FINANCE EXTERNAL CIRCULAR NOTICE NO 15 OF 2016

Ministry of Finance
P.O. Box 395
Maseru 100

18 November, 2016

FIN/EXPDT/S.1 (2016/17)

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
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

Signed: …………………………………

DRAFT CALL CIRCULAR 2017/2018 - 2019/2020 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 2017/18-2019/20. In this regard, Chief Accounting Officers are requested to submit to the Ministry of Finance estimates of revenue and expenditure for the Financial Year 2017/2018 and projections of revenue and expenditure for 2018/2019 and 2019/2020 in accordance with the ceilings in Appendices 1 and 2. The estimates must be submitted to the office of the Budget Controller by 09th December, 2016. 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 2017/18 Budget Timetable

Budget Estimates Call Circular	18th November, 2016
Submission of Budget Estimates (Revenue & Expenditure)	09th December, 2016
Budget Discussion with Line Ministries	19th December, 2016
Presentation of Budget Estimates to Cabinet Budget Committee	18th January, 2017
Presentation of Budget Estimates to Cabinet	24th January, 2017
Presentation of Budget Estimates to Parliament	15th February, 2017

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 2017/18 and Medium Term Fiscal Framework, 2014/15 – 2019/20. Part III provides the guidelines for Budget Estimates for 2017/18 – 2019/20. 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 2017/18 TO 2019/2020

2.1 National Policy goals and key policy targets

It is proposed that in developing the government's budgetary plans for 2017/18 to 2019/20 the focus should be on the drought related and resilience projects and programmes as proposed in the National Emergency Response Plan of 2016.This was brought about by the country experiencing the impacts of El Nino including two years of consecutive drought and erratic rains. Proposals for focus will be on the following policy targets that will contribute to the realization of the Coalition Agreement, National Emergency Response Plan, and Extended National Strategic Development Plan (NSDP) and Vision 2020 strategic goals. These are expected to be aligned to the Global, continental and regional agendas, namely, Sustainable Development Goals (SDGs), Agenda 2063 and Revised Regional Indicative Strategic Development Plan (RISDP) 2015-2020:

- Reducing food insecurity by increasing production on average by 16 Ha per year;
- Provision of Water for household consumption, irrigation and industrial use
- Increasing economic growth towards a sustainable level of between 5 and 7 percent per annum and create 10 000 jobs per year on average; Focusing on youth Employment
- Reducing child mortality by 2/3 and maternal mortality by 3/4 by 2017/18;
- Reducing incidence of HIV and increase coverage for anti-retroviral treatment (ART). (reduce by 25 percent by 2016/17, 80 percent coverage)
- Bringing down stunting by 10 percent and underweight to 5 percent by 2025

In order to achieve the above policy targets, interventions will be targeted towards programmes aimed at:

i. Reducing Food insecurity
ii. Mitigating Climate Change and drought
iii. Reducing Youth unemployment
iv. Reducing Social and Economic Vulnerability

2.1Reducing Food insecurity

Measures to increase agricultural productivity, commercialisation and diversification will include**:**

- Promote household food security
- Investment in expansion of water harvesting and irrigation capacities with a target of developing 200 ha per year
- Promote drought resistance crops
- Engage Young Farmers for specific agricultural products where we have comparative advantage to create job opportunities throughout the agricultural value chain
- Stimulate private participation in trading in agricultural inputs and farm machinery
- Develop and/or facilitate development of public marketing infrastructure for trade and to maintain food safety;

- Promote private investment in building integrated supply chains of existing sub-sectors (vegetables, fruits, potato, poultry, piggery, mushrooms, wool and mohair, organics and others)
- Promote commercial fruit production and increase by 100 ha per year
- In support of the supply chain development and expansion of commercial fruit production, a system to support farmers obtain third-party certification for export markets – modelled on the private sector competitiveness programme - should be put in place
- Facilitate the expansion of farms for products that qualify for bio-trade

Mitigating Climate Change and drought

The environmental vulnerabilities, limited adaption to climate change, due to increasing desertification, poor natural resource management. Lesotho already vulnerable to impacts of extreme weather conditions such as heavy rainfall and floods, snow and strong winds and Elnino induced drought. These changes will increase risks in human and socio economic development. There is therefore need to take adaptive and mitigation measures to combat climate change as motioned bellow.

- Build resilience to climate and weather related risks
- Mainstream resilience and risk management in policies, strategies and investment plans
- Adopt and implement climate change strategy and plan thereby increase the creation of green jobs, through protection of water sources and fragile ecosystems and enhance climate change resilience

Reducing Youth Unemployment

The major medium to long term challenge for government is developing the private sector through youth employment and empowerment for high and sustainable growth. This will involve expansion and diversification of the economic base and increase productivity in key growth sectors and in the green economy.

- Identify talent and establish incubation centres for music, film and fine art to take advantage of the opportunities brought about by analogue to digital migration
- Expand creation of technology hub for youth
- Establish one pilot call centre
- Facilitate the establishment of at least one community based project per year
- Support NUL Innovative projects to improve youth participation
- Improve services for job information and search
- Promote apprenticeship programmes to give experience and increase employability
- Identify limited number of sports in which to develop professional players of international standards
- Support the development of the national handicrafts and technology incubation/production centre and promote development of products, expansion of markets and training provision

Reducing Social and Economic Vulnerability

Deteriorating trends in morbidity and mortality depreciate our human resource capital, thereby reducing productivity, savings and growth. High and increasing mortality rates cause a reduction in the labour force, increasing numbers of orphans, and deepening and spreading poverty. The significant drivers are high HIV and AIDS prevalence, limited accessibility of essential maternal and preventive health care services that shows in relatively high out-of-pocket expenses, poor quality of services and limited access to essential drugs.

There is also need to enhance the social protection system such that it promotes prevention, reduction of exposure to vulnerabilities and enhance the management of risks and increases own capacity to reach livelihood security. Increasing crime and poor management of conflicts exacerbate social and economic vulnerability.

- Strengthen the implementation of Health Leadership Reform Programme
- Implement an accelerated programme for reducing maternal mortality, under-five mortality, stunting and malnutrition;
- Improve Preventive measures for HIV and AIDS and Non-Communicable Diseases(NCD) to avoid overburdening the Health system
- Enhance the management of human resource for health and improve drugs and medical supply management.
- Scale-up HIV and AIDS behaviour change programmes, male circumcision, condom distribution and promotion of their use, expand coverage of ART treatment and rationalize the institutional infrastructure
- Intensify Test and Treat programme
- Implement vaccination programmes to reduce mortality from curable diseases
- Consolidate social protection programmes to better target the poor and marginalised groups with the focus on increasing their own capacity for livelihood security.
    - Especially the roll-out of the Child Grant Programme is essential in this and its continued expansion and efficiency should be ensured;

2.2 Review of Macroeconomic Trends for the Years 2014/15 to 2016/17 and Forecast through the Medium-Term

Economic performance for the fiscal years 2014/15 – 2015/16 and outlook for 2016/17 through 2019/20 is discussed below. Unless otherwise noted, all growth rates are real growth rates, calculated from data at 2012 prices.

2.3 Real Sector Developments

The domestic economy performed modestly between 2014/15 and 2015/16, real GDP growth averaged about 2.8 percent a year over this period. This modest growth was driven by the developments in the tertiary sectors with annual average growth of 4.8 percent. Despite resistant growth in the tertiary sectors, primary sector and secondary sector each registered a negative growth of 0.9 percent and 0.7 percent respectively.

Real gross domestic product (measured by production) is expected to grow by 3.3 percent in 2016/17, following a slower growth of 1.7 percent in 2015/16. The largest positive contributors to growth in 2016/17 were mining, construction, wholesale and retail trade, and transport and communication, which are expected to grow by 8.1 percent, 6.9 percent, 12.1 percent and 5.1 percent respectively.

Growth of 3.7 percent in real GDP is projected in 2017/18. The growth reflects improvements in the mining sector which is expected to grow by 15.5 percent. The construction sector is projected to contract to 2.8 percent during the same year from a strong growth of 6.9 percent recorded in 2016/17. However, crops are expected to decline by 3.5 percent owing to poor weather conditions that are expected to continue during the 2017/18 planting season.

Table 1 Macroeconomic Indicators

Table T.1 Assumptions underpinning the macroeconomic forecast, 2016/17 – 2019/20

Percentage change (unless otherwise indicated)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Outcomes		Estimation	Projections		
Real GDP growth	**3.9%**	**1.7%**	**3.6%**	**4.4%**	**2.0%**	**2.3%**
Fiscal balance	3.4%	-2.4%	-8.5%	-3.0%	-6.4%	-5.8%
Fiscal balance (Million Maloti)	862.0	-627.0	-2 469.8	-987.8	-2 286.7	-2 189.4
Total Revenue	**14 593.6**	**15 254.7**	**14 040.2**	**15 988.0**	**16 956.3**	**17 381.7**
SACU	*7 034.1*	*6 398.6*	*4 518.9*	*5 239.9*	*5 328.8*	*5 366.5*
TAX	*5 796.51*	*6 711.04*	*7 296.50*	*8 218.05*	*8 947.97*	*9 209.85*
Non Tax	*1 267.34*	*1 369.06*	*1 391.43*	*1 447.11*	*1 525.40*	*1 588.15*
Grants	*495.70*	*776.01*	*833.39*	*1 082.98*	*1 154.11*	*1 217.16*
Inflation						
Food inflation	4.5%	5.2%	6.6%	6.3%	6.5%	6.5%
Expenditure	10 744.70	12 196.51	12 502.75	13 080.14	15 080.01	15 544.77
Use of Goods and Services	2 829.65	3 085.89	3 184.61	2 793.16	4 018.62	4 237.93
Compensation of Employees	4 984.49	5 538.41	5 935.64	6 633.69	7 246.96	7 367.44
Months of Imports (*with 1 month lag*)	6.2	6.1	5.5	5.3	5.0	2.1

Source: Macroeconomic Policy & Management estimates 2015

International conditions cast a shadow over Lesotho's prospects. There is uncertainty over the future of the Third Country Fabric Provision in the US AGOA, coupled with poor crop production due to unpredictable weather conditions. On the other hand, the restructuring of textiles and clothing to meet new global demands remain a challenge. Poor growth in Europe, a key traditional trading partner, remains a critical concern. For these reasons, economic activity in the medium term is projected to remain on the low side, reflecting a subdued growth in agricultural sector, manufacturing sector as well as hotels and restaurants sector.

2.4 Prices

On average, inflation increased by 4.8 percent between 2014/15 and 2015/16. The observed increase in prices was recorded for the classes of food and non – alcoholic beverages, clothing and footwear, housing, water, electricity, gas and other fuels. 2016/17 inflation is expected to be 6.6 percent, driven mainly by low global commodity prices also including fuel prices. However, prices related to alcoholic beverages and tobacco (5.9 percent), clothing and footwear (4.3 percent), health (1.1 percent) and miscellaneous goods and services (3.3 percent) are expected to increase. Domestic price developments in 2017/18 through the medium term are expected to move in line with South African price developments.

2.5 Monetary and Financial sector

Lesotho's monetary policy targets the maintenance of adequate Net International Reserves (NIR) to defend the Loti/Rand peg and cushion against external shocks. The country therefore is committed to keep adequate reserves, above 5 months of import cover to cater for the peg and external shocks. In order to maintain the peg between the Loti and the Rand, NIR floor target is set to USD 730 million. During the month of September 2016, the prime lending rate was kept at 7.0 percent.

2.6 Macroeconomic Policy

Fiscal Framework and Fiscal Strategy for 2014/15 through to 2015/16 and Projections for 2016/17 through 2019/20

The Table below sets out the preliminary medium-term fiscal framework (MTFF) for 2017/18-2019/20. Key points to note are that:

- The fiscal balance is expected to register a deficit of 8.5 per cent of GDP in 2016/17 before improving slightly to deficits of 3.0 percent in 2017/18 and 6.4 percent and average 5.8 percent between 2018/19 and 2019/20.

- SACU revenues are forecast to recover from 15.5 percent of GDP in 2016/17 to 16.0 percent of GDP in 2017/18 before tumbling to 14.9 percent in 2018/19 and 14.3 percent of GDP as Lesotho share of SACU receipts continue to decline.

- Recurrent expenditure is projected to decline slightly from 42.9 percent of GDP in 2016/17 to 39.9 percent of GDP in 2017/18 and is forecasted to average 46.8 percent of GDP in 2018/19 through 2019/20.

- Capital expenditure is forecast to register a slower growth of 3.8 percent of GDP in 2017/18 and on average will continue to grow at slower rate throughout the medium term.

2.7 Revenue

Total Revenue has been influenced massively by receipts from SACU which is recently contributing around 32.8 percent of total revenue. However, concerns have been noted about the volatility of SACU receipts which have in the past contributed around 60 percent of total revenue. The revenue outlook is dependent on SACU receipts which are driven by the global economic environment especially development in the South African economy. The medium term is therefore projected to be sluggish since the contribution is forecasted at 31.2 percent of total revenue. This has shifted the authorities' focus to mobilisation of domestic revenue.

2.8 Expenditure

2.9 Trends in Recurrent Expenditure

The total recurrent expenditure is estimated to record a growth of 2.5 percent in 2016/17 relative to 2015/16, and is projected to reach M12, 871.8 million in 2017/18 which is about 39.3 percent of GDP. This modest growth will continue to be driven by growth in compensation of employees and use of goods and services.

2.9.1 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, 255.09 million between 2014/15 and 2015/16. In 2016/17, capital expenditure, including grants and loans, is expected to register a total sum on M5, 457.62 million. This was influenced by a gradual increase in grants mostly from non MCC and non Metolong loans. During the same year, government funded capital expenditure is estimated at M3, 235.88 million. In 2017/18 through the medium term, government is committed to increasing capital spending relative to recurrent spending. To this effect, capital expenditure funded by government is expected to record a marginal increase of M3, 451.48 million in 2017/18 and increase further to M3, 451.48 million in 2018/19 and M3, 637.81 million in 2019/20.

2.10 Fiscal Policy

Lesotho fiscal position remained strong between 2014/15 and 2015/16, registering an average overall fiscal balance of 0.5 percent of GDP. Fiscal performance is expected to worsen in 2016/17 to a deficit of 8.5 percent of GDP due to expected deterioration in SACU revenue. Official gross international reserves are expected to continue to be above 5 months of import cover in 2017/18.

Although capital spending grew moderately in 2016/17, mainly reflecting poor project implementation, external borrowing remained elevated which facilitated the maintenance of reserves. In 2017/18, the fiscal position is expected to improve to a deficit of 3.0 percent of GDP. However, revenues are expected to drop faster than expenditure due to a significant deterioration in SACU receipts. Medium term projections reflect continued deterioration in Lesotho's share of the SACU common revenue pool, therefore driving fiscal balance to deficits of 6.4 percent of GDP and 5.8 percent of GDP in 2018/19 and 2019/20 respectively as SACU revenue continue to fall.

2.11 Fiscal Strategy and Economic Policies

2.11.1 Fiscal strategy

The fiscal strategy over the next three years will thus aim at maintaining long-term fiscal sustainability and providing 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.a: MEDIUM TERM FISCAL FRAME WORK (MTFF)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual		Current Budget	Estimation	Projection	
Revenue	**14 593.6**	**15 254.7**	**14 040.2**	**15 977.7**	**16 945.3**	**17 370.1**
Tax revenue	5 796.5	6 711.0	7 296.5	8 207.7	8 937.0	9 198.3
Grants	495.7	776.0	833.4	1 083.0	1 154.1	1 217.2
Other revenue	1 267.3	1 369.1	1 391.4	1 447.1	1 525.4	1 588.1
SACU	7 034.1	6 398.6	4 518.9	5 239.9	5 328.8	5 366.5
Expense	**10 744.7**	**12 196.5**	**12 502.7**	**12 871.8**	**15 039.2**	**15 501.7**
Compensation of Employees	4 984.5	5 538.4	5 935.6	6 620.3	7 232.6	7 352.4
Use of goods and services	2 829.6	3 085.9	3 184.6	2 607.4	4 001.9	4 220.3
Interest Payments	177.2	274.1	286.6	352.7	345.9	338.5
Subsidies	201.4	250.7	387.8	282.0	300.3	316.6
Grants	1 037.0	1 105.9	1 099.8	1 219.9	1 298.3	1 354.8
Social Benefits	779.1	897.9	946.3	1 014.7	1 078.2	1 142.7
Other expense	735.9	1 043.7	661.9	774.8	782.0	776.6
Analytical Measures						
Fiscal Deficit/Surplus (GoL)	859.3	-628.0	-2 469.8	-989.0	-2 288.1	-2 190.7
Primary operating balance	4 026.1	3 332.3	1 824.1	3 453.7	2 246.3	2 204.8
Gross saving	3 802.2	2 965.1	1 275.0	2 731.5	1 504.8	1 417.4
Gross investment	-2 986.9	-3 685.2	-4 007.2	-4 093.6	-4 192.8	-4 057.8
Debt	11 941.1	14 835.4	13 989.0	14 003.5	13 505.2	10 678.0
As a per cent of GDP:						
Fiscal Deficit/Surplus (GoL)	3.4%	-2.4%	-8.5%	-3.0%	-6.4%	-5.8%
Tax revenues	23.2%	25.4%	25.0%	25.0%	25.0%	24.5%
SACU	28.2%	24.2%	15.5%	16.0%	14.9%	14.3%
Revenues	58.5%	57.8%	48.1%	48.7%	47.5%	46.2%
Expense	-43.1%	-46.2%	-42.9%	-39.3%	-42.1%	-41.2%
Government total expenditures	-55.0%	-60.2%	-56.6%	-51.7%	-53.9%	-52.0%
Savings	15.2%	11.2%	4.4%	8.3%	4.2%	3.8%
Gross investment	-12.0%	-14.0%	-13.7%	-12.5%	-11.7%	-10.8%
Debt	47.9%	56.2%	48.0%	42.7%	37.8%	28.4%

Table 2.b.

Capital Budget	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Total Capital Budget By Source	4 002.67	4 507.51	5 090.54	5 457.62	5 614.79	5 232.58
Government of Lesotho	2 400.21	2 989.74	3 121.61	3 235.88	3 451.48	3 637.81
o/w Road Fund Subvention	145.26	161.57	206.92	202.76	221.20	
Donor Loan	965.70	594.70	933.50	940.00	793.00	383.60
Non-Metolong	415.70	594.70	933.50	940.00	793.00	383.60
Metolong	550.00	-	-	-	-	-
Donor Grants	491.50	761.50	828.52	1 078.98	1 149.11	1 211.16

Financing	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Net Worth and its Changes	-683.53	903.29	2 542.74	988.96	2 288.11	2 190.69
Financial assets	-1 496.55	599.69	2 043.62	816.65	2 224.45	2 719.73
Liabilities	813.02	303.60	499.11	172.31	63.67	-529.04

PART III

3. GUIDELINES FOR BUDGET ESTIMATES FOR 2017/18 – 2019/20

The 2017/18-2019/20 budget estimates will be prepared using the chart of accounts as per attached Appendix 4. The 2017/18-2019/20 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 2015/16; projected outturn for 2016/17 based on Actual Collection in the first six months of 2016/17; and targets for the financial years 2017/18 and projections for 2018/19 and 2019/20.

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 2017/18-2019/20 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 2017/18-2019/20 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 2016/17, 2017/18-2019/20.

(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 2017/18; and
- Projections for 2017/18 and 2019/20

(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 2014/15 and 2015/2016. 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.

Table: 2 Strategic Areas

Category	Strategic Area
A	▪ Agriculture (production and marketing) and climate change resilience ▪ Core Investment Climate Reform Agenda (Business environment, Crime, Access to land and labour stability) ▪ Key infrastructure and basic services (access to water and sanitation, health services, energy, communication services and basic transport infrastructure) ▪ Industrial infrastructure and basic infrastructure to production areas (mining, agriculture, tourism and others) ▪ Enterprise development support for communities and MSMEs, Technical and Vocational Training (TVET), ▪ HIV and AIDS, ▪ Public Financial management (PFM)
B	▪ Other economic infrastructure (Marketing infrastructure) ▪ Other social Infrastructure (Primary and secondary, Non- TVET higher learning, ▪ Soil and water conservation, range management ▪ Governance

C	Others
PPP	▪ *Agro-industry* ▪ *Financial sector development* ▪ *Development of Waste and recycling economy* ▪ *Creative industries*
Private Investment Promotion	▪ *Textiles Hub* ▪ *Other manufacturing (Water bottling, Pharmaceuticals, Leather, Wood and Furniture,* ▪ *Mining beneficiation* ▪ *Tourism and sports (water sports and other recreation)*

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 2017/18 and indicative ceilings for subsequent financial years are set out below:

Table 3: Capital Expenditure, Aggregate Ceilings (M5, 457.6 Million)

Capital Budget	2016/17 Approved Estimates	2017/18 Proposed Ceilings	2018/19 Indicative Ceilings	2019/2020 Indicative Ceilings
Total	**4 872 335 069**	**5,457,600,000**	**5,614,800,000**	**5,232,600,000**
GOL	2 690 137 300	3,235,900 000	3,451,500,000	3,637,800,000
Loans	998 509 335	940,100,000	793,000,000	383,600,000
Grants	1 183 688 434	1,079,000,000	1,149,100,000	1,211,200,000

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 2016/17 and which will require additional resources in 2017/18 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 2017/18, 2018/19 and 2019/20. **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 2017/18, 2018/19 and 2019/20. This includes all on-going projects that will NOT be completed by 31st March, 2017 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 2016/17 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 2015/16, 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 2017/18 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 2017/18, 2018/19 and 2019/20. 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

2.12 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

2.13 IFMIS ACTIVE PLANNER – BUDGET ENTRY PROCESS

For 2017/18, 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

2.14 ESTIMATES SUBMISSIONS

- Estimates submissions must cover actual expenditure in Financial Year 2015/16; approved budget for 2016/17; the projected outturn for 2016/17; budget requests for 2017/18; projections for 2018/19 and 2019/20.
- 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 <u>TWO SIGNED HARD COPIES</u> of Budget Estimates (REVENUE, RECURRENT AND CAPITAL ESTIMATES BY PROGRAMME).**

PART VII

4. BUDGET SPEECH 2017/18

Contributions to the 2017/18 Budget Speech should be submitted with the Estimates. The contribution should include: an assessment of performance in 2016/17; and an outline of the Ministry's planned objectives and activities for 2017/18, 2018/19 and 2019/20. The contributions should be brief and specific, focusing on core goals, objectives and achievements of the Ministry.

PART VIII

2.15 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 2016/17 financial year; and
- Procurement, Implementation and Cash Plans for 2017/2018 budget.

Appendix 1

RECURRENT BUDGET CEILINGS: 2017/2018 - 2019/2020				
Code	**Ministry/Office**	**Proposed Budget Ceiling 2017/18**	**Indicative Ceilings**	
			2018/2019	**2019/2020**
01	**Agriculture & Food Security**	**184 439 150**	**190 068 543**	**196 208 209**
	Personal Emoluments	155 341 605	159 225 145	163 205 773
	Operating Costs	29 097 545	30 843 398	33 002 436
02	**Health**	**1 649 543 556**	**1 735 674 596**	**1 813 056 460**
	Personal Emoluments	366 902 102	376 074 654	385 476 521
	Operating Costs	1 282 641 455	1 359 599 942	1 427 579 939
03	**Education & Training**	**2 306 664 154**	**2 380 031 614**	**2 451 420 196**
	Personal Emoluments	1 858 068 254	1 904 519 960	1 952 132 959
	Operating Costs	448 595 900	475 511 654	499 287 237
04	**Finance**	**455 697 472**	**479 193 136**	**500 336 836**
	Personal Emoluments	109 890 990	112 638 265	115 454 221
	Operating Costs	345 806 482	366 554 871	384 882 614
05	**Trade & Industry**	**42 993 679**	**44 650 081**	**46 206 657**
	Personal Emoluments	26 377 688	27 037 130	27 713 059
	Operating Costs	16 615 991	17 612 950	18 493 598
06	**Development Planning**	**735 744 265**	**777 494 323**	**814 615 851**
	Personal Emoluments	68 417 102	70 127 529	71 880 718
	Operating Costs	667 327 164	707 366 793	742 735 133
07	**Justice and Correctional Services**	**221 925 460**	**229 053 366**	**235 975 812**
	Personal Emoluments	176 789 187	181 208 917	185 739 140
	Operating Costs	45 136 273	47 844 449	50 236 672
08	**Home Affairs**	**144 901 889**	**151 446 244**	**157 444 626**
	Personal Emoluments	61 421 661	62 957 203	64 531 133
	Operating Costs	83 480 227	88 489 041	92 913 493
09	**Prime Minister's Office**	**130 036 835**	**135 720 954**	**140 956 257**
	Personal Emoluments	60 516 880	62 029 802	63 580 548
	Operating Costs	69 519 955	73 691 152	77 375 709
10	**Communications, Science and Technology**	**117 274 311**	**122 569 679**	**127 423 437**
	Personal Emoluments	49 745 438	50 989 074	52 263 801
	Operating Costs	67 528 873	71 580 605	75 159 635
11	**Law and Constitutional Affairs**	**75 393 152**	**78 309 578**	**81 048 384**
	Personal Emoluments	45 918 952	47 066 926	48 243 599
	Operating Costs	29 474 200	31 242 652	32 804 785
12	**Foreign Affairs and International Relations**	**352 029 928**	**364 901 500**	**377 106 233**
	Personal Emoluments	235 720 673	241 613 690	247 654 032
	Operating Costs	116 309 255	123 287 811	129 452 201
13	**Public Works and Transport**	**158 467 902**	**164 121 508**	**169 505 561**
	Personal Emoluments	110 127 675	112 880 867	115 702 888
	Operating Costs	48 340 227	51 240 641	53 802 673
14	**Forestry Range and Soil Conservation**	**58 383 313**	**60 251 168**	**62 066 568**
	Personal Emoluments	46 718 386	47 886 345	49 083 504

	Operating Costs	11 664 927	12 364 823	12 983 064
15	**Energy and Meteorology**	**34 132 192**	**35 478 848**	**36 739 357**
	Personal Emoluments	20 036 438	20 537 349	21 050 782
	Operating Costs	14 095 755	14 941 500	15 688 575
16	**Labour and Employment**	**48 003 983**	**49 949 996**	**51 763 509**
	Personal Emoluments	26 692 164	27 359 469	28 043 455
	Operating Costs	21 311 818	22 590 527	23 720 054
17	**Tourism, Arts and Culture**	**83 566 138**	**87 484 578**	**91 056 724**
	Personal Emoluments	31 300 801	32 083 321	32 885 404
	Operating Costs	52 265 336	55 401 257	58 171 319
18	**Auditor General's Office**	**30 149 774**	**31 027 147**	**31 896 431**
	Personal Emoluments	26 617 529	27 282 967	27 965 041
	Operating Costs	3 532 245	3 744 180	3 931 389
19	**His Majesty's Office**	**7 435 737**	**7 664 509**	**7 888 587**
	Personal Emoluments	6 210 637	6 365 903	6 525 050
	Operating Costs	1 414 991	1 298 606	1 363 536
20	**Public Service Commission**	**7 797 933**	**8 120 525**	**8 420 182**
	Personal Emoluments	4 150 969	4 254 743	4 361 112
	Operating Costs	3 646 964	3 865 781	4 059 071
21	**Principal Repayment**	**494 840 909**	**2 377 813 173**	**2 540 583 263**
	Operating Costs	494 840 909	564 118 636	643 095 245
22	**Interest Charges**	**293 296 091**	**1 813 694 537**	**1 897 488 018**
	Operating Costs	293 296 091	334 357 544	381 167 600
23	**Pension and Gratuities**	**1 423 704 079**	**1 479 336 993**	**1 516 320 418**
	Personal Emoluments	851 123 715	872 401 808	894 211 853
	Operating Costs	572 580 364	606 935 185	622 108 565
24	**Statutory Salaries and Allowances**	**40 330 523**	**42 200 521**	**43 907 991**
	Personal Emoluments	15 709 514	16 102 252	16 504 808
	Operating Costs	24 621 009	26 098 270	27 403 183
25	**Subscriptions to International Organisations**	**70 760 067**	**74 298 071**	**78 012 974**
	Operating Costs	70 760 067	74 298 071	78 012 974
26	**Refund of Erroneous Receipts**	**3 000 000**	**3 000 000**	**3 000 000**
	Operating Costs	3 000 000	3 000 000	3 000 000
31	**Contingencies**	**100 000 000**	**100 000 000**	**100 000 000**
	Operating Costs	100 000 000	100 000 000	100 000 000
37	**Defence and National Security**	**609 675 872**	**630 469 979**	**650 435 545**
	Personal Emoluments	451 041 280	462 317 312	473 875 245
	Operating Costs	158 634 592	168 152 667	176 560 301
38	**National Assembly**	**84 915 000**	**87 576 339**	**90 173 442**
	Personal Emoluments	69 530 315	71 268 573	73 050 288
	Operating Costs	15 384 685	16 307 766	17 123 154
39	**Senate**	**19 899 983**	**20 642 270**	**21 343 666**
	Personal Emoluments	12 906 048	13 228 699	13 559 416
	Operating Costs	6 993 935	7 413 572	7 784 250
40	**Ombudsman**	**7 804 352**	**8 112 128**	**8 400 236**
	Personal Emoluments	4 585 290	4 699 923	4 817 421
	Operating Costs	3 219 061	3 412 205	3 582 815
41	**Independent Electoral Commission**	**100 761 690**	**106 171 141**	**111 013 872**
	Personal Emoluments	18 178 581	18 633 046	19 098 872
	Operating Costs	82 583 109	87 538 096	91 915 000

42	**Local Government and Chieftainship**	**490 472 587**	**506 238 464**	**521 547 501**
	Personal Emoluments	390 356 519	400 115 432	410 118 317
	Operating Costs	100 116 068	106 123 032	111 429 184
43	**Gender Youth and Sports**	**82 859 123**	**86 730 109**	**90 260 847**
	Personal Emoluments	31 444 604	32 230 719	33 036 487
	Operating Costs	51 414 520	54 499 391	57 224 360
44	**Public Service**	**36 380 774**	**37 674 848**	**38 907 882**
	Personal Emoluments	25 393 498	26 028 335	26 679 043
	Operating Costs	10 987 276	11 646 513	12 228 839
45	**Judiciary**	**104 521 140**	**107 821 713**	**111 037 826**
	Personal Emoluments	84 877 010	86 998 935	89 173 909
	Operating Costs	19 644 130	20 822 778	21 863 917
46	**Social Development**	**176 058 925**	**185 431 534**	**193 831 183**
	Personal Emoluments	34 026 448	34 877 110	35 749 037
	Operating Costs	142 032 476	150 554 425	158 082 146
47	**Directorate on Corruption and Economic Offences**	**23 283 655**	**24 268 513**	**25 180 177**
	Personal Emoluments	11 776 037	12 070 438	12 372 199
	Operating Costs	11 507 617	12 198 074	12 807 978
48	**Mining**	**29 373 770**	**30 632 564**	**31 795 461**
	Personal Emoluments	14 389 507	14 749 244	15 117 975
	Operating Costs	14 984 264	15 883 319	16 677 485
49	**Police and Public Safety**	**635 075 428**	**654 803 497**	**674 089 480**
	Personal Emoluments	525 041 613	538 167 653	551 621 845
	Operating Costs	110 033 815	116 635 843	122 467 636
50	**Small, Business Development, Cooperatives & Marketing**	**62 875 591**	**65 649 978**	**68 201 690**
	Personal Emoluments	28 518 522	29 231 485	29 962 272
	Operating Costs	34 357 069	36 418 493	38 239 418
51	**Water**	**140 922 886**	**147 862 802**	**154 146 411**
	Personal Emoluments	43 298 763	44 381 232	45 490 763
	Operating Costs	97 624 122	103 481 570	108 655 648
Total Personal Emoluments		**6 099 162 395**	**6 251 641 455**	**6 407 932 492**
Total Operating Costs		**5 776 230 872**	**6 178 968 083**	**6 549 072 832**
TOTAL		**11 875 583 158**	**12 430 609 539**	**12 957 005 324**

Appendix 2

CAPITAL BUDGET CEILINGS: 2017/2018 - 2019/2020				
Code	**Ministry/Office**	**Proposed Ceiling 2017/2018**	**Indicative Ceilings**	
			2018/2019	**2019/2020**
01	Agriculture and Food Security	149 390 505	154 000 000	138 000 000
02	Health	48 702 305	86 000 000	71 000 000
03	Education and Training	26 400 000	30 000 000	31 000 000
04	Finance	90 394 712	196 500 000	111 000 000
05	Trade and Industry	98 088 000	132 700 000	101 200 000
06	Development Planning	8 926 315	350 000	-
07	Justice and Correctional Services	45 000 000	50 000 000	50 000 000
08	Home Affairs	155 000 000	160 000 000	150 000 000
10	Communications, Science and Technology	164 868 000	210 712 000	169 000 000
11	Law and Constitutional Affairs	20 000 000	100 000 000	81 000 000
13	Public Works and Transport	618 468 771	586 800 000	866 000 000
14	Forestry Range and Soil Conservation	157 000 000	157 000 000	157 000 000
15	Energy and Meteorology	199 978 560	130 500 000	177 000 000
17	Tourism, Environment and Culture	55 000 000	52 000 000	25 000 000
19	His Majesty's Office	100 000 000	-	-
37	Defence and National Security	62 816 251	5 000 000	-
42	Local Government and Chieftainship Affairs	382 617 000	395 753 000	463 665 000
43	Gender, Youth and Sports	6 266 000	6 400 000	20 000 000
44	Public Service	20 000 000	50 000 000	40 000 000
45	Judiciary	15 000 000	-	-
46	Social Development	6 000 000	5 000 000	5 000 000
48	Mining	35 720 750	-	-
49	Police and Public Safety	50 000 000	50 000 000	50 000 000
50	Small Business Development, Coopertives and Marketing	134 888 548	48 947 000	22 000 000
51	Water	250 015 000	239 200 000	224 700 000
TOTAL		**2 900 540 717**	**2 846 862 000**	**2 952 565 000**

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.

Account Type Code	*Account Type Description*
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:

Fund Source Code	*Fund Source Description*
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:

Item	Amount (M)
Vehicle Maintenance costs	
Exchange rate $ 1	13
Petrol 1 Litre Lowlands	8.68
Petrol 1 Litre Mphaki	8.74
Petrol 1 Litre Mokhotlong	8.86
Petrol 1 Litre Thaba-Tseka	8.77
Diesel 1 Litre Lowlands	7.92
Diesel 1 Litre Mphaki	7.97
Diesel 1 Litre Mokhotlong	8.1
Diesel 1 Litre Thaba-Tseka	8.01
Accommodation (Hotels)	800
Accommodation (Guest House)	600
Cost of plate	120

Appendix 5

LIST OF BUDGET OFFICERS

BUDGET DEPARTMENT: DESK OFFICERS SCHEDULE FOR 2017-2018			
MINISTRY	**DESK OFFICER**	**OFFICE NO:**	**EXT. NO:**
FOREIGN AFFAIRS AND INTERNATIONAL RELATIONS	KONESOANG MOSHOESHOE	3066	3386
PRIME MINISTER'S OFFICE			
ENERGY AND METEOROLOGY	TSIBULANE MOSOLOANE	3045	3175
MINING			
TRADE AND INDUSTRY	SELIBE TS'EPE	3046	3104
POLICE AND PUBLIC SAFETY	LINKENG MOREMOHOLO	3041	3105
HEALTH	KENENG MOTJAMELA	3064	3375
PUBLIC SERVICE			
FORESTRY, SOIL AND CONSERVATION	MASETSIBI MACHELI	3048	3099
PUBLIC WORKS AND TRANSPORT			
JUSTICE AND CORRECTIONAL SERVICES	MOTS'ELISI MOKHORO	3428	3187
WATER			
INDEPENDENT ELECTORAL COMMISSION	KORI LENYATSA	3060	3185
DEVELOPMENT PLANNING			
HIS MAJESTY'S OFFICE			
DEFENCE AND NATIONAL SECURITY	FUSI LIBETE	3428	3187
COMMUNICATIONS, SCIENCE AND TECHNOLOGY			
NATIONAL ASSEMBLY	MANNYALI MALEFANE	3057	3202
FINANCE			
OMBUDSMAN	MPHO THELISI	3046	3389
AGRICULTURE AND FOOD SECURITY			
JUDICIARY	MAMABELA QHOBELA	3046	3389
LABOUR AND EMPLOYMENT			
TOURISM, ENVIRONMENT AND CULTURE	LIPHAPANG SEPETLA	3041	
AUDITOR GENERAL'S OFFICE			
SENATE			
LOCAL GOVERNMENT AND CHIEFTAINSHIP	NAPO NTAOTE	3041	
HOME AFFAIRS			
LAW AND CONSTITUTIONAL AFFAIRS	LIBAJOA TALENYANE	3060	3183
GENDER, YOUTH AND SPORTS			
PUBLIC SERVICE COMMISSION			
SOCIAL DEVELOPMENT	KEFUOE MOKHAHLA	3046	3389
DIRECTORATE ON CORRUPTION AND ECONOMIC OFFENCES			
SMALL BUSINESS DEVELOPMENT, COOPERATIVES AND MARKETING	MATETE SEISO	3047	3186
EDUCATION AND TRAINING			

Appendix 6

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

CODE	MINISTRY/HEAD	DATE	TIME	Chair
01	Agriculture and Food Security	19/12/2016	09:00 - 11:00	Mrs Mpobole
06	Communications, Science and Technology	19/12/2016	09:00 - 11:00	Mrs Leuta
11	His Majesty's Office	19/12/2016	09:00 - 10:00	Ms Lekomola
02	Energy and Meteorology	19/12/2016	11:00 - 12:30	Mrs Leuta
07	Tourism, Environment and Culture	19/12/2016	11:00 - 12:30	Ms Lekomola
12	Development Planning	19/12/2016	11:00 - 12:30	Mrs Mpobole
05	Trade and Industry	19/12/2016	14:30 - 16:30	Ms Lekomola
10	Public Works and Transport	19/12/2016	14:30 - 16:30	Mrs Leuta
15	Independent Electoral Commission	19/12/2016	14:30 - 16:30	Mrs Mpobole
03	Justice, Human Rights and Correctional Services	20/12/2016	09:00 - 11:30	Mrs Leuta
08	Auditor General's Office	20/12/2016	09:00 - 10:00	Ms Lekomola
13	Foreign Affairs and International Relations	20/12/2016	09:00 - 11:00	Mrs Mpobole
04	Mining	20/12/2016	11:00 - 12:30	Mrs Mpobole
09	Prime Minister's Office	20/12/2016	11:00 - 12:30	Mrs Leuta
14	Forestry, Range and Soil Conservation	20/12/2016	11:00 - 12:30	Ms Lekomola
16	Labour and Employment	20/12/2016	14:30 - 16:30	Ms Lekomola
37	Defence and National Security	20/12/2016	14:30 - 16:30	Mrs Mpobole
42	Local Government and Chieftainship Affairs	20/12/2016	14:30 - 16:30	Mrs Leuta
17	Education & Training	21/12/2016	09:00 - 11:00	Mrs Leuta
38	National Assembly	21/12/2016	09:00 - 10:00	Ms Lekomola
43	Gender and Youth, Sports and Recreation	21/12/2016	09:00 - 10:00	Mrs Mpobole
18	Home Affairs	21/12/2016	11:00 - 12:30	Mrs Leuta
39	Senate	21/12/2016	10:00 - 11:00	Ms Lekomola
44	Public Service	21/12/2016	10:00 - 11:00	Mrs Mpobole
19	Law and Constitutional Affairs	21/12/2016	09:00 - 10:00	Mrs Mpobole
40	Ombudsman	21/12/2016	09:00 - 10:00	Ms Lekomola
45	Judiciary	21/12/2016	09:00 - 10:00	Mrs Leuta
51	Water	21/12/2016	10:00 - 12:30	Mrs Leuta
20	Public Service Commission	22/12/2016	09:00 - 10:00	Ms Lekomola
41	Health	22/12/2016	09:00 - 11:00	Mrs Leuta
46	Social Development	22/12/2016	09:00 - 11:00	Mrs Mpobole
50	Small Business Development, Cooperatives and Marketing	22/12/2016	11:00 - 12:30	Mrs Mpobole
47	Directorate on Corruption and Economic Offences	22/12/2016	09:00 - 10:00	Ms Lekomola
48	Finance	22/12/2016	10:00 - 12:00	Mrs Mpobole
49	Police and Public Safety	22/12/2016	14:30 - 16:30	Mrs Leuta