

## **PART 6 - NATIONAL BUDGET**

### **1. Compilation of National Budget**

1.1 The National Budget of a fiscal year consists of the following:

- a) Receipt Estimates;
- b) Recurrent expenditure estimates; and
- c) development expenditure estimates.

1.2 Receipt estimates are set out under Administrative and Economic classifications. The Administrative classification exhibits receipts under 5 Groups: (1) Departmental Revenue showing receipts for each head (Department), (2) General Revenue showing receipts for each Head such as taxation, Customs, revenue from assets (mineral resource stabilization fund, dividends, sale of equity and similar revenue inflows), (3) Loan Service Receipts for each Head (interest and principal separately for foreign currency and domestic currency), (4) Grants, and (5) Borrowing under each Head such as domestic, concessional in foreign currency for projects, commercial investment or budget support.

Each Head is further broken into convenient, descriptive sub-headings. A three-tier classification under 6 digits represented by Group (1 digit), Head (3 digits), and Sub-head (2 digits) is followed under Administrative classification.

Economic classification of receipts follows the chart prescribed by the International Monetary Fund, showing receipts under 3 categories: (1) Revenue, (2) Grants, and (3) Borrowings. Each category is further broken down into categories, minor categories, sub categories, and detailed categories. A five-tier classification under 6 digits is followed in economic classification.

1.3 Expenditure estimates are shown for each National Department, Provincial Government, Local-level Government, Statutory Authority, and for Public Debt. Agencies covered by Program Budget follow a 14 digit coding system in a hierarchy comprising Operating Agency (3 digits), Affairs (1 digit), Function (1 digit), Main Program (2 digits), Program (1 digit), Project or Activity (3 digits), and Items (3 digits).

Each Operating Agency is shown by 3 digits. Affairs, Functions and Main Programs are common to all agencies, Programs and Activities/Projects are however, unique to each agency. Agencies not covered by Program Budget exhibit their expenditure estimates for each operating Agency as Division (3 digits) under Function (4 digits), Activity or Project (4 digits) and Item (3 digits).

Items represent the nature of expenditure and indicate the kinds of goods and services procured by an agency. The list of items is standard and common to all operating agencies, whether covered by Program Budget or not.

From 2007 onwards, the Integrated Financial Management System will have a different chart of account.

2. **Section 23 of the Act** allows the Secretary, Department of Treasury to issue directions to Departments on the form and content of Departmental estimates, which are further processed and consolidated to prepare the National Budget. Expenditure is categorized into six sectors for administrative convenience.

The sectors are:

- *Economic*
  - *Infrastructure*
  - *Social*
  - *Law and Order*
  - *Administrative*
  - *Provincial Government*
3. Circulars are issued by the Department of Treasury on the preparation of estimates as early as July of each year for the following fiscal year. It is the responsibility of Departmental Heads and Provincial Administrators to issue their own internal instructions to the Divisional Heads and other staff concerned so that the procedures for compilation of the Departmental, Provincial and Local level Government Budgets are complied with.
  4. Preparation of annual budget estimates for Provincial and Local Level Governments is the responsibility of the respective Executive arms in consultation with the District and Provincial Administrators. Provincial and District Treasurers should play an advisory role in the budget preparation process.
  5. Local Level Government budget estimates must be submitted to the Joint District Planning and Budget Priorities Committee for approval. The approved budget is given to the Head of Local Level Government for presentation to the Assembly for passage of Local Level Government Appropriation Act.
  6. After the Local Government Assembly passes the budget, the copy of the approved budget must be sent to the Provincial Administrator to be given to the Governor of the Province. The approved budget estimates for Local Level Governments and Provincial Governments are forwarded to the Minister for Finance & Treasury for approval under Section 65A of the Act.