Ministry of Finance and Development Planning

Handbook:

The Role of the Parliament in the Lesotho Budget Cycle

The Role of the Parliament in the Lesotho Budget Cycle Handbook has been produced with the financial support of the Sustainable Development Goals Fund and the technical support of UNICEF.

JOINT SDG FUND

unicef for every child

Table of Contents

1. Lesotho's Medium-Term Expenditure Framework (MTEF) Budget

1. Lesotho prepares their budget using a Medium-Term Expenditure Framework (MTEF).

2. An MTEF extends beyond an annual, single year budget and has revenue and expenditure estimates for three-years.

3. The three-year MTEF 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.

4. The first budget year has hard ceilings which can only be changed in exceptional circumstances by Parliament passing a Supplementary Appropriation Act.

5. Budget ceilings for year two and three (outer years) are indicative and are not binding allowing for margins of error in macro-economic modelling and budget shocks.

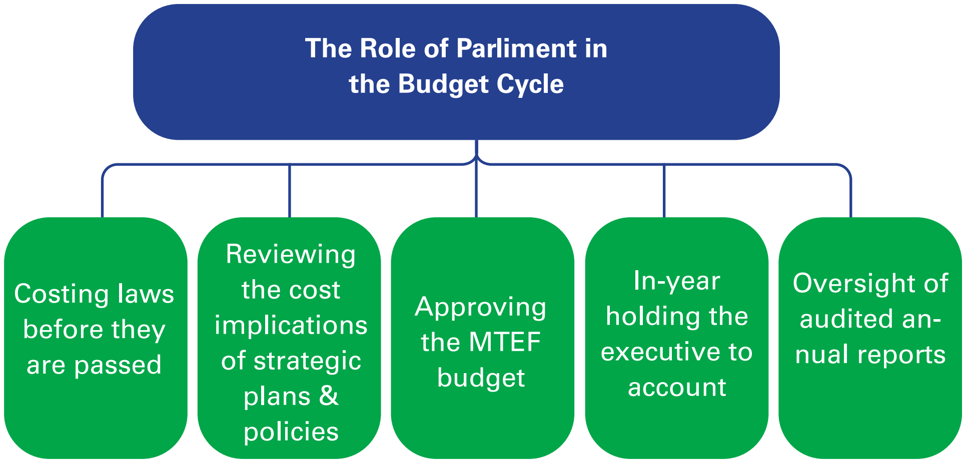
2. PARLIAMENT'S ROLE IN THE BUDGET CYCLE

6. Parliament's role in the budget is not limited to passing the Appropriation Act in March.

7. When Parliament passes laws and approves strategies and policies, they should be aware of the cost implications. Parliament has an obligation to only approve laws, policies and strategies which can be funded within the resource envelope, do not have negative economic consequences or create a deficit budget and government debt.

8. During budget implementation Parliament plays an oversight role to ensure that there is compliance with the approved budget allocations.

Diagram 1: Summary Of Parliament's Role In The Budget Cycle



3. PARLIAMENT'S RESPONSIBILITIES IN BUDGET PREPARATION

9. The Budget Calendar identifies the roles, responsibilities and a timeline for preparing the budget. The process is a consultative exercise with all key role-players cooperating to ensure that public funds are used efficiently and effectively in the provisions of services to all of Lesotho's citizens.

Table 1: Annual Budget Calender

June	July	August	September	November	January	February	March
MOFDP reviews MTEF and hold public participation consultations.	MOFDP prepares the Budget Strategy Paper (BSP) for Cabinet	Spending agencies prepare Budget Framework Papers (BFP)	MODP and spending agencies discuss and analyse BFPs which are then approved by Cabinet	MOFDP-prepares Budget Call Circular for approval by cabinet and issuance by MOFDP	MOF prepares Estimates of Expenditure. Cabinet consents and MOFDP presents to Parliament.	Parliament debates and approves the Estimates.	Parliament passes the Appropriation Act.

4. BUDGET PREPARATION STAGES

10. In July each year Cabinet launches the process of budget preparation by **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.

11. In August-September, the Minister responsible for a specific spending units, 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.

12. Spending units and the Ministry of Finance and Development Planning discuss the BFPs in December-January and finalise an aggregated BFP which is presented to Cabinet.

13. 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.

14. 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.

15. 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 they are summarised and presented to Cabinet in January for approval.

16. 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.

17. 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.

18. Parliament passes the Appropriation Act before the 1st of March which is the start of the new budget year.

19. 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.

20. 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.

21. 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.

5. COSTING LAWS AND POLICIES BEFORE THEY ARE PASSED

22. It is the responsibility of the executive (the Cabinet) to prepare bills and present them to Parliament to review and pass into law. The Portfolio Committee under which the bill falls reviews the bill and make recommendations to the House. When reviewing a bill, Parliament should ensure that:-

- It is compliant with the Constitution of Lesotho and does not impact on other laws.
- It promotes the rights of all citizens of Lesotho and does not favour any group or discriminate against any citizen.
- The cost implications of the bill are affordable over its lifespan.

23. As an MP you are not expected to calculate the cost of legislation. However, you cannot pass any legislation until you know what its cost implications are. You have the right to ask the responsible Minister to present supporting documents explaining the immediate and long-term costs of the bill including an explanation of how they propose to meet the costs. You should not pass legislation that has not been costed as the unintended consequences of this can result in financial obligations that are unaffordable.

24. Members of Parliament are the representative of all citizens on Lesotho and have an obligation to delay the passing of legislation until they are confident that its implementation will not lead to additional costs and have a negative economic impact.

25. When a totally unpredicted emergency order is required, (such as regulations for COVID-19) Parliament should still ask questions to the Minister. Although the impact of COVID-19 was largely unpredictable, costing and economic implications still need to be questioned.

6. REVIEWING THE COST IMPLICATIONS OF ALL STRATEGIC PLANS AND POLICIES

26. As representatives of the people of Lesotho, Parliament should review all policies, national development plans, sector and ministry plans. The 'workload' should be shared between appropriate Portfolio Committees.

27. Parliament can carry this out by, firstly, reviewing the national priorities in the **Budget Strategy Paper (BSP)** prepared by the Minister of Financ and Development Planning, then reviewing the Budget Framework Papers (BFPs) prepared by spending agencies. This is an essential aspect of Parliament's duty, and Parliament can request the responsible Minister to submit a summarised BFP to the appropriate portfolio committee.

7.APPROVING THE MTEF BUDGET

28. The Appropriation Bill presented in February to Parliament for approval has budget ceilings for three years. Parliament will pass the 1st year ceilings, which are binding as they are enacted into law through the Appropriation Act. The 2nd and 3rd year (outer-year) ceilings are not enacted and are not legally binding. However, by passing the Appropriation Act, Parliament is acknowledging the outer-year ceilings as an indication of the limits of expenditure for those years.

29. When reviewing the budget, Parliament's initial focus should be on the spending units which receive the largest budget shares. For example:

- The 2022/2023 Budget Projections allocate 76 percent of the budget to ten spending heads.
- Education and Public Debt each receive a 14 percent share of the budget, Health 13 percent and Pensions and Gratuities 10 percent.

- The combined budget for the police and army amounts to a 7 percent budget share, with social development, development planning and finance receiving 7 percent, 6 percent, and 5 percent respectively.

- The budgets of the remaining spending units, which comprise 24 percent of the budget, require scrutiny and the workload is shared between Portfolio Committees.

Table 2: Key Questions To Ask The Minister of Finance and Development Planning When Reviewing The Budget?

Questions to ask Minister of Finance and Development Planning	Follow up questions
Is overall expenditure higher than revenue?	Can expenditure not be reduced? If there is a deficit, how will it be financed?
Are there large increases or decreases in allocations specific spending units?	What has caused the change? How does the increased allocation to one spending unit impact on others'?
How does the inflation rate (CPI) affect the growth in all allocations?	If the growth in budget allocations are lower than inflation, can spending units still fulfil their mandate?
Are expenditure shifts in line with national priorities?	Have the sectoral NDSP targets, as presented in the BSP, been met in previous years?

Table 3: Key Questions To Ask The Accounting Officers When Reviewing A Spending Unit's Budget

Key questions to ask Accounting Officers
Does the allocation to the spending unit cover their mandate and strategic policies?
Will the spending unit be able to maintain or increase their service delivery after inflation is factored into their budget?
Has there been a shift in allocations from lower to higher priority programmes?

8. IN-YEAR DUTIES OF THE PARLIAMENT

30. All government agencies present quarterly financial reports to the Minister of Finance and Development Planning. Parliament may not have sufficient time to review these quarterly reports, and it is suggested that they request the Minister of Finance and Development Planning to provide mid-year (1st two quarters) summary report including all the actual head revenue and expenditure compared to the approved budget for each.

31. During the course of the year the Minister of Finance and Development Planning may present a Supplementary Appropriation Bill to Parliament, who should review this with the same rigour as you do for the Annual Appropriation Act.

9. OVERSIGHT OF ANNUAL FINANCIAL AND AUDIT REPORTS

32. Ministers responsible for spending agencies within will submit an Annual Report to Parliament within 4 months of the end of a fiscal year. (June). Once Parliament has approved the Annual Reports (by July) 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 brings the audited financial statements back to Parliament at which time they will be reviewed by the Public Accounts Committee which will report back to the full House.

10. Monitoring and Evaluating the Executive's Responsibility to Deliver Services

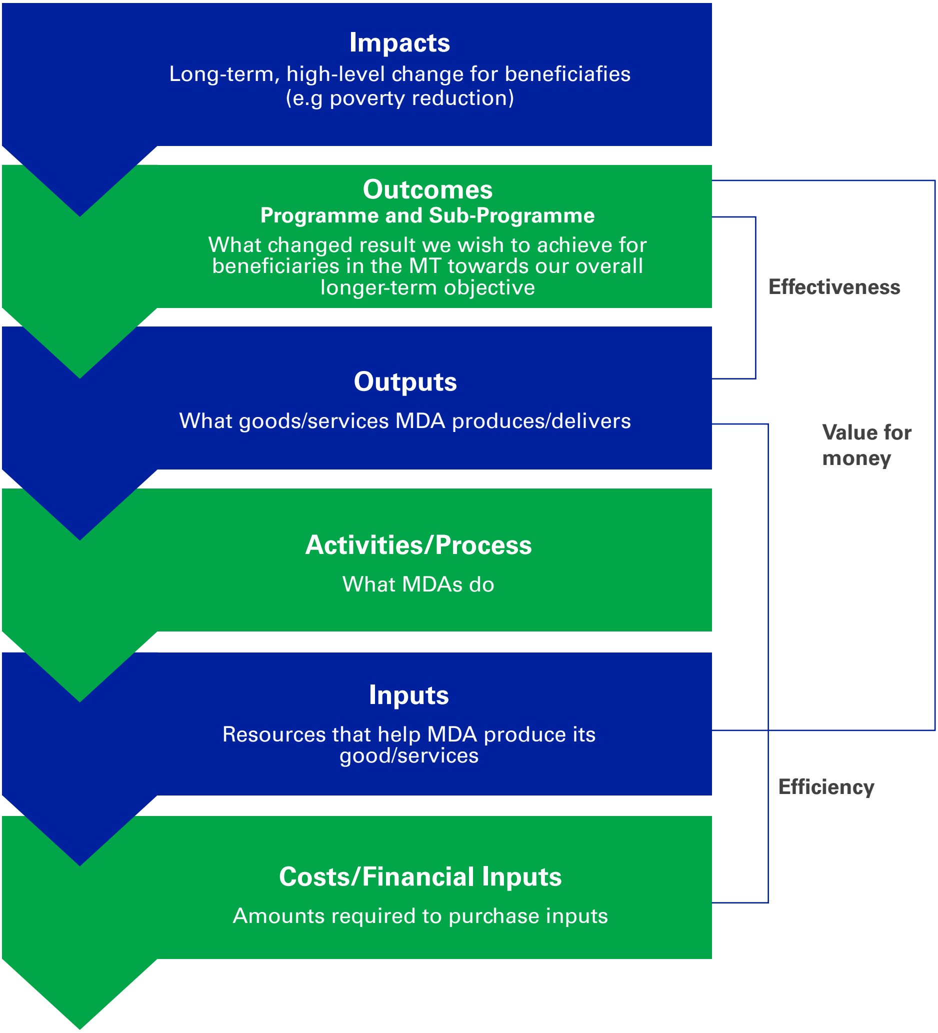
33. Parliament is Lesotho's supreme monitoring and evaluation institution as it is tasked with holding the Executive to account for their service delivery on behalf of the citizens of the country. The MTEF Budget correlates budget allocations directly with delivery performance. When Parliament passes the Budget, they acknowledge and approve the performance information (PI)

34. Executive accountability is managed through Parliament's sector portfolio committees and the Public Accounts Committee who report back to the full house of Parliament. Parliament has the Constitutional authority to call Ministers and their appointed Accounting Officers to appear before them.

35. The primary vehicle for parliamentary monitoring and evaluation (more commonly referred to as oversight) is through the quarterly, annual and Auditor-General reports submitted to Parliament. These reports include financial and service delivery

36. Diagram 2 provides a visual depiction of how a budget is the basis for the provision of goods and services through an MDA conducting activities. Inputs (including human resources) need to be purchased to carry out these activities and the cost of these become the medium-term budget. The MTEF budget is a commitment to the citizens of Lesotho to positively impact on socio-economic conditions by successfully achieving the medium-term outcomes (results) which are embedded in the National Strategic Development Plan.

Diagram 2: The link between social and economic development and the budget



37. The key success factor toward fulfilling Parliament's monitoring and evaluation (oversight) responsibility lies in Members diligently scrutinising budgets and reports, conducting their own research, and carefully planning the questions they will ask during a hearing.

38. Questions should be based on the KISS principle (keep it short and simple). Different committee members can research and prepare questions on a particular focus area. Leading questions are effective as they generally lead to gaining the information you need, as the question anticipates the possible answer. An example of a leading question is, "Is it not correct that you did not achieve your performance target? "

39. The questions asked by parliamentarians should focus on major issues at a strategic objective level and Members should not get bogged down by minutia, nit-picking and political game-playing. Table 2 and 3 in Section 7 provide Members with a few basic questions when reviewing a budget submission. These questions apply to the review of financial statements. Table 4 provides a few generic questions when conducting a review of performance.

Table 4: Key Questions To Ask When Reviewing Performance Reports

Focus Area	Examples of questions when targets are not reached.
Strategic Objectives	Am I correct in understanding that you did not reach your targets for expanding the number of beneficiaries benefiting from your service? Is this because your target is unrealistic? Which strategic outcome has the highest priority rating? Am I right that you only achieved x% of this high priority target? How do you plan to mitigate your service delivery challenges to achieve your objectives?
Outputs	It appears that you did not increase the level of your services. Is this due to internal management issues? It seems that your operational plans did not take risks and assumptions into account. What action can you take to mitigate the challenges impacting on your service levels?

Ministry of Finance and Development Planning
Finance House
Government Complex
Kingsway Road