

**United Arab Emirates
Ministry of Finance**



**الإمارات العربية المتحدة
وزارة المالية**

Federal Budget Reform Project

Project overview presentation

Budget reform rationale and objectives

Improvement potentials identified in current budgeting process...

- 1** Budgeting process should be aligned with Prime Minister Office strategic approach
- 2** Activity and cost transparency can be improved
- 3** Budgeting process can be streamlined and improved

... are addressed in budget process reform



Introduce a 3-year budget cycle linked to strategy cycle from 2011–2013



Move to zero-based budgeting to increase transparency



Streamline the budgeting process and provide a clear budgeting handbook and new budgeting IT system

All improvement potentials have been addressed over 10 months period

Budget reform will result in benefits for all stakeholders

For the UAE

Allocate resources to deliver maximum social impact
Develop international reputation in budgeting

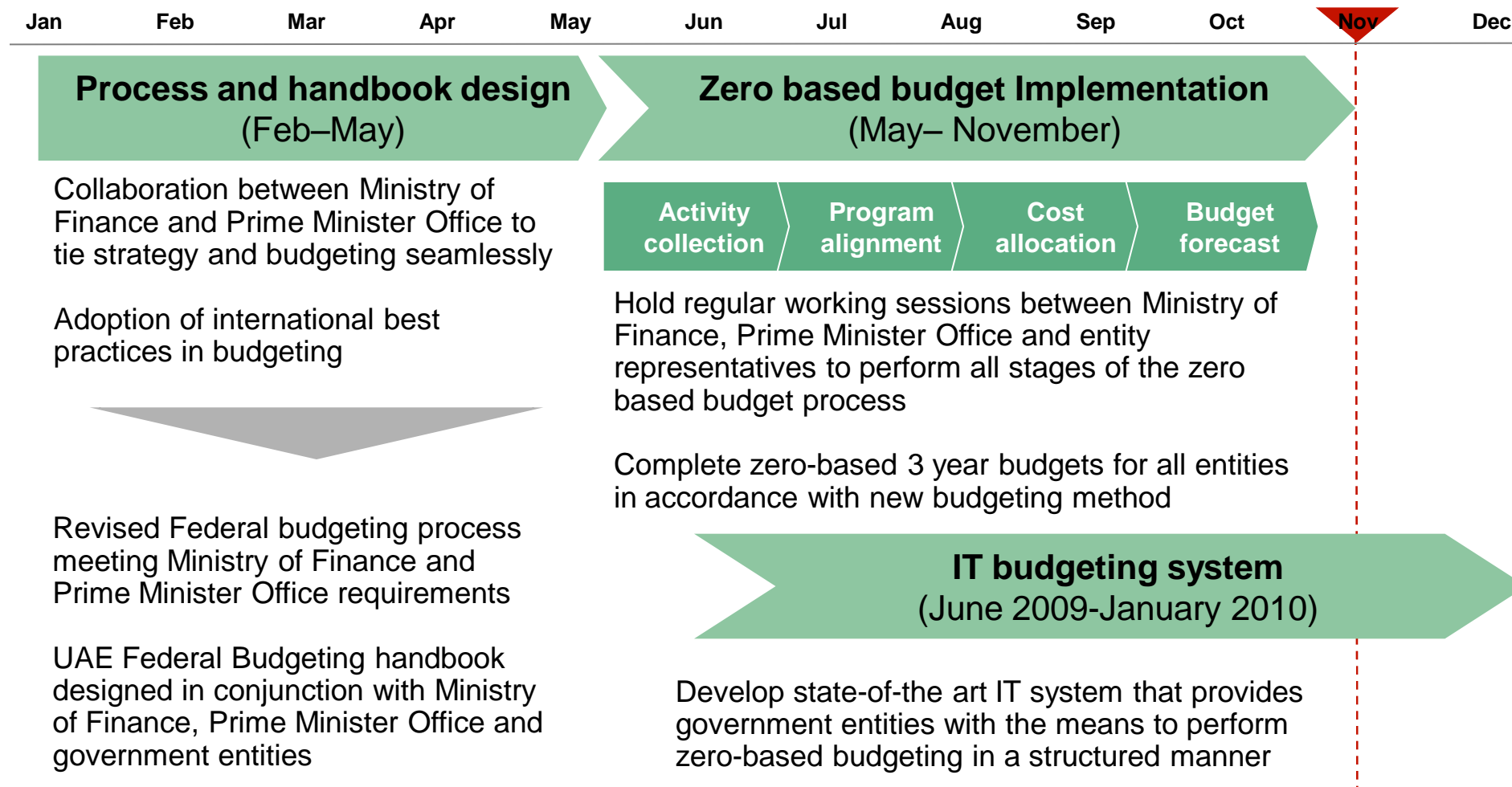
For government entities

Link long-term objectives seamlessly to budgeting
Provide processes and tools for financial management and prioritization of activities

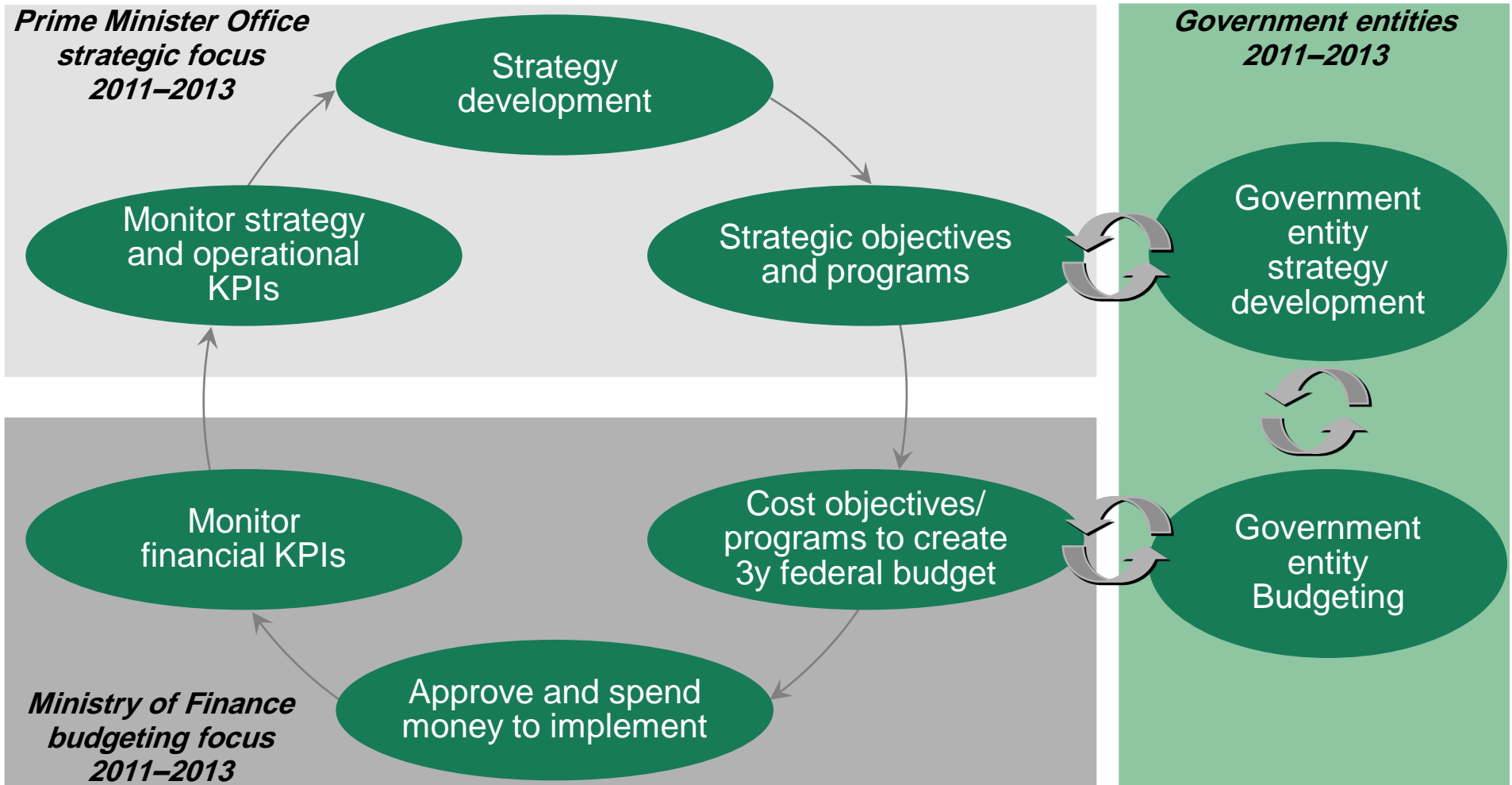
For Ministry of Finance and Prime Minister Office

Encourage partnership with government entities in achieving strategic, operational and financial objectives

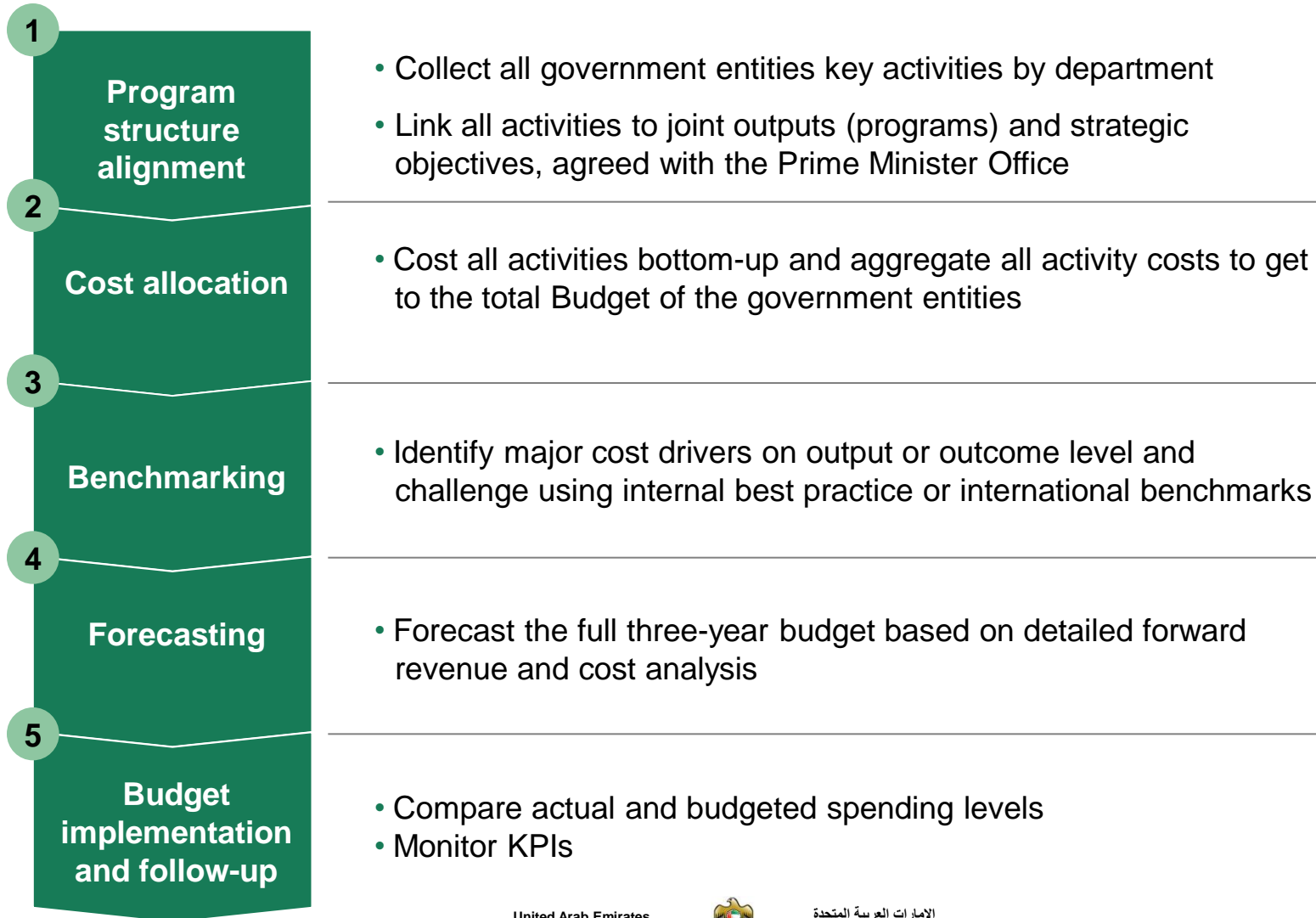
Project conducted over 10 months in partnership with Prime Minister Office and government entities



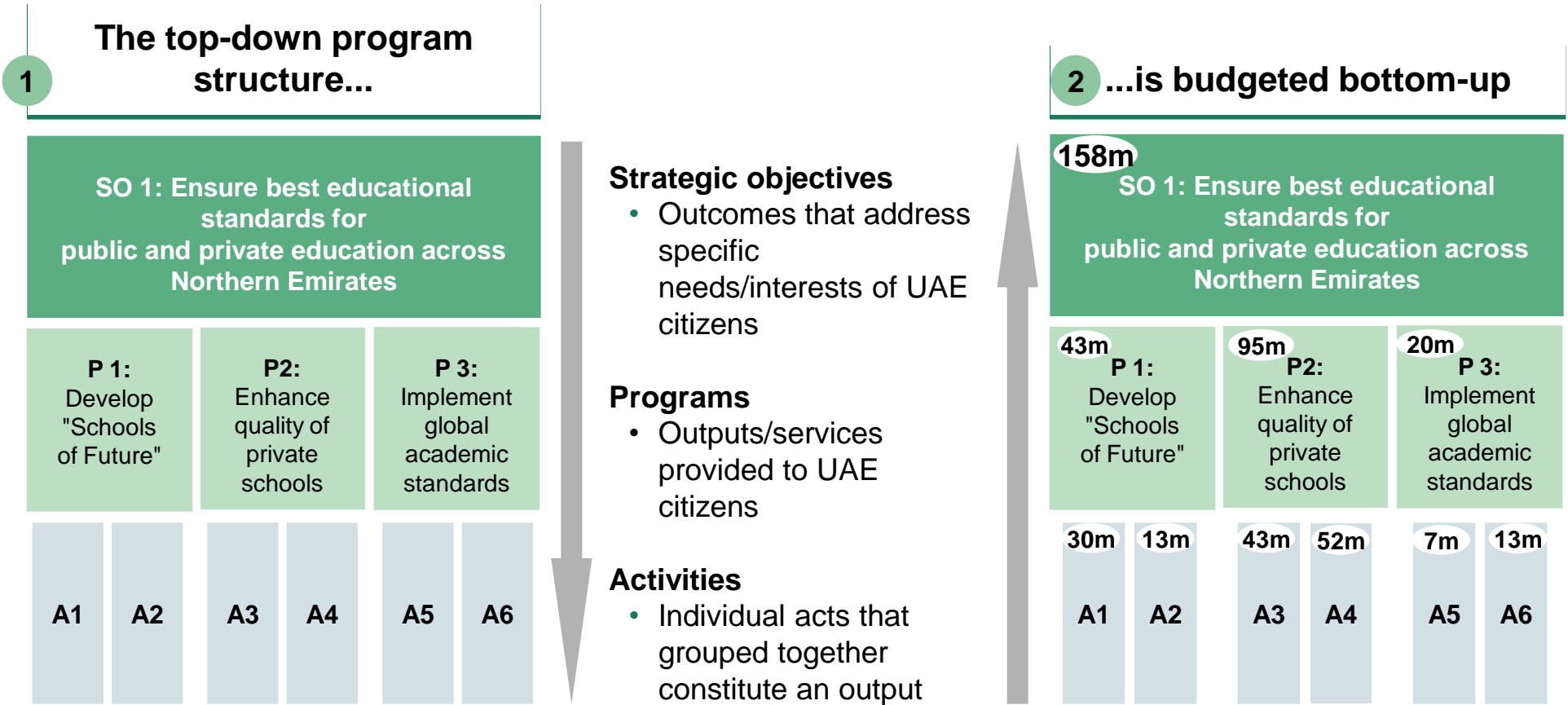
Budgeting reform creates a complete alignment between Strategy and Budgeting



Zero based budget starts from a blank sheet and follows a 5-step process



The program structure is the basic framework for budgeting

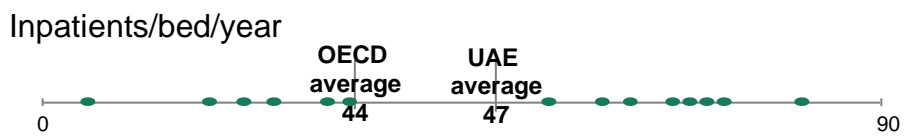


3 Major cost drivers are challenged using internal best practice or international benchmarks

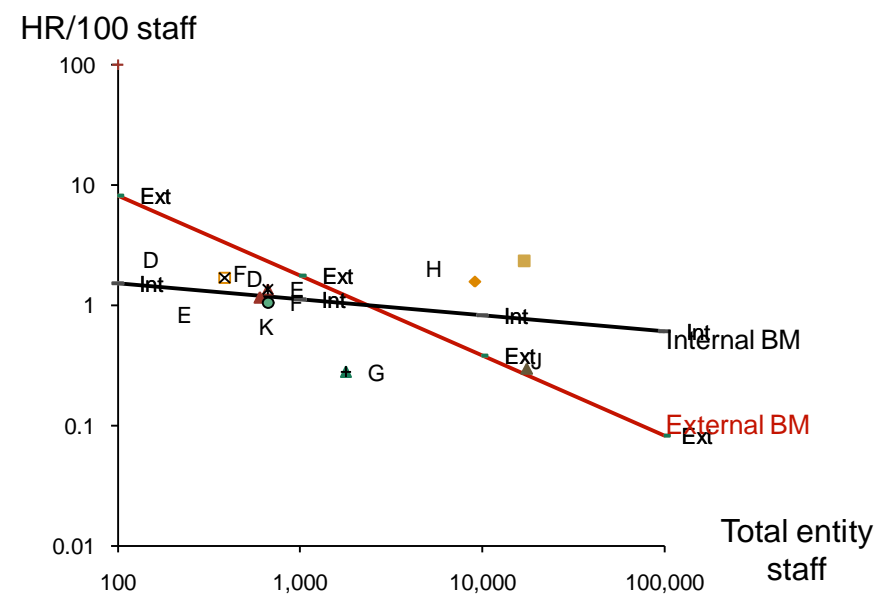
Core functions

Support functions

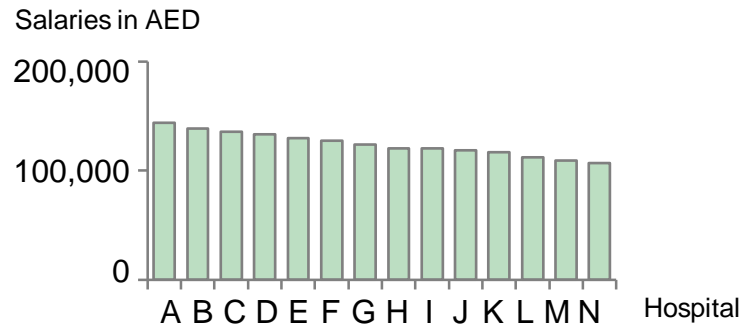
External: Patient turnover comparison



Human Resources efficiency



Internal: Average salary across Hospitals in UAE



4 Budget forecasted on three-year horizon based on detailed forward revenue and cost analysis

Drivers of budget growth need to be identified...

Budget forecast built on a baseline by adding yearly changes

- Baseline derived from costed and benchmarked program structure

Yearly changes defined for salaries, good & services and fixed assets using 3 key drivers:

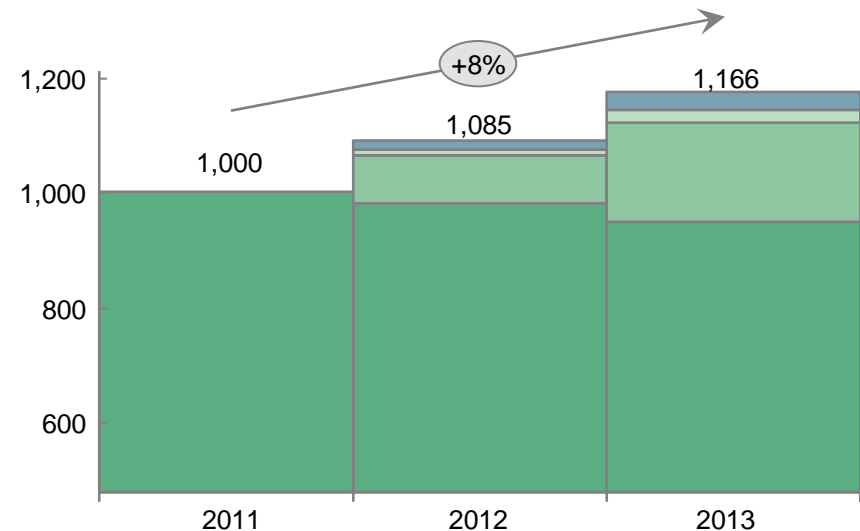
- Increases in salaries
- Expected inflation
- New initiatives or projects

New hires need to be justified with detailed hire plan

- No budgeting for general, unjustified vacancies will be allowed

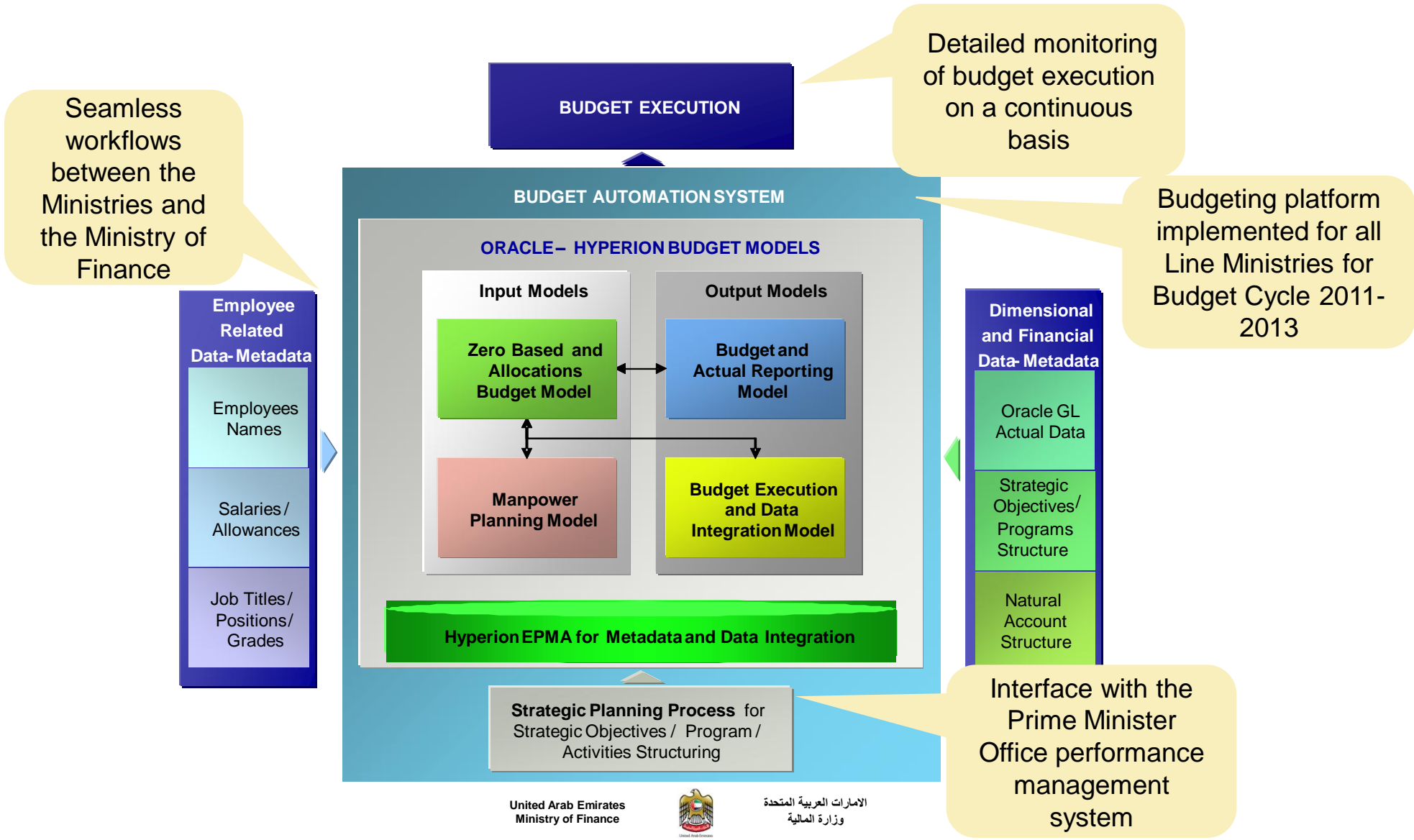
... and 3 year picture forecasted

- Increment for promotions (forecast)
- Annual salary increment defined by Federal HR authority
- New employees (forecast)
- Salary baseline for 2011 employees



Refinements in years 2 and 3 possible following approval process with Ministry of Finance

5 State of the art budget planning and execution IT system implemented by 2010



Project impact will be sustained over next budgeting cycles

Streamlined budgeting process...

Comprehensive budgeting handbook

- Distributed to all government entities

IT database system

- IT platform allows all Ministries to manage their zero-based budgets in a structured manner

Hands-on skills development of budgeting staff in all Line Ministries / Autonomous Agencies

- 20 government entities received on-the-job training of zero based budgeting process by BCG consultants

Training sessions

- Attendance to theory and practice sessions of finance, budgeting and strategy personnel in all government entities

Close cooperation with Prime Minister Office

- Regular meetings with Prime Minister Office to ensure buy-in and alignment with all key stakeholders

...will ensure lasting effect

Clarity and transparency of process

- Unified procedure for all government entities
- Reduction of negotiation and budgeting iterations

Dissemination of knowledge

- Creation of budgeting experts
- Virtuous cycle of knowledge transfer reducing employee turnover impact

Heightened trust in budgeting process

- Significant reduction of mismanagement and misuse of budget funds