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## DECREE OF LAW ON THE RULES OF THE PREPARATION OF THE BUDGET

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### The Decree of Federal Law No. 8 of 2011

Concerning the rules of the Preparation of the general budget and final account of the federal entities

Based on the Minister proposal and the approval of the Cabinet, the President of the UAE issued the decree of Federal Law No. 8, which included 74 articles across 10 chapters. Chapter 2 states that the general budget is the financial programme of the federal government, used to achieve economic and social development. This is done through the optimal distribution and efficient use of resources for the expenses expected to be spent by federal authorities in accordance with the federal strategy during the coming fiscal year, provided that income and expenditure are balanced.

According to the decree, a special budget for federal service authorities may be earmarked, provided that these authorities adhere to the following:

- The unified structure of the government accounts
- Submitting its budgets to MoF for approval within the budget law

The decree also permitted that all federal authorities may be assigned to prepare a draft medium-term budget by virtue of a Cabinet resolution that shall determine the budget's number of years provided that it includes annual estimates for both revenue and expenditure and be approved by the Cabinet.

The decree of federal law determines that a fiscal year consists of 12 months, beginning on 1st January and ends as of 31st December. Before the end of the year, the minister shall issue another circular on closure of accounts and preparing the final account of the fiscal year.

### MoF competencies regarding the budget

The decree enumerated MoF competencies in respect of the general budget as follows:

1. Preparing and following up on the implementation of the fiscal policies related to the general budget
2. Preparing a draft law for linking the general budget
3. Preparing a draft resolution of the medium-term budget plan
4. Preparing a draft law of the consolidated Final Account
5. Preparing the framework of medium-term expenditures for the federal entities
6. Studying drafts of the medium-term plan for the federal entities, and providing any feedback when necessary
7. Following up on the implementation of the general budget and submitting reports on it
8. Establishing rules for disbursement, collecting revenues, managing bank accounts, asset accounts, liabilities accounts and investment projects
9. Opening zero-based accounts for federal entities to get funds for their annual budgets

The decree stipulates that all federal entities shall coordinate with MoF to achieve the following requirements:

1. Adhering to the strategic objectives approved by the Cabinet, and obtaining the Cabinet's prior approval on any amendments, without exceeding the funds to be appropriated to these objectives.
2. Implementing the systems and procedures of planning and analysing objectives, programmes, activities and capital projects according to the rules.
3. Ensuring efficient and effective management of financial resources.
4. Implementing and completing activities within the limits of the funds allocated to these activities.

The decree stipulates that, at the suggestion of the minister, the Cabinet shall perform the following:

- Establish the rules of budget classification.
- Develop the unified structure of the accounts, which is used in preparing, implementing and submitting reports on the budget.
- The classification and the unified structure of accounts shall be developed according to the primary and secondary programmes; expenditures and revenues shall be divided by chapters and items as per the rules set by MoF.

Identifying programmes and making expenditure and revenue forecasts

According to the decree, each federal authority determines its programmes, plans and KPIs according to the strategic plan approved by the Cabinet within the budget cap. All these authorities shall also submit their initial forecasts for revenue and expenses allocated to chapters, line items, programmes and activities as agreed, along with performance measures and efficiency indicators according to the circular issued by the minister which specifies submission deadline.

The decree assigns MoF to prepare the budget of any federal entity that does not submit its draft budget on time after notifying that entity. The budget shall be drawn up according to the programmes and funds of the entity for the current year, as well as the variables, updates and strategic plan.

The decree of federal law No. 8 of 2011 states six conditions to propose new capital projects based on long-term capital spending plans in coordination with the Ministry of Finance and Ministry of Public Works.

The decree also assigns MoF to discuss estimated expenditures according to the budget cap with federal entities. MoF shall estimate and include federal government emergency cash reserve.

### Steps of issuing the Budget Law

According to the decree of federal law, and upon completion of the previous steps, MoF carries out the following:

- Preparing the annual draft budget law
- Preparing draft resolution of the medium-term plan
- Submitting both drafts to the Cabinet for discussing and preparing them in approved the final version
- Submitting draft law for the Federal Budget and the independent budgets to Federal National Council (FNC) two months prior to the beginning of the fiscal year. This is to enable FNC to discuss and provide feedback on the draft.
- Submitting draft law accompanied with FNC's feedback to the Supreme Council (SC).
- Upon the issuance of the budget law, all federal authorities are informed by MoF about their allocations.

### Document Retention for 10 years

According to the law, MoF manages state funds, opens and closes bank accounts as per rules set by the minister.

All federal entities are obliged by law to keep comprehensive e-records and documents that verify budget implementation, performance measures and reports as per rules and deadlines set by MoF. These entities shall also submit periodical financial reports to MoF as per instructions issued in this regard, and provide MoF with the financial data as requested.

The Minister of Finance shall submit periodical reports to the Cabinet on the implementation of general budget and independent budgets to demonstrate the financial performance of the relative federal entities. Feedback

The final provisions of the decree state that all draft laws, decrees, resolutions and suggestions incurring financial burdens on the general budget of the federal government shall be submitted to MoF first to give its feedback before being submitted to the Cabinet.

The decree of federal law also stipulates that all documents and records related to each fiscal year shall be kept for at least 10 years. These may be destroyed after 10 years as per the rules set by the minister.



The decree of federal law No. 8 of 2011 (</En/lawsAndPolitics/govLaws/Documents/The%20Decree%20of%20Federal%20Law%20No.%208%20of%202011.pdf>)

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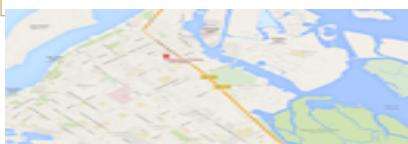
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