

# Procedures Manual for the Establishment of Private Funds in the Federal Government, Approved by Cabinet Resolution No. (11) of 2022

## Article (1)

### Definitions

For the purposes of the provisions of this Resolution, the following words and expressions shall have the meanings assigned to each of them, unless the context requires otherwise:

<b>State</b>	: The United Arab Emirates.
<b>General Budget Committee</b>	: The Committee established by Cabinet Resolution No. (11/7W) of 2020.
<b>Ministry</b>	: The Ministry of Finance.
<b>Minister</b>	: The Minister of Finance.
<b>Federal Entity</b>	: Any ministry established under Federal Law No. (1) of 1972 Regarding the Competences of Ministries and Powers of Ministers, as amended, and the federal government bodies and authorities classified under Article (3) of Federal Decree by Law No. (26) of 2019 Regarding Public Finance.
<b>Sponsoring Entity</b>	: The Federal entity submitting the application for the establishment of the Fund.
<b>Fund</b>	: The Fund established by a Cabinet resolution based on the request of the Federal Entity.
<b>Fund Management</b>	: The administration responsible for managing the Fund.
<b>Initiatives /Programs / Projects</b>	: The initiatives/programs/projects undertaken by the Fund to achieve its objectives.
<b>Fund Budget</b>	: A detailed statement of the estimated revenues, income and expenditures expected during a particular fiscal year for the fund.

- Collection Mechanism** : The means by which the Fund secures its financial resources necessary for potential expenditures to achieve its objectives. These resources may be secured through the imposition of fees on specific items with grants/bequests from private entities (individuals and institutions).
- Disbursement Mechanism** : The means through which the Fund disburses money on its initiatives/programs/projects.
- Operational / Implementation Plan** : A practical document identifying the key initiatives/programs/projects and the objectives to be undertaken by the Fund over the short term, provided that such term shall not be less than one fiscal year.
- Strategic Risks** : The strategic risks to which the fund is exposed as a result of its decisions.
- Operational Risks** : The operational risks summarize the uncertainties and risks the Fund faces when it attempts to carry out its daily activities in a certain sector or field. These operational risks may arise either from a flaw in internal procedures, personnel performance or systems.
- Personnel/Governance Risks** : The uncertainty and failure or probability of failure within the Fund due to human behavior and/or lack of a strong corporate governance structure.
- Legal/Regulatory Risks** : Risks arising from any change in the laws, regulations and legislation that would bring about changes to the Funds.

## **Article (2)**

### **Scope of Application**

The provisions of this Manual shall apply to all Private Funds established to support the federal entities, with the exception of Zakat Funds and Charitable Associations.

The Cabinet may, upon the proposal of the Minister, exempt certain funds from the application of all or some of the provisions of this Manual.

## Article (3)

### Objectives of Private Funds

The Private Funds shall aim to achieve any of the following objectives:

- Support rehabilitation, awareness and education initiatives that target UAE nationals.
- Support various sectors of the federal government's activities such as education, health, sports, scientific research and others.
- Support sectors that are not covered by the appropriations of the federal general budget.

## Article (4)

### Specifications of Private Funds

#### 1. Size of Private Funds:

The minimum size of the Fund shall be AED (25,000,000) twenty-five million dirhams or more upon its establishment, or this size shall represent the expected target size of the Fund within one year from the date of its establishment.

#### 2. Financial Independence of Private Funds:

The Private Funds shall enjoy the financial independence that enables them to perform their functions and competences, separately from the budget and bank accounts of the entity to which they are affiliated, in accordance with the legislation and provisions stipulated in this Manual.

#### 3. Types of Private Funds:

Private Funds may take one or more of the following forms:

- a. Support and development funds: Funds concerned with supporting and financing developmental and innovative projects or programs that are not covered by the appropriations of the federal general budget.
- b. Multi-Purpose Funds: Funds that have service-oriented, strategic, and revenue-generating purposes, aimed at supporting and achieving the primary objectives of the Fund.

#### 4. Required Documentation for the Establishment of the Private Fund:

Upon submitting a request to establish a Private Fund, the sponsoring entity of these

Funds shall provide the supporting documents stipulated in this Manual, which clearly state the Fund's alignment with the vision/general directions of the United Arab Emirates, and demonstrate the financial sustainability of the Fund.

**5. Fund Management:**

- a. Private Funds shall be managed by the federal entities to which they are affiliated. No independent organizational structures may be adopted for such funds.
- b. The head of the federal entity shall manage the Fund and set the fund's governance controls in accordance with the relevant provisions set out in the Guide to Governance of Boards of Directors in the Federal Government, issued by Cabinet Resolution No. (9/2W) of 2020.

**6. Financial, Accounting and Procurement Affairs:**

- a. All Private Funds shall:
  - 1) Implement the structure of accounts, the unified financial procedures manual and all regulations, legislation and policies related to financial, accounting and procurement affairs applicable in the federal government. The accounts of the funds shall be subject to the supervision of the Supreme Audit Institution, and an external auditor may be appointed.
  - 2) The Fund's annual budget and final accounts shall be approved by the Cabinet.
  - 3) The draft budget shall not be submitted, nor shall the final accounts be issued showing a financial deficit.
  - 4) Expenditure on approved initiatives/programs/ projects shall be based on financial resources actually collected and approved within the Fund's budget.
  - 5) No obligations shall be incurred without the necessary funding or based on an amount not included in the Fund's approved budget.
  - 6) Submit any other reports or statistical data requested by the fund's management.
  - 7) The Fund may not borrow to finance its initiatives/ programs / projects.
- b. If the purpose for which the Private Fund was established ceases to exist, all remaining cash balances, after the liquidation of the Fund, shall revert to the account of the General Treasury of the Federal Government.
- c. The agreements and contracts concluded by the Fund with the private sector shall be

subject to the legislation regulating the partnership between the federal entities and the private sector.

- d. The Ministry shall establish a unified account for Private Funds, which includes a sub-account for each fund.

#### **7. Sources of Funding:**

The sources of funding for Private Funds shall consist of:

- a. Cash and in-kind contributions, donations and grants provided by private entities or individuals.
- b. Generating returns from the income derived from the initiatives, programs, or projects associated with the Private Funds.
- c. Fees approved by the cabinet to support the initiatives/programs/projects of the Private Funds.
- d. The appropriations allocated in the federal general budget in accordance with the Cabinet Resolutions.
- e. Surpluses from the execution of the Private Fund's budgets in previous years from sources other than government support.

#### **8. Performance Review**

All Private Funds shall:

- a. Approve the plans and initiatives/programs/projects and achieve the key performance indicators approved by the sponsoring entity of the Private Fund.
- b. The head of the federal entity, to which the Private Fund is affiliated shall submit a financial and administrative performance report to the Cabinet, including the main milestones achieved, every six (6) months, upon approval.
- c. Rectifying any shortcomings identified during the performance review in accordance with the provisions set out in this Manual.

## **Article (5)**

### **Steps to Establish Private Funds**

1. The federal entity wishing to establish a Private Fund, for developmental reasons, shall submit a request to the Ministry expressing its desire to establish the fund. The request

shall fulfill all the requirements for establishing the Fund referred to below, as well as any other requirements requested by the Ministry.

2. The federal entity shall comply with the following requirements when submitting its request to establish the Fund:
  - a. Indicate the details of the entity to which the fund is affiliated, and any other entity that will support the Fund in performing its functions.
  - b. Clarify the long-term vision of the Fund and its developmental and strategic objectives, and how all of that relates to the national objectives and priorities of the United Arab Emirates.
  - c. Indicate the Fund's strategy and operating model, including the objectives and structure of the Fund's programs, operational plan, intended duration term, and other necessary considerations, and the extent of its responsibility for environmental considerations and social impacts.
  - d. Indicate the governance provisions of the Fund, including the Fund's governance structure, its management mechanism, affiliated committees, and committees under the executive/operational leadership team.
  - e. Indicate the provisions related to the fund's infrastructure and capabilities, including the capabilities and capacities offered by the infrastructure to provide the best working environment for the Private Fund (main operations).
  - f. Indicate the Fund's financial sustainability plan, including forecasts of the main financial items, collection (1) and/or expenditure mechanisms (2), budget estimates, and other variables that affect the plan.
  - g. Indicate whether any other Funds have already been established for the same functions as the fund intended to be established.
  - h. Indicate the risks in terms of analyzing (description and evaluation) the risks associated with the Private Fund, including strategic and operational risks, and the establishment of a management and accountability framework to effectively address any risks.
  - i. Indicate the legal basis for the establishment of the fund and any documents related thereto.

3. The federal entity shall attach all the supporting documents for the establishment of the fund, including any documents evidencing the fulfillment of the requirements referred to above, their alignment with the general vision/objectives of the United Arab Emirates, and demonstrating the Fund's financial sustainability.
4. The Ministry shall conduct a thorough review and evaluation of the submitted documents in terms of financial sustainability and compliance with the financial directives. It may request the entity to submit any required documents, and shall then submit its recommendations to the General Budget Committee for guidance in the event the request meets the basic requirements for establishing the fund.
5. The General Budget Committee shall consider the request. The Ministry shall inform the applicant of the Committee's opinion. In the event that the General Budget Committee approves the request to establish the fund, the applicant shall coordinate with the Ministry to submit its request (according to the relevant form approved by the General Secretariat of the Cabinet) to the Cabinet for consideration. The Fund shall not engage in any activities before the issuance of a Cabinet decision approving its establishment.
6. The Cabinet shall consider the request upon its submission according to the form approved by the General Secretariat of the Cabinet. The General Secretariat of the Cabinet shall notify the applicant of the Cabinet's decision. In the event of the Cabinet's approval, the General Secretariat shall complete the necessary legal procedures for the establishment of the fund.

## **Article (6)**

### **Aspects of Evaluating the Establishment of Private Funds**

The following are considered the key evaluation criteria for the establishment of Private Funds:

1. **Details of the Sponsoring Entity of the Private Fund and confirmation of its support:**

This includes the main concerned entities (names of the sponsoring institutions and other relevant stakeholders related to the Fund), their documented support for the Private Fund and the consistency of their objectives and primary function with main those of the Fund.

2. **Vision and Main Function:** The Fund's long-term vision, developmental and strategic objectives, and how all of this relates to the national objectives/priorities of the United Arab Emirates.
3. **Fund Strategy and Operating Model:** The objectives and structure of the Fund's programs, its operational plan and intended term, and any other necessary considerations.
4. **Governance:** The Fund's governance structure, including any affiliated committees and those related to the executive/operational leadership team (if any).
5. **Infrastructure and Capabilities of the Private Fund:** The capabilities and capacities of the infrastructure to provide the best working environment for the Private Fund (main operations).
6. **Financial Sustainability:** The financial sustainability plan of the Private Fund, including expectations of the main financial items, the collection and/or expenditure mechanisms, the budget estimates, and other variables that affect the plan.
7. **Environmental and Social Responsibility:** The Fund's strategy and responsibility for the environmental considerations and social impacts.
8. **Market Landscape:** Private Funds that perform a similar main function and have a similar scope of work.
9. **Risks:** Analyzing (description and evaluation) the risks associated with the Fund, and establishing a management and accountability framework to effectively address any risks.
10. **Legal Form:** The legal form of the Private Fund and all relevant legal guidelines, policies and procedures.

## Article (7)

### Documents Required for Evaluation

Upon submitting a request, the sponsoring entity shall provide all documentary evidence to support each of the aspects outlined above and included in the evaluation process, which sufficiently respond to all relevant inquiries. Article (8) of this Manual sets out a detailed

checklist of the evaluation aspects and the preparation of the necessary documents.

## **Article (8)**

### **Roles and Responsibilities of the Main Stakeholders in the Process of Establishing Private Funds (Governance Mechanism)**

#### **1. The Federal Entity:**

The Federal Entity that desires to establish Private Funds for developmental purposes, such as advancing the sectors in which it operates or developing the target groups/beneficiaries thereof, or otherwise.

##### **Its role in the process of establishing Private Funds:**

- a. Preparing a strategic plan for the Fund, and aligning its functions with the objectives of the plan and the related priorities.
- b. Filling out the relevant form (approved by the General Secretariat of the Cabinet) and submitting it to the Ministry, an accompanying memorandum confirming that the Fund has fulfilled all the conditions and requirements specified in this Manual, with and submitting all supporting documents.

#### **2. The Ministry:**

The Ministry shall be responsible for assessing the data provided by the Fund during its establishment process, and conducting a review/evaluation of the request to ensure that there are reasonable expectations regarding financial sustainability.

##### **Its role in establishing Private Funds:**

- a. Receiving the requests for the establishment of Funds from the federal entities.
- b. The Ministry shall evaluate the request on the basis of:
  - The general financial sustainability of the Private Fund, and the compliance with the financial policies and legislation applicable in the Federal Government.
  - The governance mechanism and the operational model of the Private Fund.
- c. Requesting the federal entity that submitted the request to provide missing or additional data to complete the request procedures.
- d. Submitting a recommendation to the General Budget Committee for guidance regarding the request submitted for the establishment of the Private Fund.

**3. General Budget Committee:**

Shall review the requests submitted for the establishment of Private Funds and provide guidance thereon, either by approving, requesting amendment, or rejecting the request.

**4. The Cabinet:**

The authority vested with the power to grant final approval for the establishment of Private Funds.

**5. A Comprehensive Procedural Diagram Outlining the Governance/Accountability Pathways**

**6. Scoring Matrix for Financial Sustainability and Related Topics:**

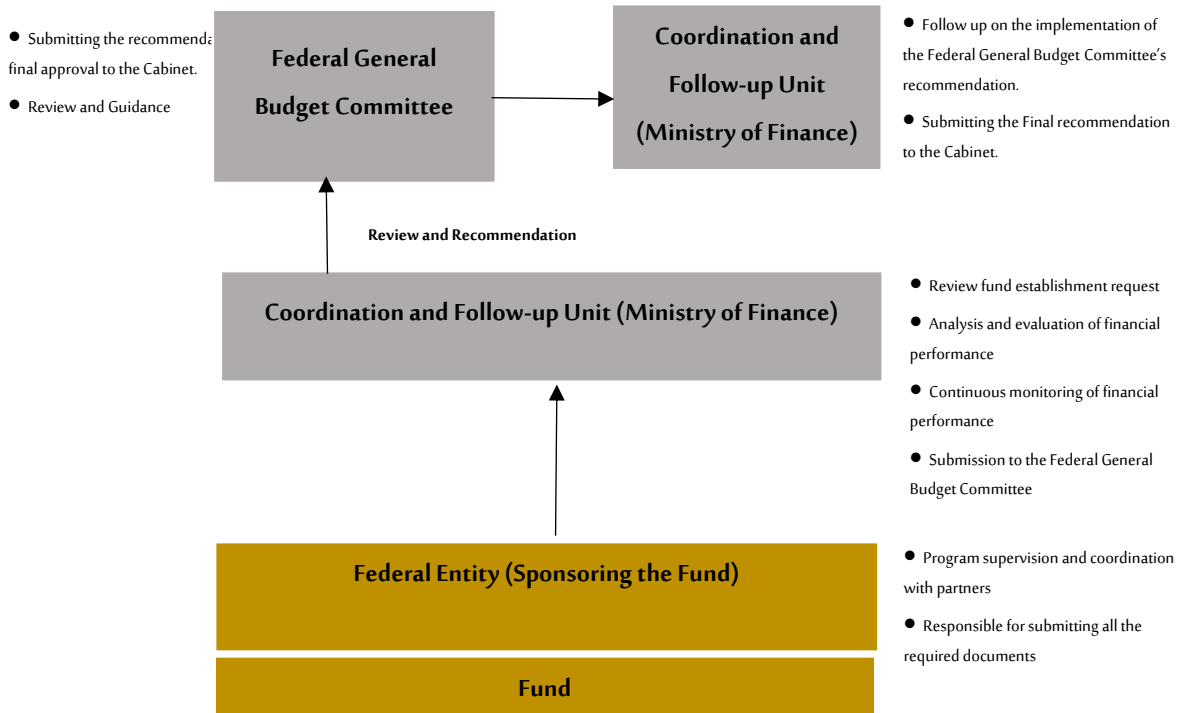
The development of a set of standardized scores for all requests for establishing Private Funds will contribute to enhancing consistency and transparency in the evaluation process, particularly regarding evaluations related to financial sustainability.

Areas of Focus	Description	Score Range (1 to 5)
<b>Financial Sustainability</b>	<ul style="list-style-type: none"><li>▪ Financial Sustainability Plan developed for the Private Fund.</li><li>▪ Operating and Capital Budget Requirements (revenues and expenditures) funding necessary to perform the functions.</li></ul>	

	<ul style="list-style-type: none"> <li>▪ Expected cash flow.</li> </ul>	
<b>Risks</b>	<ul style="list-style-type: none"> <li>▪ The main risks (description and assessment) associated with the Fund.</li> <li>▪ Risk management framework related to the Fund</li> <li>▪ The mechanisms adopted by the Fund to address risks.</li> </ul>	

**Explanation of the scoring mechanism for evaluating the requests for establishing Private Funds:**





- a. Points are allocated for each axis based on the inputs (evidence such as documents or otherwise) submitted by the Federal Entity.
- b. The exact score (on a scale from "1" to "5") shall be determined based on the following:
  - The extent to which the information provided is detailed, its quality, and its importance to the axis being evaluated.
  - Supporting documents (along with best practices and feasibility studies) that provide further evidence.

Score	Description
1	<ul style="list-style-type: none"> <li>▪ No question was answered and/or a very brief answer was provided to the questions asked.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Some questions were answered with a brief explanation without providing supporting data.</li> <li>▪ No supporting documents were submitted.</li> </ul>

3	<ul style="list-style-type: none"> <li>▪ Some questions were answered with a brief explanation and partial data.</li> <li>▪ A limited number of supporting documents were submitted.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ All questions were answered with a complete explanation and supporting data.</li> <li>▪ Strong supporting documents were provided.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ All questions were answered with detailed analysis (relevant) and explanation/justifications/and complete data.</li> <li>▪ Supporting documents covering every aspect of the evaluation criteria were provided, including the external experts' evaluation (if necessary).</li> </ul>

If the Fund fails to achieve a score of 4 or higher the average in each of the axes (as shown above), the Ministry shall communicate with the concerned federal entity to request further details and information so that the re-evaluation process achieves the minimum scores required.

#### 7. Detailed Evaluation Checklist:

The following checklist aims to assist the Ministry in reviewing the Fund in areas and dimensions that fall under the main areas identified below. Such a list is also relevant to the various federal entities requesting the establishment of Private Funds, as it specifies the type of information required and the level of detail needed.

Axes of Focus	Questions Requiring Answers
<b>Details about the Sponsoring Entity of the Private Fund and confirmation of its support</b>	<ul style="list-style-type: none"> <li>▪ Who are the main stakeholders involved with the Fund? Do they provide the necessary support?</li> </ul>
<b>Vision and Main Function</b>	<ul style="list-style-type: none"> <li>▪ What are the vision and strategic and developmental objectives the Fund seeks to achieve in the long term?</li> </ul>

Axes of Focus	Questions Requiring Answers
	<ul style="list-style-type: none"> <li>▪ Is the Fund closely aligned with the general national objectives/priorities?</li> <li>▪ How does the fund achieve a strong economic and social impact on the target group?</li> <li>▪ What is the Fund's scope of work? (Definition of "scope": the relevant target group and the specific financing tools used in carrying out the main function of the Private Fund).</li> </ul>
<b>Fund's Strategy and Operational Model</b>	<ul style="list-style-type: none"> <li>▪ Partners and target group.</li> <li>▪ What helps the Fund and its concerned stakeholders to achieve its objectives?</li> <li>▪ What form will the operational model of the Private Fund take?</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>▪ What is the Fund's internal and external governance structure?</li> <li>▪ What are the Fund's structures responsible for communication, report preparation and submission to the Fund's management?</li> <li>▪ Have the operational controls been defined?</li> </ul>
<b>Infrastructure and capabilities (internal operations) supporting the Private Fund</b>	<ul style="list-style-type: none"> <li>▪ What are the available infrastructure capabilities and capacities to operate and manage the Fund?</li> </ul>
<b>Environmental and social responsibility</b>	<ul style="list-style-type: none"> <li>▪ Does the Fund take into account the environmental, social and strategic costs?</li> </ul>
<b>The Fund and the market's overall landscape</b>	<ul style="list-style-type: none"> <li>▪ Are there other Private Funds with the same main function or scope of work?</li> </ul>