

Financial Circular No. (2) for the year 2020 AD

Regarding the preparation of the draft general budget for the Government of Ajman for the fiscal year

2021

Within the approved medium-term financial plan for the years (2019-

2020-2021)

As part of our endeavor to achieve Ajman Vision 2021, and in implementation of the provisions of the unified financial system of the Government of Ajman, and based on the approved medium-term financial plan for the years (2019-2020-2021), and out of our keenness for financial sustainability in the Government of Ajman and to achieve the best results in implementing the government's financial plan, and in light of the current circumstances the world is witnessing due to the spread of the novel Coronavirus (COVID-19) and the negative effects it has left on the government's financial resources, and based on our responsibility to supervise the implementation of the government's financial policies and plans, and to emphasize the effective role of all government entities in implementing these policies, which will be based on the implementation of the following pillars:

1. Commitment to the principles and dimensions of Ajman Vision 2021.
2. Developing revenues and supporting the practical and organizational steps necessary to raise the efficiency of collecting revenues due to government entities.
3. Rationalizing expenditures and maximizing the utilization of available resources.

And in our keenness for the annual general budget of the Government of Ajman for the year 2021 to be issued on schedule, we direct the following:

First: Scope of the Circular:

This circular applies to all departments, institutions, and administrations affiliated with the Government of Ajman whose budgets are included in the annual general budget of the Government of Ajman. It also applies to government entities that have a legal personality and enjoy financial and administrative independence and have an independent budget in accordance with the local legislation issued for their establishment or reorganization, to the extent that the provisions of this circular do not conflict with the provisions of their financial systems, if any.

Second: General Instructions and Rules:

All government entities to which this circular applies must adhere to the following:

1. Prepare the draft budget for the fiscal year 2021 AD in accordance with the approved medium-term financial plan for the years (2019-2020-2021).
2. Amendments to the financial plan for 2021 are limited to urgent and necessary developments that have occurred in the approved strategic plans of the departments due to the Corona crisis or for any other reason, and after obtaining prior approvals before submitting the draft annual budget for the fiscal year 2021 AD, and in accordance with the approved dates and forms.
3. In the event that some initiatives approved in the 2020 budget are not completed and the government department decides to complete these initiatives, the government department must then include them as completion initiatives within the draft budget for the fiscal year 2021 AD and re-prioritize programs within the limits of the financial allocations approved for it in the financial plan for the year 2021 AD.
4. Include in their draft budgets the functional classification of expenditures, such that this classification includes the redistribution of all expenditures according to government functions, strategic classification according to the strategic objectives that the government seeks to achieve, and economic classification.
5. Align and link the department's initiatives and strategic objectives with the government's strategic plan.
6. Provide the Department of Finance with a statement of any new revenue sources that have been created in the government department and their values.
7. Work on rationalizing operating expenditures in general, and the government entity must rationalize all operating expenditures in its draft budget from the allocations approved in the 2020 budget.

Third: Basis and Rules for Preparation

Revenues

Based on the general framework of the policy for enhancing and developing public revenues, it is necessary when re-estimating revenues for the fiscal year 2020 to take into account the implementation of the following:

1. Provide a full detail of revenue forecasts in light of the current circumstances (novel Coronavirus) and the possibility of their continuation or mitigation, with an explanation of the reasons for the increase or decrease of any revenue item, along with a study on (expected exemptions during the year, if any).
2. No government entity may allocate a specific revenue to cover a specific expense, nor may any government entity offset expenditures disbursed against revenues collected by it. Government entities must also conduct a comprehensive review of their activities in order to develop and expand the application of the cost recovery principle whenever possible.

3. Government revenue estimates for the draft budget shall be in light of what was achieved during the fiscal year 2020, and these estimates may be reduced or increased if all or one of the following conditions are met:
 - a- The creation, amendment, or cancellation of fees or fines that were in effect in the fiscal year 2020 or will be in effect during the coming year.
 - b- The development and creation of quality services for which proposed government fees will be charged.
 - c- The change in available government revenues from projects and investments of a commercial nature.
 - d- The continuation of the current circumstances and the change in economic conditions and their potential impact on government services.

Expenditures

- Total expenditures for the year 2021, as approved in the medium-term financial plan for the years (2019-2020-2021), must not be exceeded. The Department of Finance may, in the event of the continued negative effects of the novel Coronavirus on the government's financial resources, reduce some of the expenditures approved in the financial plan and its amendments for the year 2021 AD, while observing adherence to the following instructions:
 1. Re-estimate accurately the costs and completion rates of the uncompleted initiatives approved for the fiscal year 2020 or those whose implementation was postponed due to the novel Coronavirus crisis and are intended to be implemented during 2021 AD, and re-prioritize the department's priorities to implement these initiatives so as not to exceed the total spending approved in the financial plan.
 2. Government entities are obligated to monitor the cash flows for programs that were completed in previous years and for which due amounts have not been disbursed, and to enter them into the smart financial planning and analysis system, with emphasis on the necessity of proving the entitlement of these amounts during the year 2020 AD on the Mawared e-system. Accordingly, any financial allocations must be included in the government department's draft budget for any contracts or purchase orders issued during the year 2020 AD and are expected to be received or executed in subsequent years.
 3. Government entities are obligated not to take any action that results in an additional financial burden except after obtaining prior approval from the Department of Finance.

Fourth: Preparation and Submission of Draft Budget Data

The draft budget preparation committee, formed by a decision of the Director-General in each government entity, is responsible for preparing the draft budget 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 committee's work

shall begin by completing the required data and forms immediately upon its formation. All government entities must submit their draft budgets to the Department of Finance, complete with all data and estimation bases mentioned in this circular, while adhering to entering their draft budget data into the smart financial planning and analysis system as follows:

Organizational Data:

1. A copy of the decision to form the draft budget preparation committee no later than Sunday, June 7, 2020.
2. A copy of the approved or under-approval strategic plan no later than Sunday, June 7, 2020.
3. A copy of the organizational and functional structure of the government entity no later than Sunday, June 7, 2020.

Initiatives Budget

1. Submit a case study according to the "attached" form for all initiatives required by the government entity, including initiatives approved in the financial plan and completion initiatives. As for initiatives with an investment return, an economic feasibility study must be submitted for them no later than Sunday, July 5, 2020, taking into account the following:
 - a- Coordinate with and respond to the requirements of the Ajman Digital Department regarding technical initiatives. The Ajman Digital Department must coordinate with the concerned government entity regarding them and submit its recommendations to the Department of Finance in this regard no later than Sunday, August 9, 2020, for study and to take its procedures thereon.
 - b- Align and link the department's initiatives and strategic objectives with the government's strategic plan in coordination with the General Secretariat of the Executive Council and provide the Department of Finance with them no later than Sunday, June 28, 2020.
2. Enter and distribute the initiatives budget data on the smart financial planning and analysis system no later than July 26, 2020.

Operating Processes

- Distribute the costs of operating processes according to the approved financial plan (2019, 2020, 2021), attaching copies of all contracts, no later than Sunday, July 5, 2020, including all explanatory data and justifications for any change in the smart financial planning and analysis system.
- Redistribute the financial allocations approved in the plan according to the new operating processes that were added during 2020 for organizational purposes, taking care not to transfer from these operating processes during the implementation of the budget for the government entity.

Human Resources Budget

Enter the human resources budget data no later than Sunday, July 5, 2020, taking into account the financial impact of any amendments under approval in coordination with and response to the requirements of the Human Resources Department. The Human Resources Department must study the requirements of government departments and submit its recommendations on the smart financial planning and analysis system no later than Sunday, August 9, 2020.

Revenues Budget

Enter the data for the government financial resources program (revenues program), no later than Sunday, July 26, 2020.

Cash Budget

Enter and distribute the cash budget estimates no later than Sunday, December 13, 2020.

Sixth: Procedures for Presenting and Approving the Draft Budget

1. The Department of Finance shall present the draft general budget of the government for the fiscal year 2021 to us no later than Sunday, October 18, 2020.
2. After our approval of the draft general budget of the government for the fiscal year 2021, the draft budget with its accompanying reports (if any) shall be presented to the Chairman of the Executive Council to decide what he deems appropriate regarding them.
3. After the Chairman of the Executive Council approves the draft budget, it shall be presented before the end of November 2020 to His Highness the Ruler of the Emirate of Ajman for his approval by a decree issued by His Highness.

Sixth: General Provisions

1. In the event that any government entity fails to submit its draft budget data within the deadlines specified in this circular, the Department of Finance will prepare the draft budget for the concerned government entity, and the concerned government entity may not object to the budget prepared by the Department of Finance.
2. In the event that the budget decree is not issued before the beginning of the fiscal year 2021, the Department of Finance shall issue a circular to the concerned government departments with the instructions to be followed in this regard, which regulate spending for a temporary period and determine the priority in monthly spending, based on the provisions contained in the unified financial system.
3. The Department of Finance is responsible for interpreting the provisions of this circular, clarifying any ambiguity or vagueness in it, responding to any inquiries received from any government entity regarding the preparation of its draft

budget, and providing all necessary clarifications to achieve the proper and complete application of this circular.

4. The Department of Finance shall communicate this circular to all concerned entities for the implementation of its provisions, and it shall be effective from the date of its issuance.

Ahmed bin Humaid Al Nuaimi
Representative of the Ruler for Administrative
and Financial Affairs

Issued on: 06 / 05 / 2020 AD

Attachments:

Attached is the timeline for the procedures for preparing the draft annual budget of the Government of Ajman for the fiscal year 2020

Case Study Form for Initiatives