

Contingency Fund Protocol

Background

A contingency fund is hereby set up under the Ministry of Finance & Economic management (MoFEM) vote for purposes of meeting emergency expenditure related to the occurrence of unforeseen events leading to activities that have not been provided for in the Government of Montserrat annual budget. The budget allocation for this fund will be included and defined in the annual Montserrat budget aid allocation.

The set up, management and operation of the contingency fund will conform to the requirements of the Public Finance (Management and Accountability) Act 2008.

Purpose

The 2015/16 Budget Aid Contingency Fund has two distinct uses: 1) for general contingency uses (i.e. as defined in previous years) and 2) for child safeguarding (as the emerging GoM Child Safeguarding Action Plan is taken forward).

1) General Contingency Fund

The general contingency fund is to meet expenditure that is:

1. unforeseen – was not foreseeable and is not of a repetitive nature;
2. unbudgeted for – was not provided for in the annual budget or was insufficiently provided for;
3. unabsorbable – all virement possibilities have been exhausted; and
4. unavoidable and cannot be postponed including expenditure that:
 - o is of a life threatening nature; or
 - o will cause severe human, material, economic or environmental suffering or loss; or
 - o is of a compelling need and in the public interest.

All of the above four criteria must be met to be eligible for contingency funding.

2) Child Safeguarding

The child safeguarding component of the contingency fund is to make available budget funds to implement the Child Safeguarding Action Plan as it becomes operationalized. EC\$1.05million of the maximum available contingency fund has been set aside for this purpose, and is ring-fenced by DFID to ensure the availability of this funding during the financial year. This is a DFID and GoM priority spending area and there is an expectation that the action plan will be implemented, with a resulting draw down of these funds.

The conditions of this (which are distinct from the General Contingency Fund conditions in paragraph 1 above) are that:

1. GoM agree with DFID details of any revisions or changes to that action plan including proposed spending in this area AND provide a timeline for implementation of the action plan, before the second tranche of funding can be drawn down (for FY Q2);
2. Indicators of progress and success will be those agreed in the budget aid logframe, and should include confirmation that the child safeguarding law will be presented to Cabinet before November 2015;
3. A second action plan for long term implementation of the Montserrat Child Safeguarding Review will be prepared for 2016/17 by November 2015, along with progress and output indicators.

Administration

The fund will be managed by Cabinet and provided for under MoFEM by including it as a line in the Ministry's annual budget estimates.

Applications to access the fund will be made by the relevant department or agency to the Directorate of Budget who will check it for conformity with the conditions for funding under the contingency fund and will seek DFID approval from the DFID representative on Montserrat. The application will then be presented to the Minister of Finance for approval. Subsequent to the approval the Minister will issue a Contingency Warrant in accordance with Section 15 of the Act authorising the transfer of funds to the relevant Department or Agency to be used for the purposes specified. Where the funds are spent outside MoFEM, a Supplementary Appropriation will be submitted for approval at the next sitting of the Legislative Assembly. Where the funds are spent in MoFEM, a virement may be necessary to increase the relevant subhead.

The beneficiary agency will spend the funds and report through MoFEM to Cabinet giving details of the expenditure. Except in extenuating circumstances, all requests for contingency funds should be made in arrears based on actuals. GoM may make a claim to DFID for funds out with the standard quarterly claim.

Reporting

MoFEM will be responsible for reporting the transactions relating to the amount received into and the expenditures out of the contingency fund. At the end of each financial year, the beneficiary departments and agencies of funds from the contingency fund will provide a report of the amounts received and spent to MoFEM.

MoFEM will consolidate the reports of the beneficiary departments and agencies to constitute the annual report for the contingency fund.

A copy of the report must be incorporated and submitted to DFID in the usual manner as part of the quarterly and annual performance reports. A draft of the annual report will be reviewed at the Budget Aid Mission before the facility is renewed.

Audit

The audit of the contingency fund will be part and parcel of the annual audit of GoM accounts by the Auditor General.

Replenishment

The budget line will have an annual provision to be set after the annual Budget Aid Mission. Contingency funds are ringfenced. DFID must be consulted on any unspent amounts set aside for the contingency fund, and any surplus funds could only be used with the agreement of DFID.