

FINANCE EXTERNAL CIRCULAR NOTICE NO 11 OF 2017

Ministry of Finance
P.O. Box 395
Maseru 100

15 November, 2017

FIN/EXPDT/S.1 (2017/18)

TO: ALL PRINCIPAL SECRETARIES
ALL HEADS OF DEPARTMENTS
CLERK TO THE SENATE
CLERK TO THE NATIONAL ASSEMBLY
SENIOR PRIVATE SECRETARY TO HIS MAJESTY
AUDITOR GENERAL
OMBUDSMAN
INDEPENDENT ELECTORAL COMMISSION
SECRETARY TO THE PUBLIC SERVICE COMMISSION
DCEO

COPY: JUDICIARY SERVICES
GOVERNMENT SECRETARY
ATTORNEY GENERAL
SENIOR PRIVATE SECRETARY TO THE PRIME MINISTER
SECRETARY TO THE TEACHING SERVICE COMMISSION
NATIONAL AIDS COMMISSION
DISTRICT COUNCIL SECRETARIES

Signed: 

DRAFT CALL CIRCULAR 2018/2019 - 2020/2021 BUDGET ESTIMATES

PART I

- 1.1 The Ministry of Finance as mandated by section 112(1) of the Constitution has commenced budget process preparation for the Financial Years 2018/19-2020/21. In this regard, Chief Accounting Officers are requested to submit to the Ministry of Finance estimates of revenue and expenditure for the Financial Year 2018/2019 and projections of revenue and expenditure for 2018/2019 and 2020/2021 in accordance with the ceilings in Appendices 1 and 2. The estimates must be submitted to the office of the Budget Controller by 11th December, 2017. The full calendar is covered in paragraph 1.3.
- 1.2 Ministries are urged to strictly adhere to the given budget ceilings for both Recurrent and Capital expenditure estimates. (See Appendices 1 and 2 respectively).
- 1.3 It is important that the deadlines for submissions and budget discussions are observed to enable delivery of the budget to Cabinet and Parliament on schedule as proposed below.

Proposed 2018/19 Budget Timetable

Budget Estimates Call Circular	15 th November, 2017
Submission of Budget Estimates (Revenue & Expenditure)	11 th December, 2017
Budget Discussion with Line Ministries	18 th December, 2017
Presentation of Budget Estimates to Cabinet Budget Committee	22 nd January, 2018
Presentation of Budget Estimates to Cabinet	06 th February, 2018
Presentation of Budget Estimates to Parliament	21 th February, 2018

1.4 Part I above deals with the budget calendar which must be adhered to. Part II deals with the Government goals and objectives for 2018/19 and Medium Term Fiscal Framework, 2015/16 – 2020/21. Part III provides the guidelines for Budget Estimates for 2018/19 – 2020/21. Part IV deals with the need to prepare Procurement and Implementation/Cash Flow Plans which will be used as basis of Release of Funds. Part V covers the IFMIS Budget Module and Budget Entry Process. Part VI deals with the content of Budget Submissions. Part VII deals with the Budget Speech.

PART II

2. THE NATIONAL GROWTH AND DEVELOPMENT POLICY GOALS AND THE MACROECONOMIC FRAMEWORK FOR 2018/19 TO 2020/21

2.1 STRATEGIC PRIORITIES FOR 2018/2019 BUDGET

2.1.1 KEY POLICY TARGETS

It is proposed that in developing the government's budgetary plans for 2018/19 to 2020/21 the focus should be on economic growth and job creation. The budget priorities for 2018/19 to 2020/21 will be derived from the Vision 2020, Coalition Agreement and NSDP II focal areas as:

- Increasing economic growth towards a sustainable level of between 5 and 7 percent per annum.
- Create at least 5 000 jobs per year on average focusing on women and youth employment.
- Reduce malnutrition, especially for under 5 and food insecurity by 50%
- Reducing incidence of HIV and increase coverage for anti-retroviral treatment (ART) to 80 per cent
- Enhance democratic governance and political stability

2.1.2 PUBLIC SECTOR EXPENDITURE STRATEGY

The Public-Sector Expenditure Strategy specifies interventions that will be implemented to achieve the above-mentioned policy targets. The major medium to long term priority for the government is developing and empowering the private sector as a necessary instrument for job creation. This will involve expansion and diversification of the economic base and increase productivity in key growth sectors and job creation sectors.

The NSDP II identifies agriculture, manufacturing, tourism and creative arts, and technology as the strategic sectors for job creation for the period 2018/19 to 2023/24. These sectors have potential to create jobs, but currently they have critical constraints that limit their potential. Therefore, the Public-Sector Expenditure Strategy will attempt to unleash the growth and development potential of these strategic sectors, by undertaking strategic interventions to resolve those constraints that have been identified as most binding for businesses growth and expansion.

2.1.3 BUDGET PRIORITIES FOR 2018/19 – 2020/21

The Budget Priorities are:

- Promoting inclusive, job-rich and private sector led economic growth
- Improving the country's productivity and innovation capacity by strengthening human capital through investments in health and skills development,
- Promotion of peace, democratic governance and accountability systems.

Strategic Goal: Promoting inclusive, job-rich and private sector led economic growth

The major medium to long term challenge for government is developing and empowering the private sector as a necessary instrument for high and sustainable growth and job creation. This will involve expansion and diversification of the economic base and increased productivity in key growth sectors and in the green economy.

To achieve this objective, the government will have to address both the supply-side and demand challenges that constrain private sector growth. NSDP II process has identified commercial agriculture, manufacturing, tourism and creative industries and technology as the strategic sectors that can be prioritised for growth and job creation for the period 2018/19 to 2023/24.

However, these sectors are currently not growing as expected and to unlock potential of these identified sectors, the Government undertakes to implement a two-pronged strategy of: attracting private investment (both domestic and foreign investment) into these sectors; and resolving the constraints that hinder the growth and development of these sectors.

Strategic Objective 1: Create an Enabling Investment Climate and supportive Regulatory Framework:

- Accelerate Investment climate reforms and related legislation (residence and work permits, access to land, electricity, customs clearance)
- Maintain macro-economic stability
- Improve access to finance through the development of capital markets and other innovative products for SMMEs
- Reform Land Tenure System focusing mostly in rural areas: review the current land policies and legislation to ease access to land, especially to support commercial agriculture, private investment in industrial infrastructure and tourism establishments.
- Implement key reforms for promoting democracy and political stability

Strategic Objective 2: Increase agricultural productivity by commercialization, diversification and climate proofing agriculture.

Key Strategic Actions:

- Scale up commercial **fruit and vegetable** production by 100 ha per year
- Promote private investment in developing integrated value-chains of existing agriculture sub-industries (vegetables, fruits, potato, poultry, piggery, mushrooms, wool and mohair and others).
- Facilitate the development of water harvesting, irrigation and climate smart (green houses and hydro-phonics) agricultural infrastructure
- Introduce and/or Modernise short and long-term agricultural programs offered by the local training institutions
- Strengthen the research capacity focusing on high value agricultural products through collaboration with regional and international research centres
- Develop infrastructure for national quality assurance and quality control (authority).
- Facilitate the development of agriculture marketing intelligence and infrastructure

Strategic Objective 3: Diversify the manufacturing base

Key Strategic Actions

- Develop a strategy and programme to increase private sector participation in the development of industrial infrastructure
- Promote investment and trade promotion in selected countries, including the United States, to take advantage of the remaining trade preferences and diversify markets
- Support at least two Basotho firms per year through incubation/productivity centres to create capacity to enter textiles manufacturing value chain and to develop acro-industries

Strategic Objective 4: Increase volumes and length of stay of tourists as well as ensuring community participation in the sector.

Key Strategic Actions:

- Attract private operators to manage the developed tourism facilities through partnerships.

- Conduct a feasibility study for an additional ski resort on the Highlands Ski route and attract private investment to manage the ski resort, with a deliberate strategy to promote a partnership or joint-venture with the domestic private sector.
- Develop and implement a Lesotho tourism brand and management strategy Facilitate the establishment of at least one community based project per year
- Promote inter-institutional coordination in the tourism sector.

Strategic Objective 5: Technology and Creative Industries.

Research suggests that the highest growth within the creative industry is in technology-centred industries such as software programming and video games, modest in music and film. While animation and game development are gaining traction in some African countries, there is ample scope and opportunity to develop this further.

Key Strategic Actions:

- Enhance curriculum for digital- entrepreneurship skills
- Develop and implement a programme to develop creative arts based on the comparative advantage.
- Explore the possibilities of establishing call centres and remote data back-up centres (cold climate)
- Establish a technology research centre in Lesotho to promote research and innovation. In establishing the research centre, the government will need to collaborate with the academic institutions and the private sector.
- Create a model digital businesses accelerator/technology hub for youth.

Key Strategic Actions:

- Facilitate the provision of basic infrastructure to improve connectivity through roads, ICT, and to selected industrial, commercial agricultural areas and tourism sites
- Protect sources of water and develop multi-purpose dams to provide water for irrigation, clean electricity generation, potential export opportunities and sports
- Develop innovative solutions to improve accessibility of ICT infrastructure for e-commerce, e-education, e-health and e-government and others
- Strengthen the institutional infrastructure and coordination for investment and trade promotion

Strategic Goal 2: Improving the country's productivity and innovation capacity by strengthening human capital through investments in health and education and training.

Key Strategic Actions:

- Improve quality of basic health services and referral system
- Improve adolescent health and programmes to reduce maternal mortality
- Reduce drug stock outs
- Review the primary and secondary school curriculum and delivery methods to integrate entrepreneurial, problem solving and critical thinking skills.
- Adopt strategies to improve enrolment rates in secondary education and address gender equality
- Strengthen TVET institutions;
- Strengthen the country's capacity to anticipate and match labour market and skills need through:

Strategic Goal 3: Promote Peace, Strengthen democratic governance and accountability systems.

Key Strategic Actions:

- Depoliticise the Public Service
- Fight corruption
- Undertake security reforms
- Improve Public Sector Efficiency and effectiveness

- Deepen decentralisation
- Promote independence of the Legislature, Oversight Bodies and Institutions
- Strengthen media to play an effective role in promoting democracy
- Enhance Policy, Planning, Statistical Capacity and Monitoring and Evaluation
- Strengthen public financial management
- Strengthen the revenue collection and mobilisation capacity

Cross – cutting issues:

- Climate Change and Resilience Building
- Increased gender equality
- Increased participation of people with disability
- Protection of the rights of children and vulnerable groups

2.2 Review of Macroeconomic Trends for the Years 2015/16 to 2020/21 and Forecast through the Medium-Term

Lesotho economy is expected to gather momentum with moderate growth anticipated in 2017/18 and over the medium term. However, with the primary risk to total revenue forecast, due to weaker than expected SACU revenue shares for 2018/19 and 2019/20, it is likely that the Government will not succeed in bringing the deficit to below 3 percent of GDP in 2018/19 – 2019/20 and exit the excessive deficit procedures experienced during the past fiscal year (2016/17) which had a knock-on effect on 2017/18.

2.2.1 Macroeconomic Context For 2018/19 – 2020/21 Budget

Preliminary National Accounts estimates indicate that economic activity contracted by 2.9 percent in 2016/17. The data for 2016/17 indicate that contraction in the economy commenced after the severe drought and the collapse of the domestic agricultural productivity in 2015/16. A notable aspect of the recovery in the economy in 2016/17 was the expansion in primary industries' output (15.3%) and moderate growth in secondary industries (5.6%). However tertiary industries (0.3%) have maintained steady growth over time.

Looking ahead, real GDP is expected to record a growth of 3.6 percent in 2017/18 due to among others, improved production base in the mining sector boosted by higher production in Lets'eng mine coupled with probable production activities of a new diamond mine (formerly known as Lqhobong) which is expected to commence production in 2017. Strong growth in the manufacturing sector (esp. Textiles), construction sector (the possible commencement of construction activities related to the Lesotho Highlands Water Project (LHWP II)), transport and telecommunications, financial intermediation, recovery in the wholesale and retail trade and repairs sector, an improvement in agricultural production, low inflation, will contribute positively to growth.

Over the medium term (2019/20 – 2020/21), real growth is expected to average 4.1 percent, with LHWP II as the main vehicle for growth.

2.2.2 Inflation

Annual inflation is projected to be around 5 percent over the medium term—in line with South Africa's inflation projections. Presently, inflation is moderate and is estimated to average 5 percent by the end of 2017/18. However, exchange rate depreciation could add to inflation pressures in the medium term.

2.2.3 Macroeconomic Policy

The projected outturn to the end of 2017/18 reflects that total tax revenue will fall short of the budget by around M1045.7 million. However, in 2018/19 fiscal year, domestic tax and non-tax revenue are projected to improve by a sum of M1441.0 million compared to the current year.

This increase already includes new policy measures such as; imposition of levy on alcohol and tobacco at a rate of 20:30, oil levy hikes (from 66cents to M2) as well as normalisation of VAT rates for electricity and Telecommunication. On the other hand, SACU revenue shares projections have been revised downwards (*from M5623.0 million to M5538.1 million*) after South African midyear budget review reflected weaker than anticipated external trade figures.

Taking into account the new policy undertakings, the government fiscal deficit will shrink to 4.4 percent of GDP in 2018/19 and average 4.6 percent of GDP over the projection period. Government's short-term options to reverse this situation are limited. Given that SACU Revenue Shares are falling, the economic impact of expenditure cuts (especially capital expenditure) or tax hikes could be counter-productive.

2.2.4 Revenue Performance and Outlook

Total Revenue is influenced to a larger extent by SACU revenue receipts which have been contributing around 43 percent of total revenue for the past decade. However, the contribution of SACU revenue shares to total revenue is deteriorating to 35% in 2018/19 due to unstable global economic environment especially development in the South African economy. The medium term is also projected to remain sluggish.

2.2.5 Tax Revenue

Over the past years, despite a moderate rate of economic growth, tax revenue continued to grow at a slower rate than nominal GDP. This on its own reflects poor management of tax revenue collection and continued decline in voluntary compliance by tax payers. Despite growth of nominal GDP over the past year, tax revenue growth has failed to exceed the set targets on several tax components.

Table 1: Medium Term Fiscal Framework - Revenue

		2016/17	2017/18	2018/19	2019/20	2020/21
<i>IN MILLION MALOTI UNLESS OTHERWISE INDICATED</i>		Act.	Est.	Proj.	Proj.	Proj.
REVENUE TOTAL		14,051.2	14,989.1	15,849.9	15,920.8	16,397.1
Tax Revenue		7,008.6	6,690.4	7,863.7	8,344.6	8,113.6
<i>o/w</i>	Personal Income Tax	1944.1	1994.9	1986.6	2094.7	2106.1
	VAT	2,254.0	2,322.2	2,630.5	2,658.9	2,701.8
	CIT	985.9	798.2	1,074.6	1,184.7	1,298.1
<i>Grants</i>		866.5	793.4	829.1	857.8	895.6
	Other Revenue	1657.2	1351.2	1618.9	1759.6	1935.2
	Property income (e.g Dividends)	601.6	275.1	411.4	438.4	446.4
	Sales of goods/services (Electricity and Water Royalties)	1,040.9	1,063.4	1,194.5	1,307.8	1,475.4
	SACU Revenue	4,519.0	6,154.1	5,538.1	5,006.2	5,560.9
	Expense	13,413.4	14,254.4	14,194.0	14,925.5	14,345.9
	Nominal GDP	34,437.2	37,879.5	41,241.2	44,492.3	43,164.1
Real GDP Growth		2.9	3.6	2.0	2.5	2.2
Inflation		6.5	4.4	4.5	3.5	3.6

2.3 Expenditure

2.3.1 Trends in Recurrent Expenditure

The total recurrent expenditure is estimated to record M12,898.1 million in 2018/19 against M12,901 million in 2017/18. This will continue to be driven by compensation of employees and use of goods and services.

2.3.2 Trends in Capital Expenditure

Lesotho's capital projects are funded by the government and development partners' resources (loans and grants). Capital budget allocation including loans and grants has been increasing on average by M4, 838.0 million between 2016/17 and 2017/18. In 2018/19, capital expenditure, including grants and loans, is expected to register a total sum on M4,875.0 million. During the same year, government funded capital expenditure is estimated at M3, 146.0 million. In 2019/20 through the medium term, government is committed to increasing capital spending relative to recurrent spending.

2.4 Fiscal Balance Position

Lesotho's fiscal position remained weak in 2016/17, registering overall fiscal deficit of 7.9 percent of GDP. Fiscal balance is expected to register a deficit of 6.9 percent of GDP in 2017/18 due to stronger than anticipated SACU revenue (M6154 million). Official gross international reserves are expected to decline to below 5 months of import cover in 2017/18.

In 2018/19, fiscal deficit is anticipated to improve to around 4.4 percent of GDP due to proposed revenue measures anticipated in 2018/19. These include among others, 20:30 percent levy on alcohol and tobacco. However, SACU revenue is projected to decline to around M5, 538.1 million, due to a negative adjustment expected to be paid in 2018/19.

2.5 Fiscal Strategy

The fiscal strategy over the next three years will thus aim at maintaining long-term macro-fiscal stability and debt sustainability and provide a sufficient fiscal and/or foreign reserve buffer against domestic and external shocks and imbalances. Prudent fiscal management will also help to sustain confidence of investors and development cooperating partners and help to secure financing for investment by the private sector and for infrastructure projects.

This objective will be achieved through a reduced dependence on volatile and pro-cyclical SACU receipts by moving to a situation where current expenditures can be covered by tax and non-tax revenues, with SACU revenues and donor funding being used to finance infrastructure and other capital expenditures and maintain sufficient reserves for financing forward capital spending commitments.

Key measures to achieve this outcome include:

- Maintaining adequate reserves to provide 5 months of import cover as a buffer for ameliorating fiscal shocks and imbalances.
- Reducing the very high and unsustainable level of recurrent spending. This will require tighter control over recurrent expenditure budgets linked to measures to ensure that existing resources are utilised more effectively and efficiently as well as targeting no real increases in some recurrent spending over the next three years.
- Improving mobilization of domestic non-tax revenue. This will require identification and assessment of new revenue sources and adjustment of selected fees, penalties and charges that have not been increased for several years as well as increase the total domestic non-tax revenue by inflation each year.
- Mobilising additional resources, especially grants to finance public investments and crowding-in private investment.

Table 2

FISCAL FRAMEWORK						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue	15 299.9	14 051.2	14 989.1	15 435.3	15 669.3	16 545.3
1. Tax revenue	6 578.1	7 008.6	6 690.4	7 449.2	8 045.7	8 153.6
3. Grants	966.1	866.5	793.4	829.1	857.8	895.6
4. Other revenue	1 357.1	1 657.2	1 351.2	1 618.9	1 759.6	1 935.2
5. SACU	6 398.6	4 519.0	6 154.1	5 538.1	5 006.2	5 560.9
Expense	-11 088.6	-12 243.1	-12 865.4	-12 870.2	-13 552.7	-12 914.1
1. Compensation of Employees	-5 400.4	-5 802.2	-6 201.6	-6 318.2	-6 797.1	-7 198.3
2. Use of goods and services	-2 829.1	-3 421.8	-3 316.1	-3 316.1	-3 427.2	-3 546.9
4. Interest Payments	-274.1	-254.6	-342.8	-397.1	-416.6	-366.4
5. Subsidies	-250.7	-415.1	-309.7	-309.7	-309.7	-309.7
6. Grants	-764.4	-921.0	-953.2	-745.3	-771.0	-798.8
7. Social benefits	-883.3	-884.1	-1 045.1	-1 090.9	-1 136.0	0.0
8. Other expense	-686.6	-544.2	-696.9	-692.9	-695.0	-693.9
Analytical Measures	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Fiscal Deficit/Surplus (GoL)	-416.9	-2 731.7	-2 534.0	-2 149.0	-2 744.7	-1 392.5
Primary operating balance	3 543.4	708.0	1 077.6	1 638.3	1 160.4	2 565.8
Gross saving	2 986.0	445.6	820.0	1 079.0	593.4	2 067.4
Gross investment	-3 685.2	-3 368.7	-3 268.8	-3 388.5	-3 486.9	-3 591.6
Debt	14 905.9	14 013.0	14 523.9	14 624.1	12 298.6	4 228.1
As a per cent of GDP:						
Fiscal Deficit/Surplus (GoL)	-1.3%	-7.9%	-6.9%	-5.5%	-6.5%	-3.5%
Tax revenues	20.2%	20.4%	18.2%	18.9%	19.1%	20.4%
SACU	19.7%	13.1%	16.7%	14.1%	11.9%	13.9%
Revenues	47.1%	40.8%	40.7%	39.3%	37.3%	41.4%
Expense	-37.0%	-39.0%	-38.7%	-36.1%	-35.5%	-35.9%
Government total expenditures	-48.4%	-48.7%	-47.6%	-44.7%	-43.8%	-44.8%
Savings	9.2%	1.3%	2.2%	2.7%	1.4%	5.2%
Gross investment	-11.3%	-9.8%	-8.9%	-8.6%	-8.3%	-9.0%
Debt	45.9%	40.7%	39.4%	37.2%	29.3%	10.6%
Capital Budget	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total Capital Budget By Source	4 697.6	4 657.1	5 018.9	4 875.0	4 832.5	4 996.2
1. Government of Lesotho	2 989.7	3 043.5	3 112.8	3 146.0	3 263.8	3 396.6
<i>o/w Road Fund Subvention</i>	<i>161.6</i>	<i>161.9</i>	<i>439.3</i>	<i>188.9</i>		
2. Donor Loan	594.7	590.1	673.4	711.0	711.0	711.0
2.1. Non-Metolong	594.7	590.1	673.4	711.0	711.0	711.0
2.2. Metolong	0.0	0.0	0.0	0.0	0.0	0.0
3. Donor Grants	951.6	861.5	793.4	829.1	857.8	888.6
3.1. MCC	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Non-MCC	951.6	861.5	793.4	829.1	857.8	888.6
Other Financing	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Net Worth and its Changes	903.3	2 708.4	2 533.5	2 149.0	2 744.7	1 392.5
2. Financial assets	599.7	2 471.5	2 331.2	1 142.5	1 951.3	1 029.9
3. Liabilities	303.6	236.9	202.3	1 006.5	793.4	362.6

PART III

3. GUIDELINES FOR BUDGET ESTIMATES FOR 2018/19– 2020/21

The 2018/19-2020/21 budget estimates will be prepared using the chart of accounts as per attached Appendix 4. The 2018/19-2020/21 budget estimates will continue to be entered into the IFMIS Active Planner. The MTEF budget forms and guidelines will continue to be used to facilitate proper costing and budget justification.

3.1 Revenue Estimates

All revenue collecting agencies must ensure that they submit realistic and achievable revenue estimates. Extra efforts to collect and close loopholes in the collection systems and book-in revenues in the IFMIS are required. Ministries should identify specific actions which will be implemented to improve administration of all revenue collecting activities. Given the weak fiscal situation of the Government, agencies and ministries responsible for collecting resources are instructed and encouraged to collect revenues and mobilise them promptly. All relevant policy issues should be covered, including:

The need to increase rates on fees and charges to keep them in line with inflation; and the identification of possible new tax and non-tax revenue items to compensate for decline in revenue from the traditional sources such as SACU.

Revenue estimates **should include**: Actual Collection for 2016/17; projected outturn for 2017/18 based on Actual Collection in the first six months of 2017/18; and targets for the financial years 2018/19 and projections for 2019/20 and 2020/21.

3.2 Recurrent Expenditure Estimates

3.2.1 General Issues

Sound Public Expenditure Management has three components:

- Adherence to the resource envelope defined in the fiscal framework;
- Targeting resources to activities which make the largest contribution to the attainment of national development goals and objectives; and
- Undertaking approved activities with maximum productivity and efficiency.

The Government will continue to implement the Medium-Term Expenditure Framework (MTEF) approach to budgeting. Ministries have produced Budget Framework Papers (BFPs), matching their ministerial objectives and funding requirements with national development documents such as Vision 2020, Strategic Development Goals (SDGs) and NSDP. Discussions on the BFPs are held to highlight government's goals and priorities, and to build consensus on the resource allocation based on those priorities and by looking at allocations made to programmes and sub-programmes.

The discussions on the BFPs are not meant to result in increased aggregate ministerial ceilings. The BFPs provide valuable information to assist the Ministries of Finance and of Development Planning and the Cabinet Budget Committee to make more informed decisions about budget priorities. The BFPs also increase the focus on ways of improving **effectiveness** and **efficiency** by identifying issues to be addressed to improve service delivery and areas where **reallocations** and **savings** can be made within the Ministries.

3.2.2 Conditions for Budget Estimates

Ministries are required to observe the following conditions pertaining to the 2018/19-2020/21 budget estimates:

- (i) Ministries should ensure that their budget estimates are linked to the BFPs;
- (ii) Submissions must include all commitments already made by the Government which will have the effect of incurring expenditure over the coming years
- (iii) Submissions should identify measures that will be taken to improve the policy environment and to build up institutional capacity to implement approved activities in a timely manner;
- (iv) In view of the prevailing aggregate resource constraint, ministerial submissions should clearly indicate the priority ranking of allocations by programmes;
- (v) Ministerial submissions should include realistic estimates to meet the recurrent costs arising from projects which are scheduled for completion in 2018/19-2020/21 as well as for the maintenance of existing assets.
- (vi) In compliance with Public Financial Management and Accountability (PFMA) Act, virements will only be allowed for 20% of the approved programme of the recurrent budget and 10% of the capital project.

- (vii) New salaries, vacant positions, software licences, consultancies and training will continue to be centralized in the Ministry of Finance under Centralized Item Head 30. However, it is still essential that each ministry budget for these items while preparing ministerial budgets.

The submissions must also demonstrate that they include policy measures and/or resource allocations required to satisfy agreements with Development Partners.

3.2.3 Content of Detailed Submissions

(a) Personal Emoluments (PE)

- (i) Chief Accounting Officers are advised to discuss their staffing situation with Ministry of the Public Service before submission of the estimates:
- Requests for creation of new posts should be cleared with the Ministry of the Public Service and funding with Ministry of Finance.
 - Promotions should be cleared with Human Resource Department (HRD) in the Ministry of the Public Service.
 - Up-grading should be cleared with Remuneration and Benefits Department (RBD) in the Ministry of the Public Service.
 - Ministries should provide information on the current status of filling of vacant positions. Regarding the creation of new positions, strong justification should be provided, including how these positions will enhance performance of the ministries/departments and the impact on the future wage bill.
- (ii) Allowances should be shown by type; numbers of employees affected and clear costing.
- (iii) Estimates of Personal Emoluments must be complemented by nominal roll indicating grades and number of employees in each grade; vacancies; and gross salaries for 2017/18, 2018/19-2020/21.
- (iv) Ministries should ensure that the Sub Programme totals for Personal Emoluments estimates match those contained in the payroll system. **If estimates are placed in the wrong Sub Programme, warrants will be distributed to the wrong Sub Programme, and there may be delays in the payment of salaries until the relevant ministry is able to process virements. Ministries are requested to take note of paragraph 8 (1) of the PFMA Act, 2011.**
- (viii) In respect of Teaching Service, additional information is required in the following format:
- Number of schools;
 - Number of Government-paid teachers per district;
 - Salaries and allowances estimates for 2018/19; and
 - Projections for 2019/20 and 2020/21
- (ix) The Ministry of Public Service should be given a copy of estimates of Personal Emoluments to confirm payroll with establishment.

(b) Other Charges (OC)

Ministries should use official Government prices to estimate fuel and maintenance costs (See Appendix 4). A comprehensive list of ministerial/departmental fleet containing vehicle descriptions and date of purchase must be attached to the estimates.

- With regard to vehicles under Full Maintenance Lease, the latest hire rates must be used.
- Appropriate authority must accompany a request for purchase of new vehicles.
- A prioritized list of international trips should be attached to the estimates for International Travel.
- Details of seminars, workshops and short courses proposed for the financial year should be attached.
- Breakdown for Training Costs should be provided according to type of training, individual positions (i.e. not names of holders) affected and the amount estimated.

- Subscriptions to International Organisations are now classified within Operating Costs, using Items 431021 to 431025, and Item 431027. Ministries should also attach a breakdown showing name of the organisation and an amount to be paid. The Item will be centralised under the Head 25 of Subscriptions to International Organisations.
- Line ministries providing subsidies/subventions to other organisations should submit a complete and detailed budget for such institutions, in line with the Government format, including audited accounts and annual reports for 2015/16 and 2016/2017. Parent ministries should discuss the requested subvention with relevant institutions and agree on the level of support proposed.

3.2.4 Special Funds and Trading Accounts

Ministries operating special funds and trading accounts are expected to submit their budgets along with the parent ministries', for approval by the Minister of Finance.

(a) Separate submissions are required for:

- Trading Accounts; and
- Special Funds

(b) Ministries should further note that:

- No Trading Accounts/Special Funds will be allowed to operate without approved budget estimates;
- Trading Accounts/Special Funds that do not submit regular and audited financial and non-financial reports will not be considered for approval.

3.2.5 Projects and Bank Accounts

Ministries must include in their submissions a list of all project bank accounts and their balances at commercial banks and at the Central Bank of Lesotho. Ministries should also note that the balances in the bank accounts (in respect of GOL funds) should be retired at the end of the financial year and should not be part of the budget for the following year.

3.3 Capital Estimates

3.3.1 General Issues

Criteria for selection of Projects and/or allocation of resources

The need for more efficient public investment cannot be overemphasised. Hence a need to plan suitable levels of investment across public sector, allocate investment to pro-growth sectors/projects and implement projects on time and on budget. In this regard priority, will be given to projects which contribute to sustainable and inclusive economic growth, employment creation, poverty reduction and ensuring sustainable environment. These have been categorised in table 2 below and target areas where private investment should be mobilised or where public investment is required to crowd-in private sector investment.

Key Priority Areas

- Promoting inclusive and sustainable economic development, through private sector-led job creation;
- Improving the country's productivity and innovation capacity by strengthening human capital through investments in health and education and training;
- Building enabling infrastructure; and
- Strengthening governance and accountability systems.

It is also very important that there is serious consideration for allocations under the recurrent expenditure for covering operating and maintenance costs of public assets. National assets have often suffered waste due to lack of maintenance and eventually become very expensive to rehabilitate or reconstruct.

The aggregate ceilings for capital expenditure for Financial Year 2018/19 and indicative ceilings for subsequent financial years are set out below:

Table 3: Capital Expenditure, Aggregate Ceilings (M4, 686.1 Million)

Capital Budget	2017/18 Approved Estimates	2018/19 Proposed Ceilings	2019/20 Indicative Ceilings	2020/2021 Indicative Ceilings
Total	5 202 582 861	4 686 074 973	4 900 529 326	5 330 313 525
GOL	3 423 131 535	3 145 974 973	3 331 729 326	3 723 713 525
Loans	1 072 169 834	711 000 000	711 000 000	711 000 000
Grants	707 289 492	829 100 000	857 800 000	895 600 000

All project submissions should indicate how the project reflects national development priorities as contained in the National Strategic Development Plan (NSDP). Also, note that no new projects will be funded unless they have been appraised by the Public-Sector Investment Committee (PSIC).

In view of prevailing aggregate resource constraints, all new project submissions should be aligned to government priority areas. Ministries must submit their Capital Estimates for two categories of projects:

CB1 Forms should be used for on-going projects which have been allocated resources in the Capital Budget Estimates for 2018/19 and which will require additional resources in 2019/20 and subsequent financial years; and CB2 forms should be used for new project proposals which have not yet received any resource allocations but which are expected to incur some capital expenditure in Financial Years 2018/19, 2019/20 and 2020/21. **Ministries must ensure that minimum conditions (e.g. site availability, appraisal, feasibility studies, etc.) have been met and provide relevant documentation to confirm the conditions as these are critical for timely implementation of projects.** Given the current resource constraints, new projects are most likely to attract funding if they target NSDP priorities shown in paragraph 2.1.

3.3.2 Priorities in Capital Allocations

The first priority in allocating capital resources will be the requirement to address the objectives under paragraph 2.1 and to meet counterpart obligations under financial agreements with Development Partners and complete on-going GOL funded projects. Ministries are urged to ensure that projects are completed over the planned period in order to give space for new initiatives.

The Capital Budget Estimates must include **all projects funded through grants and loans** regardless of the funding arrangements (e.g. Project bank accounts and direct payment by Development Partner). **Balances accrued in project bank accounts must be included in the estimates of the respective projects for the coming financial year for appropriation so that such balances do not constitute unauthorized expenditure. In-case of GOL funding, balances are to be retired back to the consolidated fund at the end of the financial year.**

(a) On-going Projects

Ministries **MUST** submit Form CB1 for ALL projects funded that are expected to require funds in financial year 2018/19, 2019/20 and 2020/21. This includes all on-going projects that will NOT be completed by 31st March, 2018 or will have financial obligations after that date.

Form CB1 also requires submission of an implementation progress report indicating the progress achieved in implementing the project during 2017/18 and any problems or delays experienced during implementation. An updated Implementation Schedule should be provided to indicate the expected attainment of key dates in implementation.

If a project has been **COMPLETED** during 2017/18, this should be reflected in the Progress Report and the Implementation Schedule. The Form should clearly indicate that there will be **NO** resource

requirements in 2018/19 or future years. Ministries must ensure that at the time of making payments, retention fees are transferred into the Treasury Trust Fund until when they will be claimed. Form CB1 should also show additional resource requirements for the ministerial recurrent budget once the project has been completed.

(b) New Project Proposals

While the Government continues to be committed to social development, in line with its stated objective of **Broad Based Growth**, new projects linked to the creation of conducive and competitive environment for increased investment and employment creation will be accorded high priority.

Ministries must submit Form CB2 in respect of **EVERY** new capital project proposal which is expected to incur capital expenditure in 2018/19, 2019/20 and 2020/21. Screening of new project proposals will be facilitated if all sections of Form CB2 are completed comprehensively. In particular, a clear description of the physical scope of the project is required, together with a statement of the project objectives demonstrating that the project is consistent with the national and sectoral development goals.

Form CB2 should also show additional resource requirements for the ministerial recurrent budget once the project has been completed and is being utilized. Proposals which have large recurrent implications will be subject to careful scrutiny in view of the limits being imposed on the creation of new posts.

(c) Summary Forms

Ministries should also complete summary Form CB3 (for on-going projects and new projects). The information contained in these summary forms must be extracted accurately from the Project Information Sheets (Forms CB1 and CB2) for each specific project. All these forms can be obtained from the Ministry of Finance (Budget Department).

- **Guidelines for the release of projects' funds**
- **Cash plans and Implementation schedule**
- **Certificates and/or invoices**
- **Quotations or tender panel approvals**

Projects with special features will be afforded appropriate treatment or consideration (e.g. costed breakdown of all activities to be undertaken).

(d) Information Communication Technology

Top priority should be given to internet connectivity within Government (Including districts). Reliability of internet service providers and their ability to render resolutions to problems are critical for operations of the Ministries.

Other issues or areas to be considered include:

- Website update and maintenance;
- Staff training in ICT service/operation; and
- Software license renewal.

Ministries should contact the ICT department of Ministry of Communications, Science and Technology for advice and guidance in respect of infrastructure requirements relating to the development of e-governance and associated cost estimates.

PART IV

4.1 IMPLEMENTATION AND CASH/PROCUREMENT PLANS

Ministries are reminded that annual implementation and cash/procurement plans are required prior to release of funds. It is recommended that implementation and cash/procurement plans be prepared when the budget is being discussed in Parliament so that funds can be released on time at the start of the financial year.

PART V

5.1 IFMIS ACTIVE PLANNER – BUDGET ENTRY PROCESS

For 2018/19, all ministries prepare their revenue and expenditure budget estimates using the Programme Budgeting approach, the MTEF entry forms, and the IFMIS Active Planner and only officers with user rights will be able to use the IFMIS Active Planner. Any officer in a Ministry who does not have the appropriate IFMIS user name and password will not be permitted to use the IFMIS Active Planner. It should also be noted that it will be an offence for any officer to share his/her user name and password with other officers. Ministries should take advance action to ensure that relevant officers have the appropriate user access rights.

PART VI

6.1 ESTIMATES SUBMISSIONS

- Estimates submissions must cover actual expenditure in Financial Year 2016/17; approved budget for 2017/18; the projected outturn for 2017/18; budget requests for 2018/19; projections for 2019/20 and 2020/21.
- Ministerial Budget Framework Papers should form the basis for preparation of the estimates and projections. Information contained in the BFPs assists Ministry of Finance and the Cabinet Budget Committee to prioritise new spending and to set expenditure ceilings.
- Ministries are required to ensure that financial implications of decisions they make over the medium term are properly analysed, and included in the budget estimates.
- **Line Ministries must submit TWO SIGNED HARD COPIES of Budget Estimates (REVENUE, RECURRENT AND CAPITAL ESTIMATES BY PROGRAMME).**

PART VII

7.1 BUDGET SPEECH 2018/19

Contributions to the 2018/19 Budget Speech should be submitted with the Estimates. The contribution should include: an assessment of performance in 2017/18; and an outline of the Ministry's planned objectives and activities for 2018/19, 2019/20 and 2020/21. The contributions should be brief and specific, focusing on core goals, objectives and achievements of the Ministry.

PART VIII

8.1 SUBMISSIONS ARE CONSIDERED COMPLETE WHEN SIGNED BY THE PS AND THE MINISTER AND COMPOSED OF THE FOLLOWING:

- Revenue Estimates by programme;
- Recurrent Expenditure Estimates by programme;
- Capital Expenditure Estimates by programme;
- Contribution to the Budget Speech;
- Capital Budget physical progress report by programme for 2017/18 financial year; and
- Procurement, Implementation and Cash Plans for 2018/2019 budget.

Appendix 1

RECURRENT BUDGET CEILINGS: 2018/2019 - 2020/2021				
Code	Ministry/Office	Proposed Ceiling 2018/2019	Indicative Ceilings	
			2019/2020	2020/2021
01	Agriculture & Food Security	297 609 921,33	308 660 525	320 167 913
	Personal Emoluments	153 195 677,43	157 025 569	160 951 209
	Operating Costs	144 414 243,90	151 634 956	159 216 704
02	Health	2 266 047 115,69	2 370 396 878	2 479 740 313
	Personal Emoluments	358 103 746,69	367 056 340	376 232 749
	Operating Costs	1 907 943 369,00	2 003 340 537	2 103 507 564
03	Education & Training	2 356 459 288,37	2 427 975 075	2 501 908 973
	Personal Emoluments	1 852 287 092,37	1 898 594 270	1 946 059 126
	Operating Costs	504 172 196,00	529 380 806	555 849 846
04	Finance	757 005 156,50	791 912 934	828 492 539
	Personal Emoluments	117 699 203,05	120 641 683	123 657 725
	Operating Costs	639 305 953,45	671 271 251	704 834 814
05	Trade & Industry	51 070 507,14	52 980 324	54 969 540
	Personal Emoluments	25 748 329,14	26 392 037	27 051 838
	Operating Costs	25 322 178,00	26 588 287	27 917 701
06	Development Planning	765 364 794,90	802 080 050	840 592 244
	Personal Emoluments	62 119 375,90	63 672 360	65 264 169
	Operating Costs	703 245 419,00	738 407 690	775 328 074
07	Justice and Correctional Services	237 496 891,19	244 786 603	252 326 172
	Personal Emoluments	183 405 319,19	187 990 452	192 690 213
	Operating Costs	54 091 572,00	56 796 151	59 635 958
08	Home Affairs	201 500 544,77	203 723 212	205 987 372
	Personal Emoluments	60 758 237,77	62 277 193,71	63 834 123,55
	Operating Costs	140 742 307,00	141 446 018,54	142 153 248,63
09	Prime Minister's Office	130 175 483,67	135 084 372	140 198 708
	Personal Emoluments	63 995 424,67	65 595 310	67 235 193
	Operating Costs	66 180 059,00	69 489 062	72 963 515
10	Communications, Science and Technology	181 224 850,44	249 644 306	260 774 315
	Personal Emoluments	52 769 002,44	54 088 228	55 440 433
	Operating Costs	128 455 848,00	195 556 078	205 333 882
11	Law and Constitutional Affairs	75 804 148,54	78 432 069	81 162 329
	Personal Emoluments	46 491 466,54	47 653 753	48 845 097
	Operating Costs	29 312 682,00	30 778 316	32 317 232
12	Foreign Affairs and International Relations	355 857 574,13	367 554 810	379 684 517
	Personal Emoluments	243 825 705,13	249 921 348	256 169 381
	Operating Costs	112 031 869,00	117 633 462	123 515 136

Code	Ministry/Office	Proposed Ceiling 2018/2019	Indicative Ceilings	
13	Public Works and Transport	156 825 377,53	161 940 525	167 243 277
	Personal Emoluments	109 044 853,53	111 770 975	114 565 249
	Operating Costs	47 780 524,00	50 169 550	52 678 028
14	Forestry Range and Soil Conservation	214 908 550,96	222 659 647	230 783 326
	Personal Emoluments	148 367 852,96	155 786 246	163 575 558
	Operating Costs	66 540 698,00	66 873 401	67 207 768
15	Energy and Meteorology	31 499 390,97	32 605 814	33 755 844
	Personal Emoluments	18 741 863,97	19 210 411	19 690 671
	Operating Costs	12 757 527,00	13 395 403	14 065 174
16	Labour and Employment	59 347 185,79	61 603 012	63 953 841
	Personal Emoluments	28 461 333,79	29 172 867	29 902 189
	Operating Costs	30 885 852,00	32 430 145	34 051 652
17	Tourism, Arts and Culture	91 062 686,25	94 790 934	98 684 972
	Personal Emoluments	32 995 462,59	33 820 349	34 665 858
	Operating Costs	58 067 223,66	60 970 585	64 019 114
18	Auditor General's Office	29 820 521,58	30 677 510	31 561 496
	Personal Emoluments	25 361 524,58	25 995 563	26 645 452
	Operating Costs	4 458 997,00	4 681 947	4 916 044
19	His Majesty's Office	7 861 514,67	8 117 907	8 383 702
	Personal Emoluments	5 467 331,67	5 604 015	5 744 115
	Operating Costs	2 394 183,00	2 513 892	2 639 587
20	Public Service Commission	12 157 651,53	12 647 799	13 159 510
	Personal Emoluments	4 709 415,53	4 827 151	4 947 830
	Operating Costs	7 448 236,00	7 820 648	8 211 680
21	Principal Repayment	831 698 389,86	679 834 261	775 011 058
	Operating Costs	831 698 389,86	679 834 261	775 011 058
22	Interest Charges	382 153 243,24	435 654 697	496 646 355
	Operating Costs	382 153 243,24	435 654 697	496 646 355
23	Pension and Gratuities	1 721 864 472,51	1 764 911 084	1 809 033 861
	Personal Emoluments	994 998 309,51	1 019 873 267	1 045 370 099
	Operating Costs	726 866 163,00	745 037 817	763 663 763
24	Statutory Salaries and Allowances	47 989 350,99	49 976 585	52 052 874
	Personal Emoluments	16 489 350,99	16 901 585	17 324 124
	Operating Costs	31 500 000,00	33 075 000	34 728 750
25	Subscriptions to International Organisations	80 230 501,50	84 242 027	88 454 128
	Operating Costs	80 230 501,50	84 242 027	88 454 128
26	Refund of Erroneous Receipts	3 000 000,00	3 000 000	3 000 000
	Operating Costs	3 000 000,00	3 000 000	3 000 000
30	Centralised Items	-	-	-
	Operating Costs	-	-	-

Code	Ministry/Office	Proposed Ceiling 2018/2019	Indicative Ceilings	
31	Contingencies	100 000 000,00	100 000 000	100 000 000
	Operating Costs	100 000 000,00	100 000 000	100 000 000
37	Defence and National Security	674 938 265,14	696 913 762	719 693 748
	Personal Emoluments	470 856 666,14	482 628 083	494 693 785
	Operating Costs	204 081 599,00	214 285 679	224 999 963
38	National Assembly	82 116 402,42	84 510 708	86 981 942
	Personal Emoluments	68 460 565,42	70 172 080	71 926 382
	Operating Costs	13 655 837,00	14 338 629	15 055 560
39	Senate	22 721 433,78	23 511 888	24 333 224
	Personal Emoluments	13 824 703,78	14 170 321	14 524 579
	Operating Costs	8 896 730,00	9 341 567	9 808 645
40	Ombudsman	8 531 995,14	8 834 105	9 148 209
	Personal Emoluments	4 979 580,14	5 104 070	5 231 671
	Operating Costs	3 552 415,00	3 730 036	3 916 538
41	Independent Electoral Commission	41 920 390,23	43 600 229	45 353 656
	Personal Emoluments	16 647 222,23	17 063 403	17 489 988
	Operating Costs	25 273 168,00	26 536 826	27 863 668
42	Local Government and Chieftainship	487 517 290,66	502 109 396	517 186 512
	Personal Emoluments	391 350 377,66	401 134 137	411 162 491
	Operating Costs	96 166 913,00	100 975 259	106 024 022
43	Gender Youth and Sports	90 740 095,61	99 723 465	108 859 335
	Personal Emoluments	33 182 526,61	34 012 090	34 862 392
	Operating Costs	57 557 569,00	65 711 375	73 996 943
44	Public Service	40 496 240,96	41 850 482	43 255 671
	Personal Emoluments	26 822 840,96	27 493 412	28 180 747
	Operating Costs	13 673 400,00	14 357 070	15 074 924
45	Judiciary	108 513 345,20	111 767 674	115 130 436
	Personal Emoluments	86 853 532,20	89 024 871	91 250 492
	Operating Costs	21 659 813,00	22 742 804	23 879 944
46	Social Development	228 923 199,96	239 392 940	250 361 756
	Personal Emoluments	39 056 801,96	40 033 222	41 034 053
	Operating Costs	189 866 398,00	199 359 718	209 327 704
47	Directorate on Corruption and Economic Offences	32 253 515,11	33 542 959	34 888 794
	Personal Emoluments	12 929 286,11	13 252 518	13 583 831
	Operating Costs	19 324 229,00	20 290 440	21 304 962
48	Mining	28 293 426,16	29 286 109	30 317 877
	Personal Emoluments	16 879 534,16	17 301 523	17 734 061
	Operating Costs	11 413 892,00	11 984 587	12 583 816
49	Police and Public Safety	657 646 034,42	676 219 977	695 364 907
	Personal Emoluments	572 334 371,42	586 642 731	601 308 799
	Operating Costs	85 311 663,00	89 577 246	94 056 108

Code	Ministry/Office	Proposed Ceiling 2018/2019	Indicative Ceilings	
50	Small, Business Development, Cooperatives & Marketing	112 467 191,45	117 397 395	122 556 780
	Personal Emoluments	27 726 241,45	28 419 397	29 129 882
	Operating Costs	84 740 950,00	88 977 998	93 426 897
51	Water	194 133 565,63	202 778 666	211 829 482
	Personal Emoluments	42 463 109,63	43 524 687	44 612 805
	Operating Costs	151 670 456,00	159 253 979	167 216 678
Total Personal Emoluments		6 429 403 239,31	6 593 847 517	6 762 588 361
Total Operating Costs		7 827 844 266,62	8 093 485 199	8 570 403 146
TOTAL		14 257 247 505,93	14 687 332 716	15 332 991 506

Appendix 2

Code	Ministry/Office	Proposed Ceiling 2018/2019	Indicative Ceilings	
			2019/2020	2020/2021
01	Agriculture and Food Security	216 055 779	233 131 030	248 700 000
02	Health	188 792 189	163 300 000	158 300 000
03	Education and Training	19 345 000	25 992 000	25 000 000
04	Finance	114 478 225	81 086 737	161 200 000
05	Trade and Industry	158 750 300	499 600 000	495 100 000
07	Justice and Correctional Services	70 000 000	60 000 000	60 000 000
08	Home Affairs	220 530 161	110 000 000	120 000 000
10	Communications, Science and Technology	25 313 200	83 000 000	100 000 000
11	Law and Constitutional Affairs	20 000 000	0	0
13	Public Works and Transport	480 360 000	778 460 000	980 000 000
14	Forestry Range and Soil Conservation	0	0	0
15	Energy and Meteorology	181 000 000	177 000 000	157 000 000
17	Tourism, Environment and Culture	93 631 339	19 183 684	5 000 000
19	His Majesty's Office	300 000 000	0	0
37	Defence and National Security	47 000 000	30 000 000	40 000 000
39	Senate	42 000 000	44 100 000	40 000 000
42	Local Government and Chieftainship Affairs	391 865 125	363 672 781	398 957 275
43	Gender, Youth and Sports	0	0	17 000 000
44	Public Service	5 000 000	26 000 000	115 700 000
46	Social Development	3 000 000	0	0
48	Mining	57 388 846	60 751 113	30 000 000
49	Police and Public Safety	72 500 000	74 000 000	74 000 000
50	Small Business Development, Cooperatives and Marketing	88 500 000	160 000 000	180 000 000
51	Water	350 464 809	342 451 981	317 756 250
	TOTAL	3 145 974 973	3 331 729 326	3 723 713 525

Appendix 3

CHART OF ACCOUNTS

1. Overview

We will continue to use the IFMIS chart of accounts as summarised in the table below;

Head	Cost Centre	Sub Cost Centre	Program	Sub Program	Account Type	Fund Source	Donor	Project	Objective	Output	Activity	Sub-Head & Item (Economic)
Xx	Xx	xx	xx	xx	X	X	xxx	xxxx	Xx	xx	xx	xx xxxx

2. Head

The Ministry or Head code has two digits.

3. Cost Centre and Sub-Cost Centre

Cost Centre and Sub-Cost Centre codes are each two digits long. Each Ministry must have at least one Cost Centre, and at least one Sub-Cost Centre. The numbering of Cost Centres must start from 01. The numbering of Sub-Cost Centres must also commence from 01.

4. Programme and Sub Programme

Programmes define the broad functions of the Ministry, e.g. Curative Health. **Sub-Programmes** define the more specific areas of activity or functions within a Programme (sub function) e.g. Out-Patient Services. Programme and Sub- Programme codes are each two digits long.

5. Account Type

There is a 1-digit Account Type field which must be used as per description.

<i>Account Type Code</i>	<i>Account Type Description</i>
1	Recurrent Expenditure
2	Development Expenditure
3	Recurrent Revenue
4	Development Revenue
5	Below the Line

6. Fund Source

The chart of accounts requires that a source of finance or Fund Source be defined for every item of expenditure. At this stage, there are six possible Fund Sources:

<i>Fund Source Code</i>	<i>Fund Source Description</i>
1	Government of Lesotho
2	Donor Grant Funding
3	Donor Loan Funding
4	Government of Lesotho Counterpart Contributions
5	Commercial Loan Funding
6	Budget Support

7. Donor and Project Codes

Projects and Donor codes use 4 and 3 digits respectively. These codes are assigned by the Ministry of Finance, Budget Department, and cannot be changed by line Ministries. In the cases of recurrent and

revenue, where there is no project or donor, these fields must be coded as Donor 000, and Project 0000.

8. Objectives, Outputs and Activities

The MTEF reforms include the definitions of Objectives, Outputs and Activities. These are uniquely defined by each Ministry. They are each 2 digits and for now are coded 00 as they are not yet well defined.

9. Changes to Revenue and Expenditure Items

When using Item codes, it should be noted that any Item code in the chart of accounts that ends with 00, i.e. two zeros, is either a summary level code or a place holder for future use, and no budget or revenue or expenditure can be recorded against it.

Appendix 4

LIST OF STANDARDISED PRICES

1. For costing purposes' Ministries are requested to use the following rates:

RATES TO USE DURING BUDGETING	
ITEM	AMOUNT(M)
Exchange rate \$1	14.00
Petrol 1 litre Lowlands	10.50
Petrol 1 litre Mphaki	11.00
Petrol 1 litre Mokhotlong	11.00
Petrol 1 litre Thaba-tseka	11.00
Diesel 1 litre Lowlands	10.00
Diesel 1 litre Mphaki	10.50
Diesel 1 litre Mokhotlong	10.50
Diesel 1 litre Thaba-tseka	10.50
Accommodation (Hotel)	800.00
Accommodation (Guest house)	700.00
Cost of Plate	150.00

Appendix 5

LIST OF BUDGET OFFICERS

BUDGET DEPARTMENT DESK OFFICERS			
HEAD	MINISTRY	BUDGET OFFICER	OFFICE NO.
1	AGRICULTURE AND FOOD SECURITY	MS THELISI	3041
2	HEALTH	MR LENYATSA	3064
3	EDUCATION AND TRAINING	MR SEEISO	3047
4	FINANCE	MS MALEFANE	3057
5	TRADE AND INDUSTRY	MRS MOHALE	3041
6	DEVELOPMENT PLANNING	MR PHENITHI	3046
7	JUSTICE AND CORRECTIONA SERVICES	MRS PHORI	3067
8	HOME AFFAIRS	MR NTAOTE	3060
9	PRIME MINISTER'S OFFICE	MR LENYATSA	3064
10	COMMUNICATIONS, SCIENCE AND TECHNOLOGY	MR LIBETE	3047
11	LAW AND CONSTITUTIONAL AFFAIRS	MR TALANYANE	3060
12	FOREIGN AFFAIRS AND INTERNATIONAL RELATIONS	MRS MOHAPI	3049
13	PUBLIC WORKS AND TRANSPORT	MRS MACHELI	3048
14	FORESTRY AND LAND RECLAMATION	MRS MACHELI	3048
15	ENERGY AND METEOROLOGY	MS MALEFANE	3057
16	LABOUR AND EMPLOYMENT	MRS QHOBELA	3046
17	TOURISM, ENVIRONMENT AND CULTURE	MR SEPETLA	3047
18	AUDITOR GENERAL'S OFFICE	MR SEPETLA	3047
19	HIS MAJESTY'S OFFICE	MR PHENITHI	3046
20	PUBLIC SERVICE COMMISSION	MR TALANYANE	3060
37	DEFENCE AND NATIONAL SECURITY	MR LIBETE	3047
38	NATIONAL ASSEMBLY	MS MALEFANE	3057
39	SENATE	MR SEPETLA	3047
40	OMBUDSMAN	MS THELISI	3041
41	INDEPENDING ELECTORAL COMMISSION	MR TALANYANE	3060
42	LOCAL GOVERNMENT AND CHIEFTAINSHIP	MR NTAOTE	3060
43	GENDER AND YOUTH, SPORTS AND RECREATION	MR TALANYANE	3060
44	PUBLIC SERVICE	MR LENYATSA	3064
45	JUDICIARY	MRS QHOBELA	3046
46	SOCIAL DEVELOPMENT	MS MOKHAHLA	3046
47	DIRECTORATE ON CORRUPTION AND ECONOMIC OFFENCES	MS MOKHAHLA	3046
48	MINING	MRS MOHALE	3041
49	POLICE AND PUBLIC SECURITY	MS MOREMOHOLO	3042
50	SMALL BUSINESS DEVELOPMENT, CORPERATIVES AND MARKETING	MR SEEISO	3047
51	WATER	MRS PHORI	3067

Appendix 6

2017/18 – 2019/20 BUDGET ESTIMATES DISCUSSIONS TIME TABLE

CODE	MINISTRY/HEAD	DATE	TIME	CHAIR
01	AGRICULTURE AND FOOD SECURITY	18/12/2017	09:00-11:00	MRS LEUTA
02	HEALTH	18/12/2017	11:00-12:45	MRS LEUTA
05	TRADE AND INDUSTRY	18/12/2017	14:30-16:30	MRS LEUTA
10	COMMUNICATIONS, SCIENCE AND TECHNOLOGY	19/12/2017	09:00-11:00	MRS LEUTA
17	TOURISM, ENVIRONMENT AND CULTURE	19/12/2017	11:00-12:45	MRS LEUTA
15	ENERGY AND METEOROLOGY	19/12/2017	14:30-16:30	MRS LEUTA
50	SMALL BUSINESS DEVELOPMENT, CORPERATIVES AND MARKETING	20/12/2018	09:00-11:00	MRS LEUTA
08	HOME AFFAIRS	20/12/2018	11:00-12:45	MRS LEUTA
07	JUSTICE AND CORRECTIONA SERVICES	20/12/2018	14:30-16:30	MRS LEUTA
13	PUBLIC WORKS AND TRANSPORT	21/12/2017	09:00-11:00	MRS LEUTA
51	WATER	21/12/2017	11:00-12:45	MRS LEUTA
03	EDUCATION AND TRAINING	21/12/2017	14:30-16:30	MRS LEUTA
42	LOCAL GOVERNMENT AND CHIEFTAINSHIP	22/12/2017	09:00-11:00	MRS LEUTA
04	FINANCE	22/12/2017	11:00-12:45	MRS MPOBOLE
09	PRIME MINISTER'S OFFICE	22/12/2017	11:00-12:45	MRS LEUTA
14	FORESTRY AND LAND RECLAMATION	22/12/2017	11:00-12:45	MS LEKOMOLA
16	LABOUR AND EMPLOYMENT	22/12/2017	14:30-16:30	MS LEKOMOLA
37	DEFENCE AND NATIONAL SECURITY	22/12/2017	14:30-16:30	MRS MPOBOLE
38	NATIONAL ASSEMBLY	27/12/2017	09:00-10:00	MRS LEUTA
18	AUDITOR GENERAL'S OFFICE	27/12/2017	11:00-12:30	MS LEKOMOLA
39	SENATE	27/12/2017	11:00-12:30	MRS LEUTA
19	HIS MAJESTY'S OFFICE	27/12/2017	14:30-16:30	MS LEKOMOLA
40	OMBUDSMAN	27/12/2017	14:30-16:30	MRS MPOBOLE
45	JUDICIARY	27/12/2017	14:30-16:30	MRS LEUTA
43	GENDER AND YOUTH, SPORTS AND RECREATION	28/12/2017	09:00-10:30	MRS MPOBOLE
41	INDEDENDENT ELECTORAL COMMISSION	28/12/2017	09:00-11:00	MS LEKOMOLA
46	SOCIAL DEVELOPMENT	28/12/2017	09:00-10:00	MRS LEUTA
47	OFFENCES	28/12/2017	11:00-12:30	MS LEKOMOLA
48	MINING	28/12/2017	11:00-12:30	MRS MPOBOLE
49	POLICE AND PUBLIC SECURITY	28/12/2017	11:00-12:30	MRS LEUTA
06	DEVELOPMENT PLANNING	28/12/2017	14:30-16:30	MRS LEUTA
11	LAW AND CONSTITUTIONAL AFFAIRS	28/12/2017	14:30-16:30	MS LEKOMOLA
12	FOREIGN AFFAIRS AND INTERNATIONAL RELATIONS	28/12/2017	14:30-16:30	MRS MPOBOLE
20	PUBLIC SERVICE COMMISSION	29/12/2018	09:00-10:00	MS LEKOMOLA
44	PUBLIC SERVICE	29/12/2018	09:00-10:00	MRS MPOBOLE