

**FINANCE EXTERNAL CIRCULAR NOTICE NO. 2 OF 2020**

Ministry of Finance  
P.O. Box 395  
Maseru 100

23 January, 2020

**FIN/EXPDT/S.1 (2019/2020)**

**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 DIRECTOR GENERAL  
JUDICIARY SERVICES**

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

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**BUDGET CALL CIRCULAR 2020/2021 - 2022/2023 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 2020/21-2022/23. In this regard, Chief Accounting Officers are requested to submit to the Ministry of Finance estimates of revenue and expenditure for the Financial Year 2020/2021 and projections of revenue and expenditure for 2021/2022 and 2022/2023 in accordance with the ceilings in Appendices 1 and 2. The revised estimates must be submitted to the office of the Budget Controller by 4<sup>th</sup> February 2020. The full calendar is covered in paragraph 1.4 below.
- 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** Ministries are also urged to find innovative ways of increasing domestic revenue and to improve on the existing revenue channels.
- 1.4** It is important that the deadlines for submissions are observed to enable delivery of the budget to Cabinet and Parliament on schedule as proposed below.

**Proposed 2020/21 Budget Timetable**

Budget Estimates Call Circular	28 <sup>th</sup> January, 2020
Submission of Budget Estimates (Revenue and Expenditure)	4 <sup>th</sup> February, 2020
Presentation of Budget Estimates to Cabinet Budget Committee	10 <sup>th</sup> February, 2020
Presentation of Budget Estimates to Cabinet	18 <sup>th</sup> February, 2020
Presentation of Budget Estimates to Parliament	26 <sup>th</sup> February, 2020

1.5 Part I above deals with the budget calendar which must be adhered to. Part II deals with the national growth and development policy goals and the macroeconomic framework for 2020/21 – 2022/23. Part III deals with macroeconomic assumptions for 2019/20 – 2020/21. Part IV provides the guidelines for Budget Estimates for 2020/21 – 2022/23. Part V deals with the need to prepare Implementation, Procurement and Cash Flow Plans which will be used as basis of Release of Funds. Part VI covers the Central Budget Management System (CBMS) – Budget Entry Process. Part VII deals with the content of budget submissions. Part VIII deals with the Budget Speech.

## **PART II**

### **2.1 THE NATIONAL GROWTH AND DEVELOPMENT POLICY GOALS AND THE MACROECONOMIC FRAMEWORK FOR 2020/21 TO 2022/2023**

#### **2.1.1 STRATEGIC PRIORITIES FOR 2020/2021 BUDGET**

##### **2.1.1.1 KEY POLICY TARGETS**

The medium-term national priorities were established as part of the NSDP II. These priorities are articulated to foster job creation and inclusive growth and are: *Enhancing Inclusive and Sustainable Economic Growth and Private Sector Job Creation; Strengthening Human Capital; Building Enabling Infrastructure; and Strengthening National Governance and Accountability Systems.*

The plan has prioritised four productive sectors for job creation and inclusive growth and they are *Agriculture, Manufacturing, Tourism and Creative Industries and Technology and Innovation.* The NSDP II emphasises private sector development and gives priority to pursuing people-centred development. Annual national budgets provide an opportunity for Government to implement specific strategies and allocate appropriate resources to the relevant sectors of the economy to realise these national priorities. The 2019/2020 financial year is the second in the implementation of NSDP II, and therefore, the proposed policies and strategies for implementation during the year, as well as the resource allocations, should be aligned to the national priorities.

The NSDP II proposes that in developing the government budgetary plans for 2020/21 to 2022/23, the focus should remain on job creation and promotion of inclusive growth. All public spending must address the most binding constraints faced by the private sector in a coordinated and clustered manner. The budget priorities for this period are derived from NSDP II and therefore, the 2020/21-2022/23 key policy targets are:

- Creation of an estimate of 49,319 private sector jobs (23,096 from the 4 productive sectors and 26, 223 from rest of the economy) over the plan period or 9,863 jobs created each year.
- Increase economic growth to at least 5 percent growth per annum over the plan period with gradual increase in average propensity to invest in capital formation from the current 28.2 percent to 50.3 percent over the plan period.
- Restore macroeconomic stability to sustainable levels by reducing fiscal deficit to less than 5 percent of GDP.
- Enhance democratic governance, political stability and accountability.
- Reduce the country's ranking on the ease of doing business from position 104 (in 2018) to at least position 80 in the medium-term through implementation of Investment Climate Reforms.
- Reduce TB incidence from 665 to 475 per 100,000 population.
- Reduce Mortality rate in TB/HIV from 206 to 140 per 100,000 populations.

- Reduce incidences of HIV/AIDS and increase coverage of Anti-Retroviral Treatment (ART) to 100 percent.
- Reduce Malnutrition especially for under 5 children by at least 5 percent and, food insecurity by 5 percent in the medium term.
- Increase efficiency in the public service delivery to support private sector initiatives.
- Provide adequate infrastructure to support private sector projects.
- Increase fuel storage capacity from 3days to 90 days to ensure security of fuel supply.
- Increase electricity generation capacity from 72MW to 172MW to reduce electricity import.

## **2.2 PUBLIC SECTOR EXPENDITURE STRATEGY**

The Public-Sector Expenditure Strategy specifies interventions that will be implemented to achieve the above-mentioned priority areas. 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 and innovation as the strategic sectors for job creation for the period 2018/19 to 2022/23. These sectors have potential to create jobs, but currently they have critical constraints that limit their potential and their impact has not been substantial in the fiscal years 2018/19 and 2019/20. 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.

Ministries, Departments and Agencies (MDA's) should give a direction on what needs to be done and clearly indicate the change so that the change and priorities can be effected. During Budget Strategy Paper (BSP) Cabinet Retreat, it was proposed that due to tight budget constraint, GOL should prioritise and implement few policies and plans which targets government goals. The upcoming budget should reflect decision made for MDA's to show Big Fast Results (BFR).

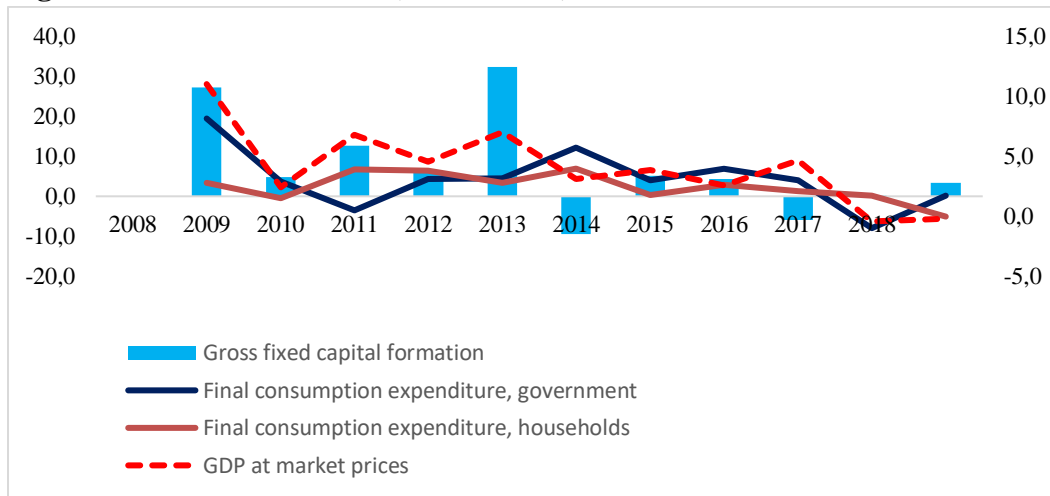
## **2.3 REVIEW OF MACROECONOMIC TRENDS FOR THE YEARS 2012/13 TO 2017/18 AND FORECAST OF THE INDICATORS THROUGH THE MEDIUM-TERM RECENT ECONOMIC DEVELOPMENTS**

Economic activity contracted during FY2017/18 and FY2018/19, against the backdrop of increasingly challenging domestic and external environment. Increased trade tensions between USA and China increased pressure on our mining industry and diamond exports, while prolonged dry spells and droughts affected crop production, vegetation and pasture conditions deteriorated leading to poor livestock production. The observed economic contractions during these periods mainly reflected weak growth of fixed investment and net exports compounded by the accumulation of domestic public sector payment arrears which led to reduced consumption expenditure for both household and government.

The FY2019/20 budget proposed fiscal consolidation. However, this measure has not fully addressed the current fiscal challenges. Proposals were made to cut recurrent expenditure and increase domestic revenue. Stronger fiscal consolidation efforts would entail rationalising the current expenditure. Such consolidation, in addition to structural reforms, financial reforms, and the reconciliation of fiscal and

financing data could pave the way for robust support from development partners. This support will help the government to cushion reserves, which have severely fallen in recent years.

**Fig. 1 Contribution to GDP (2008 – 2018)**



### 9.1 Real Sector Developments

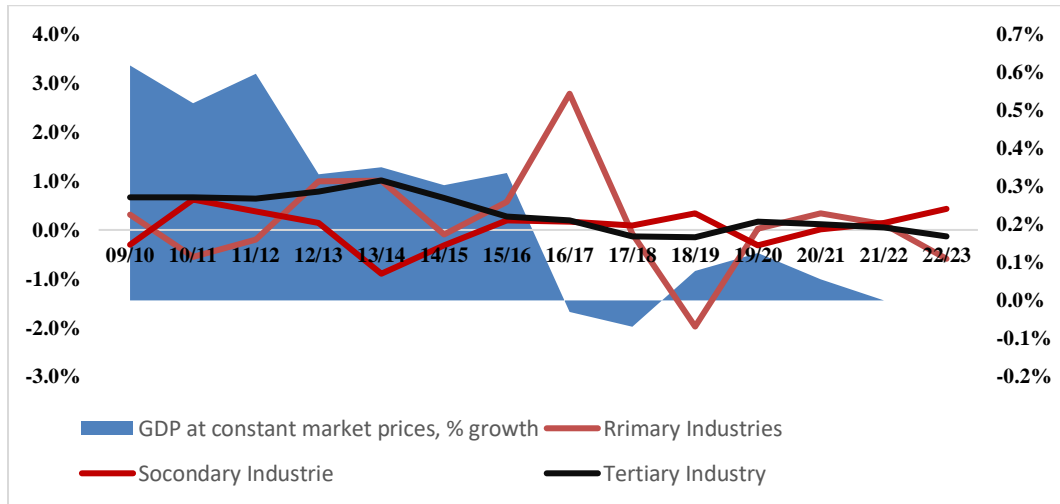
Lesotho’s macroeconomic outlook is expected to improve in FY2019/20, following two years marked by recession and policy uncertainty. Overall GDP growth of 0.8 percent is expected in 2019/20, up from contraction of 0.7 percent realised in 2018/19. This improvement in outlook flows from recovery in service sector, of which most growth will stem from government sector and professional and support services. Gross value added in the agriculture, forestry and fishing sector growth continue to remain weak, owing to erratic weather conditions experienced in recent years. A growth of 0.3 percent is anticipated in FY209/20 compared to the decline of 19.8 percent realised in FY2018/19.

The industrial sector accounted for 30.8 percent of total nominal output in FY2019/20 and posted contraction of 3.2 percent. The decline is attributed to mining and quarrying which recorded a slower growth of 1.4 percent relative to strong 5.7 percent recorded in FY2018/19. Manufacturing contracted by 5.2 percent, on account of textiles, clothing footwear and leader sector which contracted by 5.9 percent due to reduction in production orders following a move by government to increase wages and salaries in that sector. The construction sector equally remains on the downside following lower capital spending by government during the year.

The services sector is the biggest of the three broad sectors of the economy, accounting for 54.0 percent of total output both in FY2018/19 and FY2019/20. Good performance activities related to professional and support services, administration and support services resulted into sectoral growth of 1.7 percent following contractions in most of the sectors within the industry in FY2019/20. Government sector expanded by 3.0 percent amid cash shortages experienced during the year which, to some extent contributed to poor performance of most sectors of the economy. Government sector accounts for about 19.7 percent of the nominal output in FY2019/20.

Following slow recovery in economic activity in FY2018/19 and FY2019/20, the economy is set to record yet another poor growth of 1.3 percent compared with the previous years. Growth is expected to be driven by recovery in agriculture, forestry and fishing at 3.4 percent, while industrial sector will improve by 0.1 percent largely driven by mining industry at 5.8 percent. Government sector is expected to remain constant in FY2020/21 and through the medium term.

**Fig.2 Sectoral performance 2008 – 2022/23**



## 9.2 Monetary Policy Framework

Being the member of the Common Monetary Area (CMA), Lesotho is required to harmonise its monetary and exchange rate policies with those of South African Reserve Bank (SARB). The Loti which is a legal tender in Lesotho is pegged one to one with South Africa Rand, a floating currency which is also a legal tender in Lesotho. The Central Bank of Lesotho (CBL) manages adequate level of international reserves, usually at 5 – 6 months of import cover. Nevertheless, since FY2016/17 the economy’s international reserves have fallen to 4.2 months of import cover with the anticipated trajectory in FY2019/20.

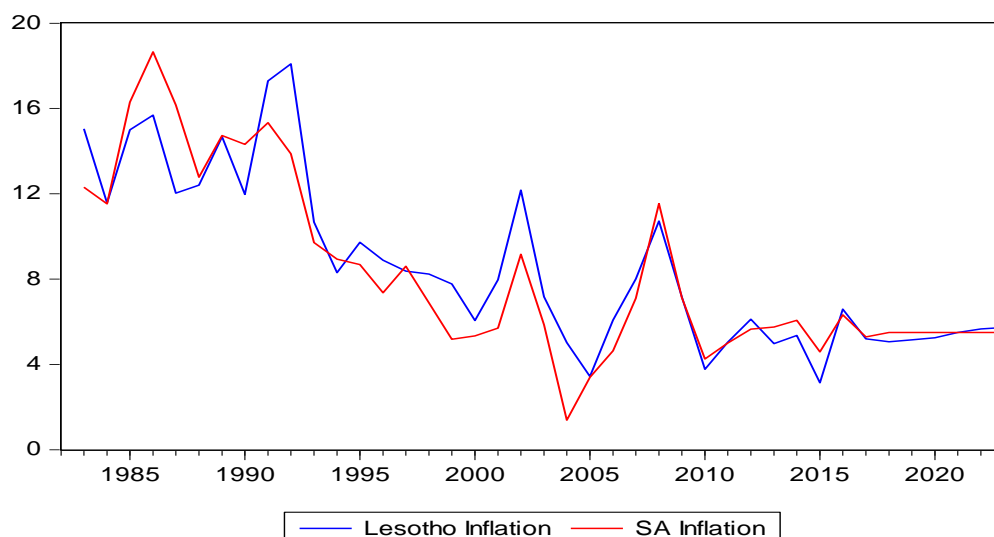
According to CBL’s MPC, money supply, as measured by M<sub>2</sub>, had increased by 7.3 percent in the third quarter of 2019 following a decline of 2.1 percent in the second quarter. This was due to an increase in both net foreign assets and net domestic claims. Private sector credit on the other hand continued its upward trend, increasing by 7.1 percent in September 2019. The Net International Reserves target floor was increased from US\$720 million to US\$790 million, while at the same time the CBL rate was kept unchanged at 6.5 percent per annum<sup>1</sup>.

## 9.3 Inflation

The inflation rate, measured by year-on-year percentage change in consumer price index (CPI), declined from 5.1 percent in September 2019 to 4.9 percent in October 2019. The major contributors to this position were food and non-alcoholic beverages, housing, electricity, gas and other fuels and recreation and culture. However, risks to inflation outlook remain, emanating from the prevailing drought conditions. Inflation is expected to average 5.2 percent in FY2020/21 and remain at 5.3 percent in the medium term.

<sup>1</sup> Monetary Policy Committee (MPC) Statement of the 26th November 2019

**Fig.3 Annual inflation rate**



## 2.4 FISCAL FRAMEWORK AND FISCAL STRATEGY (2017/18 – 2022/23)

**Table 1A: Medium Term Fiscal Framework**

**MEDIUM TERM FISCAL FRAMEWORK**

	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>
	<b>Act.</b>	<b>Act.</b>	<b>Act.</b>	<b>Est.</b>	<b>Proj.</b>	<b>Proj.</b>	<b>Proj.</b>
<b>Revenue</b>	<b>14 051,7</b>	<b>14 914,4</b>	<b>15 942,0</b>	<b>17 145,5</b>	<b>20 597,2</b>	<b>19 394,2</b>	<b>20 124,5</b>
<b>Taxes</b>	<b>6 397,4</b>	<b>6 314,3</b>	<b>7 528,9</b>	<b>7 892,0</b>	<b>8 444,0</b>	<b>8 906,8</b>	<b>9 358,7</b>
Taxes on income, profits and capital gains	3 726,5	3 487,3	4 313,1	4 328,0	4 581,2	4 869,7	5 092,0
Payable by individuals	1 944,1	1 969,9	2 170,3	2 279,3	2 390,5	2 513,8	2 637,1
Payable by corporations and other enterpri	985,9	746,0	1 203,9	1 041,9	1 122,0	1 211,7	1 257,3
Other taxes on income, profits and capital	796,4	771,4	938,9	1 006,8	1 068,7	1 144,2	1 197,6
Taxes on goods and services	2 669,0	2 826,2	3 211,7	3 564,0	3 861,1	4 035,0	4 265,3
Value added taxes	2 254,0	2 401,7	2 899,8	3 077,8	3 297,6	3 347,2	3 491,8
Excise taxes	388,0	406,8	305,2	477,7	547,7	668,3	755,0
Other taxes	1,9	0,9	4,1	0,0	1,7	2,0	1,3
Stamp taxes	1,9	0,9	4,1	0,0	1,7	2,0	1,3
<b>Grants</b>	<b>1 229,0</b>	<b>822,1</b>	<b>1 061,3</b>	<b>1 242,0</b>	<b>1 009,6</b>	<b>1 198,3</b>	<b>1 208,3</b>
Recurrent	367,5	211,0	232,2	226,9	250,2	262,3	271,3
Capital	861,5	611,0	829,1	1 015,1	759,4	936,0	937,0
<b>Other revenue</b>	<b>1 906,3</b>	<b>1 623,8</b>	<b>1 777,8</b>	<b>1 785,3</b>	<b>1 933,5</b>	<b>2 079,9</b>	<b>2 192,0</b>
Property income (primary income)	850,8	543,8	689,8	681,3	734,0	770,2	793,7
Interest	185,0	21,0	11,6	0,0	0,0	0,0	0,0
Dividends	361,5	212,6	318,5	401,0	376,5	390,8	393,3
Other dividends	139,9	63,6	318,5	243,0	210,3	215,8	209,0
Rent	304,3	310,2	359,7	280,3	345,3	366,5	386,9
Rent on land	53,5	6,4	3,2	2,8	3,2	3,1	3,3
Rent from royalties	250,8	303,8	356,6	277,5	342,1	363,4	383,6
Sales of current goods and services (incl Te	1 040,9	1 069,9	1 087,5	1 102,4	1 197,9	1 308,0	1 396,4
Sales by market establishments	894,4	989,9	999,9	1 023,0	1 105,0	1 204,0	1 297,0
Electricity Muela	57,3	56,6	67,6	55,6	63,0	64,1	67,0
Water LHDA	837,1	933,3	932,3	967,4	1 042,0	1 139,8	1 230,1
Administrative fees	52,4	28,2	22,3	10,3	36,6	32,3	31,6
Incidental sales	94,0	51,8	65,3	69,1	56,2	71,7	67,8
Fines and penalties	4,2	2,6	0,5	1,6	1,7	1,8	1,9
SACU	4 519,0	6 154,2	5 542,2	6 226,2	8 981,1	7 209,2	7 365,5

**Table 1B: Medium Term Fiscal Framework**

	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Expenditure	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.
<b>Expense</b>	<b>12 622,7</b>	<b>12 113,0</b>	<b>13 275,1</b>	<b>13 295,0</b>	<b>15 510,3</b>	<b>15 868,8</b>	<b>16 451,0</b>
Compensation of employees	5 277,4	5 436,1	5 994,7	6 441,1	7 729,5	8 122,8	8 461,5
Wages and salaries	4 884,0	4 932,9	5 469,0	5 922,1	7 181,3	7 537,7	7 838,0
Social contributions	393,4	503,2	525,6	519,0	548,2	585,1	623,5
Funded	393,4	503,2	525,6	519,0	548,2	585,1	623,5
Use of goods and services	3 465,8	2 667,3	3 112,5	2 885,8	3 338,0	3 277,1	3 436,6
Travel and transport, domestic	620,2	343,9	361,5	394,6	417,4	447,1	472,2
Travel and transport, international	173,4	151,4	164,5	174,6	186,7	197,4	209,0
Operating costs (incl. special in 2008/09)	2 672,1	2 172,0	2 586,5	2 316,5	2 733,9	2 632,6	2 755,4
Interest	246,9	327,4	451,6	497,1	566,7	598,4	626,8
To non-residents	208,6	214,4	228,9	234,1	290,0	307,0	320,0
To residents	38,3	113,0	222,7	263,0	276,7	291,4	306,8
Subsidies (almost all to public NFC)	415,1	310,3	279,2	233,5	245,6	258,6	272,3
Grants to international organisations	5,0	0,0	34,4	0,0	13,3	12,4	12,3
Grants to other general government units	1 253,1	1 111,7	837,5	832,3	818,3	861,7	907,4
Social benefits	1 415,1	1 568,2	1 939,7	1 753,7	1 786,3	1 804,2	1 822,2
Other expense	544,2	692,0	625,6	651,7	1 012,6	933,7	911,9
Students	496,6	641,1	577,0	521,6	901,9	766,8	830,1
Other	47,7	50,9	48,6	130,1	110,6	166,9	81,8

**Table 1C: Medium Term Fiscal Framework**

	16/17	17/18	18/19	19/20	20/21	21/22	22/23
TRANSACTIONS IN NONFINANCIAL ASSETS - CAPITAL	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.
<b>O/W GOL</b>	<b>2 720,6</b>	<b>2 289,9</b>	<b>2 459,8</b>	<b>2 840,4</b>	<b>3 288,1</b>	<b>2 990,9</b>	<b>3 149,5</b>
Fixed Assets	4 158,0	3 453,5	4 192,3	4 727,5	5 497,6	5 377,0	5 536,6
			-1				
<b>OVERALL BALANCE</b>	<b>-2 729,0</b>	<b>-652,1</b>	<b>525,4</b>	<b>-877,1</b>	<b>-410,6</b>	<b>-1 851,7</b>	<b>-1 863,1</b>
As % of GDP	-8,0%	-1,9%	-4,1%	-2,6%	-1,1%	-4,8%	-4,6%

**PART III****3.1 MACROECONOMIC ASSUMPTIONS FOR 2019/20 – 2020/21**

In view of recent domestic and external developments, the following macroeconomic assumptions were adopted: **In combination, these measures are expected to condense the overall fiscal deficit from 2.2 percent of GDP as projected in 2019/20 budget speech to 1.1 percent of GDP in 2020/21 but expand further in the medium term to 4.8 and 4.6 percent in 2021/22 and 2022/23 respectively.**

<b>New Policy</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>REVENUE MEASURES in Million Maloti</b>			
VAT on Telecommunications	M30.6	M32.1	
Levy on Tobacco and Alcohol	M62.1 <sup>2</sup>	M130.2	M136.6
Oil Levy	M43.5	M45.6	M47.8
SACU Revenue have been revised upwards in 2020/21 from M6,174.3 million to M8,981.1 million			

<sup>2</sup> The total projected levy is expected to be M124.2 million in 2020/21. However, due to implementation challenges we believe that by the 2<sup>nd</sup> half of the year the levy will be implementable

### Additional Expenditures

<i>In Million Maloti</i>	2020/21	2021/22	2022/23
Child grants	M13.0	n/a	n/a
Region 5 AUSC 2020 Youth Games	M170.0	n/a	n/a
NMDS	M322.0	M100.0	M100.0
National Reform Authority	M30.0	n/a	n/a

Public Sector payment arrears estimated at M1.0 billion will be treated as below the line expenditure item.

The Cost of Living Adjustment (COLA) under wages and salaries for 2021/22 and 2022/23 have been suspended.

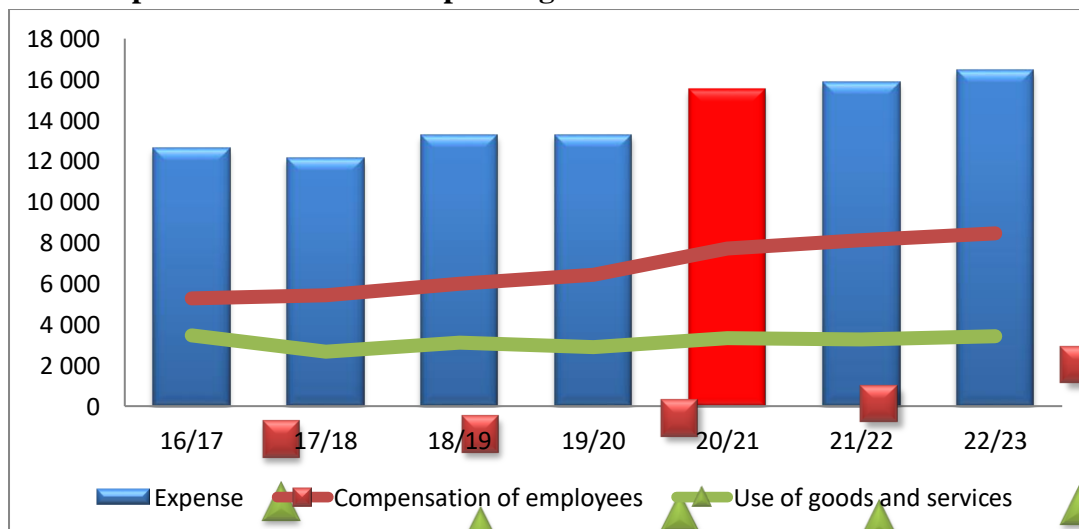
### Revenue

2020/21 total revenue has been influenced largely by SACU revenue which has recently contributed around 43.6 percent of total revenue and averaged M8,981.1 million against a projection of 34.05 percent which was estimated at M6,174.3 million. However, concerns have been noted about the volatility of SACU receipts which have in the past contributed around 60 percent of total revenue. The medium-term projections are expected to be sluggish since following the expected downward revision in SACU revenues. This calls for the authorities' focus on mobilising domestic revenue by reviewing the currently low fees and charges which form part of non-tax revenue.

### Expenditure

The total recurrent expenditure is estimated to record a growth of 16.7 percent in 2020/21 relative to 2019/20, and is projected to reach M15,510 million in 2020/21 which makes about 43.0 percent of GDP. This unsustainable growth of recurrent expenditure will continue to be driven by growth in compensation of employees.

**Fi4. Composition of Recurrent spending**





## PART IV

### 4.1 GUIDELINES FOR BUDGET ESTIMATES FOR 2020/21– 2022/23

The 2020/2 – 2022/23 budget estimates will be prepared using the chart of accounts as per attached Appendix 3. The 2020/21 – 2022/23 budget estimates will continue to be entered into the Central Budget Management System (CBMS).

#### 9.4 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 EPICOR 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 2018/19; projected outturn for 2019/20 based on actual collection in the first ten months of 2019/20; and targets for the financial years 2020/21 and projections for 2021/22 and 2022/23.
- The Government is in the process to engage LRA to collect non-tax revenue for MDA's.

#### 9.5 Recurrent Expenditure Estimates

##### 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 should produce 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, taking into consideration issues of poverty eradication, quality education, climate action and inclusion. Discussions on both the Budget Framework Paper (BFP) and the Budget Estimates highlighted governments' goals and priorities, and build consensus on the resource allocation based on those priorities and look at allocations made to programmes and sub-programmes.

The discussions are not meant to result in increased aggregate ministerial ceilings. They are meant to 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. Discussions also increase the focus on ways of improving **effectiveness** and **efficiency** with limited resources by identifying issues to be addressed to improve service delivery and areas where **reallocations** and **savings** can be made within ministries.

## 9.6 Conditions for Budget Estimates

Ministries are required to observe the following conditions pertaining to the 2020/21 – 2022/23 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 constraints, 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 2020/21 – 2022/23 as well as for the maintenance of existing assets; and
- (vi) In compliance with Public Financial Management and Accountability (PFMA) Act, virements will only be allowed at 20 percent of the approved programme of the recurrent budget and 10 percent of the capital project.

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

## 9.7 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;
- ii. Requests for creation of new posts should be cleared with the Ministry of the Public Service and funding with Ministry of Finance.
- iii. Promotions should be cleared with Human Resource Department (HRD) in the Ministry of the Public Service.
- iv. Up-grading should be cleared with Remuneration and Benefits Department (RBD) in the Ministry of the Public Service.
- v. Ministries should provide information on the current status of filling of vacant positions. Regarding the creation of new positions, strong justification should be provided to the Ministry of Public Service, including how these positions will enhance performance of the ministries/departments and the impact on the future wage bill.
- vi. Allowances should be shown by type; numbers of employees affected and clear costing.
- vii. Estimates of Personal Emoluments must be complemented by nominal roll indicating grades and number of employees in each grade; vacancies; and gross salaries for 2018/19, 2019/20-2021/22.
- viii. 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 section 8 (1) of the PFMA Act, 2011.
- ix. 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 estimate for 2020/21; and

- Projections for 2021/22 and 2022/23
- x. The Ministry of Public Service should be given a copy of estimates of Personal Emoluments to confirm payroll with establishment.
- xi. Contract Gratuities: Contract Gratuities will be decentralised and ministries are required to submit their estimates inclusive of all contract gratuities for 2020/21 and 2022/23.

**(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/hire 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 prioritised 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.
- Subscriptions to International Organisations are now classified within Operating Costs, using Items 431027. Ministries should also attach a breakdown showing name of the organisation and an amount to be paid. Justification and benefit for joining such organisation is also requested. The Item will be centralised under the Head 25 of Subscriptions to International Organisations. **Ministries are advised to budget for Subscriptions to Local Organisations and new subscribed International Subscriptions.**
- MDA's 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 2017/2018 and 2018/19. Parent ministries should discuss the requested subvention with relevant institutions and agree on the level of support proposed.

## 9.8 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.

## 9.9 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.

## 9.10 Capital Estimates

## 9.11 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.

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 FY2020/21 and indicative ceilings for subsequent financial years are set out on appendix 2 below:

All project submissions should indicate how the project reflects national development priorities as contained in the National Strategic Development Plan II (NSDP II). 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:**

Take note that for creation of new projects and programmes, a change request form has to be filled and signed by Chief Accounting Officer. **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 II priorities shown in paragraph 2 above.

## 9.12 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 unauthorised expenditure. In-case of GOL funding, balances are to be retired back to the Consolidated Fund at the end of each financial year.**

### Guidelines for the release of on-going 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).

### **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 V**

### **5.1 IMPLEMENTATION, CASH AND PROCUREMENT PLANS**

Ministries are reminded that annual implementation, cash and procurement plans are required prior to release of funds. It is recommended that implementation, cash and 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. Ministries are advised to take note that these plans will need quarterly adjustments to facilitate adequate release of funds.

## **PART VI**

### **6.1 CENTRAL BUDGET MANAGEMENT SYSTEM (CBMS) – BUDGET ENTRY PROCESS**

For FY2020/21 budget, all ministries will prepare their revenue and expenditure budget estimates for both BFP and Budget Estimates using the Programme Based Budgeting approach, the MTEF entry forms in CBMS. Officers with user rights will be able to adjust according to the ceiling allocations in CBMS. Any officer in a Ministry who does not have the appropriate CBMS user rights will not have access to enter data. **It should also be noted that it will be an offence for any officer to share his/her user rights with other officers.** Ministries should take advance action to ensure that relevant officers have the appropriate user access rights to CBMS.

## **PART VII**

### **7.1 ESTIMATES SUBMISSIONS**

- Estimates submissions must cover actual expenditure in FY2018/19; approved budget for FY2019/20; the projected outturn for FY2019/20; budget requests for FY2020/21; projections for FY2021/22 and FY2022/23.
- 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 A SIGNED HARD COPY of Budget Estimates (REVENUE, RECURRENT AND CAPITAL ESTIMATES BY PROGRAMME).**

## **PART VIII**

### **8.1 BUDGET SPEECH 2020/21**

Contributions to the FY2020/21 Budget Speech should be submitted with the Estimates. The contribution should include: an assessment of expected performance in FY2019/20; and an outline of the Ministry's planned objectives and activities for FY2020/21, FY2021/22 and FY2022/23. The contributions should be brief and specific, focusing on core goals, objectives and achievements of the Ministry and aligned with the key priorities.

## **PART IX**

### **9.1 SUBMISSIONS ARE CONSIDERED COMPLETE WHEN SIGNED BY THE PRINCIPAL SECRETARY/CHIEF ACCOUNTING OFFICER AND THE MINISTER AND COMPOSED OF THE FOLLOWING:**

- Revenue Target 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 FY2019/20; and
- Procurement, Implementation and Cash Plans for FY2020/2021 budget.
- Lease Agreement for Ministerial office space rental.

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**MALESHOANE LEKOMOLA-DANZIGER**  
**BUDGET CONTROLLER**

**Appendix 1**  
**RECURRENT BUDGET CEILINGS 2020/21 – 2022/2023**

<b>Code</b>	<b>Ministry/Office</b>	<b>Proposed Ceiling 2020/21</b>	<b>Projection 2021/2022</b>	<b>Projection 2022/2023</b>
<b>001</b>	<b>Agriculture and Food Security</b>	<b>275,298,025</b>	<b>279,286,377</b>	<b>283,374,437</b>
	Personal Emoluments	159,534,064	163,522,416	167,610,476
	Operating Costs	115,763,961	115,763,961	115,763,961
<b>002</b>	<b>Health</b>	<b>2,541,893,105</b>	<b>2,554,489,388</b>	<b>2,567,400,577</b>
	Personal Emoluments	503,851,293	516,447,575	529,358,764
	Operating Costs	2,038,041,813	2,038,041,813	2,038,041,813
<b>003</b>	<b>Education and Training</b>	<b>2,676,138,896</b>	<b>2,732,201,690</b>	<b>2,789,666,053</b>
	Personal Emoluments	2,242,511,740	2,298,574,534	2,356,038,897
	Operating Costs	433,627,156	433,627,156	433,627,156
<b>004</b>	<b>Finance</b>	<b>1,088,925,109</b>	<b>1,093,214,128</b>	<b>1,097,610,372</b>
	Personal Emoluments	171,560,745	175,849,763	180,246,007
	Operating Costs	917,364,364	917,364,364	917,364,364
<b>005</b>	<b>Trade and Industry</b>	<b>42,560,227</b>	<b>43,255,035</b>	<b>43,967,214</b>
	Personal Emoluments	27,792,345	28,487,154	29,199,333
	Operating Costs	14,767,882	14,767,882	14,767,882
<b>006</b>	<b>Development Planning</b>	<b>1,009,637,588</b>	<b>467,407,079</b>	<b>469,220,809</b>
	Personal Emoluments	70,779,676	72,549,167	74,362,897
	Operating Costs	938,857,912	394,857,912	394,857,912
<b>007</b>	<b>Justice and Correctional Services</b>	<b>230,710,112</b>	<b>35,520,358</b>	<b>240,450,860</b>
	Personal Emoluments	192,409,850	197,220,096	202,150,599
	Operating Costs	38,300,262	38,300,262	38,300,262
<b>008</b>	<b>Home Affairs</b>	<b>161,851,918</b>	<b>163,454,427</b>	<b>165,097,000</b>
	Personal Emoluments	64,100,377	65,702,886	67,345,459
	Operating Costs	97,751,541	97,751,541	97,751,541
<b>009</b>	<b>Prime Minister's Office</b>	<b>126,222,299</b>	<b>128,097,181</b>	<b>130,018,936</b>
	Personal Emoluments	74,995,292	76,870,175	78,791,929
	Operating Costs	51,227,006	51,227,006	51,227,006
<b>010</b>	<b>Communications, Science and Technology</b>	<b>195,173,727</b>	<b>196,612,716</b>	<b>198,087,681</b>
	Personal Emoluments	57,559,580	58,998,570	60,473,534
	Operating Costs	137,614,147	137,614,147	137,614,147
<b>011</b>	<b>Law and Constitutional Affairs</b>	<b>98,750,526</b>	<b>99,951,469</b>	<b>71,182,435</b>

Code	Ministry/Office	Proposed Ceiling 2020/21	Projection 2021/2022	Projection 2022/2023
	Personal Emoluments	48,037,723	49,238,666	50,469,633
	Operating Costs	50,712,803	50,712,803	20,712,803
<b>012</b>	<b>Foreign Affairs and International Relations</b>	<b>427,822,473</b>	<b>363,943,263</b>	<b>370,397,564</b>
	Personal Emoluments	322,051,252	258,172,042	264,626,343
	Operating Costs	105,771,221	105,771,221	105,771,221
<b>013</b>	<b>Public Works</b>	<b>70,305,659</b>	<b>65,305,659</b>	<b>66,494,909</b>
	Personal Emoluments	52,570,022	47,570,022	48,759,273
	Operating Costs	17,735,636	17,735,636	17,735,636
<b>014</b>	<b>Forestry and Land Reclamation</b>	<b>154,239,607</b>	<b>157,344,087</b>	<b>160,526,179</b>
	Personal Emoluments	124,179,206	127,283,686	130,465,778
	Operating Costs	30,060,401	30,060,401	30,060,401
<b>015</b>	<b>Energy and Meteorology</b>	<b>28,173,618</b>	<b>28,649,913</b>	<b>29,138,117</b>
	Personal Emoluments	19,051,829	19,528,125	20,016,328
	Operating Costs	9,121,789	9,121,789	9,121,789
<b>016</b>	<b>Employment and Labour</b>	<b>56,690,076</b>	<b>57,426,357</b>	<b>58,181,046</b>
	Personal Emoluments	29,451,248	30,187,529	30,942,218
	Operating Costs	27,238,828	27,238,828	27,238,828
<b>017</b>	<b>Tourism, Environment and Culture</b>	<b>87,641,082</b>	<b>88,561,003</b>	<b>89,503,923</b>
	Personal Emoluments	36,796,873	37,716,795	38,659,715
	Operating Costs	50,844,209	50,844,209	50,844,209
<b>018</b>	<b>Auditor General's Office</b>	<b>31,110,454</b>	<b>31,761,967</b>	<b>32,429,767</b>
	Personal Emoluments	26,060,499	26,712,011	27,379,812
	Operating Costs	5,049,955	5,049,955	5,049,955
<b>019</b>	<b>His Majesty's Office</b>	<b>13,029,593</b>	<b>13,172,819</b>	<b>13,319,625</b>
	Personal Emoluments	5,729,027	5,872,253	6,019,059
	Operating Costs	7,300,566	7,300,566	7,300,566
<b>020</b>	<b>Public Service Commission</b>	<b>14,709,577</b>	<b>14,709,577</b>	<b>14,851,564</b>
	Personal Emoluments	5,679,499	5,679,499	5,821,487
	Operating Costs	9,030,077	9,030,077	9,030,077
<b>021</b>	<b>Public Debt</b>	<b>2,173,116,792</b>	<b>2,173,116,792</b>	<b>2,173,116,792</b>
	Operating Costs	2,173,116,792	2,173,116,792	2,173,116,792
<b>023</b>	<b>Pensions and Gratuities</b>	<b>2,205,055,832</b>	<b>2,239,676,425</b>	<b>2,275,162,533</b>
	Personal Emoluments	1,384,823,732	1,419,444,325	1,454,930,433
	Operating Costs	820,232,100	820,232,100	820,232,100



Code	Ministry/Office	Proposed Ceiling 2020/21	Projection 2021/2022	Projection 2022/2023
<b>024</b>	<b>Statutory Salaries and Allowances</b>	<b>40,044,095</b>	<b>39,177,198</b>	<b>39,621,129</b>
	Personal Emoluments	17,324,125	17,757,228	18,201,158
	Operating Costs	22,719,971	21,419,971	21,419,971
<b>025</b>	<b>Subscriptions to International Organisations</b>	<b>84,434,160</b>	<b>84,434,160</b>	<b>84,434,160</b>
	Operating Costs	84,434,160	84,434,160	84,434,160
<b>026</b>	<b>Refund to Erroneous Receipts</b>	<b>2,268,000</b>	<b>2,268,000</b>	<b>2,268,000</b>
	Operating Costs	2,268,000	2,268,000	2,268,000
<b>030</b>	<b>Centralised Items</b>	<b>1,495,797,431</b>	<b>357,400,972</b>	<b>357,400,972</b>
	Personal Emoluments	332,400,972	332,400,972	332,400,972
	Operating Costs	1,163,396,459	25,000,000	25,000,000
<b>031</b>	<b>Contingency Fund</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>
	Operating Costs	100,000,000	100,000,000	100,000,000
<b>037</b>	<b>Defence and National Security</b>	<b>590,935,103</b>	<b>603,173,870</b>	<b>615,718,607</b>
	Personal Emoluments	489,550,713	501,789,481	514,334,218
	Operating Costs	101,384,390	101,384,390	101,384,390
<b>038</b>	<b>National Assembly</b>	<b>84,385,425</b>	<b>86,205,900</b>	<b>88,071,886</b>
	Personal Emoluments	72,818,980	74,639,454.50	76,505,441
	Operating Costs	11,566,445	11,566,445	11,566,445
<b>039</b>	<b>Senate</b>	<b>20,928,301</b>	<b>21,338,223</b>	<b>21,758,394</b>
	Personal Emoluments	16,396,880	16,806,802	17,226,972
	Operating Costs	4,531,421	4,531,421	4,531,421
<b>040</b>	<b>Ombudsman</b>	<b>10,309,781</b>	<b>10,438,918</b>	<b>10,571,283</b>
	Personal Emoluments	5,165,473	5,294,610	5,426,975
	Operating Costs	5,144,308	5,144,308	5,144,308
<b>041</b>	<b>Independent Electoral Commission</b>	<b>97,836,720</b>	<b>65,398,251</b>	<b>65,904,121</b>
	Personal Emoluments	19,741,236	20,234,766	20,740,636
	Operating Costs	78,095,485	45,163,485	45,163,485
<b>042</b>	<b>Local Government and Chieftainship Affairs</b>	<b>474,950,642</b>	<b>485,094,537</b>	<b>495,492,029</b>
	Personal Emoluments	405,755,776	415,899,670	426,297,162
	Operating Costs	69,194,866	69,194,866	69,194,866
<b>043</b>	<b>Gender and Youth, Sports and Recreation</b>	<b>121,507,718</b>	<b>122,407,370</b>	<b>123,329,514</b>
	Personal Emoluments	35,986,101	36,885,753	37,807,897
	Operating Costs	85,521,617	85,521,617	85,521,617

Code	Ministry/Office	Proposed Ceiling 2020/21	Projection 2021/2022	Projection 2022/2023
<b>044</b>	<b>Public Service</b>	<b>42,400,902</b>	<b>43,133,958</b>	<b>43,885,341</b>
	Personal Emoluments	29,322,246	30,055,302	30,806,685
	Operating Costs	13,078,656	13,078,656	13,078,656
<b>045</b>	<b>Judiciary</b>	<b>114,293,464</b>	<b>116,639,884</b>	<b>119,044,964</b>
	Personal Emoluments	93,856,791	96,203,211	98,608,291
	Operating Costs	20,436,673	20,436,673	20,436,673
<b>046</b>	<b>Social Development</b>	<b>289,753,984</b>	<b>290,897,350</b>	<b>292,069,301</b>
	Personal Emoluments	45,734,669	46,878,035	48,049,986
	Operating Costs	244,019,315	244,019,315	244,019,315
<b>047</b>	<b>Directorate of Corruption and Economic Offences</b>	<b>25,979,196</b>	<b>26,373,930</b>	<b>26,778,532</b>
	Personal Emoluments	15,789,355	16,184,089	16,588,691
	Operating Costs	10,189,841	10,189,841	10,189,841
<b>048</b>	<b>Mining</b>	<b>28,962,052</b>	<b>29,421,532</b>	<b>29,892,499</b>
	Personal Emoluments	18,379,198	18,838,678	19,309,645
	Operating Costs	10,582,854	10,582,854	10,582,854
<b>049</b>	<b>Police and Public Safety</b>	<b>710,415,801</b>	<b>726,657,164</b>	<b>743,304,561</b>
	Personal Emoluments	649,654,519	665,895,882	682,543,279
	Operating Costs	60,761,282	60,761,282	60,761,282
<b>050</b>	<b>Small Business Development, Cooperatives, and Marketing</b>	<b>79,703,512</b>	<b>80,451,555</b>	<b>81,218,300</b>
	Personal Emoluments	29,921,742	30,669,785	31,436,530
	Operating Costs	49,781,770	49,781,770	49,781,770
<b>051</b>	<b>Water</b>	<b>149,421,385</b>	<b>150,621,621</b>	<b>151,851,863</b>
	Personal Emoluments	48,009,441	49,209,677	50,439,919
	Operating Costs	101,411,944	101,411,944	101,411,944
<b>052</b>	<b>Transport</b>	<b>82,710,406</b>	<b>84,132,602</b>	<b>85,590,353</b>
	Personal Emoluments	56,887,846	58,310,042	59,767,793
	Operating Costs	25,822,560	25,822,560	25,822,560
<b>TOTAL PERSONAL EMOLUMENTS</b>		<b>8,002,221,934</b>	<b>8,115,580,729</b>	<b>8,310,160,223</b>
<b>TOTAL OPERATING COSTS</b>		<b>7,994,053,485</b>	<b>6,464,127,186</b>	<b>6,434,127,186</b>
<b>TOTAL RECURRENT</b>		<b>15,560,103,437</b>	<b>14,579,707,915</b>	<b>14,744,287,409</b>

**Appendix 2**  
**CAPITAL BUDGET CEILINGS 2020/21 – 2022/2023**

<b>Code</b>	<b>Ministry/Office</b>	<b>Proposed Ceiling 2020/21</b>	<b>Projection 2021/2022</b>	<b>Projection 2022/2023</b>
<b>001</b>	Agriculture and Food Security	34 800 942	36 192 980	37 640 699
<b>002</b>	Health	173 419 922	180 356 719	187 570 988
<b>003</b>	Education and Training	59 805 638	62 197 864	64 685 778
<b>004</b>	Finance	368 630 474	383 375 693	398 710 721
<b>005</b>	Trade and Industry	206 340 358	214 593 972	223 177 731
<b>006</b>	Development Planning	232 234 600	200 000 000	200 000 000
<b>007</b>	Justice and Correctional Services	74 984 000	77 983 360	81 102 694
<b>008</b>	Home Affairs	267 246 891	277 936 767	289 054 237
<b>010</b>	Communications, Science and Technology	35 488 000	36 907 520	38 383 821
<b>011</b>	Law and Constitutional Affairs	6 473 600	6 732 544	7 001 846
<b>012</b>	Foreign Affairs and International Relations	19 918 400	20 715 136	21 543 741
<b>013</b>	Public Works	381 428 312	396 685 444	412 552 862
<b>015</b>	Energy and Meteorology	200 614 453	208 639 031	216 984 592
<b>017</b>	Tourism, Environment and Culture	31 000 000	15 000 000	15 000 000
<b>019</b>	His Majesty's Office	139 000 000	0	0
<b>037</b>	Defence and National Security	47 000 000	48 880 000	50 835 200
<b>039</b>	Senate	50 000 000	100 000 000	120 000 000
<b>042</b>	Local Government and Chieftainship Affairs	388 135 000	403 660 400	419 806 816
<b>043</b>	Gender and Youth, Sports and Recreation	39 622 174	60 701 335	63 129 388
<b>044</b>	Public Service	0	10 000 000	10 400 000
<b>045</b>	Judiciary	22 000 000	0	0
<b>048</b>	Mining	17 921 398	18 638 254	19 383 784
<b>049</b>	Police and Public Safety	63 000 000	63 000 000	63 000 000
<b>050</b>	Small Business Development, Cooperatives and Marketing	71 980 527	74 859 748	77 854 138
<b>051</b>	Water	173 866 852	180 821 526	188 054 387
<b>052</b>	Transport	44 792 000	46 583 680	48 447 027
	<b>TOTAL</b>	<b>3 149 703 541</b>	<b>3 124 461 972</b>	<b>3 254 320 451</b>

## Appendix 3

### CHART OF ACCOUNTS

#### 1. Overview

Take note of the shift from Epicor 7.3.1 to Epicor 10.2 in CBMS and IFMIS chart of accounts as summarised in the table below:

#### Epicor 10.2 COA

Head	Cost Centre	Sub Cost Centre	Program	Sub program	Account Type	Fund Source	Donor	Project	Activity	Economic Indicator	Location
XXX	XX	XX	XX	XX	XX	X	XXX	XXXX	XXXXXXXX	XXXXXX	XX

#### 2. Head

Head code has three 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	Contingency Fund

#### 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. Targets and Activities**

The MTEF reforms include the definitions of Objectives, Outputs and Activities. These are uniquely defined by each Ministry and are each 2 digits.

## **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.

## **10. Location**

01	-	Maseru
02	-	Butha-Buthe
03	-	Leribe
04	-	Berea
05	-	Mafeteng
06	-	Mohale's Hoek
07	-	Quthing
08	-	Qacha's Nek
09	-	Mokhotlong
10	-	Thaba-Tseka
21`	-	United States of America
22	-	United Kingdom
23	-	Ethiopia
24	-	Canada
25	-	Germany
26	-	Belgium
27	-	Switzerland
28	-	Italy
29	-	The People's Republic of China
30.	-	Republic of South Africa
31.	-	Ireland
32.	-	India
33.	-	Japan
34.	-	Malaysia
35.	-	State of Kuwait

## **11. CBMS Data Entry**

**For data entry into the CBMS, use the link below;  
<http://10.200.1.209/cbmsgol>**

## Appendix 4

### LIST OF STANDARDISED PRICES

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

<b>RATES TO USE DURING BUDGETING</b>	
<b>ITEM</b>	<b>AMOUNT (Maloti)</b>
Exchange rate \$1	15.00
Petrol 93, 1 litre	12.75
Petrol 95, 1 litre	13.15
Diesel 50, 1 litre	14.00
Cost of Plate	170.00
Accommodation (guest house)	900.00
Accommodation (hotel)	1,100.00