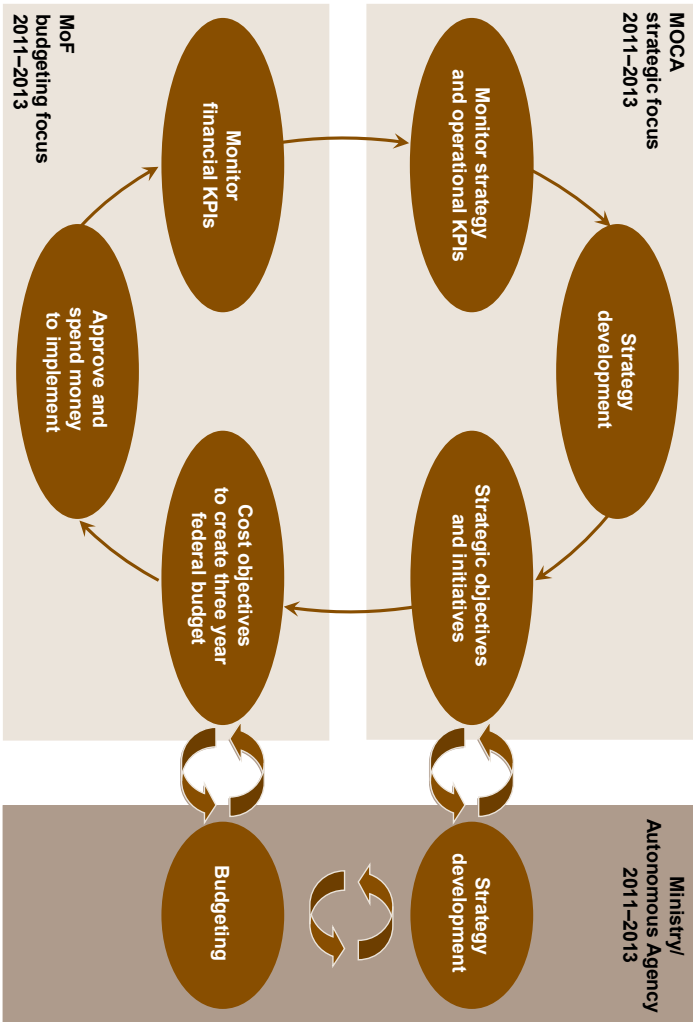
Budgeting

3.2. Seamless integration of annual budgets in three-year budget cycles

The federal budget follows a three-year budget cycle. The budget cycle must, by law, match the strategy cycle of the federal government. A budget is drawn up for each year within the fiscal period, before the start of the three-year period, and is updated annually within the budget cycle. This principle ensures that long-term government strategy can be reflected in the budget on a consistent basis.

The three-year and the annual budgeting processes both follow the same schedule of five steps that is outlined in Exhibit 3.

1. Strategy planning process
2. Preparation of the Budget Circular
3. Draft budget preparation
4. Budget review
5. Approval of the final budget

Section 3

Exhibit 3: Budgeting process for three-year and annual budgeting

1 Strategy planning process	Budgeting process				
	2 Preparation of Budget Circular	Draft budget preparation	Budget review	Approval of final budget	3 Budget execution

1 Strategy planning process
- UAE Government Strategy development
- Federal entity strategic plan development
- Program structure development

Budgeting process

2 Preparation of Budget Circular
- Forecast revenues for the UAE Government
- Set National Priorities
- Assign CAPEX budget based on spending targets and federal priorities
- Translate sectoral spending targets into ministry/auto-nomous agency budget caps
- Prepare budget circular

Draft budget preparation
- Break federal entity budget caps down to strategic objective level
- Prepare draft budget for on-going activities
- Prepare draft budget for new activities
- Prepare draft budget for administrative backbone
- Compile first complete draft budget for whole budget cycle
- Challenge draft budget internally
- Prioritize activities
- Submit draft budget to MoF

Budget review
- Study draft budget
- Review and discuss allocation of ministry/auto-nomous agency budgets to strategic objectives
- Receive guidance on budget
- Update revenue forecast and federal entity budget caps

Approval of final budget
- Prepare finalized budget law
- Approve budget law

3 Budget execution
- Send copies of the budget law to all federal entities to begin budget execution

The main differences between the three-year budgeting process and the annual strategy planning and budget update process lie in their scope and timing. While the comprehensive budgeting exercise is carried out for all activities over three years, the annual updating process focuses only on yearly changes to the three-year budget. The annual updating process facilitates those adjustments that were unforeseeable at the time of the initial budgeting process. The required timeframe for budget preparation is therefore much shorter.

The three-year budget cycle needs to result in a balanced budget over the three-year period as well as in each individual fiscal year. Therefore, no government entity is allowed to run a deficit in any year of the budget cycle.

3.3.   Definition of sectoral spending targets and ministry/ autonomous agency budget caps by the FiCom

- The sectoral spending targets define the part of the federal budget dedicated to one sector. The sector spending targets cover the budgets for the ministries and autonomous agencies that have the focus of their activities in this sector.

- The ministry/autonomous agency budget caps are specific budget ceilings for the respective entity. They include both operating and capital expenditures.

Both boundaries are set by the FiCom before the budget preparation starts and are mentioned in the Budget Circular. They help the ministries and autonomous agencies to focus their budget preparation on the activities that will have the most positive impact on their strategic objectives within a given budget.

Section 3

3.4.   Integration of CAPEX and OPEX budgeting

The budgeting process of the federal government integrates both capital and operating budgets. This means that capital expenditure (CAPEX) and operating expenditure (OPEX) are both accounted for in the same budget and the same program structure.

The process for the budgeting of these expense categories is synchronized:

- The FiCom defines the CAPEX project portfolio for the budget cycle. This decision is based on the long-term CAPEX plan defined by the Ministry of Public Works, the ministry/autonomous agency applications for updated/new CAPEX projects, and the sectoral spending targets. Within this CAPEX project portfolio, the exact CAPEX budget for each ministry/autonomous agency is determined.

- In the next step, specific ministry/autonomous agency budget caps are defined by the FiCom. These include CAPEX and OPEX. As the CAPEX component has already been determined, what remains is the entity's OPEX budget determined by the entity. This top-down OPEX budget is then rebuilt from the bottom up by following the entity's program structure to arrive at a fully consolidated and integrated budget.

CAPEX and OPEX integrate into the same budget within the ministries and autonomous agencies.

3.5.   Zero-Based Budgeting (ZBB)

Zero-Based Budgeting is implemented in the federal budget using an approach that fits the UAE's specific requirements. Zero-Based Budgeting for implementation in the federal government consists of three steps. Only when these three steps have been performed has a zero-based budget been built:

- **Allocate cost correctly to the program structure:** The first step of Zero-Based Budgeting is to build an accurate allocation of costs to the program structure.

- These figures can be calculated from previous budgets, using cost drivers, or by bottom-up cost collection. Each cost element is closely examined to assess its contribution towards achieving the strategic objectives of the government entities.

- The cost allocation needs to be forecast for the whole three-year budget cycle based on detailed forward revenue and cost analysis

- **Challenge cost allocation against benchmarks:** Next, the allocated costs are challenged by comparing them to relevant internal and external benchmarks, and to other cost analyses within the government entities (cf. section 4.4.1.3).

- **Prioritize within the program structure:** Based on these analyses, an entity's programs and activities can be ranked by their contribution towards achieving the strategic objectives.

The ZBB exercise, which occurs at the beginning of the budget cycle, covers all areas of spending. It involves a detailed analysis of all activities and the efficiency with which they are performed (based on rigorously defined benchmarks – cf. section 4.4.1.3).

In the subsequent years of the budget cycle, the ZBB focus is on important and emerging areas of spending that must be included in the annual budget updates. Original costing assumptions will be verified or adapted based on actual spending, activity levels will be reviewed, and efficiencies will be benchmarked. The results will be used as a basis for costing in the next budget cycle.

Section 3

Strategy planning and budgeting process for the three-year budget cycle

4. Strategy planning and budgeting process for the three-year budget cycle

The three-year Zero-Based Budgeting process is the core budgeting activity for the ministries and autonomous agencies, the MOCA, and the MoF. It includes all processes that are required by the ministries and autonomous agencies to prepare draft budgets, and by the MoF to evaluate and discuss the draft budgets, put together a consolidated draft budget for the federal government, and send it to the relevant authorities for approval.

Exhibit 4 provides a graphic illustration of the overall process for the comprehensive budgeting exercise every three years. It shows the five phases of the federal budgeting process including the involved entities and the respective process steps for each phase.

Exhibit 4:　　Overview of the three-year budgeting process

	Strategy planning process	Preparation of Budget Circular	Draft budget preparation	Budget review	Approval of final budget
Higher Authorities					Approve budget law
FiCom		Define sectoral spending targets / Define Ministry/AA budget caps / Define CAPEX budget		Give high-level budget advice / Update Ministry/AA budget caps	Approve budget law
MOCA	Develop new government strategic plan with sectoral priorities				
Ministries/ Auto- nomous Agencies	Define program structures		Prepare Ministry/ Autonomous Agency draft zero-based 3-year budget	Review and discuss allocation of Ministry/ AA budgets to strategic objectives; challenge Zero-Based Budgeting	
MoF		Forecast revenues / Prepare budget circular		Study draft budget / Update revenue forecast	Prepare finalized budget law

The following table provides a more detailed summary of the budgeting exercise for the three-year budget cycle and includes all process steps and their respective timelines:

Table 2:   Overview of three-year budgeting process

Chapter	Process phase	Sub-chapter/process step	Timing	Responsible entity
4.1	Strategy planning process	4.1.1. UAE government strategy development	By February 1	• MOCA
		4.1.2. Federal entity strategic plan development		• MOCA/M/AA
		4.1.3. Program structure development		
		- Strategic objective/Program		• MOCA/M/AA
		- Activities		• MoF/M/AA
4.2	Prepar-ation of the Budget Circular	4.2.1. Forecast of revenues for the UAE government	By March 1	• MoF
		4.2.2. Setting of national priorities		• FiCom
		4.2.3. Assigning the CAPEX budget based on spending targets and federal priorities		• FiCom
		4.2.4. Translation of sectoral spending targets into M/AA budget caps		• FiCom
		4.2.5. Preparation of the Budget Circular		• MoF
4.3	Draft budget prepar-ation	4.3.1. Breakdown of federal entity budget caps to strategic objective level	By May 1	• Minister/GM/ Strategy Dept./ Finance Dept
		4.3.2. Preparation of the draft budget for ongoing activities		• Strategic Obj. Manager
		4.3.3. Preparation of the draft budget for new activities		• Strategic Obj. Manager
		4.3.4. Preparation of the draft budget for administrative backbone		• Strategic Obj. Manager
		4.3.5. Compilation of a first complete draft budget for the whole budget cycle		• Finance Dept.
		4.3.6. Internal challenging of the draft budget		• Finance Dept.
		4.3.7. Prioritization of activities		• Minister/GM/ Strategic Obj. Manager
		4.3.8. Submission of the draft budget to MoF		• Minister/GM

Section 4

Chapter	Process phase	Sub-chapter/process step	Timing	Responsible entity
4.4	Budget review	4.4.1. Study draft budget	By October 15	• MoF
		4.4.2. Review and discuss the allocation of ministry/autonomous agency budgets to strategic objectives		• MoF
		4.4.3. Receipt of guidance on the budget		• FiCom
		4.4.4. Update of revenue forecasts and federal entity budget caps		• FiCom
4.5	Approval of the final budget	4.5.1. Preparation of the finalized draft budget law	By October 31	• MoF
		4.5.2. Approval of the draft budget law		• Cabinet, FNC

Roles and responsibilities

The budgeting process requires a specific set of roles and responsibilities that ensures the quality, compliance, and timeliness of the process. MOCA, MoF, and ministries and autonomous agencies have clearly defined roles in this process, as outlined in Exhibit 4 and Table 2:

- MOCA oversees the development of the strategic objectives for each ministry/autonomous agency. MOCA reviews the implementation of the strategic objectives once the program structure has been created by the ministries and autonomous agencies.

- The FiCom determines general guidelines for the budgeting process, such as sectoral spending targets and budget caps for each ministry/autonomous agency and the portfolio of CAPEX projects.

- The MoF oversees the definition of entities' activities from a financial aspect. The activities have to be defined in a way that easily and clearly enables their costing and financial monitoring. The MoF monitors the adherence of activities to the guidelines, ensures that the budget caps are respected, and analyzes and reviews the draft budget proposals together with the ministries and autonomous agencies. The MoF can reject activities if they do not fulfill the required criteria and request the entity to submit a program structure with modified activities within the deadline required by law. If the deadline is exceeded, the MoF has authority to impose a previous program structure for costing purposes, taking into consideration changes imposed by law and completed strategic objectives/programs. The MoF then consolidates the draft budget proposals to a draft budget law and submits it for approval.

- The ministries and autonomous agencies define the programs within the boundaries set by MOCA's strategic objectives and within the definitions given above. The ministries and autonomous agencies define their activities in such a way as to ensure their ability to achieve their strategy while abiding by the guidelines and rules set by the MoF. They prepare draft budgets within the rules of the budget law and submit them to the MoF.

Within the ministries and autonomous agencies, there are six key parties involved in the budgeting process:

- **General Manager:** The General Manager coordinates the budgeting process for the whole ministry/autonomous agency. His/her main responsibility is to break down the ministry/autonomous agency's budget cap to the strategic objective level, to allow the budgeting of new employees, and to lead the process of prioritizing activities so that the budget cap is enforced throughout the ministry/autonomous agency. He/she is accountable for ensuring that the draft budget is submitted to the MoF on time and within the allocated budget cap

- **Strategic Objective Manager:** Each strategic objective has a manager who is responsible for preparing a budget for his strategic objective that contains all strategic and operational activities and the relevant CAPEX projects. He/she is usually appointed by the General Manager and has to submit a budget that meets the cost target for each strategic objective. He/she collaborates closely with the Strategy Department to ensure that the activities actually support the achievement of the set strategic objectives. The Strategic Objective Manager does not have to be the line manager for all departments relevant to the strategic objective but can be appointed as "first among equals" for the purpose of budgeting

- **Program Manager:** The role of the Program Manager can be assigned for programs in large ministries where the task of budget preparation would be too large for one Strategic Objective Manager. Like the Strategic Objective Manager, the Program Manager coordinates the budgeting processes in the departments contributing to the program

- **Finance Department:** The (central) Finance Department in each of the ministries and autonomous agencies is responsible for assisting both the Strategic Objective Managers and the local Finance Departments in compiling the budget proposal and challenging the cost data

- **Strategy Department:** The Strategy Department is involved in the preparation of the strategic and operational plans. It advises the Strategic Objective Managers in the formulation of their programs and activities

- **HR Department:** The HR department is responsible for up-to-date and correct allocation of employees to activities, departments and locations

The involvement of other parties within the ministry/autonomous agency depends on the process flow in each entity.

4.1.   Strategy planning process

Section 4.1 describes the strategy planning process that constitutes the foundation and main input for the budgeting process. The strategy planning process consists of the following steps:

- Development of the UAE government strategy
- Development of strategic plans by ministries/autonomous agencies, based on the UAE government strategy
- Cabinet approval of the ministries'/autonomous agencies' strategic plans

The Strategy Manual and Performance Management Manual, which are issued by the MOCA, are the main documents that illustrate the guidelines for the strategy planning and performance management processes at the level of ministries and autonomous agencies.

Exhibit 5: Strategy planning process within the budgeting process

① Strategy planning process	Budgeting process				③ Budget execution
	Preparation of Budget Circular	Draft budget preparation	Budget review	Approval of final budget	
• UAE Government Strategy development • Federal entity strategic plan development • Program structure development	• Forecast revenues for the UAE • Set National Government Priorities • Assign CAPEX budget based on spending targets and federal priorities • Translate sectoral spending targets into ministry/autonomous agency budget caps • Prepare budget circular	• Break federal entity budget caps down to strategic objective level • Prepare draft budget for on-going activities • Prepare draft budget for new activities • Prepare draft budget for administrative backbone • Compile first complete draft budget for whole budget cycle • Challenge draft budget internally • Prioritize activities • Submit draft budget to MoF	• Study draft budget • Review and discuss allocation of ministry/autonomous agency budgets to strategic objectives • Receive guidance on budget • Update revenue forecast and federal entity budget caps	• Prepare finalized budget law • Approve budget law	• Send copies of the budget law to all federal entities to begin budget execution

4.1.1   UAE government strategy development

The MOCA is responsible for developing the UAE government strategy, which constitutes the government's platform as envisioned by the country's leadership. The MOCA facilitates the formulation of a multi-year strategic plan for the federal government. The UAE government strategy consists of a set of national priorities, strategic objectives, and high-level recommendations that serve as the basis for the development of strategic and operational plans by ministries and autonomous agencies.

Section 4

4.1.2   Federal entity strategic plan development

The next step in the strategy planning process entails the formulation of strategic plans by ministries and autonomous agencies, based on the UAE government strategy. Federal entities have strategic planning departments that facilitate the formulation of their strategic plans in accordance with the guidelines set out in the Strategy Manual developed by the MOCA. All federal entities have three-year strategic plans. All ministries and autonomous agencies are required to incorporate the timeframe of their strategic plans so that it adheres to the strategy cycle as approved by the Cabinet.

The strategic plan typically contains elements such as the federal entity's vision, mission, and core values, in addition to different analytical tools such as SWOT analysis. The bulk of the strategic plan lies in the strategic objectives and strategic KPIs, which are based on the UAE government strategy.

In addition to the UAE government strategy, a ministry/autonomous agency's strategic plan can be based on the following inputs:

- Mandates and priorities of the ministry/autonomous agency
- Government performance management reports

Ministries and autonomous agencies develop at least one strategic objective that covers administrative backbone in their strategic plans. The administrative backbone is defined as all the administrative activities of a ministry/autonomous agency that are performed for internal purposes and do not fall under any of its other strategic objectives.

4.1.3   Program structure development

The strategic plan development is carried out by each ministry/autonomous agency in close coordination with MOCA. Then, the ministry/autonomous agency creates its program structure according to the strategic objectives. It is essential that the program structure is in line with the strategic plans.

A program structure is comprised of strategic objectives, programs, and activities as illustrated in Exhibit 6 and defined below:

- **Strategic objective:** A strategic objective is an outcome that has a direct impact on the community and addresses specific needs and/or interests of the UAE society.

- **Programs:** Programs are outputs or services that government entities provide for the UAE society.

- **Activity:** Activities are individual acts which, when grouped together, constitute a program. Activities are formulated by a ministry/autonomous agency, must ensure ability to achieve strategy while complying with the MoF guidelines. The MoF can reject activities if they do not fulfill the required criteria and request the entity to review and submit a modified program structure within the deadline required by law.

Program structures link the UAE government strategy with the budget and constitute the framework for the budget. For these reasons, the program structure has to be specific to the entity's objectives, cover all its activities and should follow the entity's organizational structure, wherever useful. Furthermore, the program structures have to fulfill qualitative and quantitative criteria. If these criteria are not fulfilled, the Ministry of Finance can provide comments on the program structure.

Section 4

Exhibit 6: Illustrative example of a federal entity's program structure

Program structure		Illustrative examples
Strategic Objective	SO1	**Outcome** • Achieve and sustain a high-level of creativity and productivity in cutting-edge research and scholarship
Programs	P1 P2 P3 P4	**Output or service** • Increase and ensure the quantity and quality of research and scholarship • Conduct externally funded research through research institutes
Activities	A1 A2 A3 A4 A5 A6 A7 A8	**Individual activities** • Increase undergraduate research opportunities • Increase graduate research opportunities • Develop plans for creating new research institutes

4.1.3.1 Key qualitative criteria

There are three key qualitative criteria that define a good program structure:

- The program structure must be Mutually Exclusive and Collectively Exhaustive (MECE), in the sense that each strategic objective is a specific outcome. The MECE principle should hold across all levels of the program structure, including within and across programs and activities. The program structure includes all sources of funding, which means that any federally or externally funded strategic objective should be incorporated into the program structure.

- Activities and programs can change over the three-year budgeting cycle. When creating the program structures, the ministries and autonomous agencies need to include activities that will be conducted throughout the entire strategy cycle, as well as those activities that are only relevant for selected years.

- It is also good practice for the program structure to be anchored in the organization, so that there is an owner within the organization for each layer of the program structure.

Section 4

4.1.3.2 Key quantitative criteria

In addition to the qualitative criteria above, quantitative criteria are to be used as guidelines for building a program structure. Any deviation needs prior approval from MoF.

- **Strategic objectives:** 5–10 per entity, including administrative backbone
- **Programs:** 2–10 per strategic objective
- **Activities:** 2–5 per department (2–3 activities per department recommended)

4.1.3.3 Administrative backbone

Within each program structure, there is at least one, with a maximum of two strategic objectives for the administrative backbone. The programs and activities for the administrative backbone strategic objective(s) are standardized across all federal entities as illustrated in Table 3. The administrative backbone is defined as all administrative services that are performed internally for the ministry/autonomous agency. The purpose of the administrative backbone is to create a comparable structure for all government entities which can be used for cost and efficiency benchmarking.

The two strategic objectives are:

- The central administrative backbone contains all central activities that serve the ministry/autonomous agency internally.

- Within the de-central administrative backbone are all de-central activities serving the ministry/autonomous agency's de-central departments and branches internally across the UAE. The de-central administrative backbone strategic objective only applies to ministries/autonomous agencies that have de-central branches. These ministries/autonomous agencies have parts of their core operations, eg, running schools, operating hospitals, running labour offices, in several locations.

Each of the two strategic objectives contains ten programs that are detailed in the table below.

- All programs contain standardized activities that cover all administrative services of the ministry/autonomous agency.

- Activities are standardized for the central and the de-central administrative backbones. For the de-central administrative backbone it is possible to change the activities to a regional structure (eg, "Finance in Sharjah Medical District"), after approval by MoF.

Section 4

Table 3: Administrative backbone

Strategic objective: Ensure that all administration services are of high quality, efficient, transparent and timely

Program: Manage financial resources to deliver maximum impact	**Program: Manage the organization by providing world-class leadership**
Activity: Prepare the budget and monitor budgeting execution Activity: Manage payroll Activity: Manage Accounts receivables and Accounts payables Activity: Perform internal auditing	Activity: Offices of the Minister, General Manager (Undersecretary) and Executive Directors Activity: Advisors to the Minister and General Manager (Undersecretary)
Program: Procure and purchase goods and services in the most efficient way	**Program: Develop an excellent strategy for the organization and measure organizational performance**
Activity: Manage purchases of goods and services Activity: Manage contracts	Activity: Draft operational and strategic plans Activity: Define KPIs and measure the performance
Program: Ensure a professional HR management	**Program: Provide best practice legal services for the organization**
Activity: Vacancies Activity: Provide recruiting services Activity: Train and develop employees Activity: Manage other HR services (manpower planning, performance appraisal, compensation and benefits, administration)	Activity: Draft and amend legislation Activity: Manage legal contracts and other legal affairs
Program: Ensure organizational excellence within the organization	**Program: Facilitate the organization's activities by providing modern IT services**
Activity: Ensure administration quality Activity: Ensure customer services quality Activity: Prepare for participation in the Sheikh Khalifa Excellence Award	Activity: Develop systems and applications Activity: Provide user support (helpline) Activity: Manage the technical infrastructure
Program: Ensure smooth internal and external communication	**Program: Support the organization by providing highly efficient shared services**
Activity: Plan and co-ordinate internal and external communication Activity: Support events, publications and other means of communication to the public	Activity: Facilities and maintenance Activity: Rent Activity: Transportation Activity: Other recurring expenses (utilities, telecommunication, transportation etc) Activity: Other shared services

4.1.3.4 Activity collection

The activity collection is the first step in building a program structure. The goal of this process step is to provide an overview of all activities performed by a ministry/autonomous agency.

The relevant unit for activity collection in most entities is the department. Each department specifies the 2–3 most important activities that it contributes to the outputs of the ministry/autonomous agency, including CAPEX projects. The Strategic Objective Manager coordinates the activity collection. A standardized template for activity collection is provided in Appendix 2.

Some general guidelines for activity collection:

- Use a template for activity collection, mentioning the department that submits specific activities (see Appendix 2)

- Define 2 to 3 key activities that cover main responsibilities of the department

- Include operational as well as strategic activities in the activity collection

- Name activities as the completion of the following sentence *"We, the XX department, …"*

    − In the example for UAE University, an activity for the planning department would be formulated like this: We, the planning department, *develop plans for creating new research institutes*. Thus, "*Develop plans for creating new research institutes"* is the correct definition of an activity

- Activities are defined as broad and high-level descriptions of the work done by the head of department and his/her staff throughout the year

    - eg, *"Conduct frequent meetings"* is incorrect

    - It helps to think of the result or aim of these tasks, eg, think of the larger result/aim for which you have meetings, such as *"Develop plans for creating new research institutes"*

- However, avoid being too detailed or too broad about the activities

    - Too detailed: *"Hold weekly meetings to discuss planning status for new research institute in physics"*

    - Too broad: *"Develop plans to grow UAE University"*

    - Correct level: *"Develop plans for creating new research institutes"*

- To provide more detail to the activities collected, departments can also mention sub-activities that explain the specific tasks for one activity

A bottom-up activity collection with no prior knowledge takes two to four weeks for a ministry/autonomous agency, but it can be done before strategic objectives have been defined by MOCA.

4.1.3.5 Building a program structure

Building on both the collected activities and the strategic objectives defined by the MOCA, the program structure is created using the definitions mentioned above. Activities must be grouped by a common outcome under the strategic objectives. Programs are added as outputs to create the link between the high-level outcomes and the specific activities.

Once the ministry/autonomous agency has built a draft of the program structure that meets the described definitions it is discussed with MOCA from a strategic perspective to ensure compliance with rules and guidelines.

As this process step depends on the definition of strategic objectives, it must be completed between January 15 and February 1. The General Manager is responsible for submitting the new program structure in time.

Budget elements	Illustrative examples
Strategic Objective	**Outcome**
SO1	• Achieve and sustain a high-level of creativity and productivity in cutting-edge research and scholarship
Programs	**Output or service**
SP1, SP2, SP3	• Increase and ensure the quantity and quality of research and scholarship • Conduct externally funded research through research institutes
Activities	**Individual activities**
A1, A2, A3, A4, A5, A6	• Increase undergraduate research opportunities • Increase graduate research opportunities • Develop plans for creating new research institutes
Line Items	**Inputs**
L1, L2, L3	• Employee salaries • Goods and services

4.1.3.6 Program structure update

Program structures of some ministries or autonomous agencies may remain stable over time. It is, for example, expected that ongoing operational activities stay rather stable over time. However, successive strategy/budget cycles may require different program structures, for example the definition of additional strategic objectives. Therefore, the ministry/autonomous agency must revise its program structure as part of the strategy cycle.

The updated program structure has to be discussed with MOCA from the strategic perspective and signed off by MoF from the financial perspective.

During the strategy cycle, a ministry/autonomous agency may propose amendments to its program structures. MoF and MOCA also propose to the ministry/autonomous agency such amendments during the budgeting process. Any amendments to the program structure of any ministry/autonomous agency also have to be discussed with MoCA from the strategy perspective and by MoF from the financial perspective before adoption.

4.2.   Preparation of the Budget Circular

The preparation of the Budget Circular is the process of compiling all necessary guidelines that help the ministries and autonomous agencies to prepare their draft budgets (see Exhibit 8).

The Budget Circular is a document prepared by the MoF. The Budget Circular contains a general description of the budgeting process together with an update of the Budget Planning Handbook. In this, the MoF provides detailed information about all changes in the Process Handbook and the budget planning process.

The main inputs for the Budget Circular are the following:

- New/updated program structure
- Sectoral spending targets
- ministry/autonomous agency budget caps
- CAPEX allocation to projects
- UAE Budget Planning Handbook and updates
- Previous Budget Circular (for information)

While the program structure has been defined in the strategy planning process as described in Chapter 4.1, the preparation of the sectoral spending targets, the ministry/autonomous agency budget caps, and the CAPEX allocation to projects is described in the following paragraphs.

Section 4

Exhibit 8: Preparation of the Budget Circular within the budgeting process

Budgeting process

1. Strategy planning process
- UAE Government Strategy development
- Federal entity strategic plan development
- Program structure development

2. Preparation of Budget Circular
- Forecast revenues for the UAE Government
- Set National Priorities
- Assign CAPEX budget based on spending targets and federal priorities
- Translate sectoral spending targets into ministry/autonomous agency budget caps
- Prepare budget circular

Draft budget preparation
- Break federal entity budget caps down to strategic objective level
- Prepare draft budget for on-going activities
- Prepare draft budget for new activities
- Prepare draft budget for whole budget cycle
- Challenge draft budget internally
- Prioritize activities
- Submit draft budget to MoF

Budget review
- Study draft budget
- Review and discuss allocation of ministry/autonomous agency budgets to strategic objectives
- Receive guidance on budget
- Update revenue forecast and federal entity budget caps

Approval of final budget
- Prepare finalized budget law
- Approve budget law

3. Budget execution
- Send copies of the budget law to all federal entities to begin budget execution

4.2.1   Forecast of revenues

The first step in preparing the Budget Circular is to project the expected revenues for the three-year budget cycle. This process step has three main components:

- **Ministry/autonomous agency revenue forecast:** The ministries and autonomous agencies forecast their revenues based on a common set of assumptions published by the MoF (ie, GDP growth, population growth, inflation). For each revenue-generating line item, the ministries and autonomous agencies have to provide a rationale for their revenue forecast. For example, a shrinking population affects the revenues from the examination of foreign workers in the Ministry of Health. The ministries and autonomous agencies also have to compare their revenue forecasts with previous forecasts and actual outcomes.

- **Investment and service revenues:** The MoF aggregates forecasts for investment revenues and service revenues into the total budget forecast.

- **Emirates' contributions.**

The MoF aggregates a consolidated estimate of federal revenues for the next three-year fiscal period. This is updated semi-annually on a rolling three-year basis. The MoF also provides an assessment of the confidence level for the estimate of each component of the overall revenue estimate. In the draft budget, revenues are captured in Chapter 1 of the Chart of Accounts.

Prudence is the overruling principle when forecasting revenues: If the actual revenues turn out to be lower than expected, budgets will have to be cut during the fiscal year. The revenue forecast is the key input for the Budget Circular preparation.

4.2.2 Setting of priorities

The revenue forecast generates the overall framework for the three-year budgets of the federal government. In the next step, the FiCom breaks this overall budget down into sectoral spending targets.

As described in the Budget Law, the MoF will set aside a percentage of the overall budget as a buffer for unexpected requirements. This step will be executed before determining the sectoral spending targets.

Sector spending targets are overall budget ceilings for sectors. They represent the fixed amount available for spending by ministries and autonomous agencies within the sector, including OPEX and CAPEX. Spending targets are set for the full three-year budgeting period and for each individual year within the budgeting period.

The sum of all sectoral spending targets and the buffer equal the revenue forecast by the MoF for each year and for the entire three-year fiscal period. Therefore, the setting of spending targets ensures that the balanced budget is met on a consistent basis, as required by law.

The definition of sectoral spending targets complies with the following rules:

- According to the UAE government strategy, sector spending targets will directly reflect the strategic priorities in the budget.
- Sector spending targets may reflect performance reports from previous budget periods.

The analysis of efficiency and effectiveness of spending in previous years can take place in parallel with revenue forecasting. The definition of sectoral spending targets should be finalized by February 10.

4.2.3 Assigning of the CAPEX budget based on spending targets and federal priorities

Within the sectoral spending targets, the budget for capital projects is determined first. This is to ensure that sufficient CAPEX is planned into the budget, along with OPEX.
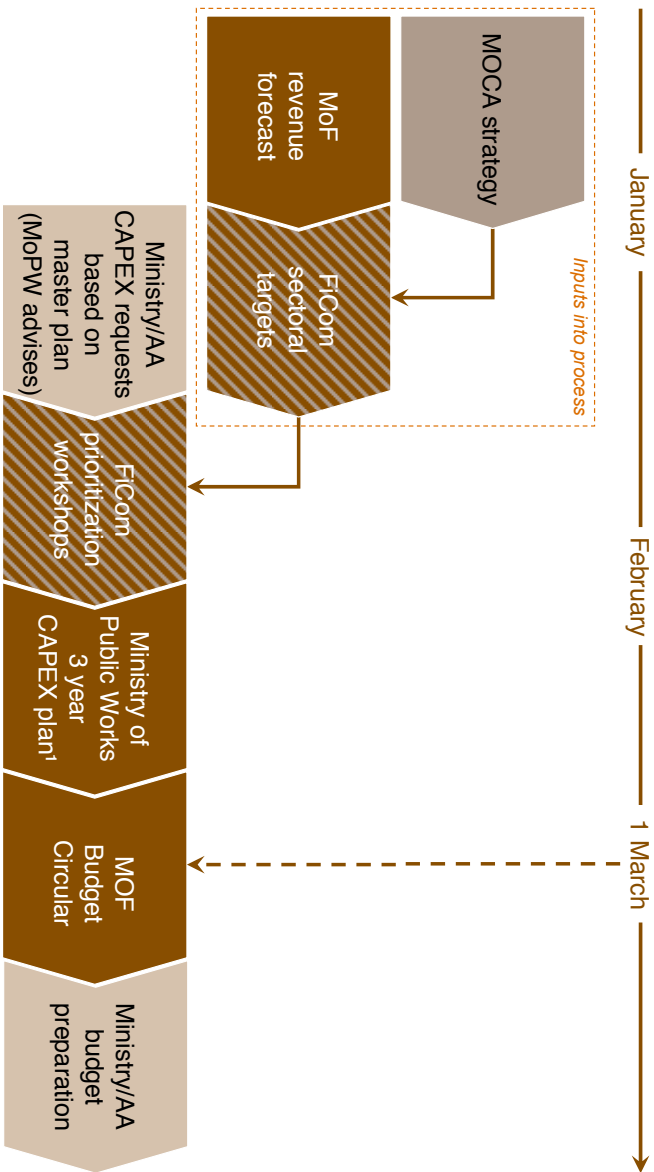
The process for integrating CAPEX projects (Group 34) into the budget is closely linked with the strategy planning process (see Exhibit 9). The main stakeholders of CAPEX budgeting are the ministries (including the Ministry of Public Works), autonomous agencies and the FiCom. Each stakeholder's responsibility in the process is outlined below.

Strategic priorities of the federal government and the MoF's revenue forecasts determine the setting of the sector spending targets. Sectoral spending targets and CAPEX requests by ministries or autonomous agencies are the key inputs to the decision on budgeting for CAPEX projects. Ministries must submit these CAPEX project requests to the MoPW which will consider it and compile a detailed plan including a business case and cost schedule. Entities must specify the strategic objective or program within the program structure to which the project is allocated. The MoPW will present the result to the MoF by February 1.

The CAPEX requests are reviewed and prioritized in meetings comprised of the FiCom. These meetings, which are prepared by the MoPW, run until February 15. Based on the outcome of these meetings, the MoF compiles a three-year CAPEX plan specifying the amounts available for each approved CAPEX project.

The MoF then communicates the available funds for each CAPEX project to the ministries and autonomous agencies through the Budget Circular. Based on this information, the ministries and autonomous agencies can integrate CAPEX projects and the associated budgets into their draft budgets. CAPEX projects are budgeted for the entire three-year budget cycle and for each individual year within the cycle.

Exhibit 9: CAPEX budgeting process

Inputs into process

January ──────── February ──────── 1 March ────────

MOCA strategy

MoF revenue forecast

FiCom sectoral targets

Ministry/AA CAPEX requests based on master plan (MoPW advises)

FiCom prioritization workshops

Ministry of Public Works 3 year CAPEX plan[1]

MOF Budget Circular

Ministry/AA budget preparation

CAPEX projects related to core activities are to be allocated at the strategic objective or program level within the core strategic objectives while CAPEX projects related to an entity's administration is to be allocated to an additional activity within the shared services program of the administrative backbone strategic objective.

In this process step, the Ministry of Public Works has a role as an advisor and specialist, consulting the FiCom. During budget execution, the Ministry of Public Works is responsible for carrying out the CAPEX projects on behalf of the other government entities.

4.2.3.1 Prepare CAPEX requests based on the master plan

To apply for the funding of CAPEX projects, ministries and autonomous agencies have to refer to two data sources:

- The Ministry of Public Works maintains a long-term master plan for CAPEX projects. The master plan is based on a needs assessment which incorporates population growth projections and shifts in demographics. It specifies building needs on an annual basis for each ministry/autonomous agency and an approximate budget for each building project.

- In addition to the CAPEX master plan, another requirement for well-functioning CAPEX budgeting is a well-maintained fixed asset registry of the Ministry of Public Works. The fixed asset registry lists all federal capital assets. For each asset, deterioration assumptions are provided as well as a maintenance schedule based on these assumptions. This data is essential to budget for maintenance and upgrading projects for existing assets.

To initiate requests for CAPEX projects, each entity reviews the existing CAPEX master plan and decides which of the listed projects it intends to pursue. They may pursue projects as specified in the master plan, or they may modify some of the projects. Entities may also decide that additional projects have become necessary, although these were not previously specified in the master plan.

For each of the projects they intend to pursue, the entities develop a business case. This business case is prepared by each government entity and incorporates expert advice from the Ministry of Public Works on the projected cost schedule and project timeline. Therefore, entities must cooperate closely with the Ministry of Public Works and provide project specifications in as much detail as possible. This information is vital input for costing projects and setting timelines.

Section 4

In the business case, entities draw up high-level specifications for each of their projects. As a minimum, the specifications should contain the following information:

- A declaration that the project is already part of the master plan, or a modification of an existing master plan project, or an additional project
- A specification of building type, overall size, capacity need (eg, 20 classrooms), the exact location, and facilities required.

The business case provides a specific rationale for each project. The need for the project must be justified. The following points should be covered, using both quantitative and qualitative metrics:

- Contribution to UAE government strategy and its objectives
- Contribution to economic development
- Contribution to public health and safety, quality of life or environment, or human capital formation

Depending on the individual projects, additional metrics can be used to justify the project.

For ministries and autonomous agencies to quantify the financial impact of the project, the following points should be covered:

- Project cost schedule (ie, cost to be incurred for design and completion of project in each fiscal year)
- Recurring OPEX associated with pursuing and completing the project (eg, salary expenses, maintenance)
- Cost savings generated through the project (eg, decreased operations/maintenance costs at another facility)

The project cost schedule is provided by the Ministry of Public Works. It is based on the project specifications supplied by the entity and an initial rough project design conducted by the Ministry of Public Works.

To ensure that the project business case of a ministry/autonomous agency is considered for the three-year budget cycle, it should be completed by February 1.

4.2.3.2 Prioritization workshops

Based on the CAPEX requests submitted by entities and the sectoral spending targets defined by the Fiscal Working Committee, prioritization workshops are held where the Ministry of Public Works participates in an advisory role and a strategic assessment of projects is conducted.

During the strategic needs assessment, the following factors will be analyzed:

- Consistency of a project with the UAE government strategy
- Feasibility of a project compared with alternatives (eg, rehabilitation of existing facilities)
- Sustainability of a project on an institutional level (ie, sufficient capability available within entity)

All positively evaluated projects can then be ranked according to criteria as defined by the FiCom. If a factor is thought to be problematic, the respective project can be discarded or the ministry/autonomous agency can be asked to re-specify the project.

As a next step, the payment schedule of each project is examined. This analysis includes the following factors:

- Sources and uses of cash along the timeline
- Projected ongoing OPEX requirements per project
- Robustness of assumptions behind payment schedule forecasts

Based on the above analyses and the actual spending for each government entity, a decision is made on the amount to be allocated to each project for the three-year fiscal period. Some projects may not receive any funding in the next budget cycle based on the above analyses. The approval process should be finalized by February 15.

Section 4

4.2.3.3 Three-year CAPEX plan

Once the funding for CAPEX projects is approved, the Ministry of Public Works compiles a three-year CAPEX plan (or longer for long-term projects) on behalf of the Ministry of Finance. This plan specifies the value of each project to be pursued, the amount to be spent on the project during the three-year budget cycle, and the amount to be spent in each individual year. The plan also specifies project milestones and payment schedule forecasts for the project.

To integrate the CAPEX plan with the budget, the following activities are required:

- Earmark required funds for approved CAPEX projects per ministry/autonomous agency for each year within the three-year budget cycle (within the ministry/autonomous agency budget cap as defined in step 4.2.4)

- Include an initial estimate of recurring OPEX associated with CAPEX projects upon completion in the draft budget (as laid out in a project's business case)

The above data is subsequently communicated to each entity through the Budget Circular. Ministries and autonomous agencies can then integrate both CAPEX and the initial estimate for associated recurring OPEX into their entity's draft budget. They are also expected to identify existing budgets to cover (parts of) the newly required OPEX, leveraging potential for efficiencies and reducing the need for additional OPEX.

4.2.4 Translation of sectoral spending targets into ministry/ autonomous agency budget caps

Building on the sectoral spending targets and the CAPEX budgets, the FiCom determines budget caps for each ministry/autonomous agency. These budget caps contain both CAPEX and OPEX budgets for the whole budget cycle, as well as for individual years.

The definition of the ministry/autonomous agency budget caps will take into consideration the following points:

- Within each sector, consider actual spending on one entity as well as broad spending to all entities, depending on the UAE government strategy.

- Consider that budget caps for each entity can vary substantially between budget cycles.

- Focus on the distribution of the remaining budget after CAPEX projects (see 4.2.3) and strategic "new" activities (see 4.3.3) have been allocated.

- Consider effects of changes in cost drivers (eg, population, aging, high school students, university students, foreign workers).

- Analyze the share of fixed cost elements, such as salaries, and focus on distributing the variable items.

Section 4

4.2.5   Preparation of the Budget Circular

The draft Budget Circular is prepared by the MoF Budgeting Team and incorporates the previously defined inputs. The Budget Circular is signed off by the Minister of Finance.

The Budget Circular is sent to all ministries and autonomous agencies on March 1. The ministries and autonomous agencies can then officially start the budget preparation. The Ministry of Finance will specify the Budget Circular issuance deadline according to the law and inform all federal entities.
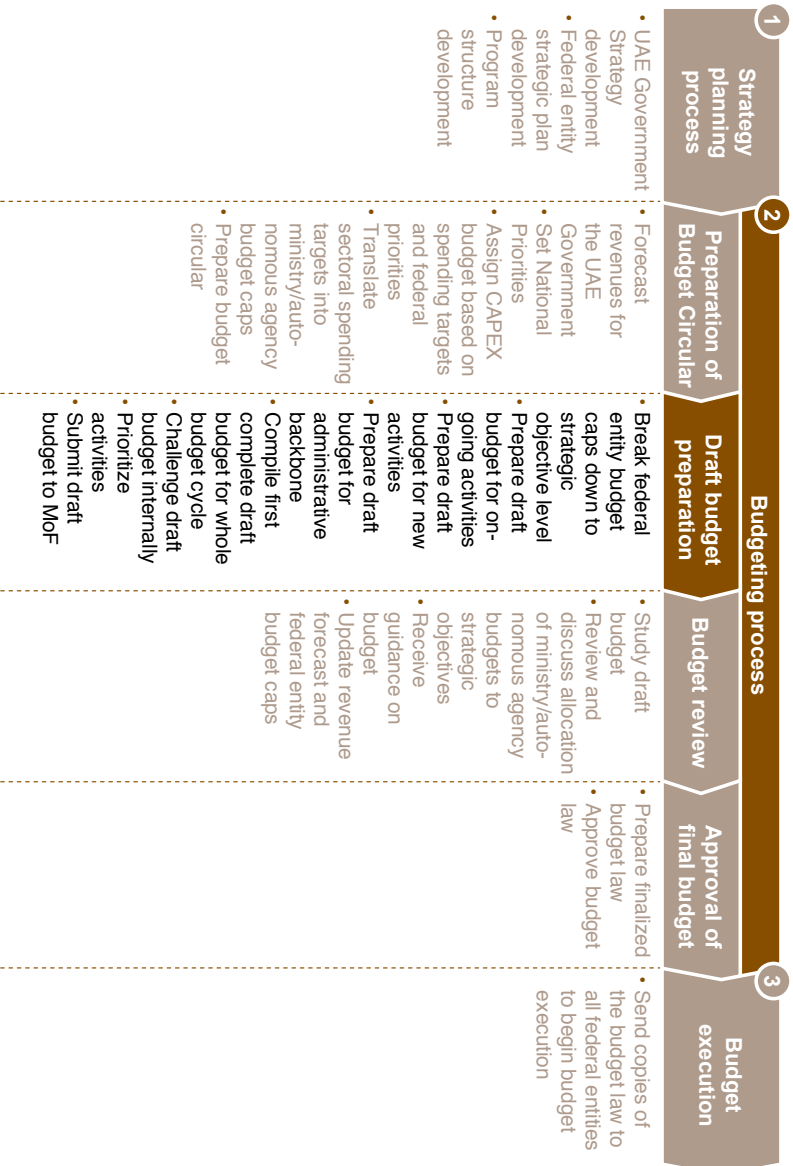
Each MoF Budgeting Team member enters the relevant data for its ministry/autonomous agency into the budget automation system (eg, program structure, budget cap, CAPEX projects) and performs a quality check.

4.3. Draft budget preparation

Budget preparation within the ministries and autonomous agencies is at the core of the budgeting process. The budget preparation is initiated by the issuance of the Budget Circular on March 1.

The budget preparation process includes both the draft budget preparation by the central and local units of the ministry/autonomous agency and the internal challenging and benchmarking of these draft budgets by the entity's management (see Exhibit 10). The goal of the budget preparation is to allocate sufficient resources to ensure that strategic objectives are achieved, while simultaneously meeting the conditions of the ministry/autonomous agency budget cap.

Budgeting process

1 — Strategy planning process
- UAE Government Strategy development
- Federal entity strategic plan development
- Program structure development

2 — Preparation of Budget Circular
- Forecast revenues for the UAE Government
- Set National Priorities
- Assign CAPEX budget based on spending targets and federal priorities
- Translate sectoral spending targets into ministry/auto-nomous agency budget caps
- Prepare budget circular

Draft budget preparation
- Break federal entity budget caps down to strategic objective level
- Prepare draft budget for on-going activities
- Prepare draft budget for new activities
- Prepare draft budget for administrative backbone
- Compile first complete draft budget for whole budget cycle
- Challenge draft budget internally
- Prioritize activities
- Submit draft budget to MoF

Budget review
- Study draft budget
- Review and discuss allocation of ministry/auto-nomous agency budgets to strategic objectives
- Receive guidance on budget
- Update revenue forecast and federal entity budget caps

Approval of final budget
- Prepare finalized budget law
- Approve budget

3 — Budget execution
- Send copies of the budget law to all federal entities to begin budget execution

The proposed preparation of the draft budget for ministries and autonomous agencies consists of eight process steps (see Exhibit 11):

1. Breakdown of ministry/autonomous agency budget caps to strategic objective level, prepared by the General Manager.

2. Preparation of a draft budget for ongoing activities, prepared by the Strategic Objective Managers and the Department Heads, with support from the Finance Department.

3. Preparation of a draft budget for new activities, prepared by the Strategic Objective Managers and the Department Heads, with support from the Finance and Strategy departments.

4. Preparation of a draft budget for administrative backbone, prepared by the Strategic Objective Managers and the Department Heads, with support from the Finance Department.

5. Compilation of the federal entity's first complete draft budget for whole budget cycle, prepared by the Finance Department.

6. Internal challenging of the draft budget between the General Manager and the Strategic Objective Managers, with support from the Finance Department.

7. Prioritization and ranking of activities, without altering strategic objectives, carried out by the General Manager, with support from the Finance Department.

8. Submission of the draft budget to the MoF, carried out by the General Manager after sign-off with the Minister.

General process

The ministries and autonomous agencies receive the Budget Circular on March 1.

The process described in the paragraphs 4.3.1–4.3.8 is suggested for all ministries and autonomous agencies. The output of this process step is a complete draft budget for each ministry/autonomous agency according to the guidelines defined in the Budget Circular.

The described process is a standard process that contains all necessary process steps and gives all entities enough time to finish their internal budgeting by May 1. This process is supported by the budget automation system for the ministries.

Exhibit 11: Process steps for budget preparation
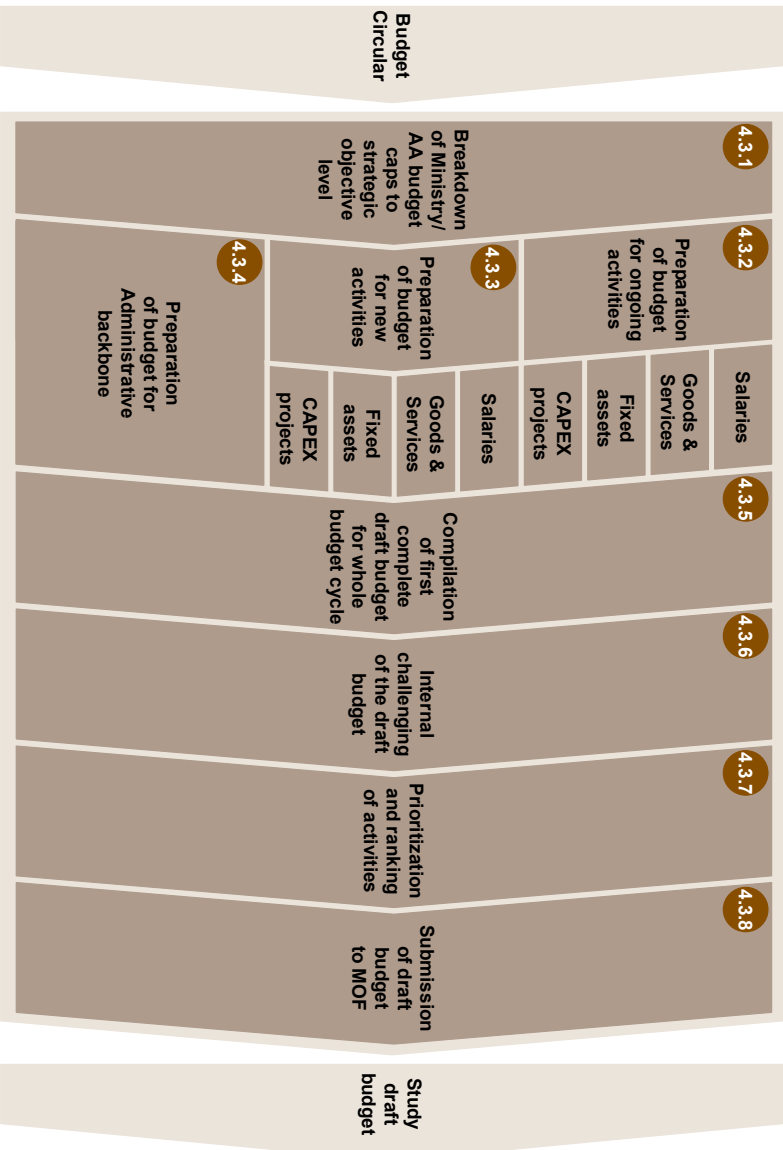
4.3.1   Breakdown of federal entity budget caps to strategic objective level

The ministries and autonomous agencies receive their respective yearly budget caps for the next budget cycle in the Budget Circular on March 1. The Budget Circular also contains the new/updated program structure. This is updated with the new strategic objectives as set by MOCA and the resulting changes at program and activity levels.

Based on the new program structure, the ministry/autonomous agency's top management divides the entity's budget cap between strategic objectives. This results in a specific budget cap for each strategic objective within the ministry/autonomous agency. The budget cap for each strategic objective must not exceed 30% of the total budget cap for the ministry/ autonomous agency.

The functions usually included in this decision process are:

- The Minister or equivalent
- The General Manager or equivalent
- The Strategy Department
- The Finance Department

First, the Strategy and Finance Departments will prepare a joint proposal. This will then be discussed with the General Manager and the Minister.

The following are suggested criteria for determining the budget cap for each strategic objective:

- The previous budget for this strategic objective
- The previous expenditure for this strategic objective
- The success in reaching the KPIs attached to the strategic objective
- The new strategic objectives set by the MOCA

The budget cap for each strategic objective is a guideline for the ministry/autonomous agency's internal budgeting process; it is not communicated outside of the ministry/autonomous agency. The General Manager can amend budget caps for strategic objectives during and after the compilation of the draft budget.

At the end of this process step, the General Manager sends a circular to the relevant Strategic Objective Managers. The circular should contain the following information:

- The updated program structure including existing and new strategic objectives, programs, and activities.

- The CAPEX budget allocated to their respective strategic objectives.

- The allocated overall budget target for their respective strategic objectives. The Strategic Objective Managers are responsible for submitting a draft budget for their strategic objectives to the ministry/autonomous agency's Central Finance Department by April 15.

4.3.2   Preparation of the draft budget for ongoing activities

Budget for salaries (Group 21)

This chapter refers to the budget for salaries in Group 21.

The process described in the paragraphs below is valid for ministries and autonomous agencies. However, salary budgeting in ministries is supported through the budget automation system, while autonomous agencies must perform it manually (first phase only):

- **Ministries** have established a process that regularly updates employee information in the central MoF payroll system. This payroll information is automatically transferred to the budget automation system, where salaries can be allocated to their respective activities by the ministry.

- **Autonomous agencies** will have no access to the budget automation system for the first phase of implementation. They will prepare their budget with data from their own HR systems and manually enter their budget using the standardized data input sheet provided by the MoF.

The main input for the salary budget is a complete list of current employees, which should be regularly updated in the HR system. It is critical that information concerning activity, department and location of all employees is up to date. An updating process was introduced for all ministries in January 2010.

The complete list of employees generated by the HR system will be uploaded to the central payroll system within the MoF and will be linked to salary information. The information regarding the place of work will be entered for each employee, using the Employee No. as a unique identifier. These input steps should be completed before the Budget Circular is issued on March 1.

The salary budget operates in four steps:

1. Salary baseline for current employees

As soon as the Strategic Objective Managers receive the Budget Circular, they pass the list of current employees to their Department Heads and request that they allocate employees to activities. This communication should be accompanied by a list of current employees, their place of work, and their allocation within the previous program structure.

The goal of this process step is to allocate the current salaries to the new program structure. Each employee's time is allocated either fully (100%) or partly (eg, 50%) to an activity. This time allocation determines the allocation of salaries to activities. To reduce complexity, it is recommended that for large entities (>300 FTE), all employees are fully allocated to just one activity. For smaller entities, employees may have to be split among different activities to allocate 100% of their time. Employees can be allocated to different activities during the three-year budget cycle. For the ministries, data on the allocation of employees to activities can be uploaded into the MoF payroll system, which is then linked directly to the new program structure within the budget automation system.

Department Heads are responsible for ensuring that the allocation of their employee time for all activities adds up to 100% of total staff capacity. For structural reasons, some activities may have zero employees assigned to them (see the section on shared services in administrative backbone in 4.3.4).

Section 4

2. Salaries for new employees

The general assumption for budgeting is that the number of employees remains constant throughout the budget cycle. Therefore, during the forecasting, the need for additional employees (excluding replacements) can only come from two sources:

- **Scope enlargement:** The entity takes on additional, new tasks, eg, by implementing a new activity such as running the first cancer treatment center in the UAE, and requires new employees to carry out this task.

- **Completion of CAPEX projects:** Salaries for new employees coming from CAPEX projects will be budgeted and (for the ministries) uploaded into the budget automation system. No double counting can take place.

New employees must be proposed by the relevant Department Head using a standardized form detailing the department, activity or program, number of employees, pay grade(s), and planned start date(s) of the employee(s) and must be approved by the respective Strategic Objective Manager. The pay grade must be comparable with that of a current employee in a similar position. New employees will always be budgeted by their entry salary. The decision on entering new employees in the draft budget lies with the General Manager of the respective entity.

If the General Manager approves the budget for new employees, it will be included in the draft budget with the exact start date of the new employee. The MoF will review the list of new employees separately and discuss the need for additional positions with the ministry/autonomous agency.

The salary will only be paid once the employee is formally hired. A review of the list of budgeted new employees will be performed by the MoF. If the new employee is not yet hired by the end of the fiscal year, the entity has to provide justification for postponing the hiring process; otherwise, the budget for the new employee will be frozen and removed from the entity's budget. No budgeting for general, unjustified vacancies will be allowed.

3. Salary forecasting for the budget cycle

Once the salary data for current and future employees is in the budget automation system, the salary amount per activity can be forecast for the budget cycle. This is based on the usual pay grades for the tasks of the employee, rather than on single employees.

The budget automation system supports the salary forecast of the existing employees with the following functions:

- Annual salary increment for all employees, as determined by the federal government
- One-time salary items with a yearly payment schedule (eg, flights home, flights to medical checkups/treatments)
- Promotions within the same pay grade
- Promotions across pay grades

Section 4

4. Complete three-year salary budget

At the end of this process step, the ministry/autonomous agency will have complete transparency regarding the number of employees dedicated to each activity over the next budget cycle, as well as all associated salary costs. This information will be available in the budget automation system.

Based on this forecast, the salary budget will be fixed for the whole budget cycle, meaning that changes in employee numbers and/or salaries can only be made along the principles described in the Budget Execution handbook issued by the Ministry of Finance. This process step should be completed by April 15 to allow for a consecutive process of internal cost challenging within the ministry/autonomous agency.

Budget for designated goods and services/fixed assets (eg, Groups 22, 31)

In a step that can be performed in parallel, the costs for normal operational activities have to be budgeted. Where ministries or autonomous agencies use other Groups in the Chart of Accounts, they should also be budgeted in the manner described here.

These costs are specific to the strategic objective, program, or activity to which they are allocated by the ministry/autonomous agency (for general, unspecific costs, see Chapter 4.3.4). Their budgeting falls under the responsibility of the respective Department Head, with guidance from the Strategic Objective Manager.

Each Strategic Objective Manager will receive a standardized form, in which they, or their delegated Program Managers, must estimate the resource requirements (goods and services, assets) for all underlying programs and activities, detailing them at activity level (or at least program level if costs cannot be readily allocated to activities). Examples of these costs include: Expert fees, travel and accommodation, or activity-specific training (outside of the normal HR budget). Strategic Objective Managers must also indicate if this proposed expenditure is a one-time expense or will continue over the budget period.

To make a comparison, the standardized form will be pre-filled with the actual expenses incurred in the previous budget cycle and the amount of the previous budget. This allows for a first understanding of how the new budgets might be allocated to the program structure. Any significant variations (>5%) from the previous budget cycle's expenditure must also be justified using zero-based rationale, as the MoF will question the increased spending plan.

Section 4

If the ministry/autonomous agency does not consider the budgets and expenses from the previous budget cycle to be a good distribution key, or if the program structure has changed significantly, the following pragmatic approach can be followed:

- For the three to five largest line items, define cost drivers that allow budgets to be allocated very precisely to the right activity. This should cover 50–80% of the total budget of Groups 22 and 31. For example, in the Ministry of Health, the costs for medical items are more than 50% of the expenses for Groups 22 and 31. Therefore, actual spending patterns of different hospitals and primary healthcare centers are analyzed and taken into consideration when budgeting for the next cycle.

- For all other line items, choose a general cost driver (eg, number of employees per activity) to allocate them to activities.

- Line items within Groups 22 and 31 that cannot be convincingly allocated to activities by using a cost driver can be allocated to the program level.

The standardized form will also require the Strategic Objective Managers to extend their forecast to three years, ie, in 2010, they will state all resource requirements in Groups 22 and 31 for 2011–2013. Provided that the budgeting for the first year of the budget cycle was done in a zero-based way, the Department Heads have several options for estimating the budgets for ongoing activities in the second and third year:

- They may either make a detailed (zero-based) budget forecast
  or

- Apply the average expense growth rate of the last three years
  or

- Use last year's consumption and increase by the expected inflation
  or

- Use a different cost driver (eg, number of employees)

If the Department Head wants to increase the budget beyond these thresholds, he/she needs to prepare a detailed spending plan (as required for new activities). For ministries, the standardized form will be entered directly into the budget automation system. Autonomous agencies will receive the form as a separate file, which can be uploaded into the budget automation system (first phase only).

The budgets for Groups 22 and 31 are pure cash budgets that do not take into account depreciation. If items are bought in large quantities at fixed intervals, this must be reflected in one specific budget for the three-year cycle. An example is a department that purchases new PCs for all employees every five years. If all PCs are bought at the same time, there must be a budget for this in a specific year. If the PCs are bought on a rolling basis, the yearly budget should amount to about 20% of the total cost for PC purchases.

The budget proposals are submitted to and approved by the Strategic Objective Manager, and ultimately, the General Manager.

At the end of this process step, the complete budget for designated goods and services as well as fixed assets will be entered in the budget automation system.

4.3.3   Preparation of the draft budget for new activities

An updated list of new activities is available for each ministry/autonomous agency in the updated program structure in the Appendix to the Budget Circular. These activities are usually introduced to support the achievement of new strategic objectives set by the MOCA. As these activities are by their nature incomparable with previous activities and their costs, they must be budgeted in a zero-based way. Thus, for new activities, the Department Head must present a detailed spending plan (zero-based budget) over three years with justification for all the cost items, using a standardized form.

To ensure that the budget for new activities is not just "what's left" of the spending target for each strategic objective and the ongoing activities, a special budget for new activities may be earmarked within the ministry/autonomous agency's budget cap. In the case of new activities related to the completion of a CAPEX project, the budgeting of additional OPEX is completed before the Budget Circular.

Between March 1 and April 15, internal meetings are held between the Finance Department, the responsible Department Heads, and the Strategic Objective Manager, with three objectives:

- Discuss the activities proposed by each department from a financial aspect and identify the financial impact of executing each activity.
- Calculate the estimated cost of each activity, mainly based on experience and current costs on line-item basis in a zero-based way.
- Roll out this budget to the three-year budget cycle.

The results and components of this budgeting exercise must be documented in a standardized form and then signed by the proposing department, the relevant Strategic Objective Manager, and the Finance Department.

The output of this process step is a list of fully budgeted new activities. These activities and their costs can be allocated to the updated program structure. The list will be included in the preparation of the draft budget before May 1 and uploaded into the budget automation system.

4.3.4   Preparation of the draft budget for administrative backbone

After completing the budget for all activities that contribute directly to an outcome, ministries and autonomous agencies create a budget for administrative activities that serve the entity internally. The budgeting for this administrative backbone is standardized across all ministries and autonomous agencies. Most ministries and autonomous agencies have one strategic objective for central administration, some large ministries may have a second strategic objective for local administration.

The budget sum of all administrative backbone strategic objectives of an entity is strictly monitored by the Ministry of Finance. In general, it is expected that larger entities allocate a smaller percentage of total budget to administrative backbone strategic objectives than smaller entities (scale curve effect). The results of the 2009 administrative backbone benchmarking study provide a good guideline for each entity. If the draft budget for the administrative backbone exceeds this benchmark, the ministry/autonomous agency must provide justification to the MoF.

All administrative costs can be allocated to one of the administrative programs and the defined standardized activities in the central or local administrative strategic objective. Small ministries and autonomous agencies with less than 100 employees may only allocate their budgets for the administrative backbone to the level of programs, subject to approval by the MoF.

Section 4

Some examples illustrate the correct allocation of budget items to the IT program in the administrative backbone:

- The cost of buying and maintaining an IT mainframe for the whole ministry/autonomous agency is allocated to the central administrative IT program.

- The IT person dedicated to a hospital or a school district is included in the de-central IT program's budget, as they only serve a local part of the ministry/autonomous agency's employees.

- The costs for a strategic IT development program, such as the health information system in the Ministry of Health, which serves clients outside the ministry/autonomous agency, is budgeted in a strategic objective/program outside of the administrative backbone.

These administrative activities must be budgeted following a standardized pattern, as these cost items will be compared between all the ministries and autonomous agencies to benchmark administrative spending. The Strategic Objective Manager responsible for the administrative backbone in the ministry/autonomous agency has to follow the same budgeting process as for the other strategic objectives:

- The budget for ongoing activities can be built with reference to previous budgets and previous spending.

- For new activities in the administrative backbone, the respective Department Heads will have to fill out a standardized form detailing cost estimates for the three-year budget cycle.

The costs of the administrative backbone must account for the full cost of all activities. The relevant Strategic Objective Manager ensures that these cost activities have the relevant salaries, goods and services, and fixed assets allocated to them.

The last program (ie, shared services) comprises mostly line items from Groups 22 and 31. Therefore, it includes all budgets from the relevant line items, at the central or the local level. The objective is to obtain an overview of the total amount that the ministry/autonomous agency spends (eg, on utilities, rents, general maintenance, and telecommunication) for benchmarking purposes.

The only exception to the standardization in the administrative backbone is the program "shared services," where additional activities can be defined instead of or along with the activity "other shared services." If the activity belongs to a department that allocates most of its day-to-day activities to one administrative program, it is possible that this department may do something extraordinary that cannot be captured in any of the predefined activities. Therefore, the ministry/autonomous agency can create an additional activity within the "shared services" program for this extraordinary task in order not to distort the other standardized programs and activities being used for benchmarking purposes.

The Strategic Objective Manager for the administrative backbone is responsible for collecting the cost projections for the activities and line items defined as shared services. He/she applies the principles for costing and building a three-year budget that are described in 4.3.5. The defined cost target also applies to this program.
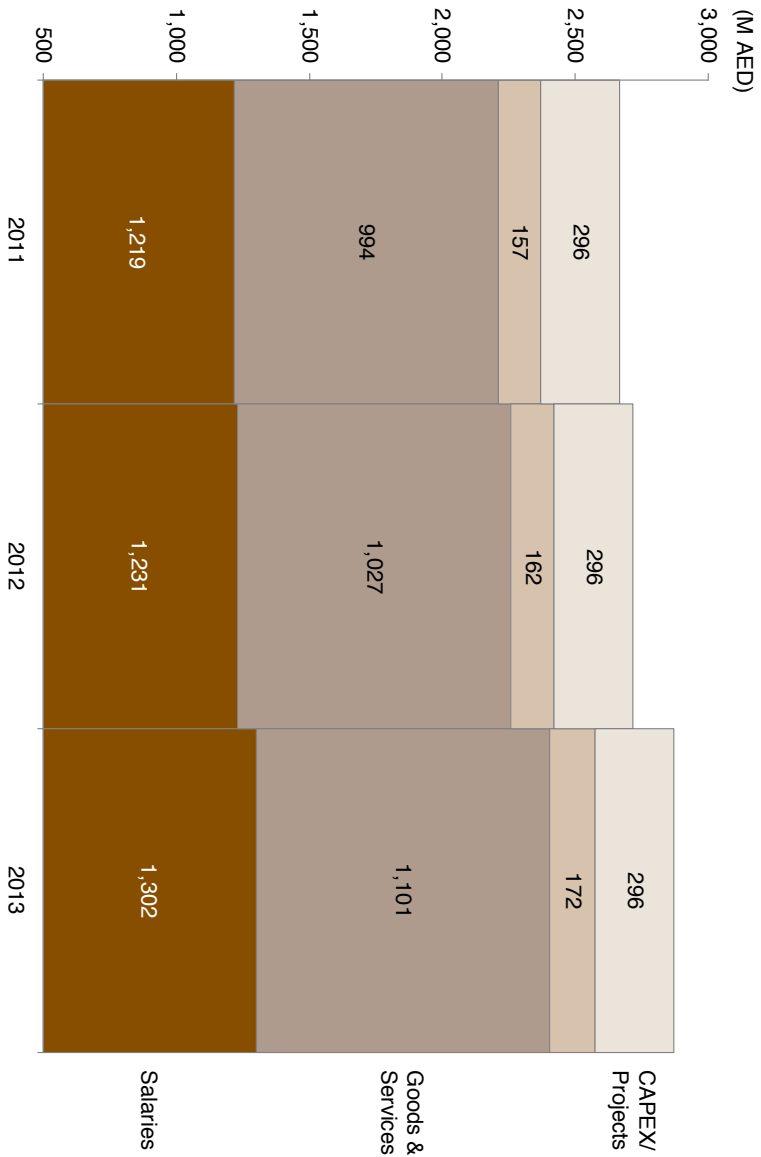
The budget for the administrative backbone will be collected and filled into the budget automation system. It will be part of the internally administered cost analysis by the ministry/autonomous agency.

Section 4

4.3.5   Compilation of a first complete draft budget for the whole budget cycle

All Strategic Objective Managers must submit their budget proposals to the ministry/autonomous agency's Central Finance Department by April 15. For the ministries, the budget automation system will support this process. It is the responsibility of the Strategic Objective Managers to ensure that the submitted proposals for program budgets do not exceed the budget caps for the strategic objectives.

The Central Finance Department compiles a budget proposal for the whole ministry/autonomous agency (including the CAPEX budgets [Group 34] as mentioned in the Budget Circular) from the draft budget submissions for strategic objectives. The complete cost of all strategic objectives must be reflected in this budget.

Section 4

Exhibit 12:   Complete three-year budget

(M AED)

	2011	2012	2013
Salaries	1,219	1,231	1,302
Goods & Services	994	1,027	1,101
	157	162	172
CAPEX/ Projects	296	296	296

The Central Finance Department runs a quality check to ensure that the program budgets are correctly allocated to line items, that a budget proposal has been submitted for all three years of the budget cycle, and that the general administrative backbone is budgeted in line with the definitions mentioned in 4.3.4. Supported by the budget automation system, it also prepares a comparison of budget proposals with strategic objective cost targets and – if comparable – budgets and actual consumptions from previous years.

The consolidated draft budget is presented to the Minister and the General Manager around April 20. Based on their guidance, a process of internal cost challenging is started.

4.3.6   Internal challenging of the draft budget

Before submitting the draft budget to the MoF, the ministry/autonomous agency should go through a process of internal data scrutiny and cost challenging. The objective of this process step is to inform the management of the ministry/autonomous agency in two regards:

1. To develop a better understanding of whether the budget proposals for each strategic objective are justified

2. To find areas for the possible rearrangement of funds

Therefore, the cost challenging process should be conducted if the budget proposal is within the entity's budget cap. If the draft budget proposal is higher than the entity's budget cap, the challenging process is crucial, as the MoF can look into the matter.

Four methods are applied to scrutinize budgets and to bring them in line with the spending targets. They correspond to the set of methods the MoF uses to challenge the budget in the next step, so if the ministry/autonomous agency applies them at this stage, the budget negotiation period will be reduced:

1. Compliance analysis: The ministry/autonomous agency makes sure that the budget proposal is within the limits set by the Budget Circular, especially the ministry/autonomous agency budget cap.

2. Variance analysis: The budget proposals for each activity and each line item are compared to the values budgeted in the previous year and to the values consumed in the previous year. Large (>10%) deviations must be explained and discussed with the General Manager.

3. Internal benchmarks: Whenever possible, the ministry/autonomous agency should use internal benchmarks to validate the budget proposals. Internal benchmarks are benchmarks within the government. Depending on the size of the organization, they can be within one entity or across different government entities. For the ministries and autonomous agencies, a list of potential internal benchmarks was developed during the budget reform process in 2009. Large deviations from these averages should be questioned by the responsible Strategic Objective Manager and the General Manager.

Section 4

4. External benchmarks: The budget proposal should be compared to external best practices in governments elsewhere in the world, or in the private sector. It is not easy to find institutions or countries comparable with the UAE, so several external benchmarks should be cross-referenced to determine if a budget proposal is too high or too low. A list of potential external benchmarks was developed for the ministries and autonomous agencies during the budget reform process in 2009. Large deviations from external benchmarks must be questioned by the responsible Strategic Objective Manager and the General Manager.

All four analyses are prepared by the Central Finance Department with the support of the Strategic Objective Managers (and, if available, the Statistics Department) and then discussed with the General Manager and the Strategy Department. For some topics, the Strategic Objective Managers and the Department Managers will also be heard.

The process of finding the right benchmarks and applying them to the draft budgets requires considerable resources and manual effort from the ministries and autonomous agencies. For the ministries, the process step of comparing the benchmarks with draft budgets is supported by the budget automation system; the autonomous agencies must carry out the cost challenging manually (first phase only).

4.3.7   Prioritization of activities

The challenging of the budget proposal identifies areas suitable with a potential reduction of the submitted budget proposals, as well as areas with comparative underspending. The results of this process step serve as a basis for the next step of prioritization and ranking. Prioritization of activities should be finalized by April 15 as the analyses performed in this step can be standardized and prepared before the actual compilation of the draft budget.

Before submitting the draft budget to the MoF, the ministries and autonomous agencies go through another round of aligning their budget with their strategic objectives. This is especially important if the outcome of the cost challenging is still higher than the sectoral spending target. Even if the draft budget is within the ministry/autonomous agency budget cap, this process step is important because it can ensure that the budget is spent for the right reasons. This process step can partly take place in parallel with step 4.3.6.

The General Manager tasks the Strategic Objective Managers (with support from the Finance and Strategy Departments) with developing adapted draft budgets. The overarching goal of this exercise is to make sure that that the budget is used in the most efficient and effective way and will better support the achievement of the ministry/autonomous agency's strategic objectives. This is also necessary for the OPEX incurred by CAPEX projects where these could be financed by shifting budgets from existing activities, instead of creating new, additional budgets. For example, existing teachers could be transferred to help the start-up of a new school.

Section 4

Various logics can be applied to this process step:

- **Ranking of all activities and cutting of the least effective:** In smaller ministries and autonomous agencies the entity's management can conduct a ranking of all activities (eg, by strategic objective) to determine their impact on the achievement of the strategic objective. Activities that least support strategic objectives may be cut off, and their budgets may be excluded from the draft budget, on condition that the strategic objectives remain fully supported by other activities. Such activities may be replaced by others under the same strategic objective.

- **Identifying and cutting the 20% least effective activities:** In larger ministries and autonomous agencies, the process of ranking all activities is very complicated. A more pragmatic way would be to ask all Strategic Objective Managers to name their least effective 20% of activities. These activities will be cut from the budget in a way that the spending caps for each strategic objective are reached and the achievement of the strategic objectives is not affected.

Usually, the General Manager and the Minister, informed by the Central Finance Department, make the final decision on budget allocation.

Once this step is completed and the draft budget is changed accordingly, the budget is ready for submission to the MoF with sufficient time for modifications.

4.3.8   Submission of the draft budget to the Ministry of Finance

The draft budget will be submitted to the MoF on May 1 with all the data inputs/templates required in the Budget Circular, and will include all the other information that the ministry/autonomous agency deems necessary for understanding the draft budget. This includes revenue projections, detailed foreseeable outside contributions, and benchmarking data:

- The ministries and autonomous agencies have to submit their revenue forecasts as agreed with the Ministry of Finance as a part of their draft budget.

- The ministries and autonomous agencies are requested to submit all foreseeable contributions to their operations from outside the federal government to the MoF. This information will mainly be used for benchmarking purposes and will only affect budgeting if both federal and non-federal resources are claimed for the financing of the same strategic objective, program, or activity.

- The ministries and autonomous agencies must include all data gathered for benchmarking purposes, including the data source, to present a rationale for their budget request to their Ministry of Finance counterparts and to inform the budget review.

For ministries, this process step is administered directly in the budget automation system, for autonomous agencies, the draft budget is uploaded into the budget automation system (first phase only).

The budget automation system automatically checks compliance with the ministry/autonomous agency budget caps. In case of non-compliance, the draft budget will be flagged as inadequate by the budget automation system and pointed out to the respective counterpart in the MoF Budgeting Department.

The MoF receives draft budgets from all ministries and autonomous agencies on May 1 in the budget automation system. Ministries and autonomous agencies can choose to submit their external benchmarking data to the Ministry of Finance in the budget automation system to provide more background on their draft budget.

Section 4

4.4.   Budget review

The budget review process step contains a study of the submitted draft budgets to the MoF and a joint review and discussion with the ministries and autonomous agencies (see Exhibit 13). If the budget was prepared within the guidelines mentioned in the Budget Circular, the MoF's role is mainly to give advice on increasing the efficiency of planned spending, rather than to change the draft budgets. Changes, however, may need to be made based on the feedback or updated budget caps from FiCom.

Exhibit 13: Budget review within the budgeting process

Strategy planning process (1)

- UAE Government Strategy development
- Federal entity strategic plan development
- Program structure development

Budgeting process

2. Preparation of Budget Circular

- Forecast revenues for the UAE Government
- Set National Priorities
- Assign CAPEX budget based on spending targets and federal priorities
- Translate sectoral spending targets into ministry/auto-nomous agency budget caps
- Prepare budget circular

Draft budget preparation

- Break federal entity budget caps down to strategic objective level
- Prepare draft budget for on-going activities
- Prepare draft budget for new activities
- Prepare draft budget for administrative backbone
- Compile first complete draft budget for whole budget cycle
- Challenge draft budget internally
- Prioritize activities
- Submit draft budget to MoF

Budget review

- Study draft budget
- Review and discuss allocation of ministry/auto-nomous agency budgets to strategic objectives
- Receive guidance on budget
- Update revenue forecast and federal entity budget caps

Approval of final budget

- Prepare finalized budget law
- Approve budget law

Budget execution (3)

- Send copies of the budget law to all federal entities to begin budget execution

Section 4

4.4.1   Study draft budget

The ministries and autonomous agencies shall submit their draft budgets to the MoF via the budget automation system by May 1. In this process step, the MoF Budgeting Team prepares for the budget negotiations by studying the draft budgets using a specific set of methods as laid out in the MoF budget assessment guidelines.

The MoF Budgeting Team uses three different sets of methods to analyze the budget proposals:

- Compliance analysis: Does the draft budget comply with the rules and standards set down in the Budget Circular and the UAE Budget Planning Handbook?

- Variance analysis: How does the draft budget (line item, programs, and activity level) differ from the budget and the budget consumption in previous years?

- Benchmark analysis: How comparable are the draft budgets with internal (within the entity and across government entities) and external benchmarks?

The results of these analyses have different impacts on the next procedures for studying and reviewing the draft budgets that are described in the following paragraphs.

While the compliance analysis can be made along a standardized checklist for all ministries and autonomous agencies, the variance analysis and benchmarking demand more specific knowledge of the ministry/autonomous agency's operations and strategic objectives.

The budget automation system supports these analyses and offers automatic calculations. It is also possible to define specific additional benchmarks for each ministry/autonomous agency and to implement and store them in the budget automation system. This process step ends on June 1.

4.4.1.1 Compliance analysis

The compliance analysis has two sets of conditions. Failure to meet two binding conditions will lead to the rejection of the draft budget, and failure to meet some other criteria will lead to a discussion of these topics during the budget review.

There are two binding conditions of compliance:

- The proposed budget for the entire three-year budget cycle is within the cap set for the ministry/autonomous agency as per the Budget Circular.

- The budget is allocated to the program structure and activities as set out in the Budget Circular, ie, budgeting, is performed at the activity level.

If the ministry/autonomous agency's draft budget fails to comply with any of the two conditions, the draft budget will be flagged as inadequate by the budget automation system and pointed out to the respective counterpart in the MoF Budgeting Department. The ministry/autonomous agency will have one working week (five working days) for a final resubmission, and the non-compliance will be raised with the Minister of Finance.

If the second draft budget fails to comply, the Minister of Finance will contact his counterpart in the respective ministry/autonomous agency. The MoF Budgeting Department will not conduct any further analyses of the draft budget until the issues pointed out in the compliance check have been resolved.

Section 4

The compliance with all other budgeting rules set in this handbook is checked both automatically by the budget automation system and manually by the counterpart in the Budgeting Department. The most important rules are:

- All salary increments and overall increase in the salaries budget request for existing employees should be in accordance to the rules and guidelines of the federal authority for government human resources.

- New employees are properly budgeted for actual intended hires.

- Costs in the administrative backbone strategic objective are related only to services performed to serve the ministry as an internal customer.

- All costs for new activities/programs/strategic objectives that lead to increased OPEX costs are budgeted in a zero-based way.

All exceptions to the above must be accompanied by a request from the ministry/autonomous agency with the following information:

- Line item(s) concerned.

- Reason for increase in each line item, specifying the exact source of increase (eg, functions and detailed job descriptions of additional headcount sought).

- Detailed description of benefits gained through additional expenses.

- Proposals on savings relating to other areas to remain within the overall budget cap per ministry/autonomous agency.

4.4.1.2 Variance analysis

Following the compliance checks, an analysis of all costs is performed on three levels:

- The first step is a line-item analysis. The budget automation system automatically provides a list of the ten line items with the highest draft budget; the ten line items with the highest positive variance (ie, the largest increase compared to previous budget); and the ten line items with the highest negative variance (ie, the largest decrease compared to previous budget).

- The second step is an activity analysis. The budget automation system also automatically provides the ten largest activities and the ten largest positive and negative variances.

- The third step is a program analysis. The same analyses as for activities apply. This type of analysis, however, might not be applicable for new programs.

The burden of proof to justify significant variances in each of the three variance analyses rests with the ministry/autonomous agency. If there is reason to suspect that the costs are not appropriately zero-based, the MoF budgeting accountant can reject the budget request and have the ministry/autonomous agency either submit more detailed explanations or submit a new proposal within five working days.

As these analyses are performed and data is recorded in the budget automation system over time, MoF budgeting can develop a rich database of benchmark data to enable settings of cost "norms" and can form a basis for challenging costs. However, historic benchmarks between strategic objectives must be used cautiously, as the program structures may have changed over time.

Section 4

4.4.1.3 Benchmark analysis

While the variance analysis is focused on the comparison between previous and draft budgets within the same strategic objective, program, activity or line item, the benchmark analysis focuses on comparing budgets between activities, programs, and strategic objectives within ministry/autonomous agency departments, across ministries and autonomous agencies, and across sectors and countries.

While these comparisons add considerable value to the assessment of the draft budget, it is sometimes difficult to find the right data point to compare with the draft budget. The following benchmarking categories are displayed in order from the most to the least comparable data sets:

- Internal benchmarks: Internal benchmarks are typically applicable to parts of the program structure that are similar across or within entities. Internal benchmarks can be applied to the administrative backbone between entities or, within larger ministries or autonomous agencies, to parts of the program structure with similar operations in multiple locations. These internal benchmarks are applied to validate the budget proposals.

    - Cross-ministry/autonomous agency benchmarks: These are administrative backbone/shared services across all ministries and autonomous agencies. Ten administrative departments are common to all ministries and autonomous agencies, such as Human Resources, Finance, IT, Organizational Excellence, and their standardized activities. Standardized cost benchmarks have been identified and are tracked by the MoF for all ten administrative functions. Examples include department cost per employee (all departments), number of new recruits per employee (HR Department) and average electricity costs per employee (shared services)
    There are other common areas between ministries and autonomous agencies that can be benchmarked, apart from the administrative backbone. Some standardized benchmarks are the average salary in the ministry/autonomous agency and the salary pyramid.

- Inter-organizational benchmarks: Within large ministries and autonomous agencies, parts of the program structure are replicated, as they represent different parts of operations, eg, in different Emirates or districts. These operations can be benchmarked, as their costs have common drivers, such as the number of students or the number of patients. For example, the average cost of running a hospital, or the cost per treatment across all hospitals in the UAE under the management of the Federal Ministry of Health could be benchmarked. Large deviations from these averages need to be questioned by the MoF Budget Team.

- **External benchmarks:** Where available, the budget proposal should be compared to external best practices, either with governments in other countries or with a similar function in the private sector. As it is not always possible to find comparable institutions/countries, several external benchmarks should be cross-referenced.

  - International government benchmarks: Government operations in different countries can be very similar and therefore represent a good starting point for external benchmarks. For example, the overall efficiency of the Ministry of Finance can be benchmarked using "total budget of the country"/"total number of MoF employees." This can be compared with equivalent Ministries of Finance in New Zealand, the UK, Australia, Singapore, etc.

  - National private-sector benchmarks: Local private-sector companies can be good benchmarks for government operations. For example, the costs for running a private university, such as the American University Dubai, or an international university spin-off, such as the University of Wollongong, should be comparable with running the federal higher education system.

  - International private sector benchmarks: Some government operations are very similar to the operations of private sector companies and therefore constitute good external benchmarks. For example, the operations of a real estate developer can be compared with the operations of the Ministry of Public Works as a general contractor.

In the case of the federal government, it is also necessary to point out that the federal budget does not always reflect the full cost for an activity, program, strategic objective, or line-item. Outside contributions from the Emirate level and from individuals have to be captured to make benchmarking useful across ministries and autonomous agencies and at an international level. As mentioned in section 4.2.8, the MoF therefore requests the ministries and autonomous agencies to inform the MoF of all foreseeable outside contributions within the budget cycle.

The benchmarking analyses can be defined and supported by the budget automation system. It will also be possible to define specific additional benchmarks for all ministries and autonomous agencies and to implement and save them in the budget automation system.

4.4.2 Review and discussion of the allocation of ministry/autonomous agency budgets to strategic objectives

If the submitted draft budget complies with the rules specified above, the interaction between the MoF and other government entities will be more of a joint review of the budget than a negotiation. However, if the MoF study of the budget reveals that government resources can be spent more effectively than proposed by the entities, a negotiation process should lead to a result that is acceptable for both parties.

While assessing the ministries/autonomous agencies' draft budgets, the schedule for budget review meetings as mentioned in the Budget Circular is updated by the MoF Budget Department Manager.

Review meeting agendas are structured based on issues identified during the MoF review of the draft budget, namely the results of the variance and benchmark analyses. The MoF's main objective in budget negotiations is to observe the ministry/autonomous agency budget caps and to remain within the overall spending target in order to achieve a balanced budget.

Section 4

4.4.3   Receipt of guidance on the budget

After the first round of negotiations, the MoF requests high-level budget advice from FiCom by presenting the latest revenue estimates (if available), expenditure estimates, and recommendations on specific issues relating to budgets.

Based on the advice, the negotiation process will receive an updated revenue forecast for the government, and potential adjustments of the entity budget caps. The ministries and autonomous agencies may need to update their draft budgets.

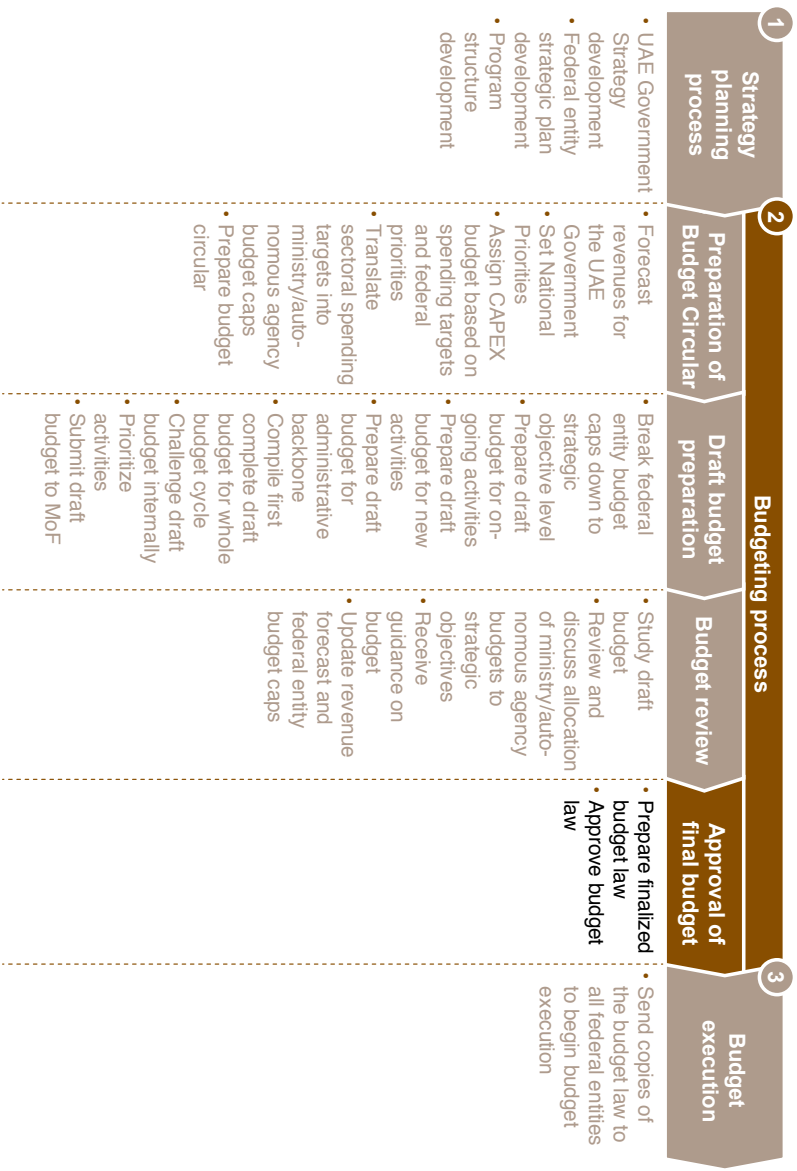### 4.4.4 Update of revenue forecasts and federal entity budget caps

In early September, the FiCom meets to discuss the impact of the latest revenue forecasts on the federal budget. Depending on these forecasts, the sectoral spending targets and the ministry/autonomous agency budget caps may be adapted.

The ministries and autonomous agencies are then requested to provide an updated budget within two weeks. To make the necessary adjustments, they can refer to the data gathered during the prioritization of their budgets (see section 4.3.7).

4.5.   Approval of the final budget

Once the budget review between the MoF and the ministries and autonomous agencies is finalized, the ministries and autonomous agencies submit their final draft budgets to the MoF (see Exhibit 14). The MoF compiles the finalized draft Budget Law and submits it for approval to the relevant institutions.

Exhibit 14: Approval of the final budget within the budgeting process

Budgeting process

1 Strategy planning process
- UAE Government Strategy development
- Federal entity strategic plan development
- Program structure development

2

Preparation of Budget Circular
- Forecast revenues for the UAE
- Set National Government Priorities
- Assign CAPEX budget based on spending targets and federal priorities
- Translate sectoral spending targets into ministry/auto-nomous agency budget caps
- Prepare budget circular

Draft budget preparation
- Break federal entity budget caps down to strategic objective level
- Prepare draft budget for on-going activities
- Prepare draft budget for new activities
- Prepare draft budget for administrative backbone
- Compile first complete draft budget for whole budget cycle
- Challenge draft budget internally
- Prioritize activities
- Submit draft budget to MoF

Budget review
- Study draft budget
- Review and discuss allocation of ministry/auto-nomous agency budgets to strategic objectives
- Receive guidance on budget
- Update revenue forecast and federal entity budget caps

Approval of final budget
- Prepare finalized budget law
- Approve budget law

3 Budget execution
- Send copies of the budget law to all federal entities to begin budget execution

4.5.1   Preparation of the draft Budget Law

After receiving the final budgets from the ministries and autonomous agencies on September 15, the MoF has until October 1 to compile the overall government budget. The finalized draft Budget Law for approval by the Cabinet, the FNC, the SC, and the President shall contain the following elements:

- Fiscal overview of the economy
- Overview of projected federal government revenues
- Overview of planned federal government spending

4.5.2   Approval of the Budget Law

Upon completion of the finalized draft Budget Law, four levels of approval are required, some with fixed deadlines:

1. Cabinet (during October)

2. Federal National Council (during November)

3. Supreme Council

4. President

The budgets for all ministries and autonomous agencies are then transferred to the Oracle Financial Management Information System under the supervision of the MoF Budgeting Team. This will result in a limit for each account, which is equal to the budgeted amount for that account. Once the budget limits for the executable accounts are set up, entities can start drawing from these.

Annual strategy planning and budget update process

5. Annual strategy planning and budget update process

The annual strategy planning and budget update process is focused mainly on accommodating changes to the three-year budget and thus requires a shorter timeframe. Although the process steps are very similar, the shorter timeframe means that the ministries and autonomous agencies have less time to prepare their budget updates and budget negotiations, including input from FiCom.

The following table provides a summary of the comprehensive budgeting exercise for the three-year budget cycle with all process steps and their respective timelines. While the process steps are very similar to those of the three-year process, note that they will only be performed for a small subset of (new) activities and not for the whole program structure.

Table 4:   Overview of annual strategy planning and the budget update process

Chapter	Process phase	Main activities	Timing	Responsible entity
5.1	Strategy update process	• Update of the UAE government strategy and strategic priorities • Review of program structures	By February 1	• MOCA • MOCA/MoF/M/AAs
5.2	Budget Circular preparation	• Update of the revenue forecast for the federal government • Update of the sectoral spending targets • Update of CAPEX allocation • Update of M/AA budget caps • Preparation of the Budget Circular	By March 1	• MoF • FiCom • FiCom • FiCom • MoF

Chapter	Process phase	Main activities	Timing	Responsible entity
5.3	Draft budget update prepar- ation	• Break M/AA budget caps down to strategic objective level • Prepare draft budget update for ongoing activities • Prepare draft budget update for new activities • Prepare draft budget update for administrative backbone • Compile first complete draft budget update for whole budget cycle • Challenge draft budget update internally • Prioritize activities • Submit draft budget update to the MoF	By April 15	• Minister/GM/ Strategy Dept./ Finance Dept. • Strategic Obj. Manager • Strategic Obj. Manager • Strategic Obj. Manager • Finance Dept. • Strategic Obj. Manager/ Finance Dept • Minister/GM • Minister/GM
5.4	Budget update review	• Study draft budget update • Review and discuss allocation of ministry/autonomous agency budgets to strategic objectives; challenge Zero-Based Budgeting • Receive FiCom budget guidance • Update revenue forecasts and ministry/autonomous agency budget caps	By June 1	• MoF • MoF • FiCom • FiCom
5.5	Approval of final budget	• Prepare finalized draft Budget Law • Approve Budget Law (by Cabinet, FNC, SC, and President)	By October 31	• MoF • Cabinet,FNC

5.1.   Strategy update process

Annual adjustments to the strategic plan may lead to changes in the sectoral priorities; these changes may lead to the need for adjustments in the ministry/autonomous agency's program structure. Changes to the program structure may occur at activity and program level, but very rarely at the strategic objective level. The early completion of an activity may also lead to a situation where a new activity can be added to the program structure after obtaining the MOCA and the MoF approval.

5.2. Budget Circular preparation

The degree of change required in the budget update is determined during the preparation of the Budget Circular. The key first step is the update of the revenue forecast for the following fiscal year in accordance with the rules defined in 4.2.1. Depending on the revenue forecast, the FiCom may decide to adjust sectoral spending targets to comply with the balanced budget rule.

Next, the Ministry of Public Works will report on CAPEX spending during the previous years of the budget cycle. The FiCom decides on shifts or re-allocations of budgets according to this report:

- Delays in CAPEX projects lead to lower spending than expected. As CAPEX projects are by their nature usually multi-year projects, unused funds can be transferred to the next year until the end of the budget cycle, as described in the Budget Law. The CAPEX plan for the budget cycle and the long-term CAPEX plan have to be adapted to accommodate these changes.

- The need for sudden CAPEX projects is a very special case that is typically raised at the highest levels of government during the budget execution phase. These projects may not yet be part of the CAPEX project master plan when they are conceived. An ad-hoc process is required to ensure that the master plan and budgets are updated for those projects.

The ministry/autonomous agency budget caps may be updated based on updated sectoral spending targets and CAPEX projects. It is expected that ministries and autonomous agencies can deal with small variations in their program structure within the limits set by the three-year spending targets.

The Budget Circular is issued on March 1 with customized appendices as described in section 4.2.5.

Section 5

5.3.   Draft budget preparation

After receiving the Budget Circular and reviewing the necessary needs for adjustment, ministries/autonomous agencies may decide to change the allocation of budgets to the strategic objectives. This will be communicated to the Strategic Objective Managers through a circular.

In preparing the budget update, ministries and autonomous agencies must adhere to the following guidelines, barring exceptional needs for adjustment:

- The budgets of ongoing activities will typically not be changed, as they are very predictable. Changes that were made during the previous year (eg, fund transfers) can be incorporated into the budget update if they remain relevant in the following year

- Depending on the strategy update, new activities may have to be budgeted according to the rules mentioned in section 4.3.3. The same diligence and level of detail must be applied to the budgeting for new activities in years two and three of the budget cycle

- As for ongoing activities, the annual strategy planning and budget update process should not affect the administrative backbone. However, adjustments can be made to incorporate changes from budget revisions in the previous year

After receiving the updates from the Strategic Objective Managers, the Central Finance Department builds an adapted one- or two-year program budget, ensuring that it complies with the budget caps for strategic objectives.

The internal challenging process for the annual budget update follows the same guidelines as set for the three-year budgeting process. However, due to the exceptional nature of budget adjustments during the budget cycle, the ministries and autonomous agencies must make a special effort to prove that they need the requested budgets. If there are large changes in the ministry/autonomous agency budget caps, the prioritization of activities may be a very important process step.

Draft budgets (updates for second and third year of the budget cycle) will be submitted to the MoF on April 15. As in the three-year process, the ministries and autonomous agencies must also provide an updated overview of outside contributions.

5.4.   Budget update review

Within the annual strategy planning and budget update process, the MoF Budgeting Team will follow the same analyses described above. The study of the draft budget should be completed by May 1. The tighter timeline means that ministries and autonomous agencies will only have three working days to redo their draft budgets if the compliance check fails.

An updated revenue forecast will be available in early September, which may require an adjustment of budget caps by the FiCom. In this case, ministries and autonomous agencies are requested to present a new budget update to MoF, incorporating these adjustments, within ten working days.

5.5.   Approval of the final budget

The MoF has until October 1 to prepare the Budget Law and submit it to the approval process. The approval process remains the same, as do the approval timelines for the Cabinet and the Federal National Council.

Once the Budget Law is approved, the MoF Budgeting Team oversees the transfer of the budget from the budget automation system to the Oracle Financial Management Information System for execution.

Appendix

Appendix

Overview of new rules governing UAE federal budgeting

Throughout this reform process, key parameters of budget planning will change and bring us into better alignment with international best practices.

This document contains a summary of the key parameters broken down into two categories:

- New overall budgeting framework
- New rules for transparency during budget planning

1.   New overall budgeting framework

The new overall budgeting framework describes the five main principles applicable to budget planning of the UAE federal budget.

- **Alignment of the budget with government strategy through program budgeting and performance monitoring:** During the budgeting process, the federal strategy is translated into a program structure that consists of high-level strategic objectives and directly implementable programs and activities. Sufficient resources are allocated to each layer of the program structure. The effectiveness of spending in this program budget is monitored, and the performance will be used as an input for future budgeting processes.

- **Seamless integration of annual budgets in three-year budget cycles:** The UAE federal government follows a three-year budget cycle. The three-year period is synchronized with MOCA's three-year federal strategy. Within the three-year budget, separate allocations are made for each year.

- **Definition of sectoral spending targets and ministry/autonomous agency budget caps by the FiCom:** The FiCom will define sectoral spending targets and budget caps for each ministry/autonomous agency. These will be communicated in the Budget Circular. Ministries and autonomous agencies must not propose draft budgets to the Ministry of Finance that exceed these budget caps.

- **Elimination of vacancies:** Going forward, and according to Zero-Based Budgeting best practice, all unjustified vacancies will be eliminated. All current employees must be allocated to activities and all new employees must be justified. Any budgeted position that is not filled will be monitored and removed from the entity's budget.

- **Integration of CAPEX and OPEX budgeting:** Draft budgets of the ministries and autonomous agencies include budgets for both capital and operating expenditures. The respective CAPEX budget for each entity will be defined by the FiCom and will be communicated to the entities as an input for their internal budgeting process, together with their budget cap.

- **Application of Zero-Based Budgeting:** When building three-year budgets, ministries and autonomous agencies must apply a process of Zero-Based Budgeting. Zero-Based Budgeting contains three steps: bottom-up cost allocation without prior assumptions, challenging of budget proposals by using benchmarks, and prioritization of budgets between activities. The Zero-Based Budgeting exercise is comprehensive and covers all areas of spending.

2.   New rules for transparency during budget planning

The new rules for transparency during budget planning cover the adapted rules introduced to increase the transparency and granularity of budget planning.

- **Balanced budget:** The three-year budget cycle needs to result in a balanced budget over a three-year horizon, as well as in each fiscal year. Expenses must therefore not exceed revenues in any given year.

    - **Fixed budget elements over the three-year budget cycle:** To ensure a balanced budget, salary budgets should be fixed in advance for the entire three-year budget horizon. For each fiscal year within the budget horizon, the number of employees and the amounts spent by each ministry/autonomous agency on salaries are set. Also, the salary increases for existing employees are fixed centrally by the MoF.

    - **Annual budget updates:** Budgets can be selectively updated with new information in years two and three of the three-year budget cycle. These updates will accommodate all necessary, yet unforeseen, changes to the budget and will lead to new balanced budgets.

- **Common definition of program structures:** The budgets of all UAE federal government entities follow the same definitions for their program structures.

    - **Standardized hierarchy:** Program structures contain three hierarchical levels that break down the high-level "strategic objectives" as defined by MOCA into specific "programs" and "activities".

- Standardized administrative backbone within the program structure: There is a standard strategic objective within all program structures that accommodates the budgets for all administrative activities that cater internally to the entity (the administrative backbone). The programs and activities within these strategic objectives are standardized to enable benchmarking of administrative expenses between entities.

- Program budgeting down to activity level: Budgets need to be allocated to all layers of the program structure, right down to activity level.

  - Salary budgets always at activity level: Employees and their corresponding salaries must be allocated to the activities to which they contribute.

  - Other budget groups also allocated to program level: Budgets for goods, services, and fixed assets may be allocated either to activity or to program level, depending on the granularity of budgeting.

- Budget planning timeline: Because of the increased workload generated by Zero-Based Budgeting and yearly budget planning, the timeline for the preparation of draft budgets within the ministries and autonomous agencies can been modified according to the official communication from the MoF.

Form for planning new employees

New jobs overview

Year 1 - ending on 31.12.2011

# of employees 1	Paygrade	Salary	Salary cost	Planned hire date	Department	Activity # or SP #	Job title	Reasoning for hire	Approval by MoF
	A	660,840	552,209	01.03.2011	xxx	116010001	Department director	No department leadership	yes
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Year 1 sub-total		#N/A						

Year 2 - ending on 31.12.2012

# of employees 1	Paygrade	Salary	Salary cost	Planned hire date	Department	Activity # or SP #	Job title	Reasoning for hire	Approval by MoF
	A	667,448	501,043	01.04.2012	xxx	116010001	Department director	No department leadership	yes
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Year 2 sub-total		#N/A						

Year 3 - ending on 31.12.2013

# of employees 1	Paygrade	Salary	Salary cost	Planned hire date	Department	Activity # or SP #	Job title	Reasoning for hire	Approval by MoF
	A	674,123	615,022	01.02.2013	xxx	116010001	Department director	No department leadership	yes
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
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	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Please select	#N/A	#N/A						Please select
	Year 3 sub-total		#N/A						

Comprehensive List of all Department Activities

Your name:
Email address:
Work No:
Mobile No:

Division:
Sub-Division
Department:
Dept. budget 2009:
No. of emp. 2009:
No. of vacancies:

No.	Activities of department	No.	Sub-Activities for activities (if applicable)
1	Description of activity 1	1.1	Description of sub-activity 1.1
		1.2	Description of sub-activity 1.2
		1.3	Description of sub-activity 1.3
		1.4	Description of sub-activity 1.4
		1.5	Description of sub-activity 1.5
2	Description of activity 2	2.1	Description of sub-activity 2.1
		2.2	Description of sub-activity 2.2
		2.3	Description of sub-activity 2.3
		2.4	Description of sub-activity 2.4
		2.5	Description of sub-activity 2.5
3	Description of activity 3	3.1	Description of sub-activity 3.1
		3.2	Description of sub-activity 3.2
		3.3	Description of sub-activity 3.3
		3.4	Description of sub-activity 3.4
		3.5	Description of sub-activity 3.5
4	Description of activity 4	4.1	Description of sub-activity 4.1
		4.2	Description of sub-activity 4.2
		4.3	Description of sub-activity 4.3
		4.4	Description of sub-activity 4.4
		4.5	Description of sub-activity 4.5
5	Description of activity 5	5.1	Description of sub-activity 5.1
		5.2	Description of sub-activity 5.2
		5.3	Description of sub-activity 5.3
		5.4	Description of sub-activity 5.4
		5.5	Description of sub-activity 5.5