



**Ministry of Finance and
Development Planning**

Handbook:
**The Role of the
Executive in the
Lesotho Budget Cycle**



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1. The role of Cabinet in All Phases of Lesotho's Budget Calendar

1. The Annual Budget Calendar identifies the roles, responsibilities and a timeline for preparing the budget.

- In July Cabinet is required to approve a **Budget Strategy Paper (BSP)** together with Medium-Term Fiscal Framework (MTFF), which provides an update of macroeconomic conditions as well as revenue and expenditure projections for 3-years and it identifies strategic priorities and medium-term objectives.
- In August-September, the Minister responsible for a specific spending unit, together with the Chief Accounting Officer prepare **Budget Framework Papers (BFP)** which includes a three-year budget within the resource ceilings and are guided by the MTFF and BSP. BFPs include plans to make savings as well as proposals of new spending priorities and new policies.
- Spending units and the Ministry of Finance and Development Planning discuss the BFPs in December-January and finalise a BFP which is presented to Cabinet for approval.
- Cabinet analyses, then consents to the BFPs taking Lesotho's short and long term macro-economic conditions into account. Ministers should study the MTFF, BSP and BFPs and have an in-depth understanding of their implications. The Ministry of Finance and Development Planning, other government agencies and cabinet advisors will support Ministers in this regard.
- Minister of Finance and Development Planning prepares and submits, in November, to Cabinet for approval, a Budget Call Circular containing budget calendar, processes, instructions, forms for preparation and submission of detailed budget, Actual of prior year, Revised Estimates of the current year and Budget Estimates for the 3 upcoming years relating to Receipts, Recurrent and Development Expenditure of the Government.

- Once Cabinet has consented to the BFPs, and approved the Call Circular, Spending Units will prepare, in November, the detailed **Budget Estimates, both for revenue, recurrent and development expenditure**, which gives detailed breakdown of estimates by programmes and the are summarised and presented to Cabinet in January for approval.
- The Minister of Finance and Development Planning will read the budget speech that is aimed at updating Parliament and the country on the state of the economy, public finances and on progress on the government's objectives and table the detailed **Budget Estimates, both for revenue, recurrent and development expenditure, before Parliament.**
- Parliament then debates the **Budget Estimates, both for revenue, recurrent and development expenditure**, with the guidance from the Minister of Finance and Development Planning. In addition, Parliament will call Ministers responsible to provide information on the budgets of the spending units.
- Parliament passes the Appropriation Act before the 1st of March which is the start of the new budget year.
- Cabinet and Parliament need to have a close working relationship when the budget is prepared as all legislation, including the Appropriation Act, require Cabinet's consent before they are enacted.
- Once the Appropriation Act has been passed, it cannot be changed unless Parliament approves a **Supplementary Appropriation Act**. This implies that Cabinet Ministers cannot ask a spending unit to incorporate new expenditure items unless they are passed by a Supplementary Appropriation Act.
- The three-year budget must be affordable within the **resource envelope**. The resource envelope is the total amount of money available to government. The resource envelope is broken down into **resource ceilings** which are the upper-most limit of spending allocations of spending units.

2. Considerations When Preparing and Consenting to the Budget

2-When Cabinet prepares and consents to the draft budget, they should consider that budget allocations should:



Not impact negatively on allocations any cluster.



Ensure that National Development Plan objectives can be met.



Cover mandatory fixed costs, such as salaries and rent etc.



Take inflation into account.



Promote efficient service delivery and resolve service delivery challenges.



Promote equity across different population groups, all genders and marginalised communities.



Focus on eradicating poverty; and



Prioritise the needs of women and children

3. A Medium-Term (Three-Year) Budget

- The Medium-Term Fiscal Framework (prepared for Cabinet) provides a medium-term budget framework with **revenue, recurrent and development expenditure estimates for the three-years**.
- Guided by the MTFF, spending units prepare a three-year **Medium-Term Expenditure Framework**.
- Budget ceilings for the first budget year are **hard ceilings** and can only be changed in exceptional circumstances. **Outer year (year two and three)** ceilings are indicative and although they are included in the Estimates of Expenditure, they are not binding allowing for margins of error in macro-economic modelling and budget shocks.

4. Approval of Policy



Cabinet is mandated to approve all government policy, including overall government policy and policies for each Cabinet Cluster (sector).



A policy provides the strategic framework for service delivery and will therefore directly impact on the budget.



Cabinet has an obligation to set policies which can be funded within the resource envelope and do not have negative economic consequences or create a deficit budget and government debt.

5. In-Year Duties of Cabinet Ministries



All government agencies present quarterly financial reports to the Minister of Finance and Development Planning. Cabinet should allocate sufficient time to review these quarterly reports before they are presented to Parliament.



Parliamentary Cluster Committees can call Ministers to account for the expenditure of the spending units in their cluster.

6. Oversight of Annual Financial Statements and Audit Reports

- Cabinet Ministers are mandated to submit an Annual Report to Parliament within four months of the end of a fiscal year (i.e., June).
- Once Parliament has approved the Annual Reports, the Minister of Finance and Development Planning submits the Consolidated Financial Statements to the Auditor General. When the audit is complete (October) the Minister of Finance and Development Planning takes the audited financial statements back to Parliament. Auditor General reports are reviewed by **Parliament's Public Accounts Committee**, which will call Ministers to account for budget compliance and service delivery performance.

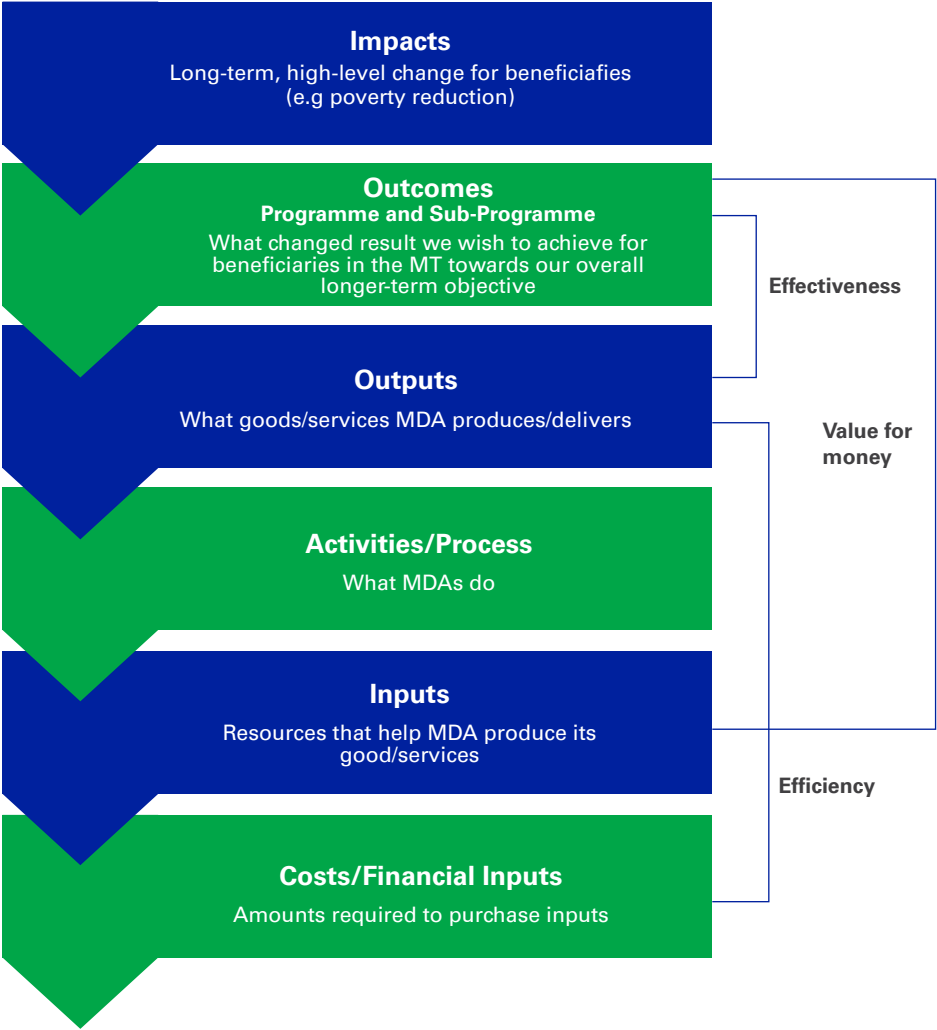
7. Monitoring and Evaluation

3. A Minister who is responsible for an MDA is accountable for the MDA's fulfilment of its mandate and for its performance. The Minister is directly involved in setting policies, development goals (through the NSDP and Budget Strategy Paper) and strategic direction of an MDA. In addition, the Minister is responsible for presenting the MTEF Budget to Parliament as well as reporting to Parliament on the MDAs financial and service delivery performance.

4. The MTEF budget directly links financial allocations to performance standards. During budget preparation the Minister and their Chief Accounting Officer need to work closely together to ensure that performance standards are achievable within the MDA budget ceiling. To measure whether performance standards are met, the MTEF budget includes performance information (PI) which sets achievement targets.

5. The MDA requires a Monitoring and Evaluation (M&E) system to consistently measure its performance. Monitoring requires the collection and compilation of performance data, and this will, primarily, be the responsibility of the Chief Accounting Officer. Evaluation is the analysis of performance data, the recognition of achievements and the planning to overcome challenges, which requires comprehensive engagement and strategic leadership from the Minister, who, therefore, needs in-depth knowledge of the MTEF budget, operational plans and in-year monitoring reports of the MDA.

Diagram 1: The link between social and economic development and the budget



6. Diagram 1 provides a visual depiction of how the budget is the foundation of achieving a better livelihood for citizens of Lesotho through successful achievement of medium-term outcomes (results) embedded in the National Strategic Development Plan and Budget Strategy Papers. Cabinet's role is, primarily at an outcome level focusing on medium- and long-term benefits to citizens.

7. Ministers responsible for MDAs can only fulfil their role if they are intimately involved in the drafting of the MTEF budget, the setting of performance standards and the monitoring and evaluation of the MDAs achievement and challenges.

8. The MDA Chief Accounting Officer is mandated to ensure that goods and services are provided to citizens through conducting activities. Inputs (including human resources) need to be purchased to carry out these activities and the cost of these become a medium-term budget.

9. The MTEF Guidelines and MTEF Handbook for MDA Managers (prepared by the Ministry of Finance and Development Planning) provide a detailed explanation of how realistic and achievable performance information is set and how monitoring and evaluation is carried out. The Minister is advised to acquaint themselves with these guidelines so that they can play a hands-on leadership role in drafting the MTEF budget and assisting the Accounting Officer in setting performance standards.



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