

**MINISTRY OF FINANCE, ECONOMIC PLANNING AND
DEVELOPMENT**

Circular No. 2 of 2020

My Ref: BUDGT/CALL/CIRCL

To: Supervising Officers-in-Charge of Ministries/Departments

2020-2021 Budget Circular

You are kindly requested to submit your budget proposals, both expenditure and revenue, for financial years 2020-2021, 2021-2022 and 2022-2023 at latest by **27th March 2020**.

2. The Government Programme 2020-2024 enunciates the projects and programmes that Government intends to implement over the next five years with a view to achieving an Inclusive, High Income, Green and Safe Mauritius while securing an increasingly better quality of life for all. The implementation of these projects and programmes will require significant resources. At the same time, we have to reckon with increasing uncertainties in the global economy and also deal with adverse shocks such as COVID-19.

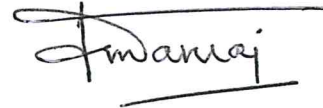
3. Under such circumstances, it is crucial that we use our limited resources judiciously to achieve our short-term and medium-term goals and realise our long-term vision. We will have to maintain budget deficits at a sustainable level while upholding our commitment to reduce public sector debt.

4. In this respect, when preparing your budget proposals, you are requested to:
- (i) ensure tighter control as well as policy adjustments in respect of recurrent expenditure;
 - (ii) ensure an efficiency gain of 10 percent in recurrent expenditure;
 - (iii) give priority to projects and programmes that will unlock growth;
 - (iv) introduce and/or increase user charges in respect of certain public services;
 - (v) implement restructuring plans for public enterprises to ensure their financial sustainability; and
 - (vi) review the operations of statutory bodies and local authorities to limit their dependence on the national budget.

5. The guidelines for the preparation and submission of your proposals are set out at Annex I. As indicated, your proposal for recurrent expenditure should not exceed 90 percent of the voted provision of FY 2019-2020. The final allocation of resources

will be made on the basis of an in-depth analysis of all proposals and the outcome of Budget Estimates Committee and the Policy Dialogue meetings. To prepare for these meetings, relevant MOFEPD staff will have technical working sessions with your Ministry.

6. Kindly relay the contents of this Circular to all public sector bodies falling under your responsibility.



**D. D. Manraj, GOSK
Financial Secretary
02 March 2020**

CC to:

- (i) Secretary to Cabinet and Head of the Civil Service
- (ii) Director of Audit
- (iii) Accountant-General
- (iv) Officer-in-Charge, Finance Section of Ministries and Departments

Encl.:

Annex I: Guidelines for Preparation and Submission of Budget Proposals

- Appendix I: Template for Five-Year Strategic Plan
- Appendix II: Format for Expenditure Proposals
- Appendix III: Format for New Scheme/Measure
- Appendix IV: Format for Human Resource Proposals
- Appendix V: Financial Information on Public Sector Bodies
- Appendix VI: Format for Revenue Estimates
- Appendix VII: MOFEPD Sector Ministry Support Teams (SMSTs)

Guidelines for Preparation and Submission of Budget Proposals

A. Five-Year Strategic Plan

1. In line with the Government Programme 2020-2024, this year a Five-Year Strategic Plan Document will be prepared and tabled, together with the Estimates Document, in the National Assembly. The Plan Document will ensure coherence between the national vision and sectoral policies over the next five years and will replace the Three-Year Strategic Plan.

2. As announced in the Government Programme, the overarching vision of Government is to achieve an Inclusive, High Income and Green Mauritius. The objectives are to:

- (a) value the population through empowerment, enhanced social inclusiveness, and equality of opportunity;
- (b) meet the aspirations of the population for higher standards of living, enhanced opportunities and sustainable development;
- (c) upgrade the economy in the league of high income countries, driven by technology and innovation and bringing higher levels of growth, equality and shared prosperity;
- (d) promote gender equality to ensure a fair and adequate representation of all genders as well as the human and social development of women in Mauritius; and
- (e) nurture deeply entrenched democratic values and human rights.

3. In this respect, Ministries/Departments should submit relevant information as per **Appendix I**, indicating how they intend to contribute towards meeting these objectives and achieving the vision. In their submissions, they should cover, amongst others, the following:

- (a) Situational analysis of each sector, including strengths, challenges and opportunities;
- (b) Sector strategic goals towards realising the vision;
- (c) Strategies and policy actions proposed to be implemented over the next five years;
- (d) Appropriate resources required and the role of different stakeholders, including the private sector and civil society; and
- (e) Key performance indicators and targets that will allow effective monitoring of progress.

4. Your submissions will facilitate discussions on policy issues and strategies for the sector, and will be an important factor to determine budget allocation. They will also allow for better coordination and ensure greater consistency of policies across Ministries.

B. Expenditure Proposals

5. Ministries/Departments should submit their expenditure proposals through the e-budget system as per the format set at **Appendix II**. Details of submission requirements are set out at paragraphs 40 to 43.

6. Your proposals should include realistic revised estimates for the current financial year based on the actual amount already spent as at date and your expected spending as at end of June 2020.

7. Regarding proposals for FY 2020-21 and the subsequent two years, Ministries/Departments should include expenditure commitments already taken in the current financial year as well as new measures and initiatives being proposed for the forthcoming budget in line with government programme 2020-24 and their updated Strategic Plan.

8. In addition, they should take into consideration the following:

- (i) the need to reduce the recurrent expenditure by 10 percent compared to voted provision for FY 2019-2020, by reducing wastage and unproductive expenditure to achieve greater efficiency gains;
- (ii) reduce dependency of public enterprise on the national budget and improve revenue collection;
- (iii) the need to ensure that costs and benefits of projects have been thoroughly assessed and that proposed projects are prioritised accordingly;
- (iv) state of preparedness of projects and schemes; and
- (v) alternative modes of financing for capital projects.

9. Strategic allocation of resources, taking into account the overall fiscal constraint, will be made once all the proposals are examined and discussed.

C. Recurrent Expenditure

10. As stated above, Ministries and Departments should reduce their recurrent expenditure by 10 percent compared to voted provisions for FY 2019-2020. They should ensure judicious use of budgetary resources by leveraging on ICT, reducing wastage, controlling overtime, improving fleet and procurement management, optimising energy consumption, prioritising human resource requirements and exploring other possibilities for efficiency gains.

New Scheme/Measure

11. Ministries/Departments should provide a brief, as per **Appendix III**, on **all new schemes and measures** being proposed for the forthcoming budget, together with their cost implications. While designing new schemes, Ministries should ensure that they are in line with government priorities and avoid overlapping across Government.

Human Resource Budgeting

12. Ministries should make full provision in respect of **staff already in post**. They should also provide for the annual salary increments payable with effect from January of each year as well as for the salary compensation already awarded by Government.

13. Provision in respect of payment of interim allowance icw PRB Report or implementation of the forthcoming PRB Report will be made under centralised vote. Accordingly, Ministries and Departments **should not include** such provisions in their submissions.

14. Ministries/Departments are requested to submit key information relating to:

- (i) the expected timing for filling of approved funded positions, unfunded promotional posts and unfunded entry grade posts;
- (ii) the annual financial implications for the above three categories separately as per **Appendix IV**; and
- (iii) the number of personnel, both permanent and contractual, serving their Ministry/Department as at end March 2020.

15. They should also update the proposed funded positions for FY 2020-21 and their financial implications in the simplified HR excel template designed in the e-budget system.

Maintenance of Assets

16. Ministries are advised to make necessary provision for maintenance of assets falling under their responsibility so as to optimise the useful life of those assets and avoid disruption in service delivery.

Statutory Bodies

17. Ministries should, in the first instance, scrutinise the revenue and expenditure plans of statutory bodies seeking funding from Government so as to ensure greater efficiency and lower dependency on budgetary resources.

18. They should, thereafter, include the reviewed funding requirements of those statutory bodies in their budget proposals.

19. A copy of the budget proposal of the statutory bodies as well as updated information on their financial standing as per **Appendix V** should be submitted to this Ministry.

Mission Expenses and Passage Benefits

20. Your proposals should exclude provisions in respect of mission expenses and passage benefits. As per current practice, such provisions will be made under Vote Centrally Managed Expenses of Government.

Exceptional Expenditure

21. Any item that requires exceptional increase must be supported by a need and an impact assessment.

22. The assessment should include information such as purpose of the spending, expected benefits, target groups, basis of calculation and justification for exceptional expenditure.

D. Capital Expenditure

23. Ministries should prioritise their capital projects and submit their requests based on a **realistic** implementation plan and disbursement schedule.

24. For on-going projects, they should take into account the current implementation status, payments up to June 2020, carry-over of capital expenditure and expected progress in next year. This is necessary to avoid over provisioning and ensure efficient use of budgetary resources.

25. As regards **new capital projects**, Ministries should submit their proposals as per the Project Request Form enclosed in the new Capital Project Process Manual issued in February 2019 (Financial Instructions No. 1 of 2019). For new projects, Ministries are requested to explore alternative mode of financing such as Public Private Partnership and Build Operate Transfer.

26. Ministries should rank their new projects in order of priority. This list as well as other relevant information in respect of new projects should be submitted through email to the relevant Sector Ministry Support Teams (SMSTs) of this Ministry.

27. Where projects are at an early stage of preparation, provision, if required, should only be made for studies and consultancy services. These provisions will be made under vote Centrally Managed Initiatives of Government.

28. Concerning projects being financed under Special Fund, Ministries should submit an updated expenditure plan in respect of those projects. They should also include a projection of expected contributions from donor agencies to finance those projects. This information should be submitted through email to the relevant Sector Ministry Support Teams (SMSTs) of this Ministry.

29. All information in respect of capital projects should be uploaded in the e-PSIP.

30. It is to be noted that for all new projects with an estimated value **above Rs 25 million**, a copy of the Project Request Form should also be submitted to the Public Investment Management Unit (PIMU) of this Ministry for consideration and eventual inclusion in the Public Sector Investment Programme.

Carry-Over of Capital Expenditure

31. Ministries/Departments should submit their requests for carry-over provision for FY 2019-20 in respect of capital expenditure, if any, together with their expenditure proposals. Those requests should be realistic and in line with Financial Instructions No.1 of 2016.

32. Ministries should also take such requests into account while preparing their funding requirements for next year's budget so as to avoid over provisioning.

E. Revenue Estimates

33. Wherever applicable, Ministries/Departments should submit estimates of revenue in respect of taxes, duties, fees, charges, sales and other revenues falling under their purview, as per **Appendix VI**, through the e-budget system.

34. As for fees and charges (Revenue Item Code 142), the guiding policy is to ensure that the rupee value of the fees/charges is not eroded by inflation and is adjusted so as to reflect cost of delivery of goods and services. However, due care has to be given on possible adverse impact on the ease of doing business. Any proposal for adjustment of fees in the next financial year should be incorporated in the revenue estimates.

35. Ministries/Departments should also explore all avenues to collect revenue arrears to Government and include an estimate of the amount to be recovered in respect of each revenue item in their submissions.

36. They should clearly indicate the basis of your computation and assumptions, highlighting any change in respective legislation that has impacted on the amount of revenue collected during the current financial year and/or would affect revenue in the following financial years.

37. All external grants accruing to the Consolidated Fund should be recorded under Revenue Category 13 (Grant). Where the grants are for the implementation of a specific project/scheme, necessary provision (including taxes to be paid, if any) should be made under the appropriate expenditure item in line with the principles of good public financial management. Details of such grants should be recorded in the e-budget system with appropriate explanations.

38. Ministries are requested to closely monitor statutory bodies and SOEs under their purview to ensure that they settle their debt obligations to Government, if any, to avoid accumulation of arrears.

39. Parent Ministries of statutory bodies and SOEs which have accumulated arrears should come up with appropriate policy measures to redress the financial situation of these entities.

F. Submission of Proposals

40. Ministries/Departments should submit both their expenditure proposals and revenue estimates at latest by **27th March 2020** through the e-budget system.

41. Excel templates in the e-budget system have been updated to facilitate the inputting of financial data on both revenue and expenditure. Data entry regarding capital projects should be made in both the e-budget and e-PSIP systems.

42. The e-budget system will enable Ministries/Departments to generate a report of their submissions as per format at **Appendix II** and **Appendix VI**.

43. Ministries/Departments should submit a soft copy of the following supplementary information to the relevant officer responsible for the SMST specified at **Appendix VII**:

- (i) Five-Year Strategic Plan (Appendix I);
- (ii) New Scheme/Measure (Appendix III);
- (iii) Human Resource Proposal (Appendix IV);
- (iv) Financial Information on Public Sector Bodies (Appendix V);
- (v) Project Request Form (as per paragraphs 25 and 27);
- (vi) Updated expenditure plans and grant projection in respect of projects implemented under Special Fund (as per paragraph 28); and
- (vii) Proposals for Carry-over of Capital Expenditure (as per paragraph 31).

G. Estimates Committee Meetings

44. Following receipt of your proposals, the relevant SMST and other officers of this Ministry will hold technical working sessions with Ministries/Departments to prepare for the Budget Estimates Committee meetings.

45. You will be informed of the date, time and venue for the Estimates Committee meetings in due course.