

**Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates**

**FEDERAL LAW NO (23) YEAR 2005
REGARDING THE GENERAL BUDGET
AND THE FINAL ACCOUNTS PREPARATION RULES**

We Khalifah Bin Zayed Al Nahyan, President of United Arab Emirates

After reviewing the Constitution;

and the Federal Law No (1) for year 1972 regarding the functions of the ministries and the authorizations of the Ministers and its amendments;

and the Federal Law No (14) for year 1973 regarding the regulations of preparing the general budget and the final account;

and the Federal Law No (7) for year 1976 of establishing the State Audit and its amendments;

and the Federal Law No (7) for year 1999 of pensions and social insurance;

and the Federal Law No (21) for year 2001 regarding the civil service in the Federal Government;

and according to what has been presented by the Minister of Finance and Industry and the approval of the Cabinet and the Federal National Council and the ratification of the Union Supreme Council;

We have issued the following law:

ARTICLE (1)
DEFINITIONS

In the implementation of this law the following words and phrases shall bear the meanings ascribed to them herein, unless otherwise stated.

1. **The federation:** the UAE
2. **The Ministry:** the Ministry of Finance and Industry

3. **The Minister:** the Minister of Finance and Industry
4. **The federal agencies:** the ministries and all other governmental federal entities which represent a part of the organizational and administrative structure of the state.
5. **The general budget:** A statement containing estimates of expected revenues and expenditures during one financial year.
6. **The Annexed independent budget:** the budget of a federal line agency, which has an independent legal identity.
7. **The group of expenditures:** is the group of items that share one nature and each group shall take a specific number, under which will be put all the items included in this group.
8. **Budget Provision:** The amount of appropriation approved for a line item or for a higher aggregate set of line items, such as a program or a sub-program.
9. **The program agreement:** it is an agreement held between the Ministry and the federal agency for implementing the budget programs based on performance within a medium term agreement framework, which may be updated annually.
10. **The main program:** is a set of activities aiming at achieving one or more main strategic targets on medium or long term and which are included in the agency's responsibilities. The main programs could be divided into sub-programs.
11. **The sub-program:** a set of activities aiming at achieving one or more specific objectives within the targets of the main program over a certain period of time. A subprogram is considered as the basic unit from the accountability viewpoint.
12. **Performance Measurements:** They are indicators for measuring the performance of agencies in producing outputs and achieving the objectives which have been agreed upon.
13. **Medium Term Expenditure Framework:** A Medium Term Expenditure Framework (MTEF) is a policy-determined limit to the total expenditures

that are to be undertaken during a defined time frame. Its foundation is an assessment of future revenues available to the Federal Government derived from the macroeconomic forecasts and on-going expenditures forecasts.

14. **Final Accounts:** “Final Accounts” means the annual financial statements as at the end of the Budget Year for a federal agency and the annual consolidated financial statements for the Federal Government and will comprise the balance sheet, the statement of revenues and expenditures, the cash-flow statement, performance reports and any other statement that may be prescribed by the Minister of Finance and Industry.
15. **General Reserve:** An account kept within the Ministry in which the result of the execution of the public budget for the related financial year is registered.

CHAPTER 1 **FUNDAMENTALS**

Article (2)

The general budget is the tool used in the federal government’s financial policy to achieve economic development and sustainable stability through optimal distribution and efficient use of resources. It includes all revenues and expenditures of federal agencies during one financial year.

However public agencies and institutions may, by virtue of a law or a law decree, have independent budgets provided that the financial relation between their budgets and the general budget is defined by the law.

ARTICLE (3)

The financial year is composed of twelve months, and shall start from the first of 1st of January and ends on 31st of December of each year; the executive regulations identify the closure of its accounts.

ARTICLE (4)

The revenues of the federation are allocated in total to cover all the public expenditures so that it is prohibited to allocate certain revenue to cover a particular expenditure.

ARTICLE (5)

Only the autonomous entities having independent budgets are excluded from the previous article, they are allowed to allocate a part from their revenues -either resulting from carrying out their activities- or from subsidies and grants provided to them from others (according to their establishment law)-to a particular expenditure.

ARTICLE (6)

The federal agencies in concern with the coordination of the Ministry shall achieve the following requirements:

1. To comply with the systems and procedures for planning and analyze the programs and sub-programs and capital projects according to the rules issued by the Ministry.
2. Managing financial resources with efficiency and effectiveness.
3. To be committed to the approved programs and to get the agreement of the Ministry prior any enrichment to an existing program or developing new programs.

ARTICLE (7)

The Ministry should carry out the following responsibilities:

1. The formulation of the financial policy related to the budget.
2. Preparing a medium expenditure framework for the federal government.
3. Analyze all budget projects presented to in the 3-year program agreements of the federal agencies to be considered and also any suggestions for modification if relevant.
4. The preparation of the annual budget law.
5. The follow up of the execution and the evaluation of the annual budget performance.
6. Set the regulatory rules related to spending expenditures and receiving revenues as well as banking accounts management, assets and liabilities and investment projects accounts. These regulations should be issued by a Ministerial decision.

CHAPTER 2
GENERAL BUDGET CLASSIFICATION

ARTICLE 8

This law defines a uniform chart of accounts used in the preparation, execution and reporting on the budget. All federal agencies should comply with it. Reports are prepared in the federal agencies according to the programs and sub-programs with classifying the expenditures and revenues by chapter and item line and according to the rules defined by the Ministry. This chart of accounts is issued by a Ministerial decision.

CHAPTER 3
IN THE PREPARATION OF THE BUDGET

ARTICLE 9

The Minister shall issue a financial circular defining the necessary guidelines for preparing the budget of the coming year during the fourth month of the current year. The circular shall include the indicators and expectations related to the revenues.

ARTICLE 10

All ministries and agencies included in the general budget and the attached autonomous budgets shall prepare the preliminary estimates for their expenditures and revenues in the light of the plans and programs which are approved in the program agreement, including performance measurements and efficiency indicators, and as per the instructions that would be issued by the Minister in this regard.

ARTICLE 11

All agencies which are included in the general budget and the attached autonomous budgets shall prepare the preliminary estimates of their expenditures and revenues to the Ministry in a 3 year program agreement in the time mentioned in the circular which would be issued by the Ministry.

ARTICLE 12

If an agency did not submit its budget project on time, the Ministry shall, after informing such agency, have the right to prepare such estimates by itself based on this agency's current year programs and allocations. In preparing these estimates, the Ministry shall nevertheless take into consideration any possible changes and amendments that may have occurred during the current year and any other special considerations as per the programs agreement as well.

ARTICLE 13

In proposing new investment projects the agency should provide the following:

1. The ownership of the land situated for the project and approved as an asset
2. The feasibility study of the project
3. The proposed design for the project
4. The time plan for executing the project and the amounts of money needed for the execution period
5. The capital and operational financial cost per year
6. Any other requirements needed as per the circulars issued in this regard by the Ministry and or by the concerned ministries and agencies.

ARTICLE 14

The executing federal agency, in coordination with the Ministry, shall make the estimates of the appropriations required for the completion projects which are approved in the general budget and the annexed independent budgets for the related financial year.

ARTICLE 15

The Ministry shall discuss with the federal agencies the preliminary estimates of their expenditures based on the actual spending of each agency during previous years, taking into consideration the changes that might occur on the plans, the programs and the staff of these agencies as well as the projects which will be carried out by these agencies as per articles 13 and 14 herein.

ARTICLE 16

An amount of money should be estimated and set a side by the Ministry in the general budget as a reserve to face any unexpected requirements, which are not mentioned within the budget items.

ARTICLE 17

The federal agencies shall prepare their revenues estimates, the basis of such estimates and the elements that have affected their preparation during the current financial year. The Ministry of Finance shall then study and approve these estimates as per the set rules.

The revenues will include the shares of the Emirates of the federation from their own annual resources granted to the federal budget.

ARTICLE 18

If the provisional total expenditure estimates exceeded the provisional total revenue estimates, The Ministry shall define a ceiling of expenditure to be respected by all agencies without exceeding it.

ARTICLE 19

After discussing the general revenues and expenditures, The Ministry shall prepare the general budget project which will be submitted to the Cabinet accompanied by a report that includes a general presentation about the financial and the economic condition. The Cabinet shall discuss the budget project and prepare its final approved form.

CHAPTER 4

BUDGET LAW APPROVAL AND ISSUANCE

ARTICLE 20

The project of Annual Budget Law along with attached autonomous budgets breaking down by the chapters and attached to the main programs shall be submitted to the Federal National Council for approval and comments at least two months before the beginning of the financial year for discussion and approval.

ARTICLE 21

The Ministry of Finance shall inform all ministries and federal agencies of their allocations according to the chapters, programs and items as soon as the budget is approved.

ARTICLE 22

In case the budget law is not issued before the beginning of the financial year, provisional monthly allocations can be approved by virtue of a federal decree based on one portion of twelve portions of the allocations of the previous financial year and based on a proposition by the Minister.

CHAPTER 5 **PUBLIC BUDGET AMENDMENTS**

ARTICLE 23

Any expenditure not provided for in the budget and any increase in the estimates of each chapter, transfer of a sum of money from one chapter to another, and any increase in the number of enlisted posts in the general budget shall be by virtue of a law. Nevertheless, in case of absolute necessity, such increase or transfer may be decided by virtue of a decree law.¹

CHAPTER 6 **GENERAL BUDGET IMPLEMENTATION**

ARTICLE 24

All revenues and expenditures subsequent to acts taken during the financial year shall be registered in the financial year accounts based on the due date of credits or debts, regardless of when the actual revenues are received or expenditures are made. This should be implemented gradually according to the instructions issued by the Minister.

ARTICLE 25

All commitments of federal agencies should be recorded in the national currency.

¹ / A decree law is a law issued by the President without referring to the Cabinet.

ARTICLE 26

An agency can make commitments within the limits of the allocations set in its annual budget, and according to the allocations of each program and sub-programs.

ARTICLE 27

No agency has the right to enter into contracts, which would entail financial commitments exceeding the allocation of the financial year to next year or years, except if expressly authorized to do so by the Ministry of Finance and in accordance with the effective decisions and regulations thereof

ARTICLE 28

As an exception to the provisions of the previous article, any agency may commit itself to a project's expenditures based on the total cost value of the project provided for in the general budget, providing that these funds are registered when they are really spent and as per the financial allocations for such project in the budget

ARTICLE 29

It is not allowed for the Permanent Committee of projects, or the federal ministries and agencies to set new projects or enter into agreements or submit projects for bidding, if these projects are not part of the annual plan or the general plan, except by virtue of a law.

ARTICLE 30

If a project could not be completed during the financial year in which its funds had been allocated, the rest of the funds for such project shall then be brought forward to the next year according to the execution plan.

ARTICLE 31

Settlement of costs, expenditure orders and ways of paying in the ministries included in the general budget shall continue to be done according to the current rules until the regulations thereof are issued and provided that the general cost is defined and payable as per the laws, regulations and systems in force.

ARTICLE 32

All federal agencies shall abide by the legal and regulatory measures in spending their allocated funds from the budget.

ARTICLE 33

It is not allowed to transfer appropriations from different kinds of expenditures except by virtue of a Cabinet decision, and the Minister shall issue the regulatory instructions regarding the transfer procedures between main programs and sub-programs.

ARTICLE 34

The reserve account, provided for in Article 16 hereof, shall be used, if necessary, after obtaining the approval of the Cabinet to fund some of the unexpected needs and the urgent cases during the year with reference to the concerned agency, program and sub-program. The rules of such use shall be issued by the Minister.

A special worksheet should be prepared on the usage of this reserve account and shall be included in the worksheets of the final account.

ARTICLE 35

Without prejudice to the provisions of Articles (27) and (30) hereof, any allocation in the budget that is not used during the same financial year shall become void.

ARTICLE 36

For the same year, If any decrease in the predicted revenues appears during the implementation of the annual budget, the Cabinet, according to the Minister's proposal, give the order to make the necessary modifications on the estimated expenditures set in the budget law, so that a balance between the revenues and the expenditures is achieved.

ARTICLE 37

Any debts or due sums owned by the State or public legal personalities towards the third parties, for which no request for settlement is submitted before the end of the fifth year following the financial year when these debts had become due, shall definitely become lapsed.

ARTICLE 38

The above five-year delay, regarding the debts, shall be interrupted if lack of settlement was caused by the administration or due to legal suits, and shall restart to be counted when the reason for interruption has ceased.

ARTICLE 39

All debts and due sums owned by individuals towards the ministries and federal agencies, for which no request for settlement is submitted before the end of the tenth year following the financial year when these debts had become due, shall definitely become lapsed, without prejudice to the responsibility of the employee who would have neglected to submit such requests.

ARTICLE 40

The Cabinet may, after consulting with the Ministry, exonerate any body from some or all of the sums due to the Federation or to the public legal personalities as per the terms that the Cabinet may decide.

ARTICLE 41

All settlements and revenues collection and transfer to the Ministry shall be according to the laws, regulations and decisions in force and approved rules.

ARTICLE 42

The ministry shall carry out the management of the federal funds, the opening and closure of the bank accounts necessary for that, according to the rules defined by the Minister.

ARTICLE 43

The federal agency should maintain comprehensive and electronic registers for the budget implementation as well as reports and performance measurements according to the systems approved by the Ministry.

ARTICLE 44

The Minister shall submit regular reports to the Cabinet regarding the general budget implementation and the performance of the agencies

CHAPTER 7
MONITORING THE BUDGET IMPLEMENTATION

CHAPTER 45

The Ministry shall control the public budget implementation through its auditors working in all federal agencies that are included in the public budget. The auditors shall be nominated by a Minister's decision in order to supervise the implementation of the budget regarding the expenditures, revenues collections and performance follow-up. They shall also verify that the implementation is being carried out as per the laws, systems and decisions in force.

ARTICLE 46

All concerned staff in the federal agencies shall submit to the Ministry and to its auditors the requested financial data and reports and give them access to all registries, papers, documents they would need to view during their control. Any breach to the provisions of this article shall be deemed as a financial contravention.

ARTICLE 47

The administrative decentralization and devolving responsibilities shall not discharge the federal agencies of their responsibilities regarding the implementation of the financial and accounting procedures and instructions in terms of well conserving the public funds, nor shall the staff be discharged of their legal responsibilities if, upon implementing such financial and accounting tasks, they breach the provisions hereof or any executive related regulations or rules.

ARTICLE 48

The federal agencies should submit quarterly financial reports as they should also submit half-yearly performance monitoring report to the Ministry according to the circulars issued by the Minister. These reports should explain the performance indicators of what has been achieved.

CHAPTER 8
FINAL ACCOUNTS

ARTICLE 49

Each agency and Ministry shall prepare its own final account for the ended financial year and submit it to the Ministry by the end of the fourth month of the

next financial year with a report commenting the final account and performance report according to the rules and within the time limit set by the Minister's instructions.

ARTICLE 50

- 1- The Ministry shall prepare the draft project of the final account within the framework of the basic principles of the public budget stipulated herein. It shall also prepare two reports about this project one about the actual financial position of the Federation, and the other about the performance of ministries and agencies during the past year.
- 2- In addition, The Ministry shall prepare the federal law project of approving the final account which will be submitted to the State Audit by the sixth month of the following financial year.

ARTICLE 51

The Minister shall then submit the final account project and the related law in addition to his report thereof to the Cabinet in view of putting the account in its final version and submit it in turn to the Federation National Council to have its comments. This final form of the account shall then be submitted to the Union Supreme Council to approve it paving the way thus to the issuance of a law or a decree as may be suitable.

ARTICLE 52

A reserve account shall be opened at the Ministry to which the result of the final account for the past year shall be transferred.

CHAPTER 9

SPECIAL TERMS REGARDING THE ATTACHED AUTONOMOUS AGENCIES BUDGETS

ARTICLE 53

All provisions regulating the Federation's public budget shall apply to the budgets of the autonomous agencies.

ARTICLE 54

The attached autonomous agencies should carry out collection and the settlement of their revenues and the management of their own funds, opening and closing the bank accounts related to them according to the law provisions and regulations

applied in this regard. They shall also abide by the rules defined by the Ministry regarding the management of their bank accounts.

ARTICLE 55

The attached autonomous agencies should submit to the Ministry quarterly financial reports. They should also submit half-yearly performance monitoring reports according to the circulars issued by the Minister. These reports should explain the performance indicators of what has been achieved.

CHAPTER 10 **GENERAL AND FINAL TERMS**

ARTICLE 56

All law projects, decrees, organizational decisions and memorandums that may entail financial burdens or consequences shall be submitted to the Ministry of Finance to have them studied before submitting them to the Cabinet for approval.

ARTICLE 57

All documents, papers, registries relating to any financial year shall be conserved for ten years starting from the date the law of its final accounts enters into effect. They can be destroyed after that period if the concerned agency no longer needs them and as per the rules that the Minister would set.

ARTICLE 58

Upon a proposal of the Minister, the Cabinet may deduct a percentage of a federal agency's revenues, which are collected from new sources of revenues, to finance the programs of such agency.

ARTICLE 59

The Minister shall issue the executive regulations, rules and decisions, which are necessary for the application of the provisions hereof. Until then, the current regulations, rules and decisions shall continue to be effective.

ARTICLE 60

The Federal law No. (14) of 1973 referred to above and any other decision or text that contradict or disagree with the provisions hereof shall be considered void.

Article 61

All Ministers and Heads of concerned agencies shall, each within his authorities, implement the terms of this law.

ARTICLE 62

This law shall be published in the official journal and enter into force as of financial year following its publication.

H.H the President of the UAE

Sheikh Khalifah Bin Zayed Al Nahyan