

Financial Circular No. (1) for the Year 2018

Regarding

Preparation of the Medium-Term Financial Plan for the Years (2019-2020-2021) and the Draft General Budget of the Government of Ajman for the Year 2019

Introduction:

Stemming from our responsibility to oversee the preparation and implementation of the financial policies and plans of the Government of Ajman, and emphasizing the active role of all government departments and entities in implementing these policies, and in implementation of the provisions of Article (11) of the Financial Law of the Government of Ajman, and the directives of the Executive Council of the Emirate of Ajman to link financial planning with strategic planning in line with international standards and the principle of transparency in financial operations and procedures to achieve the highest rates of sustainable economic, social, and financial development, which requires government departments and entities to prepare their budgets based on the government's strategic plan and in accordance with the medium-term financial plan for the years (2019-2020-2021) as follows:

Features of the Medium-Term Financial Plan for the Years (2019-2020-2021):

1. Aligning the medium-term financial plan for the years (2019-2020-2021) with the strategic plan of the Government of Ajman through program and performance budgeting, ensuring that financial planning is linked to strategic planning at all stages and levels.
2. Preparing annual budgets within a three-year budget cycle, where the budget for each year is planned and developed before the start of each fiscal year during the budget cycle, ensuring that the government's long-term strategy is reflected in the budget on a stable and consistent basis.
3. Diversifying and developing government revenues.
4. Rationalizing expenditures and maximizing the utilization of available resources.
5. Increasing the financial allocation for the Emirate's development projects.

Efforts of the Department of Finance in Developing the General Budget of the Government of Ajman:

1. The Department of Finance, in cooperation with all government departments and entities, is developing the financial planning system through the budget automation program (Smart Financial Planning), which is considered a qualitative leap in the process of preparing and implementing the general budget through the integration of financial planning and strategic planning,

and providing new tools that will enhance the efficiency of financial planning and support decision-making.

2. To ensure the linkage between financial and strategic planning, the classification of the main program has been replaced to become the strategic objective of each department. All departments must take this into account when preparing their sub-programs (operational processes, initiatives) and reallocating employees to their respective programs and strategic objectives.
3. Within the framework of applying global best practices in financial planning and providing new tools to support decision-making, the sub-budgets of government departments will be prepared through the Smart Financial Planning program, separating the costs of operational processes from strategic initiatives as follows:

First: Operational Process Costs:

These are the mandatory and recurring costs for the government department to carry out its regular primary and support functions, and they consist of:

- A- Costs of salaries, wages, and other benefits.
- B- Common administrative expenses.
- C- Expenses of the main units within the government department.
- D- Purchases of operational assets.

In this regard, all government departments and entities must regulate spending on operational processes by adopting expenditure rationalization programs, with operational expenditures to be prepared in two stages as follows:

A- Costs of Salaries, Wages, and Other Benefits

All government departments and entities must adhere to the following:

1. Accurately calculate the financial costs of mandatory positions by relying on actual salary data and vacancies extracted from the Mawared system, to be reviewed by government departments before uploading to the Smart Financial Planning system.
2. Regulate requests for creating new positions by government departments and entities, so that a new position is only requested if it exists in the organizational and functional structure of the department or entity and there are serious justifications for the request (such as opening new centers or branches or introducing new services that cannot be accomplished with available positions), to avoid inflating the jobs budget, which negatively affects the financial allocation for development projects.
3. Accurately calculate the costs of other benefits such as (bonuses, promotions, training, overtime, etc.), with the need to adhere to the controls and provisions of local regulations and legislations issued in this regard.
4. Submit the costs of salaries, wages, and other benefits from government departments and entities to the Department of Finance and the Central Human Resources Department by July 15, 2018, to be reviewed and discussed with the

Central Human Resources, and then sent to the Department of Finance accompanied by the recommendations of the Central Human Resources by July 29, 2018, at the latest.

B- Other Operational Process Costs

These consist of:

1. Common administrative expenses such as (water and electricity - stationery - hospitality - security...).
2. Expenses of the department's main units such as (road maintenance - operational program licenses...).
3. Purchases of operational assets (replacement of computers - vehicles - furniture...).

In this regard, government departments and entities must adhere to expenditure rationalization programs and avoid exaggeration in operational expenses, provided that

other operational process expenditures are submitted to the Department of Finance by July 1, 2018, with justifications for the reasons for any expenditure increase exceeding 5% for the year 2019 compared to the actual financial data of 2017.

Second: Strategic Initiative Costs:

These are all non-mandatory processes (primary or support) linked to the department's strategic plan, and they consist of:

- A - Completion projects.
- B - Development projects.
- C - Studies, research, and external consultations.
- D - Electronic programs and systems.
- E - Events and promotional campaigns.
- F - Expenditures for developing operational processes.

In this regard, government departments and entities must adhere to the following:

1. Update their strategic plans in coordination with the General Secretariat of the Executive Council.
2. Distribute strategic initiatives across the medium-term financial plan (2019-2020-2021).
3. Link all their initiatives to their strategic objectives.
4. Ensure reasonableness and accuracy in estimating the costs of their initiatives and avoid exaggeration.
5. In the case of initiatives extending for more than one year, the financial appropriations for these initiatives are to be included based on their actual implementation. Government departments and entities must review the actual completion rates of these initiatives and the expected completion rate at the

end of the year before preparing their budget drafts to complete these initiatives, in order to accurately determine those needs.

6. Adherence to providing the following data:

- A- The mechanism by which the cost of the initiatives was determined
- B - In the case of technical initiatives, clarify the status of the technical infrastructure and projects implemented in the last three years in the department or government entity.
- C - Submit an economic feasibility study and the necessary timeline for implementing any initiative valued at more than one million dirhams.
- D - Clarify alternative solutions for implementing these initiatives and the negative impacts of not implementing them.

7. Send their initiatives to the Department of Finance by June 21, 2018.

8. Coordinate with the Digital Government to review and evaluate all technical initiatives. The Digital Government must send its recommendations regarding all technical initiatives to the Department of Finance by July 29, 2018.

9. Coordinate with the General Secretariat of the Executive Council to review and evaluate all initiatives. The General Secretariat of the Executive Council must send its recommendations regarding all initiatives to the Department of Finance by August 12, 2018.

Third: Indicators and Projections for Government Revenues:

All government departments and entities must commit to reviewing the estimates of all their expected revenues at the revenue item (activity) level, linking each activity to the relevant accounts in the chart of accounts. They must coordinate and cooperate with the Government Revenue Administration at the Department of Finance to finalize the draft revenue budget for the department or government entity and send the expected revenue budget for the year 2019 to the Department of Finance by July 22, 2018. It is necessary to justify the reasons for any increase or decrease in the total of any revenue (activity) that exceeds a 10% change for the year 2019 compared to 2017. Revenues for the years 2020 and 2021 will be calculated automatically through the Smart Financial Planning system, to be updated annually by the government departments.

Fourth: Entities to Which This Circular Applies:

This circular applies to all departments, institutions, administrations, and agencies of the Government of Ajman whose budgets are included in the annual general budget of the Government of Ajman, as well as government entities that have an additional local budget. It also applies to government entities with an independent legal personality that enjoy financial and administrative independence, and have an independent budget in accordance with the local legislation issued for their establishment or re

organization to the extent that the provisions of this circular do not conflict with the provisions of their financial regulations, if any.

Fifth: General Instructions and Rules to be Followed by Government Departments:

1. Government departments and entities shall form a (Budget Draft Preparation Committee) by a decision of their Director-General. The chairman and members of this committee should have expertise, experience, and competence in financial and administrative affairs, human resources, in addition to strategic planning and main operations departments in the concerned government entity. This committee in the concerned government entity will be responsible for preparing the budget draft in light of the approved financial plan and presenting it to the head of the concerned government entity after the approval of its Director-General. The Department of Finance must be provided with the decision to form this committee no later than Monday, May 14, 2018, so that the committee can immediately start fulfilling all the required data to prepare its budget draft. All government departments and entities must enter their budget drafts into the Smart Financial Planning system according to the aforementioned deadlines, ensuring to attach the following data:
 - A copy of the approved or under-approval strategic plan, no later than Thursday, June 21, 2018.
 - A copy of the organizational and functional structure of the government entity, no later than Thursday, June 21, 2018.
2. Prepare the draft medium-term financial plan for the years (2019-2020-2021) through the Smart Financial Planning program, with each department responsible for updating its annual budget draft according to the circular issued annually by the Department of Finance.
3. Prepare their draft medium-term financial plans for the years (2019-2020-2021) with reasonableness and realism, in line with the financial and economic situation of the Emirate.
4. Ensure accuracy in calculating the costs of their initiatives, as the cost determination mechanism is a requirement for initiative approval.
5. Distribute expenditure throughout the fiscal year when preparing the annual budget. The Smart Financial Planning system will be opened to enable government departments and entities to enter the 2019 budget after the approval of the medium-term financial plan for the years (2019-2020-2021).
6. Include in their budget drafts the functional classification of government sectors, such that this classification includes a redistribution of all expenditures according to government functions or the social and economic objectives it seeks to achieve, as explained in the attachments of this circular.

Sixth: Procedures for Presenting and Approving the Draft Medium-Term Financial Plan (2019-2020-2021) and the Draft Budget for 2019:

1. The Department of Finance shall present the final draft of the government's financial plan for the fiscal years (2019-2020-2021) to the Ruler's Representative for Administrative and Financial Affairs. After his approval of the draft financial plan, he shall present it, along with any accompanying reports, to the Chairman of the Executive Council for review, discussion of its contents, and decision on any proposals regarding it, and for its approval.
2. After the Chairman of the Executive Council approves the financial plan for the years (2019-2020-2021), the Department of Finance will open the Smart Financial Planning system to enable government departments to enter their annual budget according to the approved financial plan.
3. The Department of Finance shall prepare and present the draft general budget of the Government of Ajman for the fiscal year 2019 to the Ruler's Representative for Administrative and Financial Affairs. After his approval, he shall present it, along with any accompanying reports, to the Chairman of the Executive Council for review and discussion of its contents to decide what he deems appropriate in its regard.
4. The Crown Prince and the Ruler's Representative for Administrative and Financial Affairs shall present the draft general budget of the Government of Ajman for the fiscal year 2019, and the recommendations of the Executive Council regarding it (if any), to His Highness the Ruler of the Emirate of Ajman for the approval of the budget and its issuance by decree before the end of December 2018.

Seventh: Final Provisions.

In the event that any government entity fails to submit the data for its draft financial plan / annual budgets within the deadlines specified in this circular, the Department of Finance will undertake the preparation of its draft financial plan / annual budget, and the concerned government entity may not object to either.

1. In the event that the approval of the budget draft is delayed before the start of the fiscal year 2019, the Department of Finance shall issue a circular to the concerned government departments with the necessary instructions

Adherence in this regard, which regulates the commitment to disbursement for a temporary period, and determining the priority in the monthly commitment to disbursement, based on the provisions contained in the Unified Financial System.

2. The Department of Finance is responsible for interpreting the provisions of this circular, clarifying any ambiguity or vagueness therein, and responding to any inquiries received from any government entity regarding the preparation of its draft budget. It is also responsible for providing all necessary clarifications to ensure the proper and full implementation of this circular.

3. The Department of Finance shall communicate this circular to all concerned parties to adhere to it and implement its provisions. It shall be effective from the date of its issuance.

Ahmed bin Humaid Al Nuaimi
Ruler's Representative for Administrative
and Financial Affairs

Issued on: 30/04/2018 AD

**Timeline for the preparation procedures of the draft Financial Plan
(2019-2020-2021) and the Annual Budget of the Government of Ajman for the
fiscal year (2019)**

No.	Procedures	Deadline
1	Send a copy of the decision forming the annual draft budget preparation committee to the Department of Finance.	14/05/2018
2	Send a copy of the government entity's approved or under-approval strategic plan to the Department of Finance.	21/06/2018
3	Send a copy of the government entity's organizational and functional structure to the Department of Finance.	21/06/2018
4	Complete the entry of data and costs of strategic initiatives into the Smart Financial Planning System.	21/06/2018
5	Complete the entry of operational process costs "mandatory expenses" into the Smart Financial Planning System.	01/07/2018
6	Complete the entry of costs for salaries, wages, and other benefits into the Smart Financial Planning System.	15/07/2018
7	Complete the entry of revenue forecasts at the activity level into the Smart Financial Planning System.	22/07/2018
8	Central Human Resources to complete the review of data on salaries, wages, and other benefits and provide its recommendations.	29/07/2018
9	Digital Government to complete the review of technical initiatives and provide its recommendations.	29/07/2018
10	The General Secretariat of the Executive Council to complete the review of all initiatives and provide its recommendations.	12/08/2018