



**Ministry of Finance and Economic Management**

# **Budget Performance and Outlook:**

**Quarter and Year Ending 31 March 2015**



**2014-15**

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## 1. Overview

- 1.1. The Budget Performance and Outlook Report is a quarterly review of the Budget. The aim of the Budget Performance and Outlook Report is to enable the Cabinet, the Legislature and the public to understand and scrutinise how public funds are being spent, increasing transparency and accountability.
- 1.2. The Report provides commentary on the Budget (Recurrent and Capital as well as Debt Servicing) and an Outlook for the upcoming period along with notes on the key Policies and Programmes to be instituted.
- 1.3. Economic growth has continued to be modest, estimated at 0.82% in 2014-15, compared to 0.87% the previous year. By sector, public administration (the largest component of GDP) and construction have been broadly flat, whilst there has been stronger growth in financial intermediation and in the hotel & restaurant sector (at 4% and 3% respectively). Inflation is estimated to have fallen from 3.9% in 2013-14 to close to 3.5% in 2014-15, partly due to lower fuel prices.
- 1.4. Domestic revenues in 2014-15 have been higher than were forecast at the beginning of the financial year, in particular from international trade and income taxes. However, taxes on domestic goods and services along with property taxes showed significant underperformance. Overall domestic revenues in 2014-15 are around \$1.6 million higher than assumed in the budget set at the beginning of the fiscal year.
- 1.5. Exchange rate variances between the Pound and EC Dollar saw GOM gaining in the early part of the fiscal year but ending the year down by some \$1.1 million dollars.
- 1.6. On the expenditure side, there has been an estimated \$3.8 million (9.2%) underspend on staffing this year due to unfilled posts in the civil service. There was also a \$3.4 million underspend on goods and services in part due to challenges in recruiting specialist technical cooperation personnel and bottlenecks with the new procurement modality. On the other hand an additional \$3.7 million was spent on items classified as other expenditure, including very significant legal liabilities.
- 1.7. The total original Approved Budget for the fiscal year 2014-15 was \$160,758,300 (Recurrent \$108,541,900; Capital \$ 52,216,400). The Budget was supplemented by \$26.1; \$2.3 and \$0.05 million (Recurrent \$14.0 million; and Capital \$12.1; \$2.3 and \$0.05 million) revising the total approved budget to \$189,766,700 (Recurrent \$122,571,600; Capital \$67,195,100).
- 1.8. The total revenue intake for the year was \$154.46 million (Recurrent \$121.4 million; Capital \$33.1 million). The local component of revenue stood at \$46.0 million while budgetary aid was \$75.3 million. Quarter 4 revenues were \$60.3 million (Recurrent \$35.8 million; Capital \$24.6 million) with local revenues contributing \$12.7 million while budgetary support was \$23.1 million.
- 1.9. Expenditure for the year stood at \$153.4 million (Recurrent \$119.7 million; Capital \$33.7 million). Quarter 4 spending was as follows \$47.7 million (Recurrent \$37.6 million; Capital \$9.9 million).
- 1.10. Total debt at the end of the period stands at just under \$6.14 million. The total cash balance for the Consolidated Fund and the Development Fund was \$14.4 million (at 31 Mar 2015).
- 1.11. The Chart of Accounts was revised during the 2013-14 fiscal year to align it more closely with the Government Financial Statistics 2001 standard. In doing this a number of accounting lines have been merged, discontinued, repurposed or reclassified. As such, caution must be taken in making backward comparisons.

## 2. Budget Commentary

2.1. The budget was supplemented three times during the year increasing the total original approved budget from \$160,758,300 to \$189,766,700 resulting in an 18% increase in the overall budget. In all instances the Capital budget was increased while only through the first Supplementary was the Recurrent increased. The increase to the recurrent budget came as a result of the confirmation of aid negotiations with DFID. Note should be taken though that one Supplementary Appropriation served only to vary the composition of the recurrent budget. Additionally, some 7 Virement Warrants were issued totalling \$2.6 million (2.4% of the original recurrent budget).

2.2. Overall, the composition of the recurrent budget was varied by 9.8% (\$10.7 million). Government's aim is to keep variations under 5%. This significant variation includes sums (\$6.1 million; 5.6%) repurposed for honouring an external obligation as well as a recently concluded legal matter.

2.3. Revenues for the quarter were \$35,759,238 (Domestic revenues of \$12,687,954; Budget Support of \$23,071,284) against projections of \$35,809,560. Spending to date of \$37,623,903 against projections of \$40,435,685.

2.4. The Government of Montserrat budget was approved as follows:

- Local Revenues \$44,453,000, with agreed DFID budget support of \$76,463,500 (includes \$1,663,580 for UWI arrears from DFID's 2013-14 budget) totalling \$120,916,500.
- Expenditure is approved at \$122,428,400, this created a deficit budget of \$1,511,900. Local revenues stood at \$45,676,159 against a budget of \$44,453,000, some \$1,223,159 above the estimate.

2.5. Overall, expenditure was \$119,657,190.

2.6. Both review of Public Expenditure and Financial Accountability (PEFA) and a Fiduciary Risk Assessment (FRA) were conducted during quarter 3. They noted that since 2010 there have been improvements in public access to information, frequency of bank reconciliations, quarterly reporting including debt; classification of data and comprehensiveness of budget documentation. The production of annual accounts for central government is now up to date, eliminating a backlog of several years. The level of arrears has also been significantly reduced with the support of DFID funding.

2.7. Overall, within the 2014 PEFA it can be noted that of the 30 indicators assessed:-

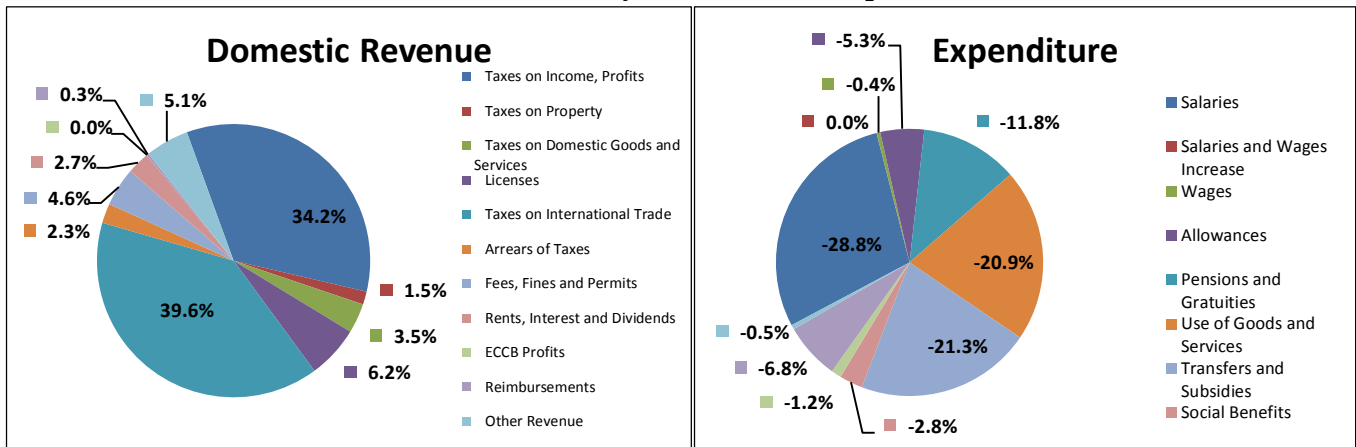
- The score of thirteen (13) of the indicators has improved. Payment of arrears, budget classification, effectiveness of tax collection, management of debt, reconciliation of accounts and follow up of external audits among others.
- The score of six (6) indicators (20%) has deteriorated. This area focused on deviations and expenditure outturns when compared to the approved budget, as well as, multi-year budget planning and effectiveness of internal controls.
- The score of ten (10) indicators (33.3%) has remained the same: Availability of information, quality and timeliness of in year budget reports, legislative scrutiny of external audit reports, competition and value for money in procurement and commitment controls.
- Two indicators (3%) did not apply.

## Statement of Recurrent Revenue and Expenditure

2.8. The Statement of Recurrent Revenue and Expenditure sets out the scale and nature of the flows to and from the government. It shows that, in the fiscal year 2014-15 the government:

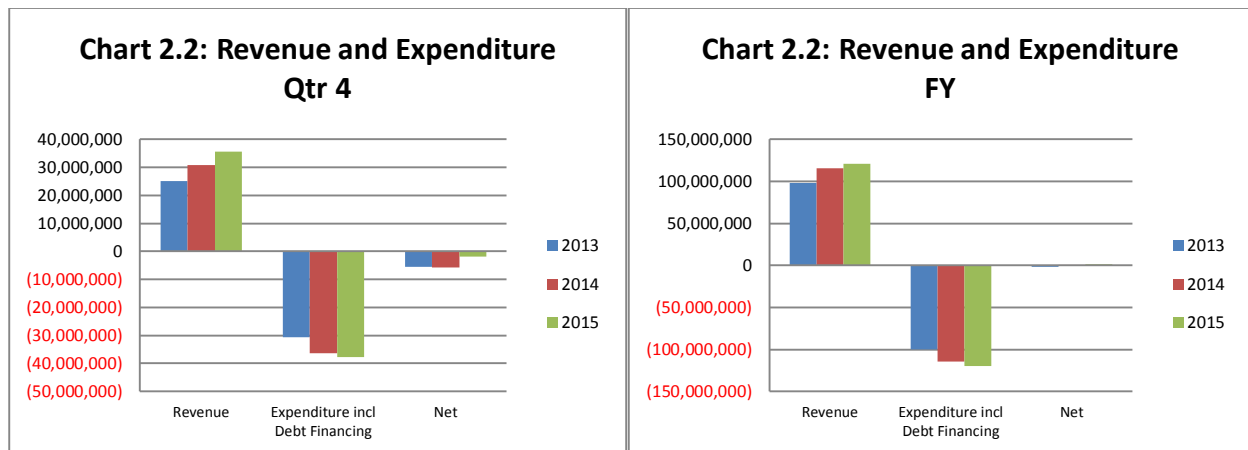
- received \$121.4 million (restated 2013-14: \$115.5 million) in taxation, budgetary aid and other operating revenue, including local revenues of \$46.0 million and aid of \$75.3 million;
- spent \$119.7 million (restated 2013-14: \$114.6 million), including \$41.3 million employing staff and \$35.3 million on goods and services; and
- further reduced its financing costs by \$0.13 million from \$6.26 million to \$6.14 million with no new debts incurred (CDB loan for the Second Power Project available but not yet drawn on)

**Chart 2.1: Summary of revenue and expenditure**



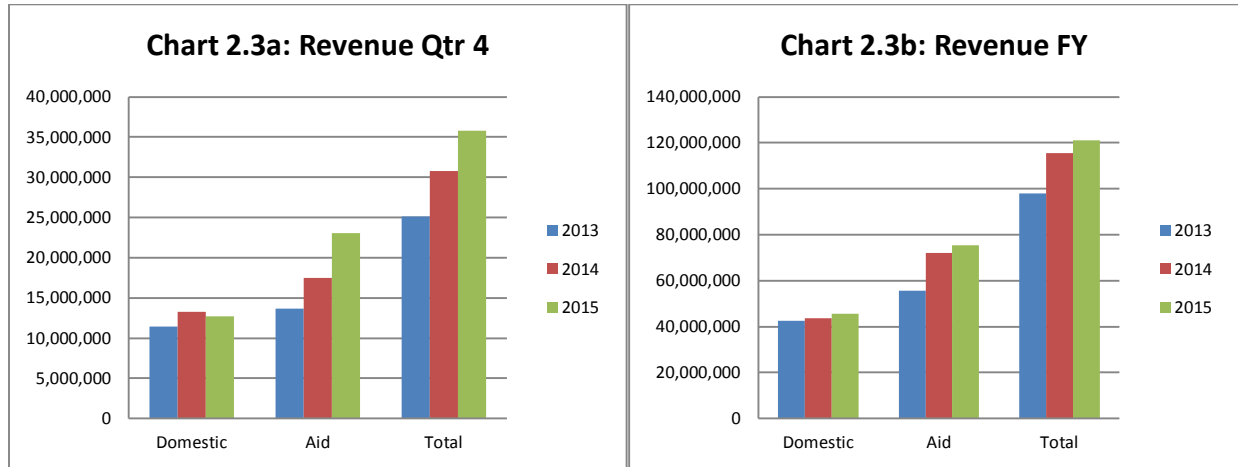
2.9. Recurrent budget performance in the quarter reflected:

- increased tax receipts from Income & profits; Domestic goods and services; Licences; Rents, interests and dividends and International trade;
- increase in collections of Licences, Fees and fines & permits;
- lower staff costs;
- increased spending on pensions and gratuities;
- higher spending on goods and services, (as well as revenue refunds and other fees);
- reduced debt levels

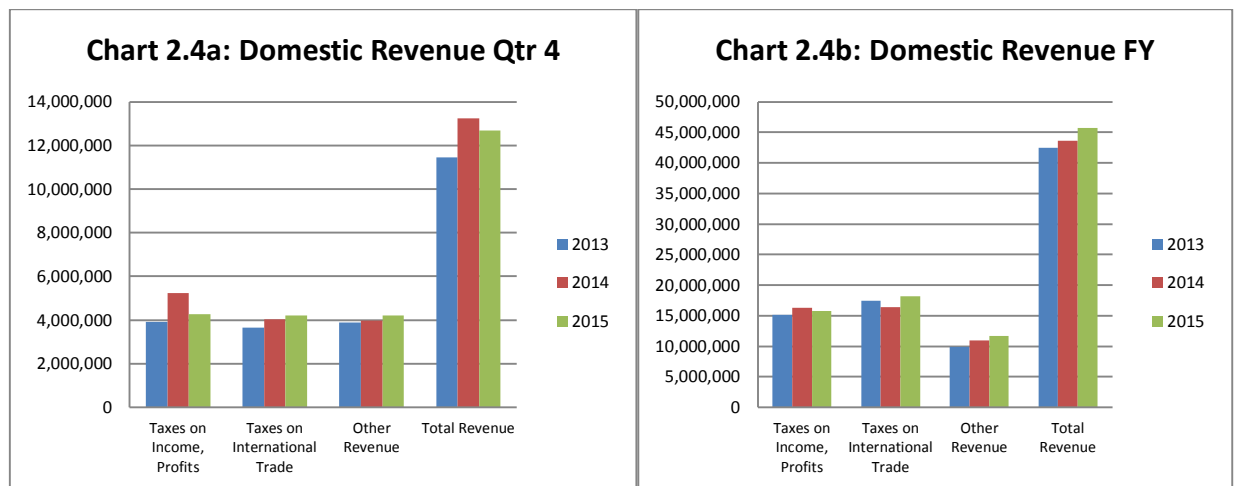


2.10. Chart 2.2 reveals that 4<sup>th</sup> quarter revenue receipts have increased over the triennium with spending activity steadily increasing. This trend is also evident when considering the whole year's activity. The spending though is reflective of GOM's policy to utilise any anticipated surplus to write down its debts. This while positively affecting GOMs credit standing has an adverse effect on the assessment of GOMs public finance management systems, particularly, when assessing the outturn of its budget composition.

## Revenue



2.11. Chart 2.3 shows increasing revenues during the 4th quarter over the triennium. The primary source of income for the quarter was grant aid from the UK government, being 65% of total revenue followed by taxation, contributing 24%. Direct taxation is the main method of collecting taxes on Montserrat for funding public services and the delivery of other Government objectives.



2.12. The triennial comparison of quarter 4 shows a general tendency towards increasing receipts across all revenue stream categories. Chart 2.4a shows a variation on this for Taxes on Income & Profits this is because in 2013-14 property tax bills were issued with a due date in quarter 4 rather than quarter 3 which is the normal target time. Tax collection for the quarter amounted to just over \$8.48 million,

accounting for 24% of total recurrent revenues during the quarter. This was about the anticipated amount for the quarter.

**Table 2.1a: Recurrent revenue Qtr4**

| Q4  | Projections | Actuals    | % Actuals/ Projections |
|---|-------------|------------|------------------------|
| <i>Taxes on Income, Profits</i>             | 3,894,756   | 4,268,937  | 110%                   |
| <i>Taxes on Property</i>                    | 213,363     | 62,275     | 29%                    |
| <i>Taxes on Domestic Goods and Services</i> | 221,455     | 766,547    | 346%                   |
| <i>Licenses</i>                             | 1,080,450   | 1,004,765  | 93%                    |
| <i>Taxes on International Trade</i>         | 4,702,506   | 4,213,154  | 90%                    |
| <i>Arrears of Taxes</i>                     | 225,257     | 395,771    | 176%                   |
| <i>Fees, Fines and Permits</i>              | 583,383     | 606,141    | 104%                   |
| <i>Rents, Interest and Dividends</i>        | 177,659     | 734,364    | 413%                   |
| <i>Reimbursements</i>                       | 1,500       | 32,234     | 2149%                  |
| <b>Budgetary Assistance</b>                 | 24,229,237  | 23,071,284 | 95%                    |
| <i>Other Revenue</i>                        | 479,994     | 603,766    | 126%                   |
|   | 35,809,560  | 35,759,238 | 100%                   |

**Table 2.1b: Recurrent revenue FY**

| FY  | Projections | Actuals     | % Actuals/ Projections |
|---|-------------|-------------|------------------------|
| <i>Taxes on Income, Profits</i>             | 15,370,000  | 15,744,181  | 102%                   |
| <i>Taxes on Property</i>                    | 860,000     | 708,912     | 82%                    |
| <i>Taxes on Domestic Goods and Services</i> | 1,587,800   | 1,617,502   | 102%                   |
| <i>Licenses</i>                             | 2,288,600   | 2,863,783   | 125%                   |
| <i>Taxes on International Trade</i>         | 18,630,000  | 18,210,571  | 98%                    |
| <i>Arrears of Taxes</i>                     | 900,000     | 1,070,514   | 119%                   |
| <i>Fees, Fines and Permits</i>              | 2,045,100   | 2,104,687   | 103%                   |
| <i>Rents, Interest and Dividends</i>        | 621,000     | 1,224,754   | 197%                   |
| <i>Reimbursements</i>                       | 110,000     | 128,651     | 117%                   |
| <b>Budgetary Assistance</b>                 | 76,463,500  | 75,349,758  | 99%                    |
| <i>Other Revenue</i>                        | 2,241,100   | 2,362,429   | 105%                   |
|   | 121,117,100 | 121,385,741 | 100%                   |

## Taxation revenue

2.13. An overview of the collections data (tables 2.2a and b) shows that overall the Montserrat Customs and Revenue Service (MCRS) met its revised target (downward) for the 4<sup>th</sup> quarter of this current fiscal year. Key taxes such as Import Duties, Consumption Tax and Income Tax performed credibly and are directly responsible for the positive outturn.

**Table 2.2a MCRS revenue**

| Classification                  | Projections      | Actuals          | % Actuals/ Projections |
|---------------------------------|------------------|------------------|------------------------|
| Company Tax                     | 704,357          | 660,117          | 94%                    |
| Income Tax (Personal)           | 2,925,780        | 3,295,761        | 113%                   |
| Withholding Tax                 | 264,619          | 313,059          | 118%                   |
| Property Tax                    | 213,363          | 62,275           | 29%                    |
| Hotel/Residential Occupancy Tax | 15,865           | 11,173           | 70%                    |
| Insurance Company Levy          | 59,415           | 43,720           | 74%                    |
| Embarkation Tax                 | 81,175           | 134,765          | 166%                   |
| Import Duties                   | 1,537,004        | 1,414,036        | 92%                    |
| Consumption Tax                 | 2,839,140        | 2,472,913        | 87%                    |
| Entertainment Tax               | -                | -                | -                      |
| Customs Processing Fee          | 231,363          | 283,814          | 123%                   |
| Cruise Ship Tax                 | -                | -                | -                      |
| Company Tax (Arrears)           | 22,975           | 117,601          | 512%                   |
| Income Tax (Arrears)            | 134,623          | 186,442          | 138%                   |
| Property Tax (Arrears)          | 67,659           | 91,728           | 136%                   |
| Customs Fines                   | 6,600            | 6,850            | 104%                   |
| Customs Officers Fees           | 52,075           | 62,010           | 119%                   |
| ASYCUDA User Access Fees        | -                | -                | -                      |
| Customs Auction                 | -                | -                | -                      |
| Other Receipts                  | -                | 114,151          | -                      |
| <b>Total</b>                    | <b>9,156,013</b> | <b>9,270,415</b> | <b>101%</b>            |

2.14. **Income and Profits** - The highest contributor to total MCRS revenues was Income Tax with \$3.30 million collected for this quarter, 13% above the projected target for the quarter. Increases in the public service wage bill due to internal promotions and recruitment activities, as well as, deductions from Government contracts account for this performance.

**Table 2.2b MCRS revenue**

| Classification                  | Projections       | Actuals           | % Actuals/ Projections |
|---------------------------------|-------------------|-------------------|------------------------|
| Company Tax                     | 2,840,000         | 2,795,760         | 98%                    |
| Income Tax (Personal)           | 11,730,000        | 12,099,981        | 103%                   |
| Withholding Tax                 | 710,000           | 848,440           | 119%                   |
| Property Tax                    | 860,000           | 708,912           | 82%                    |
| Hotel/Residential Occupancy Tax | 30,000            | 35,308            | 118%                   |
| Insurance Company Levy          | 240,000           | 224,305           | 93%                    |
| Embarkation Tax                 | 330,000           | 383,590           | 116%                   |
| Import Duties                   | 6,170,000         | 6,047,033         | 98%                    |
| Consumption Tax                 | 11,360,000        | 10,993,773        | 97%                    |
| Entertainment Tax               | -                 | -                 | -                      |
| Customs Processing Fee          | 950,000           | 1,002,451         | 106%                   |
| Cruise Ship Tax                 | -                 | -                 | -                      |
| Company Tax (Arrears)           | 30,000            | 144,626           | 482%                   |
| Income Tax (Arrears)            | 560,000           | 611,819           | 109%                   |
| Property Tax (Arrears)          | 290,000           | 314,069           | 108%                   |
| Customs Fines                   | -                 | 10,250            | -                      |
| Customs Officers Fees           | 210,000           | 219,935           | 105%                   |
| ASYCUDA User Access Fees        | -                 | -                 | -                      |
| Customs Auction                 | -                 | -                 | -                      |
| Other Receipts                  | 15,000            | 15,000            | 100%                   |
| <b>Total</b>                    | <b>36,325,000</b> | <b>36,455,251</b> | <b>100%</b>            |



2.15. **Trade Taxes** – The three taxes which classified as Taxes on International Trade (import, consumption and customs processing fee) all had their targets revised upward in the middle of quarter 4. While only the customs processing fee surpassed the new targets all three exceeded the original targets. This was a direct result of efficiency gains from administrative arrangements such as postponement of earned leave to make up from a shortage of staff in the MCERS.

2.16. **Property Taxes** – The collection of property taxes continues to lag in both the current and arrears categories.

### Arrears of Taxes

2.17. A target of \$3 million was set for the collection of taxes in arrears for the fiscal year. This was revised down to a more realistic estimate of \$880,000. This amount was spread over in Income Tax \$560k, Company Tax \$30k and Property Tax \$290k. Late receipts in the quarter resulted in a substantial excess in the Company Tax Arrears collections.

**Table 2.3 Arrears of Taxes**

| Classification | Budget Estimates | Working Estimate | YTD Actuals      | % Actuals/ Estimates | Q4 Projections | Q4 Actuals     | % Actuals/ Projections |
|----------------|------------------|------------------|------------------|----------------------|----------------|----------------|------------------------|
| Company Tax    | 1,000,000        | 30,000           | 144,626          | 482%                 | 22,975         | 117,601        | 512%                   |
| Income Tax     | 1,250,000        | 560,000          | 611,819          | 109%                 | 134,623        | 186,442        | 138%                   |
| Property Tax   | 750,000          | 290,000          | 314,069          | 108%                 | 67,659         | 91,728         | 136%                   |
| <b>Totals</b>  | <b>3,000,000</b> | <b>880,000</b>   | <b>1,070,514</b> | <b>122%</b>          | <b>225,257</b> | <b>395,771</b> | <b>176%</b>            |

2.18. Notwithstanding some challenges with the collection of taxes in some key areas, the MCERS was able to meet its overall collection target for the year.

### Non-tax revenue

**Table 2.4a Non-tax revenue Qtr 4**

|                               | Projections       | Actuals           | % Actuals/ Projections |
|-------------------------------|-------------------|-------------------|------------------------|
| Licenses                      | 1,080,450         | 1,004,765         | 93%                    |
| Fees, Fines and Permits       | 583,383           | 606,141           | 104%                   |
| Rents, Interest and Dividends | 177,659           | 734,364           | 413%                   |
| Reimbursements                | 1,500             | 32,234            | 2149%                  |
| Budgetary Assistance          | 24,229,237        | 23,071,284        | 95%                    |
| Other Revenue                 | 479,994           | 603,766           | 126%                   |
| <b>Total</b>                  | <b>26,552,222</b> | <b>26,052,554</b> | <b>98%</b>             |

**Table 2.4b Non-tax revenue FY**

|                               | Projections       | Actuals           | % Actuals/ Projections |
|-------------------------------|-------------------|-------------------|------------------------|
| Licenses                      | 2,288,600         | 2,863,783         | 125%                   |
| Fees, Fines and Permits       | 2,045,100         | 2,104,687         | 103%                   |
| Rents, Interest and Dividends | 621,000           | 1,224,754         | 197%                   |
| Reimbursements                | 110,000           | 128,651           | 117%                   |
| Budgetary Assistance          | 76,463,500        | 75,349,758        | 99%                    |
| Other Revenue                 | 2,241,100         | 2,362,429         | 105%                   |
| <b>Total</b>                  | <b>83,769,300</b> | <b>84,034,062</b> | <b>100%</b>            |

2.19. The UK's budget support for the quarter amounted to \$23,071,284. The next big contribution to non-tax revenue was revenue from Licenses amounting to \$1.0 million at 7% which was still under the projected amount. This was bolstered by the collection of licences for vehicles during the period of \$650,800.

2.20. **Naturalisation and Passport Fees** – This line includes application and processing fees for Naturalisation, Permanent Residence, Economic Residence, Registration, Passports, Belonger Status and special Marriage Licenses.

2.21. Notwithstanding the modest projection of \$118,200 for FY2014-15, the total income actually received for all the aforementioned services was \$351,440.

2.22. The variance was due in part to the following:

1. An increased number of Permanent Residence applications by Non-CARICOM nationals who pay \$5,000 per application whereas CARICOM Nationals pay only \$2,500. The impact of this was an increase of approximately \$70,000;
2. It was estimated that we would see a reduction in Naturalisation applications due to the increase in fees from \$530 to \$1550. However, this was not the case and we saw instead a marginal increase of 3 applications. The impact was an increase of approximately \$40,000;
3. Permanent Residence applications from 11 Boat People who sought asylum in 2007 totalling approximately \$50,000; and

2.23. The postponement of the Centralisation of the Printing of Passports to FY2015-16 for which approximately \$65,000 would have been paid out in service fees to Her Majesty's Passport Office (HMPO) for the printing of the passports and WorldReach for the software and hardware contract.

2.24. **Hospital Receipts** – Projected budget for 2014-15 was based on the collections made in the 2013-14. Most of the receipt categories remained stable or increased, there was a significant reduction in revenue received for Cold Body Stores and Laboratory Service. Lab Fees show a reduction following the introduction of a private laboratory offering identical and additional services.

2.25. **Landholding Licences** – Revenue was projected at \$200,000 and actual collections were \$461,944. The 131% increase over projection for 2014-15 was due mainly to purchases of properties in the Beachettes area. Corresponding increases would also have been observed in stamp duties (2% of land value) and licence fees (5% of land value).

2.26. **Scenic Flights** - Revenue collection was budgeted at \$150,000; however, only \$45,000 was collected - 70% below projection. The long standing issue regarding outstanding revenue from Caribbean Helicopters Limited (CHL) remains. At March 31, 2015 the amount outstanding totalled \$190,206.87.

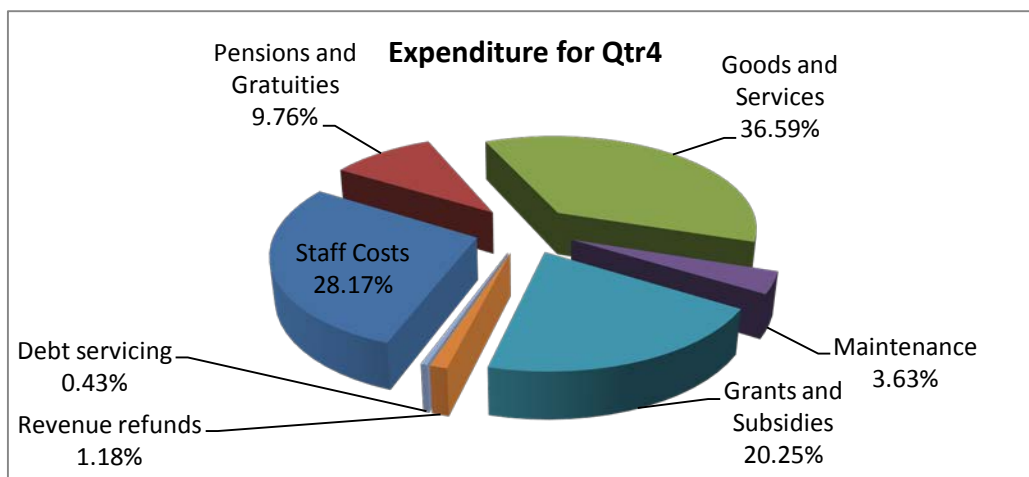
### Capital Grants/Revenue

2.27. GOM's capital accounts operate on an accrual basis unlike the recurrent accounts allowing for the rolling forward of unexpended funds. This accounts for the disparity between capital receipts and spending. Actual capital grants claimed/received by GOM over the period amounted to \$0.97 million.

## Expenditure

### Current Expenditure

2.28. Total expenditure in the 4<sup>th</sup> quarter was \$31.7 million, 6% below the projections for the quarter. This underspend was chiefly observed in the Use of Goods and Service as well as Other Expenditure categories. Slow spending on items approved under the Small Capital Asset Fund accounts for a substantial amount of this.



2.29. Tables 2.5a and b below shows the year on year changes across the major expenditure categories.

**Table 2.5a Expenditure Qtr4**

| Classification                   | Projections         | Actuals             | % Actuals/ Projections |
|----------------------------------|---------------------|---------------------|------------------------|
| Salaries                         | (9,052,482)         | (8,714,122)         | 96%                    |
| Salaries and Wages Increase      | -                   | -                   | -                      |
| Wages                            | (175,892)           | (131,742)           | 75%                    |
| Public Sector Reform Initiatives | -                   | -                   | -                      |
| Allowances                       | (1,645,143)         | (1,751,899)         | 106%                   |
| Pensions and Gratuities          | (3,546,287)         | (3,671,816)         | 104%                   |
| Use of Goods and Services        | (7,653,622)         | (7,637,358)         | 100%                   |
| Transfers and Subsidies          | (10,139,110)        | (7,618,916)         | 75%                    |
| Social Benefits                  | (879,067)           | (876,833)           | 100%                   |
| Revenue refunds                  | (160,215)           | (444,437)           | 277%                   |
| Other Expenditure                | (7,027,567)         | (6,616,831)         | 94%                    |
| Debt servicing                   | (156,299)           | (159,951)           | 102%                   |
| <b>Total</b>                     | <b>(40,435,685)</b> | <b>(37,623,903)</b> | <b>93%</b>             |

**Table 2.5b Expenditure FY**

| Classification                   | Projections          | Actuals              | % Actuals/ Projections |
|----------------------------------|----------------------|----------------------|------------------------|
| Salaries                         | (34,872,400)         | (34,457,042)         | 99%                    |
| Salaries and Wages Increase      | 0                    | 0                    | -                      |
| Wages                            | (574,000)            | (538,125)            | 94%                    |
| Public Sector Reform Initiatives | 0                    | 0                    | -                      |
| Allowances                       | (6,495,600)          | (6,337,613)          | 98%                    |
| Pensions and Gratuities          | (14,212,300)         | (14,142,815)         | 100%                   |
| Use of Goods and Services        | (26,892,900)         | (25,027,442)         | 93%                    |
| Transfers and Subsidies          | (25,522,100)         | (25,506,914)         | 100%                   |
| Social Benefits                  | (3,380,500)          | (3,377,194)          | 100%                   |
| Revenue refunds                  | (1,515,500)          | (1,458,124)          | 96%                    |
| Other Expenditure                | (8,444,900)          | (8,166,254)          | 97%                    |
| Debt servicing                   | (661,400)            | (645,668)            | 98%                    |
| <b>Total</b>                     | <b>(122,571,600)</b> | <b>(119,657,190)</b> | <b>98%</b>             |

2.30. The fixed components of expenditure are staff costs 39%, pensions and gratuities 14% and debt servicing 0.49%, which collectively accounted for 46% of the spending for the quarter.

2.31. **Salaries** – A budget of \$37,709,400 approved with an expenditure of \$34,457,042 was to cover costs of permanent, temporary and contract personnel. The under spend (\$3.2 million) was mainly due to unfilled vacancies during the fiscal year. Some ministries and departments engaged temporary measures by engaging substitutes, who were remunerated against funding for the posts.

2.32. **Allowances** – Allowances are provisions made for GOMs employees. Thus, unspent amounts were in part due to unfilled posts and pending approvals for persons in post. An amount of \$6,716,600 was budgeted of which 84% (\$5,674,253) was expended.

2.33. **Communications** – Communications budget provision covers telephone, postage, internet and other related expenses. With the approved amount of \$929,000, an expenditure of \$760,812 resulted. The lowest spent were the first two periods in the first quarter of the fiscal year. A \$40,000 reduction is seen when compared to 2013-14's expenditure – a 5% decrease.

### *Staff costs*

2.34. Staff costs include the salaries and allowances of permanent staff, temporary staff and contractors. Staff costs are the net direct cost to the government of employing staff in the public sector for the delivery of front line services. The net cost does not include social security contributions and pension costs, these are discussed below in paragraphs 2.39 to 2.43.

2.35. The approved number of posts for GOM during the fiscal period 2014-15 is now 959, as per the breakdown tabulated below:

| Head Count (FTE)   | No of Funded Vacancies | No of Unfunded Posts   | Total No of Approved Posts |
|--|------------------------|--|----------------------------|
| 846  | 84                     | 29   | 959                        |
| <b>Breakdown of Head Count</b>                               |                        |  |                            |
| Permanent – 688 (81.3%);<br>Fixed-term/Contract – 81 (9.6%); |                        | Short-term – 55 (6.5%);<br>Wages/non-established – 22 (2.6%) |                            |

2.36. Refer to Appendix D – ‘Staffing Details as at December 2014’ for details by department.

### *Pensions, Gratuities and Other Benefits*

2.37. Under the Government Pensions Scheme, Pensionable Officers are eligible for Pension Benefits and other Benefits. Pension Benefits are paid upon Normal Retirement, Early Retirement and Medical Retirement. Other Benefits include the Early Exit Benefit for 10 years or more service and Death Benefit where an officer dies while in the service.

2.38. Pensions include monthly payments made to a total of 432 pensioners both local and overseas. Gratuities are made up of one off lump-sum payments comprising: Commuted Gratuity Payments to new retirees; Early Exit Benefits to officers who resign with ten or more years of service; and Contract Gratuity. Legislators’ Gratuities were paid to Legislators following the Dissolution of Parliament and the consequent Constitutional obligation to vacate their seats. Social Security Contributions represent Employer Contributions paid to the Montserrat Social Security Fund in respect of all employees and Contract Officers for Fiscal Year 2014-15. Death Benefits were paid in respect of two deceased officers.

2.39. Spending on pensions and gratuities for the quarter was \$3,671,816 million, 9.8% of total expenditure, (restated 2012-13: \$2.73 million, 8.9%; 2013-14: \$4.64 million, 12.7%). The Total Pension

and Gratuities Budget for Fiscal Year 2014-15 was \$ 14,142,815. This included an initial allocation of \$12,366,700 for Pensions only plus two supplementary appropriations totalling \$1,415,000 to cover Legislators' Gratuities, following the 2014 General Elections. An actual expenditure of \$14,142,815 was incurred as follows:

|                                 |   |                |
|---------------------------------|---|----------------|
| • Pensions                      | - | \$8,318,199.92 |
| • Gratuities                    | - | \$2,036,049.17 |
| • Legislators' Gratuities       | - | \$1,689,501.97 |
| • Social Security Contributions | - | \$1,573,467.98 |
| • Death Benefits                | - | \$ 145,617.36  |

2.40. Additionally, GOM provided health insurance coverage totalling \$101,600 for staff during the quarter; activity on this element is classified under goods and services along with other types of insurance payments.

### *Use of goods and services*

2.41. Goods and services were purchased to meet operational requirements. This included the maintenance of public sector buildings, maintenance of the road network, materials for schools and medicines, as well as administrative costs, such as rent and utilities. The total value of goods and services purchased was \$6.25 million (24% of the total expenditure).

### Small Capital Asset Fund (SCAF)

2.42. The SCAF is a fund of \$1.8 million held on the recurrent budget. It is designed to assist ministries and departments to obtain or replace capital assets which by themselves do not warrant the initiation of a major capital project. Previously, such assets have been provided for on the Development Budget. However, new direction from DFID to consolidate as many of their projects in the Budgetary Support for Montserrat has led to this change in budgeting approach. The challenge presented with this direction is that funds not drawn within a fiscal year are not carried forward as with the Development Budget.

2.43. Fifteen projects have been submitted to the SCAF committee for consideration. The projects Evaluated were:

|  |           |
|--|-----------|
| • Equipment for Glendon Hospital                     | \$250,000 |
| • MCW Loader   | \$180,000 |
| • Fogging Machines                                   | \$21,735  |
| • MCRS specialized Enforcement Equipment             | \$45,000  |
| • Purchase of 12 computers and passport readers      | \$125,000 |
| • Digitizing of the manual filing system of the MCRS | \$23,000  |
| • Generator to power server room in DITES            | \$60,000  |
| • Procurement of Engines (RMPS)                      | \$86,170  |
| • Verge Cutter (MCW)                                 | \$210,000 |
| • Hydraulic Hose(MCW)                                | \$230,000 |
| • Equipment for MSS (Ministry of Education)          | \$71,940  |
| • Laboratory Equipment (MCW)                         | \$147,000 |
| • MV Shamrock replacement of Pontoon (RMPS)          | \$108,700 |
| • ETD Equipment (MCW&L)                              | \$175,000 |
| • Generator Switch                                   | \$15,600  |

2.44. The difficulties related to procurement have delayed the implementation of most of the projects submitted under the SCAF and eight of these totalling \$1,200,440 have been brought over into the new fiscal year for early implementation under the SCAF funds for 2015-16. These are as follows:

- Equipment for Glendon Hospital \$250,000
- Generator to power server room in DITES \$60,000
- Verge Cutter (MCW) \$210,000
- Hydraulic Hose (MCW) \$230,000
- Equipment for MSS (Ministry of Education) \$71,940
- Laboratory Equipment (MCW) \$147,000
- ETD Equipment (MCW&L) \$175,000
- Additional amount for Fire Tenders \$56,500

2.45. At the end of the 2014-15 fiscal year \$861k balance remained unspent on the SCAF line. The remaining balance on the original 2013-14 SCAF Capital Project \$302,000 has been held for the procurement of the Fire Tenders which is now estimated at \$358,500. The additional 56,500 on the recurrent budget was approved in 2014-15 as a result of price variations.

#### Long-Term Technical Cooperation (LTTC)

2.46. A budget of \$ 467,000 was made available to finance the line posts identified to be supported by the LTTC programme during the 2014-15 fiscal period. Total expenditure as at 31 March, 2015 was \$278,933.08 (60% of the budget)

2.47. The five LTTC personnel are already in post are: Parliamentary Counsel, Chief Medical Officer, Senior Policy Analyst, Senior Magistrate/Deputy Registrar and Community Mental Health Officer.

2.48. The selection process for the Director of PWD is not yet completed and interviews for the Director of Statistics are scheduled to take place shortly.

2.49. In addition to the above-specified roles, the posts of Director of Chief Surveyor, Development Planner and Structural Engineer remain a priority.

2.50. The following posts have been identified for possible TC support in 2015-16, subject to ratification and approval by Cabinet: Head of Procurement, Chief Economist, Chief Magistrate, Senior Crown Counsel, Audit Manager in the Office of the Auditor General (2), Housing Officer I, Mathematics Teacher (2) and Fisheries Officer.

#### Short-Term Technical Cooperation (STTC)

2.51. During the year there were nine active experts/consultancies, specifically: Director of Hospital Services; Clinical Psychologist; Child Safeguarding Specialist; Senior Crown Counsel, Office of the Director of Public Prosecutions; Consultant Legal Advisor; Environmental Officer and Procurement Services, Ministry of Finance and Economic Management, Monitoring & Evaluation Advisor and Senior Social Worker have been engaged. Additionally, the recruitment processes are well advanced to retain the services of UNCAC Assessment (April), Tax Advisor and Coach (March 1), Advisor to Port Manager (Q4) and Legal Aid Framework (candidate approval stage) and Biomedical Technician (review of applications by line ministry).

2.52. The budget assigned to the STTC programme for 2014-15 is \$3.1m, with a total expenditure of \$2,223,477 (72% of the budget) as at 31 March, 2015.

2.53. The following experts/consultancies have been identified for possible TC support in 2015-16, subject to ratification and approval by Cabinet: Building Maintenance Appraisal, Internal Audit Advisor, External Audit Advisor, Housing Consultant, Consultant Legislative Drafter for Environment, Education Planner, Curriculum Leadership Coach, Occupational Therapist, Physiotherapist and Family Nurse Practitioner.

#### GOM Capacity Development Programme (previously Annual Country Training Scheme)

2.54. The Annual Country Training Scheme (ACTS) now renamed the Government of Montserrat Capacity Development Programme has been part of the Department for International Development (DFID) support to Montserrat, since 1995. A progress report outlining status of implementation of the 28 recommendations emanating from the 2011 ACTS Review, along with the portfolio of awards from 1996/97 to 2014-15 was submitted to DFID in October 2014.

2.55. The long-term scholarships are derived from the Learning and Development Priority List, as approved by Cabinet.

2.56. The funding for this programme is agreed annually, to resource:

- a) long-term (full-time academic and professional) scholarships, and;
- b) mandatory training (to include short courses and attachments to maintain licensing and international standards).

2.57. For this fiscal year an amount of \$1.48 million was agreed for GOM Capacity Development budget, allocated as follows: long-term scholarships - \$1,405,000 and mandatory training - \$75,000.

2.58. The amount allocated to scholarships covers 15 continuers and 6 new awards for the academic year 2014-15 to include economic cost (refer to Appendix I for details). Of that amount, a total of \$1,125,799.97 has been spent to cover students' tuition and maintenance for the first and second terms. The remaining balance of \$279,200.13 will be disbursed to cover additional expenses for the summer semester and economic cost.

2.59. Of the \$75,000 allocated to mandatory training, an amount of \$65,385.26 has been expended.

Training areas funded were:

|               |   |
|---------------|---|
| MCRS          | Junior Officer Basic Training;  |
| PPU           | National Construction (Sites Management Safety Scheme);               |
| Fire & Rescue | Crew Commander Revalidation Training;<br>Crew Commander Initial, and; |
| Airport       | Federal Aviation Training.  |

#### Maintenance of Public Assets

2.60. As a result of previous underinvestment in routine maintenance of public assets, the significant deterioration in assets resulting in DFID agreeing to an increase in the allocation for maintenance by \$918,000. The indicative increases put forward by DFID were \$665k for roads and \$253k for buildings.

2.61. Government wide spending for the quarter was \$2.94 million or 48% of the annual maintenance budget. This includes spending on fuel which accounts for \$ 160,530.

2.62. The major part of this year's maintenance programme involved the maintenance and improvement to a number roads and drains, to include the following:

- Barzey's by-pass involved 210m of concrete road and drains repairs.
- Mt. Pleasant with 250m of concrete road, asphalt resurfacing and drains.

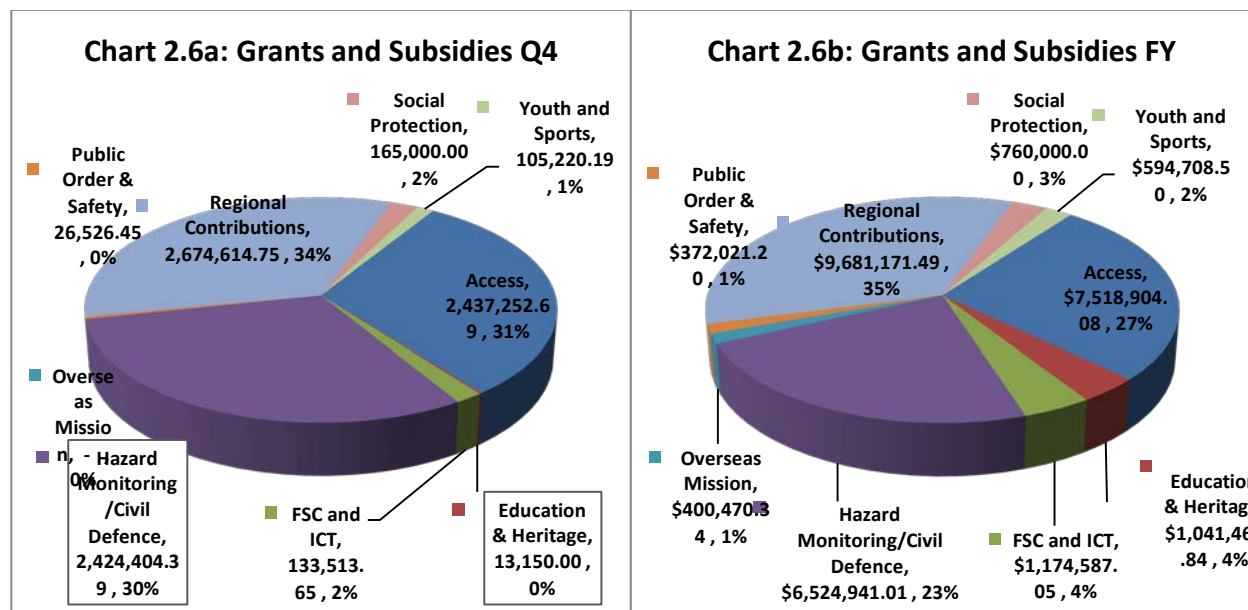
- Judy Piece with 208m concrete road, drains and 25m of out-fall drain.
- Mars Hill with 120m of concrete road and drains.
- Cedar Park works involved two sections of concrete road totalling a 100m and another section with 100m of asphalt surface and concrete drains.
- Gerald’s works involved 60m of drainage improvement works.
- Verge cutting and drain cleaning of the 12km of the main road.
- The maintenance of all other roads which includes road patching, grading, compacting, verge and drain cleaning from Isle’s Bay to New Windward.

2.63. Programmes also included the following:

- The maintenance and repairs of the mechanical works to include electrical wiring corrections.
- The repairs of a storage facility for the MCWL’s Electrical Unit.
- The maintenance and up-keep of the MCWL buildings.
- The maintenance, repairs and the supply of fuel for the operation of the hot-mix plant.
- The procurement of road construction materials such as Base Material, Aggregates, Bitumen, Emulsions and other construction materials.
- The supply of materials for the PWD Laboratory.

2.64. The approach used to plan and execute the various components of maintenance has been very effective in this past year.

### Grants and subsidies



2.65. The central government makes grant and subsidy payments to regional institutions, private sector and non-governmental organisations as well as some statutory bodies to deliver public services or to facilitate their delivery. Payments of this nature are usually given to support on-going services; they can also be for the creation of new assets. Total grants and subsidies were \$9.3 million (Table 2.6a), 36% of spending for the period.



## Access Subsidy

2.66. Government of Montserrat's provision of subsidies for air access is aimed at:

- Ensuring a minimum level of air lift capacity in to and out of Montserrat
- Ensuring alternative means of access if the Ferry is unable to operate
- Promoting long term economic viability of airlines servicing Montserrat
- Promoting increased tourist arrivals with a view to negating the need for subsidies
- Ensure airfares are maintained at affordable levels for travellers including tourists.

2.67. A six day week ferry operation was introduced in December which extended to the 21<sup>st</sup> January. This was to accommodate returning passengers who came for the Christmas Season/Festival. A six day service was repeated from the 10<sup>th</sup> March to the 24<sup>th</sup> to accommodate passengers who came for the St Patricks celebrations. A three day week service was operated from the 22<sup>nd</sup> January to the 28<sup>th</sup> February to offset the extra four days in December and three in March 2015. The regular five day week service is now back in operation.

2.68. The ferry operations were suspended on the 19<sup>th</sup> February 2015 due to both vessels developing engine failure on their way to Montserrat from St Kitts. Due to our usual rough seas around this time of the year, the service was again suspended on the 21<sup>st</sup> March 2015. The 19<sup>th</sup> February 2015 was one of our slower days in terms of passenger numbers, hence not many people were affected by this, as passengers were able to travel by air transportation. The passengers paid for their own airline tickets on this occasion.

2.69. On the 21<sup>st</sup> March 2015, eight charter flights were arranged from Montserrat to take approximately sixty five (65) passengers to Antigua, the majority of these passengers had connecting flights on the same day to North America and the United Kingdom. The charters were operated by Fly Montserrat with six (6) charters and SVG with two (2) charters. Both airlines also operated their scheduled services on that day. Three (3) of the charters were subsidised by the GOM as these passengers were already checked in for the ferry service.

2.70. Subsidy agreements between the GOM and both airlines expired last quarter (Sept-Dec 2014). While subsidy discussions were held with both airlines during that period, no subsidies were given to either of the airlines as both operators were not sure where they stood regarding subsidies. However, in February, SVG made reference that they were losing money and would like the subsidy to be re-introduced as soon as possible.

2.71. GOM has a lease arrangement for a two month period in Antigua known as the Coast Night Club, the building is been used as a ferry terminal. Operation of the ferry terminal commenced on the 10th March 2015 with a brief opening on the 13<sup>th</sup> March 2015. There are toilet facilities, lounge area, restaurant and a bar area. The building is being used by passengers in transit travelling to and from Montserrat. The initial contract was for a period of two months with a monthly rent of \$15,000 plus security and cleaning cost. A total for that period of \$59,500. The contract for the terminal is now extended for a one year period commencing 1<sup>st</sup> May 2015. A budget of \$302,400 has been allotted for the operation of the Ferry Terminal 2015-16. This amount has been provided under the General Budget Support line.

2.72. The renovation work was carried out at a cost of \$23,800 by a Montserratian contractor residing in Antigua. The kitchen and bar a currently are initially being managed by a Montserratian on 'volunteer'

basis. Government is actively seeking to proposals from parties interested in providing services for a longer period.

2.73. There was a total of fifty-nine (59) chartered days for the ferry service during the quarter. This figure is low in comparison to the other quarters. This is because the ferry operated a three day schedule during some of this period, apart from St Patrick’s this quarter is the slow period, plus the days the ferry was unable to operate because of either mechanical issues or rough seas.

2.74. The total ferry cost for this period was \$1,545,309. Of this amount, \$1,013,899 represents charter hire for the vessel while \$531,409 was spent on operational expenses with fuel accounting for \$258,538. Revenue during the same period amounted to \$535,207 with \$514,600 collected as passenger ticket sales and \$16,787 recorded as cargo sales. There is also other revenue of \$3,820. The difference of \$115,725 in revenue collection from quarter three in comparison to quarter four which is representative of a larger number of passengers who travelled for the Christmas festival (Sept-Dec 2014).

2.75. Passenger movements for the ferry during the 4<sup>th</sup> quarter totalled 4,329, a reduction of 1,264 in comparison to the 3<sup>rd</sup> quarter’s figures of 5,593. The monthly breakdown for quarter four is as follows:

|          |   |       |
|----------|---|-------|
| January  | - | 1,616 |
| February | - | 907   |
| March    | - | 1,806 |

2.76. A ferry special of \$200 round trip was operated on the 17<sup>th</sup> March 2015 (St Patricks Day), which accounted for about eighty (80) passengers from Antigua. Further ferry specials are planned for the 1<sup>st</sup> quarter (2015/2016) which is seen as the quietest period, in terms of passenger numbers.

2.77. The total authorised subvention budget for Air/Sea Access was \$5,990,800 for 2014-15. Total expenditure for period April 2014 to March 2015 was \$5,252,464 while the revenue collected over the same period totalled \$2,190,143. In addition \$216,000 was spent on airline subsidy and \$16,540 was spent on airline charters. Please see actual budget performance for budget year 2014-15.

**Table 2.6**

| GOVERNMENT OF MONTSERRAT ACCESS BUDGET PERFORMANCE 2014/2015 |                    |                    |                  |                           |                  |
|--|--------------------|--------------------|------------------|---------------------------|------------------|
|  | Actual             |                    |                  | 2014/2015 (Projected Qtr) |                  |
|  | Qtr 1<br>2014/2015 | Qtr 2<br>2014/2015 | Qtr 3<br>2014/15 | Qtr 4<br>2014/15          | Total<br>2014/15 |
| <b>Ferry Subsidy</b>   | 1,443,520          | 1,402,894          | 1,163,408        | 1,010,102                 | <b>5,019,924</b> |
| <b>Airlines Guarantee</b>                                    | 72,000             | 108,000            | 36,000           | 0                         | <b>216,000</b>   |
| <b>WINAIR Charters</b>                                       | -                  | -                  | -                | 0                         | <b>0</b>         |
| <b>Fly Montserrat Charter</b>                                | -                  | -                  | 6,143            | 4867                      | <b>11,010</b>    |
| <b>SVG Charter</b>   | -                  | -                  | -                | 5530                      | <b>5530</b>      |
| <b>Total Subsidy (EC\$)</b>                                  | <b>1,515,520</b>   | <b>1,510,894</b>   | <b>1,205,551</b> | <b>1,020,499</b>          | <b>5,252,464</b> |

2.78. On the 21<sup>st</sup> March 2015, a ferry from Guadeloupe with approximately 430 passengers docked in Port Plymouth due to rough seas at Port Little Bay. Collaboration between the Ministry of Communication Works & Labour, the Montserrat Port Authority, the Montserrat Volcano Observatory and Disaster Management Coordination Agency was instituted to safely covey passengers from Port Plymouth to the populated areas of the island. All taxis and related services were organised by various tour operators who were involved.

2.79. There is a noted increase in number of passengers using the Ferry. Numbers increased from 13,641 passengers in 2013-14 to 18,782 passengers in 2014-15, an increase of 38%.

### *Contingency Funds*

2.80. DFID has approved spending of \$1,038,400 on the Fund. Claims to date are as follows:

#### **Approved**

- Provision of Temporary Classroom Space at MSS \$880,000
  - The demolition works were tendered and completed towards the end of December at a cost of EC\$116,105. A breakdown for the demolition works is shown below. This was well below the Ministry's estimate of \$200,000. The submission by the Ministry for the demolition of the buildings and the construction of temporary build totalled \$880,000.
  - Finalisation of the design for the temporary buildings was completed in February and the project was tendered on March 02, 2015. The deadline for submission of tenders was extended to April 15, 2015. The building works should commence towards the end of April and be completed in June 2015.
- Montserrat Chikungunya Clean-Up Campaign – “Montserrat Come Clean” Initiative \$207,577
  - In December of 2014, Montserrat led by the Environmental Health Department undertook the “Come Clean Montserrat” campaign, its largest ever national clean-up event. The project overran the original budget approved by DFID of \$158,400 by 31% or \$49,177 revealing the full scope of the problem. The activity was held in response to the growing number of Chikungunya cases and the notable environmental hazards posed by derelict vehicles and improperly discarded white goods. During a four-day period, a recorded 66 persons gave up their weekends and with 20 vehicles made 626 trips to the landfill site.

### *Cross-Classification of Functional and Economic Classifications of Expense*

2.81. Table 2.5 is meant to provide an approximation of the breakdown of recurrent expenditure according the classifications of functions of government (COFOG) against the economic classifications of expenses according the Government Financial Statistics (GFS) 2001. The functions cover the ministries as follows:

- **General public services** includes Executive and Legislative organs as well as external affairs, Ministry of Finance and Economic Management
- **Defence:** Disaster Management Coordination Agency including MVO subvention and the Royal Montserrat Defence Force;
- **Public order and safety:** Law Courts, Police, Fire and Prisons;
- **Economic affairs:** Agriculture, Communication, Works and Labour;
- **Recreation, culture, and religion:** Sports, Tourism & Culture should be included here but have not yet been unbundled from the general public services;
- **Environmental protection; Health; & Social protection** relate Environmental Management, Ministry of Health and Social Services

**Table 2.7a: Q4**

| Function of Government            | Totals     |
|-----------------------------------|------------|
| General public services           | 9,354,732  |
| Defence                           | 2,870,816  |
| Public order and safety           | 2,110,044  |
| Economic affairs                  | 16,463,420 |
| Environmental protection          | 225,266    |
| Housing and community amenities   | 104,041    |
| Health                            | 2,845,004  |
| Recreation, culture, and religion | 555,980    |
| Education                         | 1,915,621  |
| Social protection                 | 1,189,779  |
|                                   | 37,634,704 |

**Table 2.7b: FY**

| Function of Government            | Totals      |
|-----------------------------------|-------------|
| General public services           | 35,846,472  |
| Defence                           | 7,526,103   |
| Public order and safety           | 8,136,232   |
| Economic affairs                  | 41,529,495  |
| Environmental protection          | 888,811     |
| Housing and community amenities   | 409,829     |
| Health                            | 11,325,917  |
| Recreation, culture, and religion | 2,257,157   |
| Education                         | 7,103,060   |
| Social protection                 | 4,644,916   |
|                                   | 119,667,991 |

**Table 2.7c: Q4**

| Economic Classification      | Totals     |
|------------------------------|------------|
| Compensation of Employees    | 14,371,182 |
| Use of Goods and Services    | 7,938,105  |
| Consumption of Fixed Capital | -          |
| Interest                     | 169,226    |
| Subsidies                    | 5,283,094  |
| Grants                       | 3,239,584  |
| Social Benefits              | 820,497    |
| Other Expenses               | 5,813,016  |
| Totals                       | 37,634,704 |

**Table 2.7d: FY**

| Economic Classification      | Totals      |
|------------------------------|-------------|
| Compensation of Employees    | 55,894,766  |
| Use of Goods and Services    | 25,782,774  |
| Consumption of Fixed Capital | -           |
| Interest                     | 654,943     |
| Subsidies                    | 17,034,890  |
| Grants                       | 9,604,516   |
| Social Benefits              | 3,215,779   |
| Other Expenses               | 7,481,723   |
| Totals                       | 119,669,391 |

2.82. Functions of Government in descending order of most spending over the period: Economic affairs (\$11.1 million), General Public Services (\$10.06 million), Health (\$2.75 million), Defence (\$2.55 million), Public Order and safety (\$2.03 million), Education (\$1.82 million), Social protection (\$547k), Recreation culture & religion (\$547k), Environmental protection (\$209k), and Housing and community amenities (\$77k).

2.83. Economics classifications of expenses in descending order over the period: Compensation of employees (\$13.9 million), Use of Good and Services (\$6.11 million), Subsidies (\$3.4 million), Grants (\$2.73 million), Social benefits (\$1.07 million), other expenses (\$0.44 million), and Interest (\$0.16 million).

### In Year Adjustments to the Budget

2.84. The Approved Recurrent Budget was revised in the Legislature once during the quarter. These adjustments included additional funds from DFID (\$10,929,700). A further \$3.1 million provided for short term technical cooperation which was previously administered through a separate project on the Development Budget was also agreed. This will be included shortly, thus, bringing the final agreed aid amount for the year to \$78,118,600 (Baseline \$64,088,900; MOU Addition \$10,929,700; UWI Arrears \$1,663,500).

### Capital Expenditure

#### 2.85. Government of Accommodation

- Efforts by GOM and the contractor continue to ensure The MAHLE building is completed within the set deadline. The construction of the MCRS building continues to be ahead of schedule due

to the diligence of the GOM team and the contractor. Total Expenditure at the end of the fiscal year amounted to \$3,057,052.

**2.86. Geothermal Exploration**

- DFID has agreed to fund the drilling of a third well which will commence in 2015-16 to allow for further production capacity. Expenditure amounted to \$1,812,255 for the fiscal year.

**2.87. Hospital Re-development project**

- Following the last annual review of the project, a decision between the Government of Montserrat and DFID has been made to redevelop a business case to ensure that value for money is achieved. The funds remaining under the current project will be placed on the recurrent budget to allow for the continuation of the non-infrastructure components of the project. Expenditure totalled to \$2,503,190.

**2.88. Education Infrastructure**

- This phase of the Education Infrastructure project was completed this fiscal year with the commencement of the Retention period. Expenditure for the fiscal year was \$1,010,773.

**2.89. Toilet Facilities for the Vulnerable**

- The project focused on the provision for indoor toilet facilities to identified vulnerable households. The current phase of the project has ended and discussions have begun regarding the possibility of developing a phase two. Total expenditure for the fiscal year was \$246,900.

## Cash Balance

2.90. The total cash balance at 31 March 2015, was \$28,923,299.39 broken down as follows:

- The Consolidated Fund 4,940,430.90
- The Development Fund 23,982,868.49

## Government borrowing and debt servicing

2.91. No new loans were entered into for quarter 4. Government borrowing and financing comprises the Plymouth 2<sup>nd</sup> Port Development Loan and the Consolidated Line of Credit (a loan used to provide student loans, business loans and agricultural developments).

2.92. As at 31 March, 2015, the Government had current borrowing of \$6,137,613. Total repayments of \$159,850 (Principal \$125,414; Interest \$34,436) were made during the period.

2.93. The debt portfolio at the end of the period is as follows:

|  | Opening Balance     | Principal         | Interest         | Repayment         | Closing Balance     |
|--|---------------------|-------------------|------------------|-------------------|---------------------|
| Port Development Loan (2 <sup>nd</sup> Loan 1)   | 1,939,885.09        | 57,055.43         | 12,124.27        | 69,179.70         | 1,882,829.66        |
| Port Development Loan (2 <sup>nd</sup> Loan 2A1) | 2,880,284.18        | 38,922.77         | 14,596.04        | 53,518.81         | 2,841,361.41        |
| Consolidated Line of Credit                      | 1,442,857.10        | 29,435.43         | 7,359.44         | 36,794.87         | 1,413,421.67        |
| <b>Total</b>                                     | <b>6,263,026.38</b> | <b>125,413.62</b> | <b>34,436.37</b> | <b>159,849.99</b> | <b>6,137,612.75</b> |

## Liabilities

2.94. GOM is committed to systematically reducing all its outstanding obligations which include the following quantified items approximating to \$2.65 million:

- Pensions & Gratuities \$0.48 m
- MUL (Generating set) \$2.17 m

2.95. Payment of claims against Government (Litigation and workman's compensation matters) amounted to \$5m during the year. Quite significantly, the Government with DFID concurrence have been able to settle the long standing claim of the Estate of Joseph Daley for loss of use resulting from the construction of the J. A. Osborne Airport.

### *Contingent liabilities*

2.96. Contingent liabilities are liabilities associated with events that, while possible, are considered sufficiently improbable (or unquantifiable) that they are not included in the governments financial statements. These contingent liabilities recognise that future expenditure may arise if certain conditions are met or certain events happen. That is, the risk of a call on the Consolidated Fund in the future will depend on whether or not certain circumstances arise. For example, payment under a government guaranteed loan would only be required if the body covered by the guarantee was unable to repay the loan.

2.97. Government Savings Bank (GSB). The GSB was established by statute in the 1937 by the UK Government at the time to provide limited banking services on Montserrat. The financial services market has developed to the point where there is no longer the need for such services. Further, the regulatory framework is not conducive and in the specific case of the Banking Act does not permit maintaining this institution. Consequently, GOM has directed the MOFEM to voluntarily wind up the GSB by 31 March, 2014. The law explicitly provides for GOM to make up any deficiencies between the assets of the GSB and the liability owed to depositors.

2.98. The Government notes the following major civil claims against it:

- CIVIL APPEAL NO. 8 of 2012 Central Tenders Board, the Attorney General and Vernon White. The matter was a claim for judicial review of a decision on the award of a tender for the construction of a school in Look Out of the value of \$2,227,537.77 in circumstances where the tender was non-compliant.
- CLAIM NO. MNIHCV 2006/0011 GERALDINE CABEY V COMMISSIONER OF POLICE AND ATTORNEY GENERAL – The Claim against the defendants arose as a result of an action for malicious prosecution brought by the Claimant arising out of her trial and conviction on several counts of theft and false accounting. The convictions were quashed by Court of Appeal.
- CLAIM NO. MNIHCV 2013/0015 EMMANUEL GALLOWAY ET. AL. T/A THE GALLOWAY GROUP V MINISTER COMMUNICATIONS AND WORKS , ATTORNEY GENERAL, PUBLIC PROCURMENT BOARD – This is a claim for judicial review of the procurement process employed by the Ministry of Communication and Work, for the dredging of the Plymouth Jetty and the award of a contract for the performance of those works.
- CLAIM NO. MNIHCV 0028/2012 JON MILLER V. PLANNING AND DEVELOPMENT AUTHORITY AND THE AG – This is a claim for Judicial Review brought by some of the Isles Bay residents against the alleged decision by the Planning and Development Authority to permit mining in Belham Valley, and the construction of a jetty at Isles Bay to export of sand.
- CLAIM NO. MNIHCV 2012/0036 WARREN CASSELL V COP, AG. This is a constitutional motion in relation to a search conducted by Police and items taken during a search of the

Claimant's house after he was convicted of nine counts of procuring the execution of valuable security and one count of Money Laundering.

- CLAIM NO. MNIHCV 2013/0031 THOMAS WINSTON BUFFONGE V THE DEPUTY GOVERNOR, HON. AG. This is a claim for Judicial Review of a decision not to award Pension to the Claimant.
- CLAIM NO. MNIHCV 2014/0004: WARREN CASSELL V SUPERINTENDENT OF PRISONS, DEPUTY SUPERINTENDENT OF PRISONS, ATTORNEY GENERAL, OSWALD WEST, VAUGHN RYAN, JASON BRADFORD This is a claim for Judicial Review and a constitutional Motion filed by the Claimants arising from allegations surrounding his incarceration at the Prison during the period 24th February 2012 to 15<sup>th</sup> June 2013.
- PROVIDENCE ESTATE MATTERS. There are approximately 12 matters which relate to the Providence Estate Limited and the circumstances surrounding the illegal sale by Mr. Warren Cassell of the properties to persons without the knowledge and approval of the representatives of the Estate. Government has applied for a consolidation of the matters as they all relate to the same set of circumstances. Two of the main matters which relate to the GOM and have been filed against public officers are:
  - Claim No. MNIHCV 2013/0020 Providence Estate Limited, Owen Rooney v Walter Wood III, et al. & AG – Claim alleging fraud on the part of the 1-4th Defendants and breach of statutory duty and misfeasance in public office against 5th Defendant (Government of Montserrat/Public Officers)
  - Claim No. MNIHCV 2013/0021 Providence Estate Limited, Owen Rooney v Registrar of Lands – Application for Rectification of Land Register
- CLAIM NO. MNIHCV 2014/0034: CLAUDE GERALD V HERMAN SERGEANT, ATTORNEY GENERAL. This is a constitutional motion arising out of the Claimant's appearance on the Radio station to discuss health issues. Allegation that his right to freedom of expression and the right to receive and impart information is being infringed.
- CIVIL APPEAL NO. MNICVAP No 3 of 2013 Denzil Edgecombe v. Hon. Premier v AG et al This is a claim for Judicial Review of the decision of the Government of Montserrat to identify a new National Song. The Court gave the Appellant leave to file a claim for Judicial Review only in to the declaration sought that the Appellant would have a legitimate expectation that the song would have been ratified as the national song. The Court of Appeal granted leave only in relation to the declaratory relief. If the Court grants the declaratory relief it is anticipated that only cost would be awarded.

### 3. Outlook for 2015-16

#### *Global Economic Context*

3.1. Slow but steady continues to be the tagline for Global GDP growth, with recovery accelerating in some countries and decelerating in others. The reversal of fortunes continues between the advanced and emerging economies, as the emerging economies saw growth slowed during the 2014 in comparison to 2013 and 2012. While the US and the UK powered ahead, other advanced economies remained mired in the quagmire of high debt, high unemployment and low or no growth. Estimates for 2014, saw global growth increase from 2.5% to 2.6 % between 2013 and 2014. This growth was slower than the initial 3% that had be forecasted at the end of 2012, reflecting the low and sluggish growth that is still prevalent in the global economy.

3.2. Divergent fiscal and monetary policies have resulted in correspondingly divergent economic results for the major economies. A lax monetary policy in the US and the UK, coupled with low interests has led to a boost in consumer confidence and resulting recovery in labour market. The remnants of the debt crisis and severe austerity measures have hampered the growth in the Eurozone and most countries have remained stagnant or have continued to see growth figures fall, as reflected in the 0.8% growth of the Eurozone during 2014. Germany usually termed the powerhouse of Europe saw growth expand by 1.5%, while France the second largest economy continued to stagnate. The slower level of global trade and inter-European trade contributed to the slow growth experienced in most major European economies. The smaller Eurozone countries such as Spain, Greece and others have been hampered by the increasingly unpopular austerity measures necessary to continue to access EU relief funds. The increasing influence of anti-austerity political parties may change the dynamic in the Eurozone during 2015 but whether the changes they propose will have the positive impacts they envisage is, like all future events yet unknown.

3.3. The UK and the US, arguably the most important advanced economies in regards to Montserrat and the rest of the English speaking Caribbean in terms of economic dependence, are experiencing relative booms in growth. As previously expounded this resurgence is mainly as a result of permissive monetary policy and resurgent consumer spending. Increased consumer spending in these traditional tourist markets should, if history holds true, result in increased tourism activity in the Caribbean. This continues to highlight the Caribbean region's dependence on external forces for its economic well-being and welfare. Montserrat main aid donor, the UK although growing faster than most of its European counterparts, is still struggling with rebalancing the growth away from consumer spending into manufacturing and other more sustainable sectors in the economy. While also grappling with a significant budget deficit which has resulted in more proposed spending cuts across government. If the troubles in the Eurozone continue it may endanger the return to growth the UK has experienced and this may have ramifications for Montserrat and the rest of the region going forward.

3.4. Like most developing nations, the countries in the Eastern Caribbean Currency Union (ECCU) are expected to see a slight economic boost from the falling fuel prices and the acceleration of the UK and US economies. Again, the ECCU countries' growth expectations are hinged on the continued prosperity of the larger countries. The dependence on tourism and imports creates an environment of economic unpredictability, as the economic fate of our countries is dependent on the good will and performance of much larger markets. It is this with this in mind that the economic thinkers and leaders of the region have pushed the idea of diversification through investment into improved infrastructure both physical



and non-physical. As well as integration and accommodation of our regional counterparts in order to build a greater market not only for goods but services as well, to create an internal market amongst the region that is as resistant as possible to the ebbs and flows of the global forces. This means going against the global trend of slashing expenditure and rather investing in the infrastructure necessary to propel our small open countries into areas of diversified production which will create synergies between member countries rather than competition, to encourage integration as opposed to segregation of nationalities. Until this is accomplished the global economic outlook will drive the outlook of Montserrat and the rest of our ECCU partners.

### **Local Economy**

3.5. Montserrat's economy experienced very little growth during 2014, as project implementation slowed. This Government has taken the decision to re-order and rationalise Public Sector Investment Programme (PSIP) priorities. The Government has been seeking to ensure that priority is given to seek funding for projects that would initiate change across a wide spectrum of developmental sectors including telecommunications, access, education and health.

3.6. The Government intends to implement the initial stages of key infrastructural and social project during the fiscal year, 2015-16 which will act as stepping stones to the larger projects under consideration for the medium term, as the Government seeks to support the further implementation of the Sustainable Development Plan. As a result of these proposed initiatives the local economy is expected to experience real growth of 1.06% during 2015-16, with further growth anticipated in the following years.

### **Sectoral Analysis**

3.7. Montserrat's economy continues to be dominated by public sector expenditure, both recurrent and capital, which is evidenced by the significant contribution of Public Administration and Construction to the economic output. Along with these major sectors, Financial Intermediation, Real Estate & Housing and Transport, Storage & Communication contributed the majority of the economic activity with the country.

3.8. With goal of rebalancing the economy away from not only dependence on external aid but also on public sector expenditure, the Government is seeking to invest in sectors which will create opportunities for private sector growth by creating the facilitating environment to retain and attract Montserratians at home and abroad. Tourism, Telecommunications, Mining & Quarrying, Light industry manufacturing and Agriculture continue to be key industries targeted for long term growth in the country. In order for these nascent sectors to flourish the economic and human capacity must be in place to allow Montserrat to pivot away from economic dependence imposed by the volcanic crisis over the last twenty years.

### **Policies and Programmes for 2015-18**

3.9. Over the next 3 years GOM will focus its activities around: 1) Encouraging a diversified economy which is private sector driven; 2) Developing an education system that delivers skills needed for the 21<sup>st</sup> century and ensures our people have sustainable livelihoods and can fulfil their destiny; and 3) Delivering a cost effective healthcare system that improves the health and well-being of our people.

3.10. To achieve these, GOM will seek to address the 5 goals of the SDP as follows:

- **SDP Goal 1:** Economic Management. This new approach has 3 policy components, which are:
  - The creation of a modern and diversified economy, where the active promotion of inward investment and targeted foreign direct investment is the foundation. Additionally, we will leverage Montserrat's particular mix of natural resources setting a clear path for sustainable re-development that will not be reliant on any one sector
  - The development of strong fiscal, economic and environmental policies and processes needed to under-pin the development of a sustainable economy
  - Government's role will be to facilitate a conducive business environment that encourages the efficient working of the private sector.
- **SDP Goal 2:** Human Development. GOM will invest in people, empowering them to pursue different life paths, encouraging the development of their human potential. To this end we will focus on Healthcare reform, Educational transformation, Modernising Social Care, and Housing for all.
- **SDP Goal 3:** Environmental Management and Disaster Mitigation. The Government of Montserrat will continue to invest in environmental and disaster management whilst forging regional and global partnerships that will improve the effectiveness and efficiency of our ability to reduce our risk to both natural and man-made disasters.
- **SDP Goal 4:** Governance. As part of a strategy to reform the Public Service, the Government of Montserrat will develop and adopt a Good Governance Charter. GOM will more closely monitor the operations of Government, the Public Service and Parastatal Organisations, with a view to better ensuring that they contribute to the real goal of the sustainable re-development and future growth of our country.
- **SDP Goal 5:** Population. Government will do this by creating an enabling environment to support the repatriation of the Montserratian diaspora, and, to welcome non-nationals with an appreciation of our history, a commitment to our vision and who share our values.
- The Government will implement a number of other initiatives aimed at restoring our communities including:
  - Strengthening the Montserrat U.K. Office to focus on investment, tourism and employment creation.
  - Attracting persons from other jurisdictions with the skills and qualifications that Montserrat needs to rebuild, including teachers.
  - Leveraging our educational transformation to deliver a level of success that makes schooling children here in Montserrat a deciding factor for parents continued residency.

## 4. Recurrent Budget Projections for Quarter 1: 2015-16

4.1. Local revenues for the quarter are projected to be \$11,514,200 while spending is projected to be around \$ 32,045,689. GOM is therefore claiming \$20,531,900 in DFID budget support for the period.

**Table 4.1: Projected Revenues**

| REVENUES                                      | FY Estimates       | ¼ of FY           | Qtr1 Projections  |
|---|--------------------|-------------------|-------------------|
| Taxes on Income, Profits                      | 16,076,000         | 4,019,000         | <b>3,725,600</b>  |
| Property Tax                                  | 910,000            | 227,500           | <b>63,000</b>     |
| Taxes on Domestic Goods and Services          | 2,004,600          | 501,150           | <b>229,300</b>    |
| Licenses                                      | 4,075,600          | 1,018,900         | <b>856,060</b>    |
| Taxes on International Trade and Transactions | 18,436,300         | 4,609,075         | <b>4,476,400</b>  |
| Arrears of Taxes                              | 970,000            | 242,500           | <b>156,700</b>    |
| Fees, Fines and Permits                       | 1,838,400          | 459,600           | <b>340,039</b>    |
| Rents, Interest and Dividends                 | 689,500            | 172,375           | <b>110,423</b>    |
| Reimbursements                                | 985,000            | 246,250           | <b>912,507</b>    |
| Other Revenue                                 | 2,572,900          | 643,225           | <b>644,160</b>    |
| <b>DOMESTIC REVENUES</b>                      | <b>48,558,300</b>  | <b>12,139,575</b> | <b>11,514,189</b> |
|   |                    |                   |                   |
| Budgetary Aid/Grants                          | 79,680,000         | 19,920,000        | <b>20,531,900</b> |
| <b>Total Revenue</b>                          | <b>128,238,300</b> | <b>32,059,575</b> | <b>32,045,689</b> |

4.2. Projections in Table 4.1 have been derived from projections submitted by Ministries. The major revenue lines in particular those from the MCRS will have considered the seasonal inflows. For example Property taxes would peak in the 3<sup>rd</sup> quarter when Bills would become due, while trade related taxes would normally peak around the same quarter because of activities surrounding the Christmas and Festival seasons. As such, it is quite normal to observe lower returns during the 1<sup>st</sup> quarter of the fiscal year. Notably, the high collection on the Reimbursements line is the result of the return of a substantial overpayment from a liability which GOM settled.

**Table 4.2: Projected Expenditure**

| EXPENDITURE               | FY Estimates       | ¼ of FY           | Qtr1 Projections  |
|---------------------------|--------------------|-------------------|-------------------|
| Salaries                  | 38,094,700         | 9,523,675         | <b>9,248,982</b>  |
| Wages                     | 694,500            | 173,625           | <b>174,303</b>    |
| Allowances                | 6,962,200          | 1,740,550         | <b>1,703,781</b>  |
| Pensions and Gratuities   | 13,074,700         | 3,268,675         | <b>3,129,710</b>  |
| Use of Goods and Services | 33,750,100         | 8,437,525         | <b>8,862,193</b>  |
| Transfers and Subsidies   | 24,723,100         | 6,180,775         | <b>6,717,398</b>  |
| Social Benefits           | 4,015,300          | 1,003,825         | <b>1,009,150</b>  |
| Revenue refunds           | 1,505,500          | 376,375           | <b>225,000</b>    |
| Other Expenditure         | 4,774,700          | 1,193,675         | <b>799,378</b>    |
| Debt servicing            | 643,500            | 160,875           | <b>161,894</b>    |
| <b>Total Expenditure</b>  | <b>128,238,300</b> | <b>32,059,575</b> | <b>32,031,789</b> |

4.3. The summary expenditure categories (shown in Table 4.2) from the government's Chart of Accounts can be broadly be mapped to the economic classifications set out in the Government Financial Statistic Manual 2001 (GFS). Similar to GFS the Use of Goods and Services to category covers a very broad range of government spending including Maintenance, Training, Utilities, operational supplies, minor asset purchases and consultancies and other services and fees. Significant activities and spending related to maintenance services and the procurement of items approved under the Small Capital Asset Fund since 2014-15 are planned to occur during the first quarter of 2015-16. Transfers and subsidies for

subventions to government parastatals and for contributions to external organisation are serviced according to billing cycles and agreements, hence, the projection of expenditure greater than a quarter of the total budget line.

4.4. Transfers and subsidies covers that government funding to its Arms Length Bodies, regional and international bodies as well as locally issued grants. Payments are made according to billing cycles and/or other agreements giving predictability to related cash outflows. The Other Expenditure category covers items which do not fall into other classes.

**Table 4.3: Breakdown of Budget Support Being Claimed**

| Line Item                                      | FY Estimates        | ¼ of FY             | Amount (XCD)        |
|--|---------------------|---------------------|---------------------|
| <b>General Budget Support</b>                  | 59,924,400          | 14,981,100          | 16,896,267          |
| <b>Transport Access Subsidy</b>                | 6,125,600           | 1,531,400           | 1,492,033           |
| <b>Capacity building (LTTC)</b>                | 900,000             | 225,000             | 80,000              |
| <b>Capacity building (ACTS)</b>                | 1,680,000           | 420,000             | 53,900              |
| <b>Short Term Technical Cooperation (STTC)</b> | 2,600,000           | 650,000             | 430,000             |
| <b>Small Capital Asset Fund</b>                | 1,800,000           | 450,000             | 1,000,000           |
| <b>Healthcare Improvement (Recurrent)</b>      | 1,060,000           | 265,000             | 98,300              |
| <b>Healthcare Improvement (Capital)</b>        | 3,090,000           | 772,500             | 231,000             |
| <b>Contingency Fund 1 (Child Safeguarding)</b> | 1,000,000           | 250,000             | 250,000             |
| <b>Contingency Fund 2 (Main)</b>               | 1,500,000           | 375,000             | -                   |
| <b>Total</b>                                   | <b>\$79,680,000</b> | <b>\$19,920,000</b> | <b>\$20,531,500</b> |

### Transport Access Subsidy

4.5. Government of Montserrat regards affordable air and sea access as a ‘reasonable need’ of residents and visitors alike (see Appendix H). It therefore, supports the provision of subsidies at this time in order to assist service providers to meet their operating costs in a challenging environment with a small market size, while providing alternative access options for Montserrat and fostering tourism and investment. Additionally, it supports air access subsidies as a means of catering for the health needs of the population by guaranteeing daily flights as well as, availability for emergency care.

4.6. The Access subsidy for quarter 1 supports Government of Montserrat’s objective to maintain economical air access services. During the first quarter passengers loads are at their lowest and consequently most difficult for airlines.

**Table 4.4: Access Subsidy Projection of Q1**

| Items                               | Amount             |
|-------------------------------------|--------------------|
| <b>Subsidy on Ferry Operations</b>  | 1,421,809          |
| <b>WINAIR Charters / Operations</b> | -                  |
| <b>Fly Montserrat Charter</b>       | -                  |
| <b>SVG Charter</b>                  | -                  |
| <b>Guarantee for Fly Montserrat</b> | 35,112             |
| <b>Guarantee for SVG</b>            | 35,112             |
| <b>Total Subsidy</b>                | <b>\$1,492,033</b> |

4.7. With the exception of the Access Subsidy and Contingency Funds all DFID earmarked funds are expected to fall under the broad classification of Use of Goods and Services. The General Budget Support line spans all classes of expenditure including all non-earmarked Use of Goods and Services spending.

#### Capacity building (LTTC)

4.8. The provision of \$80,000 for Housing and Market Premium allowances are being offered in order to attract appropriately qualified personnel to critical posts. These posts are Senior Policy Analyst, Chief Magistrate, Parliamentary Counsel, Community Mental Health Officer, and Chief Medical Officer.

#### Capacity building (ACTS)

4.9. Scholarship costs for the quarter are estimated at \$53,900 for the 1<sup>st</sup> quarter. These funds will cover airfares, accommodation and maintenance cost for awardees pursuing the following course of study: BSc Geology; MBBS Medicine & Surgery, BSc Environmental Health Management, Computer Science, BSc Social Statistics, BA English/English Literature, BSc Nursing Administration, and Registered Nurse/General Nursing.

#### Short Term Technical Cooperation (STTC)

4.10. Cost for technical interventions and consulting staff being contracted during the quarter are estimated at \$423,200. The following temporary staff and intervention are to be funded during the quarter: Legal Adviser, Director of Health Services, Environmental Officer, Child Safeguarding Specialist, Tax Adviser, Senior Social Worker, UNCAC Assessment and Design of Legal Aid Framework.

#### Small Capital Asset Fund

4.11. Tender for the following items are to be awarded during quarter 1: Equipment for Glendon Hospital, Generator to power server room in DITES, Verge Cutter (MCW), Hydraulic Hose (MCW), Laboratory Equipment (MCW), ETD Equipment (MCW&L). The combined initial SCAF bid value for these items is \$822,000. It is anticipated that some items will exceed the projections hence the request for \$1 million at this time.

#### Healthcare Improvement (Recurrent)

4.12. Planned recurrent spending for Healthcare Improvement during quarter 1 is as follows: First aid training for (x20 persons @ \$150 pp) \$3,000; Basic radio communication training \$250; Condition survey consultancy \$82,000; and NCDs \$13,000.

#### Healthcare Improvement (Capital)

4.13. The entire list of items to be procured under this component has already been submitted to Crown Agents to provide options. The adherence to the schedule is dependent on the performance of Crown Agents. The following items are scheduled for procurement during quarter 1: Mobile x-ray \$92,600; Delivery Bed \$16,134; Burr Hole Sets \$3,335; Orthopaedic Sets \$1,500; Haematology Analyser \$13,175; Dressing Trolley \$2,013; Table top Autoclaves \$2,260; Ward Beds x5 \$11,616; ECG machine \$2,000; Mediburn incinerator \$50,642; IV pump \$1,000; Phototherapy light \$2,000; Automated defibrillator x2 \$3,500; Ambulance equipment training professional and consultancy fees \$18,944 (fixed); and Ambulance equipment training professional and consultancy fees \$10,250 (variable).

#### Contingency Fund 1 (Child Safeguarding)

4.14. The Ministry of Health and Social Services is coordinating Government's response to the Child Safety Review conducted in 2014. An initial proposal to draw \$261,600 for use through to September has been produced. The response is still being refined to ensure maximum sustainable impact can be achieved from the planned interventions. The planned intervention will provide support to the Social

Services Department, the Police and Courts, and the education systems. A range of proposals covering training, equipment and other resources, as well as, additional staffing positions and salary top-ups.

### Contingency Fund 2 (Main)

4.15. Use of the Contingency Fund is governed by a strict protocol which requires pre-approval by DFID, before draw-down takes place. No unexpected or unbudgeted liabilities have arisen at this point and consequently no call has been made on this budget line.

### **Initial Quarter 2 Claim Amount**

4.16. Additional information requirements from DFID to support the release of budget aid funds has meant that it is not possible for Government to submit claims at the beginning of the quarter. As a result, this claim also includes an amount to ensure that GOM has sufficient funds to execute the budget in an orderly manner - as required by the budget aid MoU - in the first part of quarter 2 (until the full quarter 2 claim is submitted as the basis for DFID releasing funding around the middle of the quarter).

4.17. GOM is claiming \$10.4 million for this purpose. This is based on projections for Personal Emoluments and Pensions for July and August - which is predictable, non-discretionary, core budget quarter 2 expenditure. This will provide sufficient cash flow in quarter 2 (prior to full Q2 claim payment) to fund agreed budget activities without recourse to any other non-recurrent budget (as stipulated in the budget aid MoU). As discussed with DFID, this quarter 2 payment would be deducted from the full quarter 2 claim (in the middle of quarter 2).

# APPENDICES

## A. BUDGET PERFORMANCE REPORT

(For the Period 1<sup>st</sup> April 2014 – 31<sup>st</sup> March 2015)

| Recurrent Revenue                           | Actuals           |                    |                    | Quarterly Returns |                   |                   |                   | Actuals            | Variance       |
|---|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|----------------|
|   | 2013              | 2014               | Approved ('R)      | Q1                | Q2                | Q3                | Q4                |                    |                |
| <i>Taxes on Income, Profits</i>             | 15,161,943        | 16,281,301         | 15,370,000         | 4,155,989         | 4,268,195         | 3,051,059         | 4,268,937         | 15,744,181         | 374,181        |
| <i>Taxes on Property</i>                    | 914,057           | 981,263            | 860,000            | 28,008            | 28,162            | 590,468           | 62,275            | 708,912            | (151,088)      |
| <i>Taxes on Domestic Goods and Services</i> | 1,452,247         | 1,443,242          | 1,885,000          | 272,430           | 326,284           | 252,240           | 766,547           | 1,617,502          | (267,498)      |
| <i>Licenses</i>                             | 2,001,982         | 2,804,253          | 1,975,800          | 549,131           | 646,173           | 663,714           | 1,004,765         | 2,863,783          | 887,983        |
| <i>Taxes on International Trade</i>         | 17,357,258        | 16,399,994         | 18,705,000         | 4,209,940         | 4,327,704         | 5,459,773         | 4,213,154         | 18,210,571         | (494,429)      |
| <i>Arrears of Taxes</i>                     | 0                 | 0                  | 900,000            | 359,824           | 87,318            | 227,601           | 395,771           | 1,070,514          | 170,514        |
| <i>Fees, Fines and Permits</i>              | 1,758,621         | 1,902,088          | 1,618,000          | 495,179           | 538,265           | 465,102           | 606,141           | 2,104,687          | 486,687        |
| <i>Rents, Interest and Dividends</i>        | 207,557           | 313,520            | 621,000            | 63,353            | 398,245           | 28,792            | 734,364           | 1,224,754          | 603,754        |
| <i>ECCB Profits</i>                         | 0                 | 33,950             | 0                  | 0                 | 0                 | 0                 | 0                 | 0                  | 0              |
| <i>Reimbursements</i>                       | 43,387            | 424,032            | 110,000            | 45,546            | 25,164            | 25,707            | 32,234            | 128,651            | 18,651         |
| <i>Budgetary Assistance</i>                 | 55,571,612        | 71,922,874         | 76,463,500         | 20,797,009        | 16,212,739        | 15,268,726        | 23,071,284        | 75,349,758         | (1,113,742)    |
| <i>Other Revenue</i>                        | 3,028,778         | 3,024,037          | 2,579,800          | 436,209           | 635,967           | 686,486           | 603,766           | 2,362,429          | (217,371)      |
| <b>Total Recurrent Revenue</b>              | <b>97,497,443</b> | <b>115,530,554</b> | <b>121,088,100</b> | <b>31,412,618</b> | <b>27,494,216</b> | <b>26,719,668</b> | <b>35,759,238</b> | <b>121,385,741</b> | <b>297,641</b> |

| Recurrent Expenditure              | Actuals             |                      |                      | Quarterly Returns   |                     |                     |                     | Actuals              | Variance         |
|------------------------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|------------------|
|                                    | 2013                | 2014                 | Approved ('R)        | Q1                  | Q2                  | Q3                  | Q4                  |                      |                  |
| <i>Salaries</i>                    | (31,680,148)        | (31,690,490)         | (34,872,400)         | (8,497,051)         | (8,590,311)         | (8,655,558)         | (8,714,122)         | (34,457,042)         | 415,359          |
| <i>Salaries and Wages Increase</i> | 0                   | (1,453,575)          | 0                    | 0                   | 0                   | 0                   | 0                   | 0                    | 0                |
| <i>Wages</i>                       | (4,597,159)         | (3,988,217)          | (574,000)            | (162,119)           | (143,442)           | (100,822)           | (131,742)           | (538,125)            | 35,875           |
| <i>Allowances</i>                  | (5,960,784)         | (6,122,261)          | (6,495,600)          | (1,580,885)         | (1,459,792)         | (1,545,037)         | (1,751,899)         | (6,337,613)          | 157,987          |
| <i>Pensions and Gratuities</i>     | (11,467,509)        | (13,488,963)         | (14,212,300)         | (2,839,168)         | (3,628,859)         | (4,002,971)         | (3,671,816)         | (14,142,815)         | 69,485           |
| <i>Use of Goods and Services</i>   | (13,869,282)        | (16,742,190)         | (26,892,900)         | (4,047,441)         | (5,913,920)         | (7,428,723)         | (7,637,358)         | (25,027,442)         | 1,865,458        |
| <i>Transfers and Subsidies</i>     | (20,936,437)        | (32,433,156)         | (25,522,100)         | (5,388,804)         | (4,213,108)         | (8,286,086)         | (7,618,916)         | (25,506,914)         | 15,186           |
| <i>Social Benefits</i>             | (4,236,300)         | (3,498,919)          | (3,380,500)          | (1,007,811)         | (1,086,992)         | (405,558)           | (876,833)           | (3,377,194)          | 3,306            |
| <i>Revenue refunds</i>             | (2,442,851)         | (1,368,314)          | (1,515,500)          | (295,905)           | (219,564)           | (498,218)           | (444,437)           | (1,458,124)          | 57,376           |
| <i>Other Expenditure</i>           | (2,995,330)         | (3,114,227)          | (8,444,900)          | (426,591)           | (501,323)           | (621,509)           | (6,616,831)         | (8,166,254)          | 278,646          |
| <i>Debt servicing</i>              | (717,939)           | (657,350)            | (661,400)            | (162,152)           | (163,033)           | (160,533)           | (159,951)           | (645,668)            | 15,732           |
| <b>Total Recurrent Expenditure</b> | <b>(98,903,740)</b> | <b>(114,557,662)</b> | <b>(122,571,600)</b> | <b>(24,407,927)</b> | <b>(25,920,344)</b> | <b>(31,705,017)</b> | <b>(37,623,903)</b> | <b>(119,657,190)</b> | <b>2,914,410</b> |
|                                    |                     |                      |                      | <b>(4,932,088)</b>  | <b>(6,797,840)</b>  | <b>(8,708,984)</b>  | <b>(14,858,576)</b> | <b>(35,297,487)</b>  |                  |
| <b>Recurrent Surplus/Deficit</b>   | <b>(1,406,297)</b>  | <b>972,892</b>       | <b>(1,483,500)</b>   | <b>7,004,691</b>    | <b>1,573,873</b>    | <b>(4,985,349)</b>  | <b>(1,864,664)</b>  | <b>1,728,551</b>     | <b>3,212,051</b> |



## CAPITAL EXPENDITURE

| Capital Revenue                | 2013              | 2014                | Approved ('R)     | Q1               | Q2                  | Q3                 | Q4                | Actuals          | Variance            |
|--------------------------------|-------------------|---------------------|-------------------|------------------|---------------------|--------------------|-------------------|------------------|---------------------|
| <i>Development Assistance</i>  | 86,638,421        | 49,092,861          | 52,216,400        | 5,524,949        | 0                   | 2,991,536          | 24,555,184        | 33,071,668       | (19,144,732)        |
| Capital Expenditure            | 2013              | 2014                | Approved ('R)     | Q1               | Q2                  | Q3                 | Q4                | Actuals          | Variance            |
| Domestic                       | (882,775)         | (1,399,850)         | (1,971,400)       | (79,939)         | (990,878)           | (81,058)           | (642,605)         | (1,794,480)      | 176,920             |
| Regional                       | (52,011)          | 0                   | 0                 | 0                | 0                   | 0                  | 0                 | 0                | 0                   |
| International                  | (56,394,441)      | (65,484,143)        | (15,121,700)      | (6,173,780)      | (9,887,814)         | (6,538,557)        | (9,301,362)       | (31,901,513)     | (16,779,813)        |
| <i>DFID</i>                    | (44,697,851)      | (53,220,407)        | 0                 | (3,185,105)      | (6,798,550)         | (3,576,693)        | (8,217,329)       | (21,777,676)     | (21,777,676)        |
| <i>EU</i>                      | (11,418,534)      | (11,980,201)        | 0                 | 0                | (33,573)            | (126,529)          | (26,632)          | (186,734)        | (186,734)           |
| <i>Other</i>                   | (278,056)         | (283,535)           | (15,121,700)      | (2,988,675)      | (3,055,692)         | (2,835,335)        | (1,057,401)       | (9,937,103)      | 5,184,597           |
|                                | (57,329,227)      | (66,883,993)        | (17,093,100)      | (6,253,718)      | (10,878,692)        | (6,619,615)        | (9,943,967)       | (33,695,993)     | (16,602,893)        |
| <b>Capital Surplus/Deficit</b> | <b>29,309,193</b> | <b>(17,791,132)</b> | <b>35,123,300</b> | <b>(728,770)</b> | <b>(10,878,692)</b> | <b>(3,628,079)</b> | <b>14,611,217</b> | <b>(624,325)</b> | <b>(35,747,625)</b> |

## B. Revenue Outturn by Programme

| Departments  | Approved           | Q1                | Q2                | Q3                | Q4                | Received           | % Received  |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------|
| Fire Fighting and Rescue Service                           | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Policing Services  | 282,600            | 47,803            | 51,750            | 59,063            | 115,460           | 274,075            | 97%         |
| Financial Crime and Analysis Unit                          | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Administration of Justice                                  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Magistrate's Court Services                                | 40,000             | 6,451             | 10,217            | 18,370            | 10,999            | 46,037             | 115%        |
| Supreme Court Services                                     | 111,500            | 61,758            | 78,407            | 120,183           | 49,379            | 309,727            | 278%        |
| Legislature  | 800                | 434               | 876               | 293               | 1,270             | 2,872              | 359%        |
| Constitution Commission Secretariat                        | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Audit  | 25,000             | 1,000             | -                 | -                 | -                 | 1,000              | 4%          |
| Office of the Opposition                                   | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Office of the Deputy Governor                              | 118,200            | 156,220           | 85,880            | 50,730            | 67,550            | 360,380            | 305%        |
| Human Resources  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Prison Services  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Defence Force  | 1,100              | 300               | 140               | 360               | 40                | 840                | 76%         |
| Disaster Mgmt. Coordination Agency                         | -                  | -                 | -                 | 1,375             | -                 | 1,375              | 0%          |
| Governor   | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Public Prosecution   | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Strategic Management and Administration                    | 7,900              | 2,841             | 713               | 3,620             | 3,000             | 10,174             | 129%        |
| External Affairs & Trade                                   | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Cabinet Secretariat  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Development Planning and Policy Co-Ordination              | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Information Technology & E-Government Services             | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Broadcasting   | 150,000            | 38,836            | 83,425            | 45,664            | 35,788            | 203,713            | 136%        |
| Strategic Management & Administration                      | -                  | -                 | -                 | 18,500            | 4,800             | 23,300             | 0%          |
| Fiscal Policy & Economic Management                        | 78,138,200         | 20,921,166        | 16,697,274        | 15,322,307        | 24,216,429        | 77,157,176         | 99%         |
| Statistical Management                                     | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Treasury Management  | 106,000            | 71,365            | 61,476            | 157,822           | 138,734           | 429,396            | 405%        |
| Customs & Revenue Services                                 | 36,455,000         | 8,911,879         | 8,891,494         | 9,495,614         | 9,156,264         | 36,455,251         | 100%        |
| Postal Services  | 215,500            | 89,487            | 68,095            | 68,915            | 61,936            | 288,432            | 134%        |
| Internal Audit   | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Strategic Administration and Planning                      | 400,000            | 159,603           | 181,387           | 156,823           | 101,227           | 599,040            | 150%        |
| Agricultural Services                                      | 49,000             | 11,012            | 10,522            | 15,370            | 11,980            | 48,884             | 100%        |
| Land Administration  | 565,000            | 142,748           | 328,037           | 197,382           | 146,812           | 814,979            | 144%        |
| Physical Planning & Development Services                   | 66,200             | 7,475             | 14,575            | 12,080            | 20,005            | 54,135             | 82%         |
| Environmental Management                                   | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Housing Policy & Support Services                          | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Strategic Management and Administration                    | 1,995,700          | 448,755           | 488,737           | 597,532           | 1,118,197         | 2,653,221          | 133%        |
| Infrastructure Services                                    | 50,000             | 338               | 2,200             | 4,840             | -                 | 7,378              | 15%         |
| Plant Hire and Mechanical Services                         | 995,000            | 59,110            | 221,191           | 116,593           | 97,612            | 494,507            | 50%         |
| Airport Management & Operation                             | 377,000            | 68,599            | 44,263            | 40,333            | 75,707            | 228,902            | 61%         |
| Industrial Relations & Employment Services                 | 160,000            | 43,400            | 36,675            | 34,350            | 43,500            | 157,925            | 99%         |
| Strategic Management, Administration, and Support Services | 252,500            | 65,934            | 51,920            | 81,542            | 157,905           | 357,301            | 142%        |
| Primary Education  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Secondary Education  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Library and Information Services                           | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Early Childhood Education                                  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Youth Affairs and Sports                                   | -                  | 2,730             | 450               | 810               | 911               | 4,901              | 0%          |
| Strategic Management & Administration                      | 445,900            | 82,982            | 77,605            | 84,600            | 104,174           | 349,362            | 78%         |
| Primary Health Care  | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
| Secondary Health Care                                      | -                  | -                 | -                 | -                 | 1,200             | 1,200              | 0%          |
| Social Services  | 80,000             | 10,390            | 6,790             | 14,482            | 18,595            | 50,257             | 63%         |
| Environmental Health                                       | -                  | -                 | -                 | -                 | -                 | -                  | 0%          |
|  | <b>121,088,100</b> | <b>31,412,618</b> | <b>27,494,100</b> | <b>26,719,551</b> | <b>35,759,471</b> | <b>121,385,741</b> | <b>100%</b> |

## C. Expenditure Outturn by Programme

| Departments  | Released           | Q1                | Q2                | Q3                | Q4                | Spent              | % Spent    |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|------------|
| Fire Fighting and Rescue Service                           | 1,208,700          | 276,769           | 311,842           | 309,831           | 303,156           | 1,201,598          | 99%        |
| Policing Services  | 4,357,700          | 1,075,487         | 985,988           | 1,034,275         | 1,101,106         | 4,196,856          | 96%        |
| Financial Crime and Analysis Unit                          | 141,500            | 26,507            | 25,342            | 31,955            | 33,161            | 116,965            | 83%        |
| Administration of Justice                                  | 1,697,500          | 356,059           | 337,862           | 384,646           | 576,549           | 1,655,117          | 98%        |
| Magistrate's Court Services                                | 363,900            | 84,613            | 89,313            | 66,363            | 67,929            | 308,219            | 85%        |
| Supreme Court Services                                     | 668,700            | 157,090           | 151,705           | 183,093           | 164,589           | 656,477            | 98%        |
| Legislature  | 887,200            | 196,837           | 238,035           | 177,142           | 220,922           | 832,936            | 94%        |
| Constitution Commission Secretariat                        | 415,600            | 39,443            | 257,182           | 55,302            | 38,319            | 390,246            | 94%        |
| Audit  | 1,106,100          | 181,244           | 198,121           | 206,158           | 498,727           | 1,084,251          | 98%        |
| Office of the Opposition                                   | 148,100            | 35,634            | 32,285            | 24,117            | 32,092            | 124,127            | 84%        |
| Office of the Deputy Governor                              | 16,366,000         | 3,339,961         | 4,100,340         | 4,584,750         | 4,312,584         | 16,337,635         | 100%       |
| Human Resources  | 3,266,200          | 365,508           | 1,230,136         | 870,774           | 765,867           | 3,232,285          | 99%        |
| Prison Services  | 1,130,500          | 283,050           | 267,672           | 283,835           | 292,382           | 1,126,939          | 100%       |
| Defence Force  | 64,600             | -                 | 20,100            | 2,616             | 39,110            | 61,826             | 96%        |
| Disaster Mgmt. Coordination Agency                         | 7,178,100          | 325,234           | 1,594,122         | 2,466,150         | 2,775,195         | 7,160,701          | 100%       |
| Governor   | 312,300            | 86,266            | 82,895            | 77,904            | 56,511            | 303,576            | 97%        |
| Public Prosecution   | 549,500            | 135,340           | 120,790           | 125,327           | 147,721           | 529,179            | 96%        |
| Strategic Management and Administration                    | 3,831,700          | 861,521           | 1,073,663         | 1,142,870         | 726,975           | 3,805,030          | 99%        |
| External Affairs & Trade                                   | 7,246,100          | 2,455,032         | 535,571           | 2,353,441         | 1,896,353         | 7,240,398          | 100%       |
| Cabinet Secretariat  | 834,900            | 106,521           | 324,759           | 166,649           | 195,746           | 793,676            | 95%        |
| Development Planning and Policy Co-Ordination              | 269,700            | 56,604            | 56,551            | 59,492            | 65,153            | 237,800            | 88%        |
| Information Technology & E-Government Services             | 1,848,700          | 615,357           | 322,269           | 451,716           | 436,117           | 1,825,460          | 99%        |
| Broadcasting   | 992,100            | 260,688           | 231,394           | 220,255           | 257,313           | 969,650            | 98%        |
| Strategic Management & Administration                      | 7,598,400          | 472,417           | 642,532           | 529,217           | 5,776,528         | 7,420,694          | 98%        |
| Fiscal Policy & Economic Management                        | 5,137,300          | 279,996           | 223,669           | 764,587           | 2,540,587         | 3,808,839          | 74%        |
| Statistical Management                                     | 483,300            | 111,698           | 102,704           | 113,168           | 122,308           | 449,878            | 93%        |
| Treasury Management  | 940,300            | 188,381           | 228,923           | 226,433           | 267,264           | 911,002            | 97%        |
| Customs & Revenue Services                                 | 3,597,900          | 778,122           | 727,628           | 1,006,356         | 988,627           | 3,500,733          | 97%        |
| Postal Services  | 462,800            | 94,151            | 100,559           | 105,363           | 147,816           | 447,890            | 97%        |
| Internal Audit   | 361,000            | 42,406            | 122,415           | 95,354            | 90,331            | 350,506            | 97%        |
| Strategic Administration and Planning                      | 1,110,300          | 273,999           | 274,941           | 233,303           | 320,402           | 1,102,644          | 99%        |
| Agricultural Services                                      | 1,456,700          | 322,117           | 421,926           | 379,988           | 329,044           | 1,453,076          | 100%       |
| Land Administration  | 509,100            | 133,867           | 129,193           | 117,411           | 127,551           | 508,021            | 100%       |
| Physical Planning & Development Services                   | 486,200            | 133,244           | 102,949           | 123,227           | 126,523           | 485,943            | 100%       |
| Environmental Management                                   | 891,600            | 246,863           | 207,330           | 209,353           | 225,266           | 888,811            | 100%       |
| Housing Policy & Support Services                          | 412,900            | 107,137           | 121,202           | 77,450            | 104,041           | 409,829            | 99%        |
| Strategic Management and Administration                    | 8,491,400          | 1,965,313         | 924,169           | 2,925,912         | 2,626,349         | 8,441,743          | 99%        |
| Infrastructure Services                                    | 5,173,000          | 680,187           | 1,010,014         | 2,413,071         | 1,005,655         | 5,108,927          | 99%        |
| Plant Hire and Mechanical Services                         | 3,137,200          | 548,941           | 845,104           | 998,725           | 717,005           | 3,109,775          | 99%        |
| Airport Management & Operation                             | 2,572,700          | 405,116           | 655,412           | 600,864           | 780,299           | 2,441,690          | 95%        |
| Industrial Relations & Employment Services                 | 280,800            | 89,169            | 39,215            | 60,805            | 76,407            | 265,595            | 95%        |
| Strategic Management, Administration, and Support Services | 1,976,700          | 347,182           | 483,333           | 535,988           | 595,778           | 1,962,282          | 99%        |
| Primary Education  | 1,373,100          | 336,915           | 346,872           | 325,471           | 321,771           | 1,331,028          | 97%        |
| Secondary Education  | 2,756,200          | 630,009           | 687,400           | 686,735           | 689,899           | 2,694,043          | 98%        |
| Library and Information Services                           | 317,300            | 55,307            | 86,101            | 72,912            | 86,658            | 300,978            | 95%        |
| Early Childhood Education                                  | 837,700            | 192,179           | 202,632           | 198,403           | 221,515           | 814,729            | 97%        |
| Youth Affairs and Sports                                   | 1,298,600          | 342,770           | 319,034           | 327,036           | 298,668           | 1,287,507          | 99%        |
| Strategic Management & Administration                      | 788,600            | 207,674           | 206,528           | 177,200           | 191,728           | 783,130            | 99%        |
| Primary Health Care  | 1,976,800          | 488,826           | 513,362           | 445,718           | 518,138           | 1,966,043          | 99%        |
| Secondary Health Care                                      | 7,001,900          | 1,673,523         | 1,799,249         | 1,727,459         | 1,789,244         | 6,989,475          | 100%       |
| Social Services  | 4,656,500          | 1,485,245         | 1,422,580         | 547,312           | 1,189,779         | 4,644,916          | 100%       |
| Environmental Health                                       | 1,599,900          | 454,407           | 385,431           | 401,535           | 345,145           | 1,586,519          | 99%        |
| <b>Total</b>   | <b>122,571,600</b> | <b>24,407,927</b> | <b>25,920,344</b> | <b>31,705,017</b> | <b>37,623,903</b> | <b>119,657,190</b> | <b>98%</b> |

## D. Staffing Details as at 31 December, 2014

| Vote | A/C No | Ministry/Department   | Per-<br>manent | Fixed Term<br>Contract | Special<br>Agreement | Wages     | Wages Part-<br>time/FTE | No of Posts Filled | Vacancies | Unfunded  | No of<br>approved |
|------|--------|---|----------------|------------------------|----------------------|-----------|-------------------------|--------------------|-----------|-----------|-------------------|
| 05   | 050    | Fire  | 22             | 0                      | 3                    | 0         | 0                       | 25                 | 0         | 1         | 26                |
| 05   | 051    | Police  | 72             | 0                      | 0                    | 0         | 0                       | 72                 | 5         | 0         | 77                |
| 05   | 052    | Financial Crime and Analysis                                  | 2              | 0                      | 0                    | 0         | 0                       | 2                  | 0         | 0         | 2                 |
| 07   | 070    | Administration of Justice                                     | 9              | 2                      | 2                    | 0         | 0                       | 13                 | 1         | 0         | 14                |
| 08   | 080    | Magistrate  | 3              | 0                      | 0                    | 0         | 0                       | 3                  | 1         | 0         | 4                 |
| 09   | 090    | Supreme Court   | 6              | 1                      | 1                    | 0         | 0                       | 8                  | 0         | 0         | 8                 |
| 10   | 100    | Legislature/Legislators                                       | 4              | 6                      | 0                    | 0         | 0                       | 10                 | 0         | 0         | 10                |
| 10   | 101    | Constitution Commissions Secretariat                          | 0              | 1                      | 0                    | 0         | 0                       | 1                  | 0         | 2         | 3                 |
| 11   | 110    | Office of the Auditor General                                 | 7              | 5                      | 0                    | 1         | 0                       | 13                 | 3         | 1         | 17                |
| 12   | 120    | Office of the Deputy Governor                                 | 14             | 1                      | 0                    | 0         | 0                       | 15                 | 0         | 2         | 17                |
| 12   | 121    | Human Resources Management Unit                               | 12             | 0                      | 1                    | 0         | 0                       | 13                 | 2         | 1         | 16                |
| 12   | 122    | Prison  | 25             | 0                      | 2                    | 1         | 0                       | 28                 | 1         | 1         | 30                |
| 12   | 124    | DMCA  | 6              | 0                      | 0                    | 0         | 0                       | 6                  | 1         | 0         | 7                 |
| 12   | 125    | Governor's Office   | 1              | 2                      | 0                    | 3         | 0                       | 6                  | 0         | 0         | 6                 |
| 13   | 130    | Director of Public Prosecution                                | 4              | 0                      | 1                    | 0         | 0                       | 5                  | 1         | 0         | 6                 |
| 15   | 150    | Office of the Premier - Strategic Management & Admin          | 3              | 2                      | 1                    | 0         | 0                       | 6                  | 1         | 0         | 7                 |
| 15   | 153    | Office of the Premier - External Affairs & Trade              | 2              | 0                      | 2                    | 0         | 0                       | 4                  | 0         | 0         | 4                 |
| 17   | 170    | Cabinet Secretariat - Strategic & Performance Management      | 5              | 0                      | 0                    | 0         | 0                       | 5                  | 2         | 0         | 7                 |
| 17   | 171    | Cabinet Secretariat - Development Planning & Policy           | 2              | 1                      | 0                    | 0         | 0                       | 3                  | 1         | 0         | 4                 |
| 17   | 172    | Information Technology & Economic Management                  | 8              | 0                      | 1                    | 0         | 0                       | 9                  | 3         | 2         | 14                |
| 17   | 173    | Broadcasting/GIU  | 12             | 1                      | 3                    | 1         | 0                       | 17                 | 0         | 1         | 18                |
| 20   | 200    | MoF - Strategic Management & Administration                   | 5              | 0                      | 0                    | 0         | 0                       | 5                  | 3         | 0         | 8                 |
| 20   | 203    | MoF - Fiscal Policy and Management                            | 6              | 0                      | 0                    | 0         | 0                       | 6                  | 2         | 0         | 8                 |
| 20   | 204    | Statistical Management  | 5              | 0                      | 1                    | 0         | 0                       | 6                  | 1         | 1         | 8                 |
| 20   | 205    | Treasury Management   | 10             | 0                      | 1                    | 0         | 0                       | 11                 | 2         | 1         | 14                |
| 20   | 206    | Customs & Revenue Service                                     | 33             | 0                      | 5                    | 0         | 0                       | 38                 | 6         | 0         | 44                |
| 20   | 207    | General Post Office   | 8              | 0                      | 0                    | 0         | 0                       | 8                  | 1         | 1         | 10                |
| 20   | 208    | Internal Audit Unit   | 5              | 0                      | 0                    | 0         | 0                       | 5                  | 1         | 1         | 7                 |
| 30   | 300    | Ministry of Agriculture - Strategic Administration & Planning | 6              | 3                      | 1                    | 1         | 0                       | 11                 | 1         | 0         | 12                |
| 30   | 301    | Agriculture Services  | 21             | 3                      | 0                    | 1         | 0                       | 25                 | 3         | 1         | 29                |
| 30   | 302    | Land Administration   | 11             | 0                      | 0                    | 0         | 0                       | 11                 | 1         | 0         | 12                |
| 30   | 303    | Physical Planning & Development Services                      | 9              | 0                      | 1                    | 0         | 0                       | 10                 | 2         | 0         | 12                |
| 30   | 304    | Environmental Management                                      | 11             | 1                      | 1                    | 0         | 0                       | 13                 | 2         | 0         | 15                |
| 30   | 305    | Housing Policy & Support Services                             | 3              | 0                      | 1                    | 0         | 0                       | 4                  | 2         | 1         | 7                 |
| 35   | 350    | Ministry of Comms & Works - Strategic Management & Admin      | 11             | 1                      | 5                    | 0         | 0                       | 17                 | 0         | 0         | 17                |
| 35   | 351    | Infrastructure Services                                       | 26             | 9                      | 3                    | 0         | 0                       | 38                 | 7         | 2         | 47                |
| 35   | 352    | Plant & Mechanical Services                                   | 21             | 7                      | 6                    | 0         | 0                       | 34                 | 2         | 0         | 36                |
| 35   | 353    | Airport   | 29             | 1                      | 0                    | 0         | 0                       | 30                 | 2         | 1         | 33                |
| 35   | 355    | Industrial Relations & Employment Services                    | 3              | 0                      | 0                    | 0         | 0                       | 3                  | 1         | 0         | 4                 |
| 40   | 400    | Ministry of Education - Strategic Management                  | 10             | 3                      | 0                    | 0         | 0                       | 13                 | 0         | 0         | 13                |
| 40   | 401    | Primary Education   | 26             | 0                      | 2                    | 2         | 0                       | 30                 | 2         | 3         | 35                |
| 40   | 402    | Secondary Education   | 26             | 7                      | 6                    | 4         | 0                       | 43                 | 3         | 2         | 48                |
| 40   | 403    | Library & Information Services                                | 3              | 0                      | 0                    | 0         | 0                       | 3                  | 1         | 0         | 4                 |
| 40   | 404    | Early Childhood Education                                     | 25             | 0                      | 1                    | 0         | 0                       | 26                 | 0         | 0         | 26                |
| 40   | 405    | Youth Affairs & Sports  | 10             | 0                      | 0                    | 0         | 0                       | 10                 | 0         | 0         | 10                |
| 45   | 450    | Health Headquarters - Strategic Management & Admin            | 8              | 0                      | 0                    | 0         | 0                       | 8                  | 0         | 0         | 8                 |
| 45   | 451    | Primary Health Care   | 14             | 8                      | 1                    | 7         | 0                       | 30                 | 3         | 2         | 35                |
| 45   | 452    | Secondary Health Care   | 108            | 11                     | 3                    | 0         | 0                       | 122                | 10        | 2         | 134               |
| 45   | 454    | Social Services   | 8              | 3                      | 0                    | 1         | 0                       | 12                 | 1         | 0         | 13                |
| 45   | 455    | Environmental Health  | 8              | 2                      | 0                    | 0         | 0                       | 10                 | 3         | 0         | 13                |
|      |        | <b>Total</b>  | <b>688</b>     | <b>81</b>              | <b>55</b>            | <b>22</b> | <b>0</b>                | <b>846</b>         | <b>84</b> | <b>29</b> | <b>959</b>        |

## E. GOM CAPACITY DEVELOPMENT – 2014-15 - Long-term Awards

| No                       | Programme                               | Institution/Location                         | Duration | End Date |
|--------------------------|---|--|----------|----------|
| <b>CONTINUING AWARDS</b> |   |  |          |          |
| 1                        | BSc Quantity Surveying                  | University of Technology, Jamaica            | 5 years  | Jul-15   |
| 2                        | BSc Structural Engineering              | University of Technology, Jamaica            | 3 years  | Jul-15   |
| 3                        | MBBS Medicine & Surgery                 | University of the West Indies (Mona)         | 5 years  | Jul-17   |
| 4                        | BSc Environmental Health Management     | COSTAATT, Trinidad & Tobago                  | 4 years  | Jul-16   |
| 5                        | BA Media and Communication (Journalism) | University of the West Indies (Mona)         | 3 years  | Jul-15   |
| 6                        | BSc Land Surveying                      | University of Technology, Jamaica            | 3 years  | Jul-16   |
| 7                        | BSc Social Statistics                   | University of the West Indies (Mona)         | 3 years  | Jul-16   |
| 8                        | BSc in Geology                          | Kingston University (London)                 | 3 years  | Jul-16   |
| 9                        | BSc in Geology                          | Kingston University (London)                 | 4 years  | Jul-17   |
| 10                       | BA English/English Literature           | University of the West Indies (Cave Hill)    | 4 years  | Jul-17   |
| 11                       | BSc Nursing Administration              | University of the West Indies (St Augustine) | 2 years  | Jul-15   |
| 12                       | BSc Computer Science                    | University of the West Indies (Mona)         | 3 years  | Jul-16   |
| 13                       | BSc (Hons) Quantity Surveying           | University of Wolverhampton                  | 1 year   | May-15   |
| 14                       | Registered Nurse/General Nursing        | Barbados Community College                   | 2 years  | Sep-15   |
| 15                       | BSc in Music Education                  | Edna Manley College, Jamaica                 | 2 years  | Jun-15   |
| <b>NEW AWARDS</b>        |   |  |          |          |
| 16                       | BSc Construction Management             | University of Technology, Jamaica            | 4 years  | Jul-18   |
| 17                       | BSc Social Statistics                   | University of The West Indies (Mona)         | 3 years  | Jul-17   |
| 18                       | BSc Social Work                         | University of The West Indies (Mona)         | 3 years  | Jul-17   |
| 19                       | BSc Mathematics with teacher training   | University of Technology, Jamaica            | 4 years  | Jul-18   |
| 20                       | BSc Geology                             | University of The West Indies (Mona)         | 3 years  | Jul-17   |
| 21                       | BSc Economics & Accounting              | University of the West Indies (Cave Hill)    | 3 years  | Jul-17   |

*Continuing students 2014-15 ACTS-Capacity Development budget*

## F. LONG TERM LEARNING AND DEVELOPMENT REQUIEMENTS 2014-15

| NO | AREA OF STUDY  |
|----|--|
| 1  | BSc Building Maintenance and Construction Management                             |
| 2  | BSc Economic/ Social Statistics  |
| 3  | BSc Biomedical Engineering   |
| 4  | MA. Applied Development Studies  |
| 5  | BA in English / English Literature with Teacher Training                         |
| 6  | BSc. Social Work - major in Child Safeguarding                                   |
| 7  | BSc Trade & Finance/ International Trade   |
| 8  | BSc. Mathematics with Teacher training   |
| 9  | BSc Industrial Arts majoring in Electricity/Electronics with Teacher training    |
| 10 | BSc Food Technologist  |
| 11 | BSc. Diagnostic Radiation  |
| 12 | BSc Civil Engineering/Chartered  |
| 13 | BSc. Education Policy & Planning   |
| 14 | BSc. Psychology major in Clinical Psychology                                     |
| 15 | BSc. Geothermal/Renewable Energy   |
| 16 | BSc./Masters- Economics/ Finance/ Financial Management                           |
| 17 | BSc/ Associate in Land Surveying   |
| 18 | BSc. Environmental Health  |
| 19 | BSc. Education Curriculum  |
| 20 | BSc Policy (Social) Analyst  |
| 21 | BSc Software/Systems Engineering   |
| 22 | Diploma/ BSc. Vehicle Systems Overhaul Repairs and Maintenance                   |
| 23 | BSc. / MA Human Resources Management/Information Systems                         |
| 24 | Diploma in Education/Associate Degree in Teacher Education                       |
| 25 | Certificate/Diploma in Office Equipment Technology                               |
| 26 | Diploma/DVM Veterinary Medicine  |
| 27 | BA/ MA Special Needs Education   |
| 28 | BSc Adult Nursing  |
| 29 | BSc Nursing Anaesthetist/Dialysis/Oncology/ Midwifery/ Family Nurse Practitioner |
| 30 | BSc Computer Science/ Information Systems/Systems Engineering                    |
| 31 | Dip/BSc Broadcasting Engineering   |
| 32 | BSc in Forestry Management   |
| 33 | MA / Dip/Cert. Monitoring & Evaluation   |
| 34 | BSc/MSc in Physiotherapy   |
| 35 | BSc Estate Management  |
| 36 | BSc. Sports Management   |
| 37 | BSc. Dietary/ Nutrition Technician   |
| 38 | BSc. / MA. Labour & Employment Relations   |
| 39 | BSc. Agricultural Science  |
| 40 | BSc. Library & Archiving Studies   |
| 41 | BSc. Housing Studies   |

## G. Project Data as at 31<sup>st</sup> December, 2014

| Name of Project -Sector                               | Ministry Responsible | Status  | Financier | Budget 2014-15<br>EC\$ | Expenditure<br>EC\$ | Balance(Budget-<br>Exp.) EC\$ |
|---|----------------------|---------|-----------|------------------------|---------------------|-------------------------------|
| <b>Economic Infrastructure</b>                        |                      |         |           |                        |                     |                               |
| Geothermal Exploration                                | MCW                  | Ongoing | DFID      | \$2,273,100            | \$1,812,256         | \$460,844                     |
| Road Refurbishment - Salem to St. John                | MCW                  | Ongoing | DFID      | \$124,000              | \$92,177            | \$31,823                      |
| Carr's Bay Port Development                           | MOFEM                | Ongoing | EU        | \$1,800,000            | \$1,598,124         | \$201,876                     |
| Fibre Optic   | CabSec               | Ongoing | EU        | \$2,500,000            | \$168,026           | \$2,331,974                   |
| Port Development (Gunn Hill)                          | MOFEM                | Ongoing | EU        | \$281,700              | \$200,000           | \$81,700                      |
| MUL GENSET  | MOFEM                | Ongoing | DFID      | \$15,000,000           | \$5,120,878         | \$9,879,122                   |
| Aeronautical project                                  | MCWL                 | Ongoing | GOM       | \$1,228,000            | \$775,398           | \$452,602                     |
| MDC Operations  | MOFEM                | Ongoing | DFID      | \$7,170,400            | \$5,255,912         | \$1,914,488                   |
| Disaster Preparedness                                 | ODG                  | Ongoing | DFID      | \$12,700               | \$12,664            | \$36                          |
| ICT   | CabSec               | Ongoing | EU        | \$100,000              | \$20,700            | \$79,300                      |
| Private Sector Development                            | MOFEM                | Closed  | DFID      | \$399,100              | \$399,100           | \$0                           |
| <b>TOTAL</b>  |                      |         |           | <b>\$30,889,000</b>    | <b>\$15,455,235</b> | <b>\$15,272,729</b>           |
| DFID  |                      |         |           | <b>\$24,979,300</b>    | <b>\$12,692,987</b> | <b>\$12,286,313</b>           |
| EU  |                      |         |           | <b>\$4,681,700</b>     | <b>\$1,986,850</b>  | <b>\$2,694,850</b>            |
| GOM   |                      |         |           | <b>\$1,228,000</b>     | <b>\$775,398</b>    | <b>\$452,602</b>              |
| <b>Social Infrastructure, Research &amp; Services</b> |                      |         |           |                        |                     |                               |
| Hospital Redevelopment project                        | MOFEM                | Ongoing | DFID      | \$11,183,800           | \$2,503,191         | \$8,680,609                   |
| BNTF 7  | MOFEM                | Ongoing | CDB       | \$500,000              | \$323,880           | \$176,120                     |
| Davy Hill   | MOFEM                | Ongoing | EU        | \$1,500,000            | \$305,671           | \$1,194,329                   |
| Lookout Housing Force 10                              | MOFEM                | Ongoing | EU        | \$700,000              | \$700,000           | \$0                           |
| Credit Union Support to Housing                       | MOFEM                | Ongoing | EU        | \$1,500,000            | \$0                 | \$1,500,000                   |
| Toilet Facilities for the Vulnerable                  | MALHE                | Ongoing | EU        | \$250,000              | \$249,852           | \$148                         |
| Equipping the Abattoir                                | MALHE                | Ongoing | EU        | \$1,350,000            | \$1,172,360         | \$177,640                     |
| <b>Total</b>  |                      |         |           | <b>\$16,983,800</b>    | <b>\$5,254,954</b>  | <b>\$11,728,846</b>           |
| DFID  |                      |         |           | <b>\$11,183,800</b>    | <b>\$2,503,191</b>  | <b>\$8,680,609</b>            |
| EU  |                      |         |           | <b>\$5,300,000</b>     | <b>\$2,427,883</b>  | <b>\$2,872,117</b>            |
| CDB   |                      |         |           | <b>\$500,000</b>       | <b>\$323,880</b>    | <b>\$176,120</b>              |
| UNECLAC   |                      |         |           | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>                    |
| GOM   |                      |         |           | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>                    |
| <b>Public Administration, Buildings and Reform</b>    |                      |         |           |                        |                     |                               |
| PSRII   | ODG                  | Ongoing | DFID      | \$561,200              | \$536,737           | \$24,463                      |
| Access Coordinator                                    | MCW                  | Ongoing | DFID      | \$122,700              | \$102,127           | \$20,573                      |
| Government Accommodation                              | MOFEM                | Ongoing | DFID      | \$3,786,000            | \$3,057,051         | \$728,949                     |
| Capacity Development Fund                             | MOFEM                | Ongoing | DFID      | \$400,000              | \$34,808            | \$365,192                     |
| Project Management                                    | MOFEM                | Ongoing | EU        | \$2,000,000            | \$1,291,371         | \$708,629                     |
| Technical Support                                     | MOFEM                | Ongoing | DFID      | \$1,500,000            | \$992,344           | \$507,656                     |
| Miscellaneous (Small Capital Proj.) 14                | MOFEM                | Ongoing | DFID      | \$386,600              | \$72,260            | \$314,340                     |
| Media Exchange Development                            | Cabsec               | Ongoing | GOM       | \$1,471,400            | \$1,470,600         | \$800                         |
| <b>Total</b>  |                      |         |           | <b>\$10,227,900</b>    | <b>\$6,086,699</b>  | <b>\$2,669,801</b>            |
| DFID  |                      |         |           | <b>\$6,756,500</b>     | <b>\$4,795,328</b>  | <b>\$1,961,172</b>            |
| EU  |                      |         |           | <b>\$2,000,000</b>     | <b>\$1,291,371</b>  | <b>\$708,629</b>              |
| GOM   |                      |         |           | <b>\$1,471,400</b>     | <b>\$1,470,600</b>  | <b>\$800</b>                  |

| Name of Project -Sector                                | Ministry Responsible | Status  | Financier | Budget 2014-15<br>EC\$ | Expenditure<br>EC\$ | Balance(Budget-<br>Exp.) EC\$ |
|--|----------------------|---------|-----------|------------------------|---------------------|-------------------------------|
| <b>Education</b>                                       |                      |         |           |                        |                     |                               |
| Education Infrastructure (PCN)                         | MOFEM                | Ongoing | DFID      | \$2,200,000            | \$1,010,773         | \$1,189,227                   |
| Sport Centre   | MOFEM                | Ongoing | EU        | \$3,640,000            | \$3,640,000         | \$0                           |
| <b>Total</b>   |                      |         |           | <b>\$5,840,000</b>     | <b>\$4,650,773</b>  | <b>\$1,189,227</b>            |
| <b>DFID</b>  |                      |         |           | <b>\$2,200,000</b>     | <b>\$1,010,773</b>  | <b>\$1,189,227</b>            |
| <b>EU</b>  |                      |         |           | <b>\$3,640,000</b>     | <b>\$3,640,000</b>  | <b>\$0</b>                    |
| <b>CDB</b>   |                      |         |           | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>                    |
| <b>UNICEF</b>  |                      |         |           | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>                    |
| <b>Agriculture</b>                                     |                      |         |           |                        |                     |                               |
| Darwin Initiative Post Project                         | MALHE                | Ongoing | DARWIN    | \$342,800              | \$186,734           | \$156,066                     |
| Overseas Territories Environmental                     | MALHE                | Ongoing | OTEP      | \$8,400                | 0                   | \$8,400                       |
| <b>Total</b>   |                      |         |           | <b>\$351,200</b>       | <b>\$186,734</b>    | <b>\$164,466</b>              |
| <b>OTEP</b>  |                      |         |           | <b>\$8,400</b>         | <b>\$0</b>          | <b>\$8,400</b>                |
| <b>DARWIN</b>  |                      |         |           | <b>\$342,800</b>       | <b>\$186,734</b>    | <b>\$156,066</b>              |
| <b>Statistical Research and Miscellaneous Projects</b> |                      |         |           |                        |                     |                               |
| Census   | MOFEM                | Ongoing | DFID      | \$157,400              | \$0                 | \$157,400                     |
| Miscellaneous 14                                       | MOFEM                | Ongoing | EU        | \$1,000,000            | \$590,998           | \$409,002                     |
| <b>Total</b>   |                      |         |           | <b>\$1,157,400</b>     | <b>\$590,998</b>    | <b>\$566,402</b>              |
| <b>DFID</b>  |                      |         |           | <b>\$157,400</b>       | <b>\$0</b>          | <b>\$157,400</b>              |
| <b>GOM</b>   |                      |         |           | <b>0</b>               | <b>0</b>            | <b>0</b>                      |
| <b>EU</b>  |                      |         |           | <b>\$1,000,000</b>     | <b>\$590,998</b>    | <b>\$409,002</b>              |

| Financier    | Budget              | Expenditure         | Balance             |
|--------------|---------------------|---------------------|---------------------|
| DFID         | \$45,277,000        | \$21,002,279        | \$24,274,721        |
| EU           | \$16,621,700        | \$9,937,103         | \$6,684,597         |
| CDB          | \$500,000           | \$323,880           | \$176,120           |
| OTEP         | \$8,400             | \$0                 | \$8,400             |
| DARWIN       | \$342,800           | \$186,734           | \$156,066           |
| UNICEF       | \$0                 | \$0                 | \$0                 |
| UNECLAC      | \$0                 | \$0                 | \$0                 |
| GOM          | \$2,699,400         | \$2,245,998         | \$453,402           |
| <b>Total</b> | <b>\$65,449,300</b> | <b>\$33,695,993</b> | <b>\$31,753,307</b> |



## **H. MONTSERRAT CASE FOR AIR ACCESS SUBSIDY**

### **I. Operating Costs of the Airlines**

1.1. Both Fly Montserrat and SVG have written to GoM emphasizing that they are struggling to keep up with the cost of running their airlines to Montserrat and have requested a subsidy for this reason. They have demonstrated that the shift of numbers from air travel to sea travel over the past 2-3 years is reducing their viability significantly, and since this is likely to continue due to focus on ferry services and the heavy subsidy on that side, their situation is not likely to improve.

1.2. Since it is accepted that air access to Montserrat is necessary then the financial struggle that the airlines face cannot be ignored. The most recent request from Fly Montserrat for an increase in the subsidy to \$90,000 per month up from \$18,000 is an indication of the struggle.

1.3. It must be realized also that the situation could arise where it may become necessary to support an airline such as Winair in emergencies. Such a situation occurred as recent as December 2014 when sea access was not possible due to rough seas, and where one of the airlines was not available leaving one 6-seater aircraft to transport hundreds of people in and out of Montserrat – a task that is difficult over a short period and has cost implications for the travelling public and GoM. Winair would have been required to assist but requested a subsidy or seat guarantee due to the high cost of operating in and out of Montserrat.

### **II. Small Market**

1.4. Montserrat has unique challenges in many ways and this contributes to its small traveller market. Montserrat continues to struggle to get its visitor numbers up. While this is improving, the pace is still slow. The ferry and airlines are therefore running half empty on many occasions. Until the numbers increase to a level where both the ferry and airlines can sustain themselves, it is imperative that the necessary support is given to ensure these services exist.

### **III. Alternative Access to Montserrat**

1.5. It is accepted that while there are persons living on Montserrat, access to and from the country must be maintained. All are aware that during periods of rough seas the ferry cannot dock at the Port which leaves only air access available. If the sustainability of air access is threatened through lack of support for a subsidy, then access to Montserrat in general is therefore threatened. This of course would be unacceptable.

### **IV. Tourism & Investment**

1.6. Tourism is a major pillar in the economic development of Montserrat and air access is a major factor determining its success. Although the focus for boosting tourism is being done through ensuring reliable, comfortable, efficient and consistent ferry services it must be realized that a good number of tourists come through by air. There are also investors, business persons, regional consultants, government and private sector officers who visit Montserrat utilizing air access for meetings and business opportunities. It has been evident over time that most of these persons in these categories will not come to Montserrat by sea because 'time' is of the essence. In this critical development phase of Montserrat, we must maintain these category travellers. It has also been shown in the tourism sector that one of (if not the most) critical factors affecting tourists' decisions in coming to Montserrat, is the prohibitive cost of airfares.

1.7. The airlines are also embarking on introducing new routes to neighbouring countries such as Guadeloupe, St Kitts, Nevis and St Martin in order to boost tourism for Montserrat. Every effort should therefore be made to support the airline industry for the sake of Montserrat's economy. The sustainability and consistency of air access to Montserrat is also important as this contributes to building confidence in the island's future and sustainable development for tourists and investors.

## V. Health Needs

1.8. The Government of Montserrat some years ago invested funds in Fly Montserrat through grants for the purpose of custom fitting their aircrafts for Medivac purposes. Fly Montserrat has demonstrated how this service has benefitted Montserrat tremendously by ensuring that their aircrafts are based in Montserrat and having several aircrafts available to cover this important demand. Without this service, those who become acutely ill and require a medivac would suffer and many would die if alternative medivac services were to be called in from afar.

1.9. Furthermore, there are many persons who cannot travel by sea and would become severely ill. The support to air services is therefore critical to maintain necessary travel.

## VI. Guarantee for Daily Flights

1.10. One of the conditions of the provision of a subsidy is a guarantee of a minimum level of flights in and out of Montserrat. This is critical for persons travelling for health and business reasons. Where no subsidy exists, airlines would be left to schedule flight as they choose.

## VII. Affordability

1.11. One of the conditions of the provision of a subsidy is a guarantee of a maximum airfare. This ensures that fares remain affordable for the traveling public. In any country, persons must be able to travel at a reasonable cost. Any absence of this means that in essence persons are denied their freedom, exacerbates health issues, and will lead to them leaving and residing in countries where this is not prohibitive. Ensuring affordable air access is therefore regarded as a **'reasonable need'** of the population. In addition, the population is already at low levels low and is not increasing at any rate, so the access issues should not continue to retard any possible population growth.

1.12. A subsidy therefore supports the airlines, containing wanton increases in airfares and fosters increased air travel, which Montserrat needs.