



Ministry of Finance & Economic Management

THE CITIZENS GUIDE TO THE 2019-20 BUDGET

TAKE A LOOK INSIDE

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MONTERRAT'S VISION STATEMENT

"A healthy and wholesome Montserrat, founded upon a thriving modern economy with a friendly vibrant community in which all our people through enterprise and initiative can fulfil their hopes in a truly democratic and God-fearing society".



Remarks from the Honourable Premier & Minister of Finance, Donaldson Romeo

The 2019/20 Budget Statement and Estimates was presented under the theme “**A NEW ERA OF TRANSFORMATION A PLATFORM FOR PROGRESS**’ that calls each and every member of the Montserrat family to join the transformation. Thus, this will overcome the recent past, embrace

change with God’s grace/ guidance and step forward together into the new era of our destiny. The Government of Montserrat is very humbled by the encouraged sacrifices made with the support received from the Citizens, advancing the operations in Government of Montserrat and its country. Therefore as we continue to work together in a manner which places the development of Montserrat with its people at the forefront. It is our mandate to ensure that Montserrat citizens are informed, well aware of the plans of this Government and the mechanism used to achieve these objectives. The 2019/20 Budget statement outlines strengthening of our economic foundations, whilst setting out a sound platform for the next phase: economic transformation which should open up opportunities for our people. For the FY our priorities include:

- Improving Citizen’s lives
- Encourage a steady economy
- Resilience against natural disaster and climate change
- Improving safe access to essential services
- Airport development and operational improvement
- Road development
- Port Development
- Encourage Locally grown foods
- Delivering good quality jobs and lasting prosperity
- Improving Education Infrastructure
- Improve Housing
- Health Improvement
- Tax adjustments for working families and businesses



Remarks from the Honourable Financial Secretary, Colin Owen

I am please to present the Approved Estimates of Recurrent Revenue & Expenditure for the 2019/20 financial year, which provides for a total expenditure (including debt servicing) of \$137.77 million and the capital expenditure for 2019/20 is estimated to be EC\$68.37 million, bringing the total 19-20 budget to \$206.14 million.

Revenue

For FY 2019/20 revenue is projected to be **\$137.77 million**. This represents a 4.81% increase over the 2018/19 approved estimates of EC\$131.15 million. The projected increase is based on a combination of improvements in revenue collection and modest economic growth expectations. The estimated revenue from local sources is EC\$58.17 million compare to **EC\$52.68 million** in 201/19. Total local revenues will be generated from two main areas: tax revenue and non-tax revenue (fees, fines, permits, rents, interests and licenses). Budget support from DfID will contribute £23.18 million or EC\$79.60 million or 57.8% to the recurrent budget. Of this support £1.57 million or EC\$5.4 million will go towards Access Subsidy and £2.6 million or EC\$9.23 million will go towards Technical Cooperation and Capacity Building. An exchange rate of EC\$3.43 to £1.0 is used in the conversion.

Expenditure

For FY 2019/20 expenditure is projected to be **\$137.77 million**. This reflects a number of policies and programmes aimed at moving government towards fiscal sustainability.

The recurrent budget is used to facilitate salaries, wages, and operational expenses of the Ministries and Departments across government.

Capital

2019-20 truly indicates a remarkable year for Capital projects.. The Government of Montserrat proposes a \$68.37 million expenditure which surpasses the previous two budgets by at least 20%. This give rise to improved infrastructure on the island to include; more classroom space for students, greater connectivity through Fiber Optic links, more affordable housing for the vulnerable and a brand new breakwater and jetty for trading, yachting and tourism which will improve the visiting experience in Montserrat. The Capital Budget is funded through, local funding and donor funding to include, DFID, EU, CDB, Darwin and UNICEF. This Capital Budget is expected to provide employment to many residents and build confidence in the citizens, investors and donors that Montserrat is on the pathway to Sustainable Development.

We would like to encourage Montserrat citizen's to review this Citizens Guide to inform themselves about Government plans for the new fiscal year and to identify how they can contribute positively to accomplishments in FY 2019-20. It is my sincere hope that this guide will enhance public awareness of the budgeting process and promote citizen participation.

to inform themselves about Government plans for the new fiscal year and to identify my sincere hope that this guide will enhance public awareness of the budgeting process and promote citizen participation.

The Purpose of this Citizen's Guide

The Citizen's Guide to the budget provides a simplified explanation or overview of the contents of the 2019-20 budget.

The guide is a means to make the understanding of the Budget easier. The Ministry of Finance and Economic Management endorses that the public should be able to see and understand both where it stands and what prospects it has.

The understanding of the process on how our government collects and spends money is critically important. Against this background, the guide concentrates on Revenue, Recurrent and Capital Expenditure which provides a brief synopsis of how budgetary resources will be allocated and the major projects and programs which will be implemented during the financial year April 1, 2019 to March 31, 2020.

The guide also serves as a door to more information about the budget which focuses on:

- The economic assumptions underlying the budget.
- The budget process.
- Revenue collection - where the government money comes from.
- Spending allocations - how money is being spent and why.
- Significant new measures.
- Sector-specific information and information about targeted programs.



Montserrat's Budget Preparation

In preparing the Budget each year, the Government reviews current and past performances of the main macroeconomic indicators in order to determine the fiscal policy direction for the budget year and the Medium Term Economic Framework (MTEF). The macroeconomic projections are prepared by the Economic Department of Montserrat.

The MTEF Approach

The MTEF approach is a top down process of determining resource availability, allocating these resources between ministries and setting overall government priorities and a bottom up process of estimating the actual requirements of implementing policies in each ministry and best approach to achieve these priorities. The steps involved in developing an MTEF are the means to bring these processes together, and are demonstrated in the diagram attached and described briefly below.

The 6 steps in the MTEF Approach are:

Step 1: Macroeconomic Framework and Fiscal Outlook: projecting resource availability for the next three years based on the projections of economic growth, domestic revenues and availability of donor funds.

Step 2: Developing Preliminary Ceilings for the next three years based on those ceilings set for the prior year and resource availability, reducing ceilings as needed and allocating total resources on the basis of government priorities and economic conditions. The result of this allocation is distributed in the first budget call circular.

Step 3: Each Ministry Estimating Requirements for the medium term based on government policies and priorities. Determining priorities involves a process of **reviews** through which Ministries:

1. Review objectives, policies and strategies, focusing on implementing the Policy Agenda adopted by Cabinet
2. Identify outputs and activities needed to achieve the agreed objectives and set key strategies. This involves both consideration of existing activities and determining whether new activities are required to meet Cabinet goals
3. Estimate the actual costs of activities (recurrent and capital).
4. Prioritise activities to fit within the resource ceiling and identify

which activities that should continue, those that have to be scaled back and those that need to be stopped, preparing programme savings options equal to five percent of expenditures and new revenue proposals

5. Prepare new capital and/or recurrent expenditure requests to fund those key strategies that cannot be funded through existing resources.

Step 4: Revisiting Budget Ceilings: After the ministry review exercise the new spending requests, programme savings options, and new revenue options are reviewed by MoFEM and recommendations are made to Cabinet on each on the basis of additional information gathered in the reviews. Following Cabinet action on these requests and options, new ceilings are finalized MoFEM and distributed in the second budget call circular.

Step 5: Finalising Three Year Estimates: Ministries make final adjustment to the three year estimates based on the adjusted ceilings and resubmit their budgets.

Step 6: Review and Finalisation of the Estimates: Once ministries have completed their Budget Estimates, these are reviewed by MoFEM, to assess whether the estimates are consistent with the policies, plan and priorities, and whether the estimates are within the ceilings. These final estimates are then submitted to the legislature for approval.

The first year's estimates are approved while the second and third year's estimates constitute hard budget ceilings; following budget approval, Cabinet reviews its Policy Agenda, ministries revise their strategic plans, and a medium term economic and fiscal outlook is prepared, restarting the entire process.



The Approved 2019-20 Budget Estimates

A total of \$206,144,500 million has been budgeted by the Government to meet its obligations and provide goods and services to citizens for the FY 2019/2020. A breakdown is provided to demonstrate major expenditure categories:

Table 1: Main Classifications of Expenditure

		EC\$ Million
Debt Service Payments		1,211,400
Interest	380,000	
Principal	831,400	
Recurrent Expenses		136,560,800
Personal Emolumnets	49,204,100	
Benefits	11,836,100	
Goods & Services	75,520,600	
Capital Projects		68,372,300
Office of the Deputy Governor	2,105,800	
Office of the Premier	16,891,000	
Ministry of Finance & Economic Management	1,758,300	
Ministry of Agriculture, Trades, Lands, Housing & Environment	160,100	
Ministry of Communications, Works & Labour	38,063,700	
Ministry of Education, Youth Affairs & Sports	420,500	
Ministry of Health and Social Services	5,000,000	
Totals		206,144,500

Chart 1: Expenditure Expenses

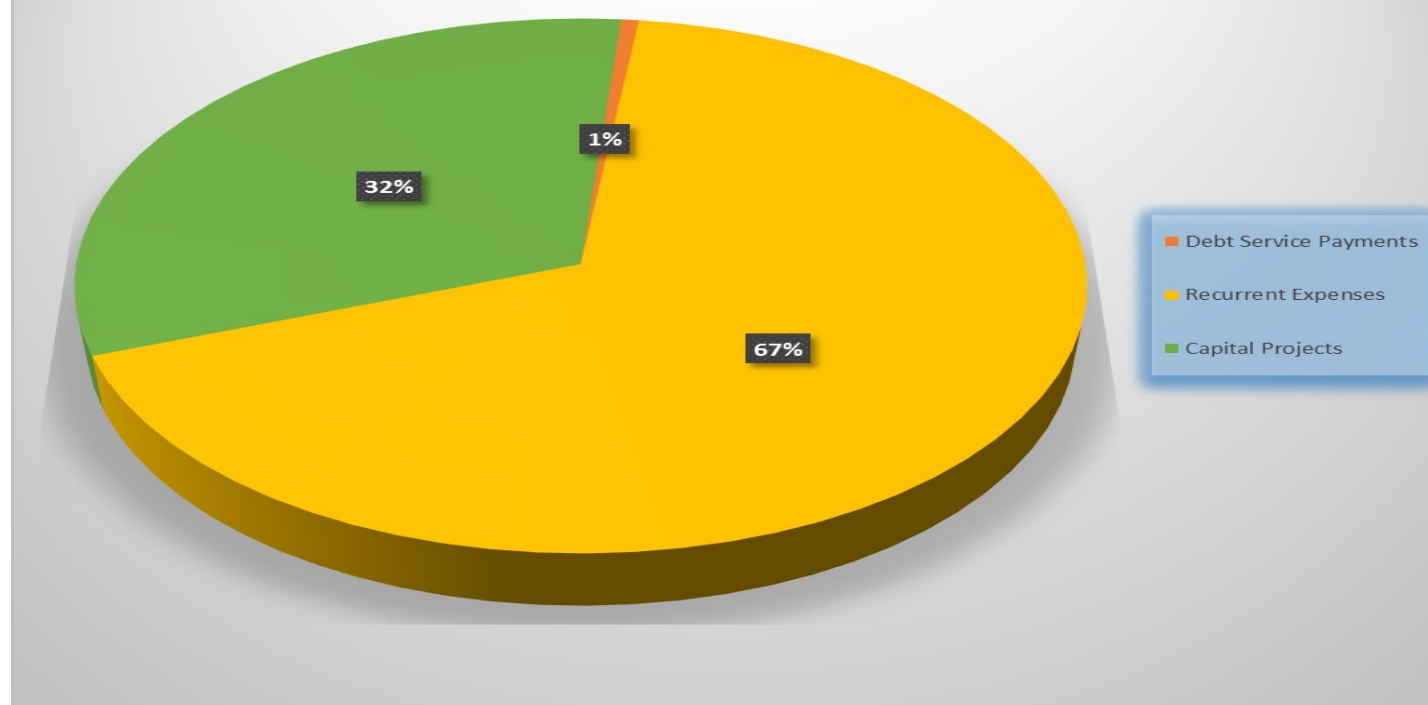


Table 2: Expenditure by Table to Functional Classification

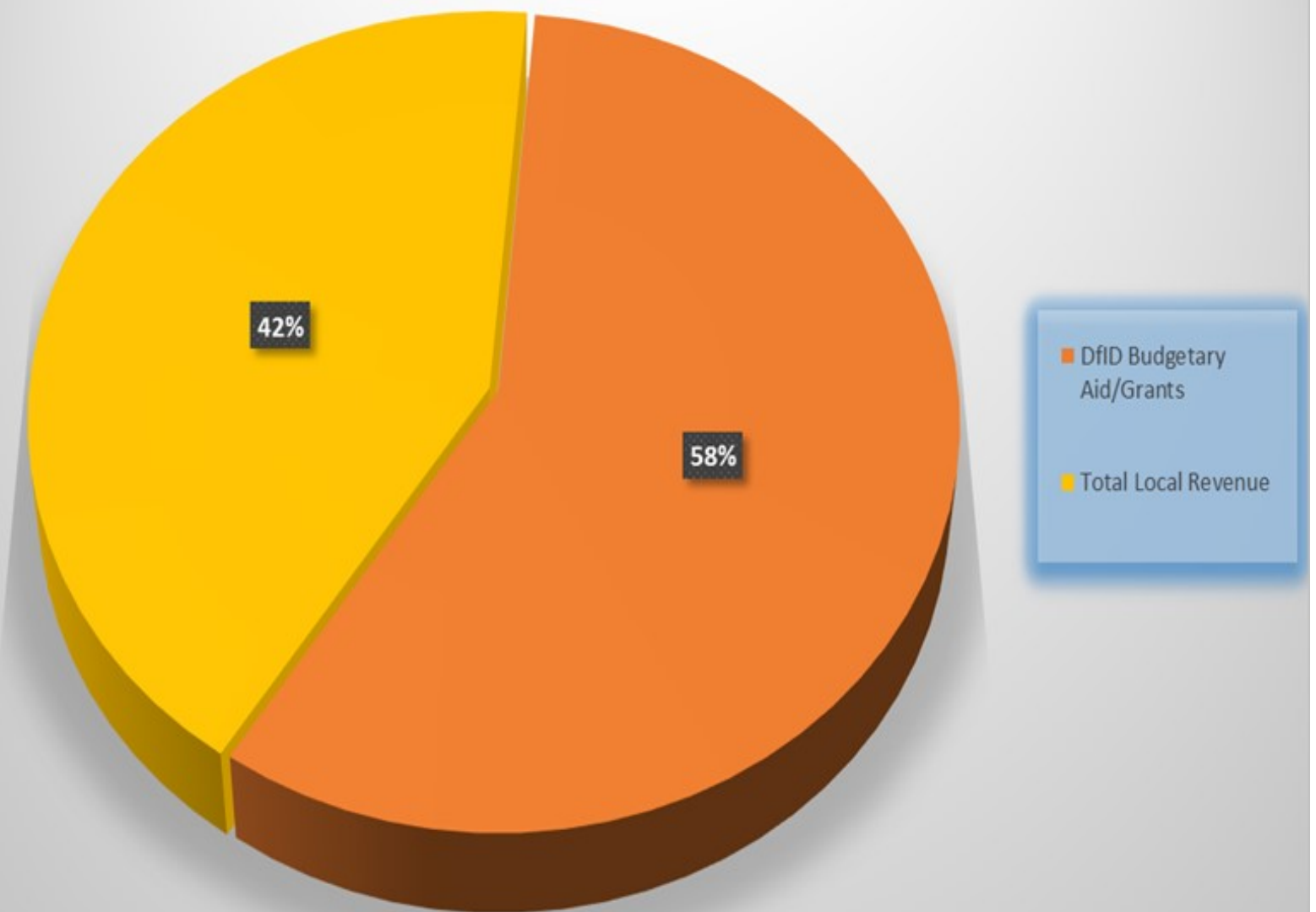
Function of Government	Budget Estimates 2019-2020	%
Compensation of Employees	50,077,600	36.3%
Use of Goods and Services	50,126,700	36.4%
Interest	380,000	0.3%
Subsidies	11,105,100	8.1%
Grants	6,847,700	5.0%
Social Benefits	15,697,400	11.4%
Other Expenses	3,537,700	2.6%
Totals	137,772,200	100%

Where does the Money Come From to Fund The Budget

It is the expectation of the Government to generate **\$137,772,200** million from Revenue. The projection is based on a combination of improvements in revenue collection and modest economic growth expectations. The estimated revenue from local sources is **EC\$58.17 million**. Total local revenues will be generated from two main areas: tax revenue and non-tax revenue (fees, fines, permits, rents, interests and licenses). Budget support from DID will contribute £23.18 million or *EC\$79.60* million or 57.8% to the recurrent budget. Of this support £1.57 million or *EC\$5.4* million will go towards Access Subsidy and £2.6 million or *EC\$9.23* million will go towards Technical Cooperation and Capacity Building. An exchange rate of *EC\$3.43* to £1.0 is used in the conversion.

VOTES & DETAILS	Budget Estimates 2019-2020	Forward Estimates 2020-2021	Forward Estimates 2021-2022
POLICE	282,600	282,600	282,600
MAGISTRATE'S COURT	40,000	40,000	40,000
SUPREME COURT	15,500	15,500	15,500
LEGISLATURE	800	800	800
AUDIT OFFICE	25,000	25,000	25,000
OFFICE OF THE DEPUTY GOVERNOR	271,100	271,100	271,100
OFFICE OF THE PREMIER	3,276,700	3,438,700	3,606,700
MINISTRY OF FINANCE & ECONOMIC MGMNT	127,996,200	129,284,600	130,654,500
MINISTRY OF AGRICULTURE	1,089,000	1,089,400	1,089,400
MINISTRY OF COMMUNICATIONS, WORKS & LABOUR	3,894,000	3,966,300	4,032,700
MINISTRY OF EDUCATION, YOUTH AFFAIRS AND SPORTS	375,500	380,500	380,500
MINISTRY OF HEALTH AND SOCIAL SERVICES	505,800	505,800	505,800
TOTAL REVENUE	137,772,200	139,300,300	140,904,600

Chart 2: Revenue Sources for 2019/20



i. Tax Revenue

This tax is defined as income from income and profit, social security contributions, goods and services payroll, property ownership and transfer and other and other taxes. Total tax revenue as a percentage of GDP shows the share of the output of a country that the government collects through taxes.

ii. Non-Tax Revenue

This tax is recurring income earned by the Government from sources other than taxes. The most important receipt under this head are interest receipts (received from loans given by CDB) and dividends and profits received from companies.

iii. DFID Budgetary Aid

This tax is in the form of overseas aid from UK. DfID's goal is to help Montserrat achieve self-sufficiency, particularly through tourism. DFID's main programme areas of work are Education, Health, Social Services, Government and Civil Society, Economic Sector (including Infrastructure, Production Sectors and Developing Planning), Environment Protection.

Tax Revenue		48,747,500
Taxes on Income, Profits	20,897,000	
Property Tax	735,000	
Taxes on Domestic Goods and Services	2,861,800	
Licenses	2,959,000	
Taxes on International Trade and Transactions	20,494,700	
Arrears of Taxes	800,000	
Non-Tax Revenue		6,786,700
Fees, Fines and Permits	5,113,200	
Rents, Interest and Dividends	1,558,500	
Reimbursements	115,000	
Other Revenue		2,638,000
DfID Budgetary Aid/Grants		79,600,000.00
Budget Support	79,600,000	
Overall Revenue Total		137,772,200.00

Where does the Money Go

PUBLIC DEBT

The Government of Montserrat borrowing and financing comprises of both external and domestic debt. These include the Port Development Loan, the Consolidated Line of Credit (a loan used to provide student, business loans and agricultural developments and Power project which were all secure from Caribbean Development Bank (CDB) and two domestic loans. Total outstanding public debt at the beginning of the financial year 18/19 was \$13 million, with external debt amounted to \$10.40 million while domestic debt was \$2.59 million. Total debt repayments as at March 31st March 2019 were \$1.15 million resulting in a balance of \$11.88 million at the end of 31st March 2019.

COMPENSATION OF EMPLOYEES

Staff costs include the salaries and allowances of permanent staff, temporary staff and contract workers. For FY 2019-20 staff cost increased by 2% or \$1.57 million. A steady increase in staff cost is shown over the years as GoM aims to reduce its vacant positions. 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 include social security contributions and pension costs.

RECURRENT PROGRAMMES

A total of **\$137.77 million** will go towards funding Recurrent Programmes which is comprised of activities to include:

- ♦ Operating costs of ministries, departments and most statutory bodies
- ♦ School Feeding Programme
- ♦ Pension Payments to Government pensioners
- ♦ Grants to Schools and other nonprofit organization
- ♦ Travelling Expenses for public Officers
- ♦ Social Protection needs
- ♦ Clams against Government
- ♦ Maintenance of Roads and other Physical Infrastructure

In the current FY 2019/20 some MDA's have sought additional or new funding for a particular programme/new project. Ministries/Departments were instructed to prioritize their submissions. Re-prioritizing is engaged utilizing the availability of funds and alignment with the GoM's Policy Agenda. The new funding approved for fiscal year 2019-2020:

- ♦ **\$ 24,900 - Prison Officers Uniform**
- ♦ **\$190,000 - ICT programmes**
- ♦ **\$465,000 - Youth Programme**
- ♦ **\$150,700 - Subventions**
- ♦ **\$ 80,000 - Island Scholarship**
- ♦ **\$210,000 -Pharmaceutical supplies**
- ♦ **\$230,100 - M'tce Social Housing Stock**

CAPITAL EXPENDITURE

The capital expenditure for 2019/20 is estimated to be **EC\$68.37 million**. The classifications are as follows:

- ♦ Economic Infrastructure development EC\$53.23 million
- ♦ Social Infrastructure development EC\$9.36 million
- ♦ Public Administration EC\$2.57million
- ♦ Education EC\$2.84
- ♦ Agriculture EC\$0.08 million
- ♦ Statistical Research & Miscellaneous Projects EC\$0.29 million

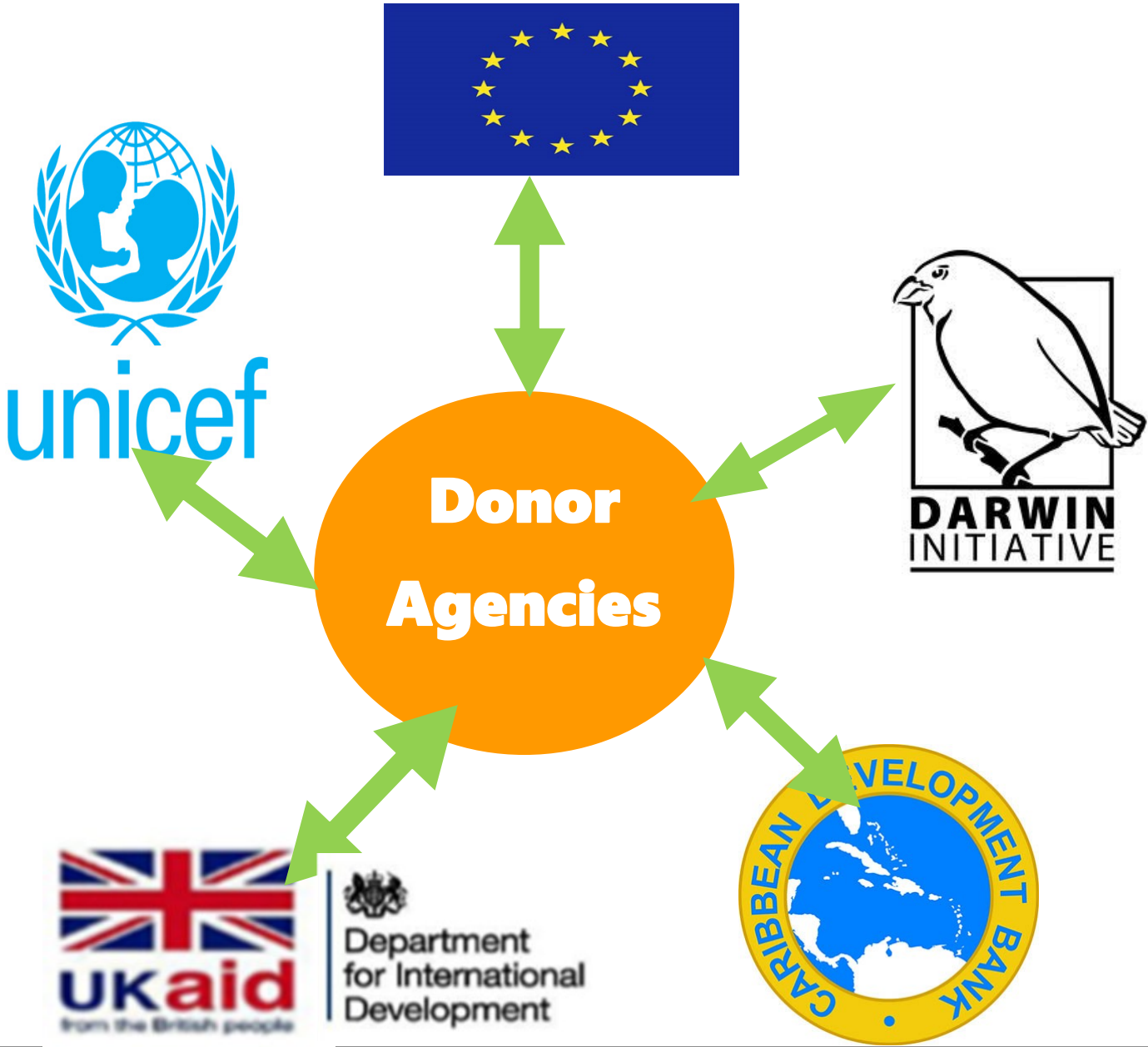
ECONOMIC CLASSIFICATION OF THE BUDGET

Function of Government	Budget Estimates 2019-2020	%
Compensation of Employees	50,077,600	36.3%
Use of Goods and Services	50,126,700	36.4%
Interest	380,000	0.3%
Subsidies	11,105,100	8.1%
Grants	6,847,700	5.0%
Social Benefits	15,697,400	11.4%
Other Expenses	3,537,700	2.6%
Totals	137,772,200	100%

WHERE DOES THE MONEY COME FROM TO FUND CAPITAL PROJECTS

Montserrat's economy is small and still growing, thereby rendering our revenues too small to fund our capital budget. Although this can change in the future for now we have to rely on: (i) Aid, (ii) Grants and (iii) Occasionally Loans.

To qualify for these sources of funds, various conditions apply, whereby the Government is mandated to fulfil.



This Capital Budget is financed as follows;

- DFID - 49.56%
- EU - 37.59%
- UKCIF - 12.2%
- Other (CDB, UNICEF, Darwin etc) - 0.56%

Through these financiers, we are able to afford the infrastructure and services given on both the recurrent and capital budget.

DFID and the EU continues to be our main funders over the years and without the assistance received we would not have been able to fund many project activities in the past, and the Government hopes this relationship can continue way into the future.

Montserrat will be able to shine once again after years of slow to no growth in its economy.

PROJECTS FOR 2019/2020 AND BEYOND

The Government continues to maintain their agenda to; Improve access to affordable housing for low and middle income residents, operationalize plans to deliver priority infrastructure for generating economic growth and increased access to essential and specialized medical services through leveraging technology as well as direct service provision.

These gave rise to some of the following projects:

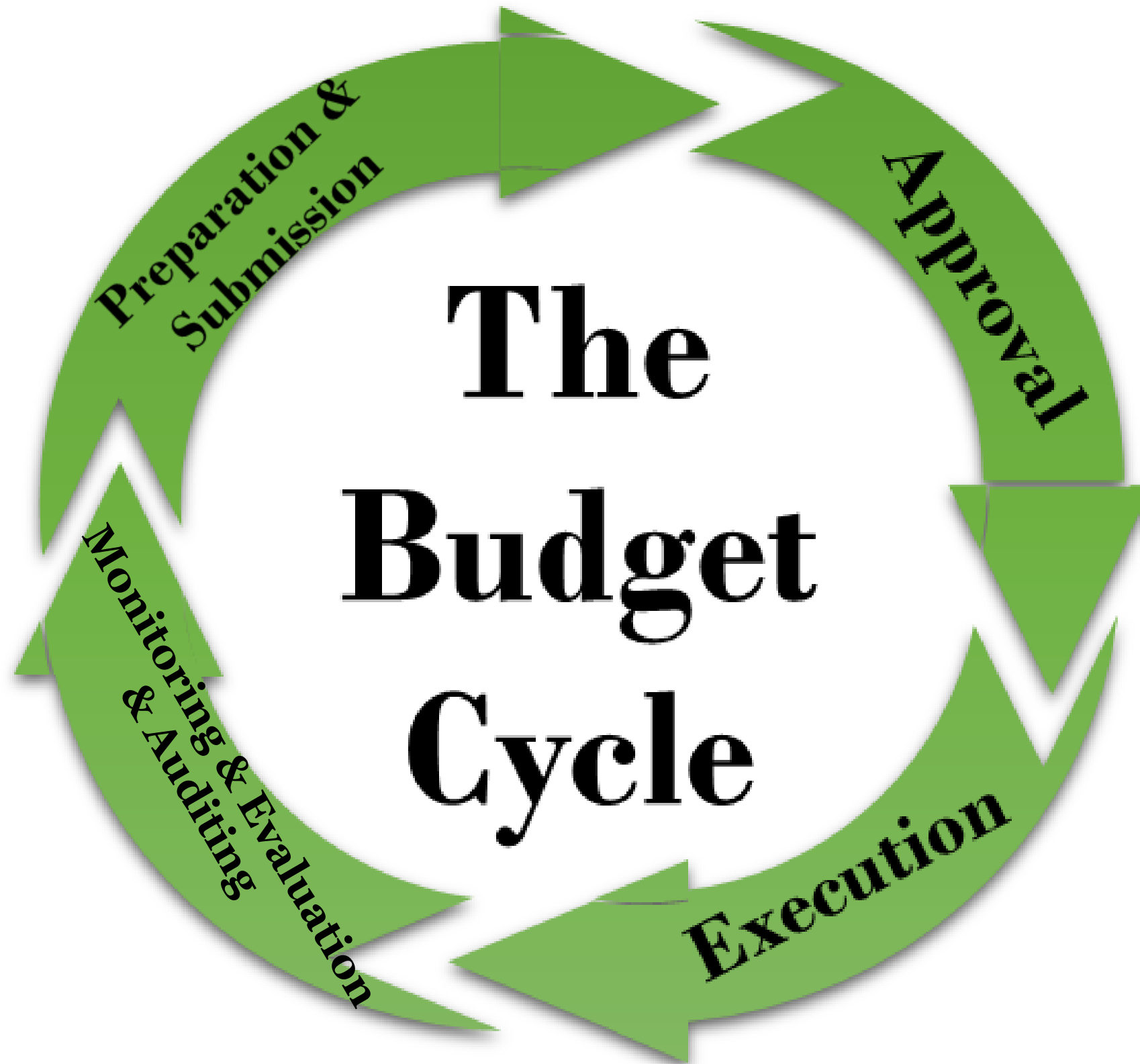
- Improvement to the school buildings
- Social Housing
- Port Development
- Health Development
- Airport Resurfacing & Improvement



It is hoped that as a spill off from the approval of these projects, the employment sector on the island would be boosted for many.

THE BUDGET CYCLE

A budget cycle is the life of a budget from creation or preparation, to evaluation. The budgeting process progresses in stages as plans are made, funds are allocated and new information leads to revisions. The four segments of the budget cycle, preparation and submission, approval, execution and monitoring, audit & evaluation which provides the framework for creating one of the most important tools a business needs to succeed.

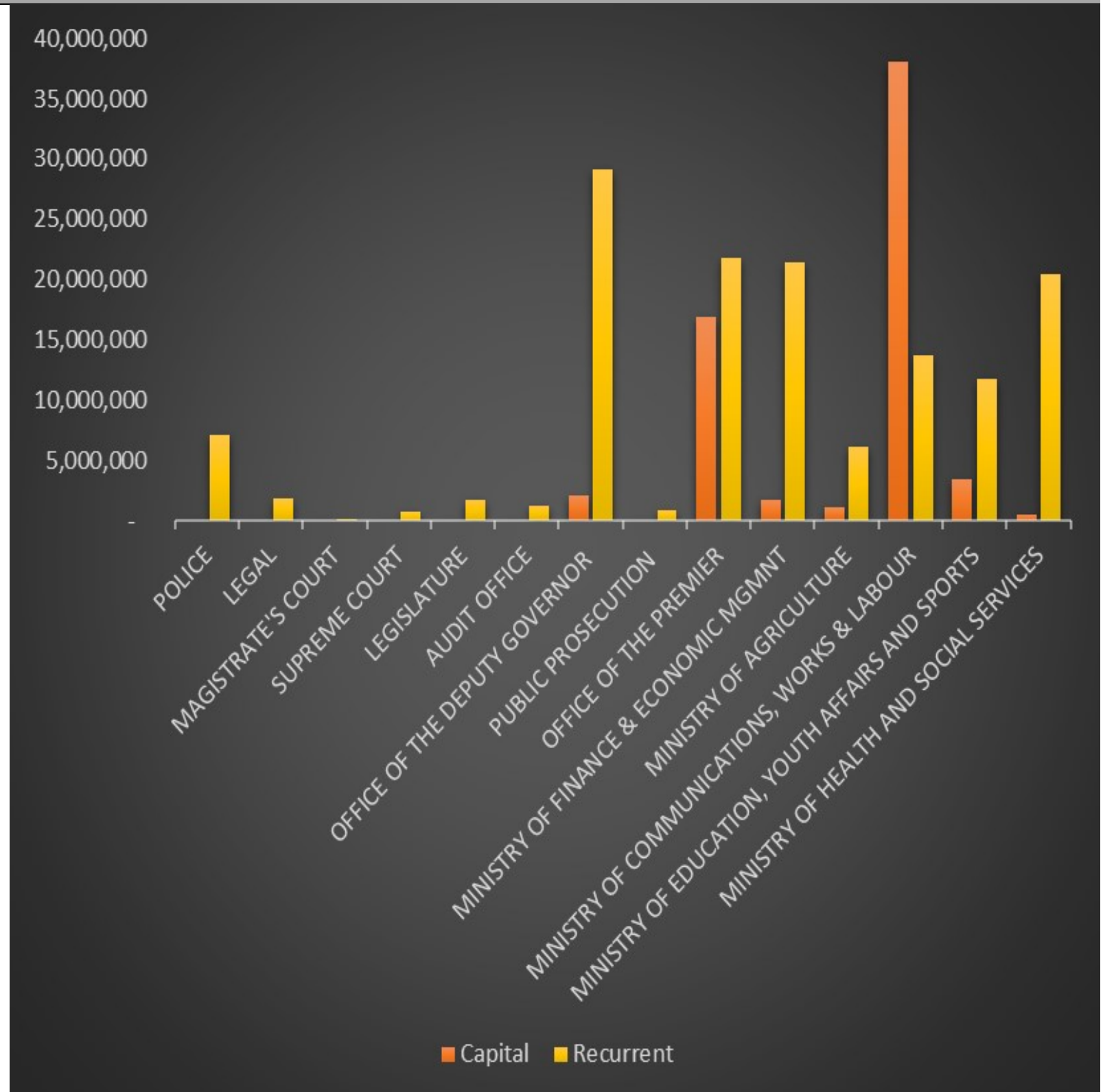


The four segments for the budget cycle are:

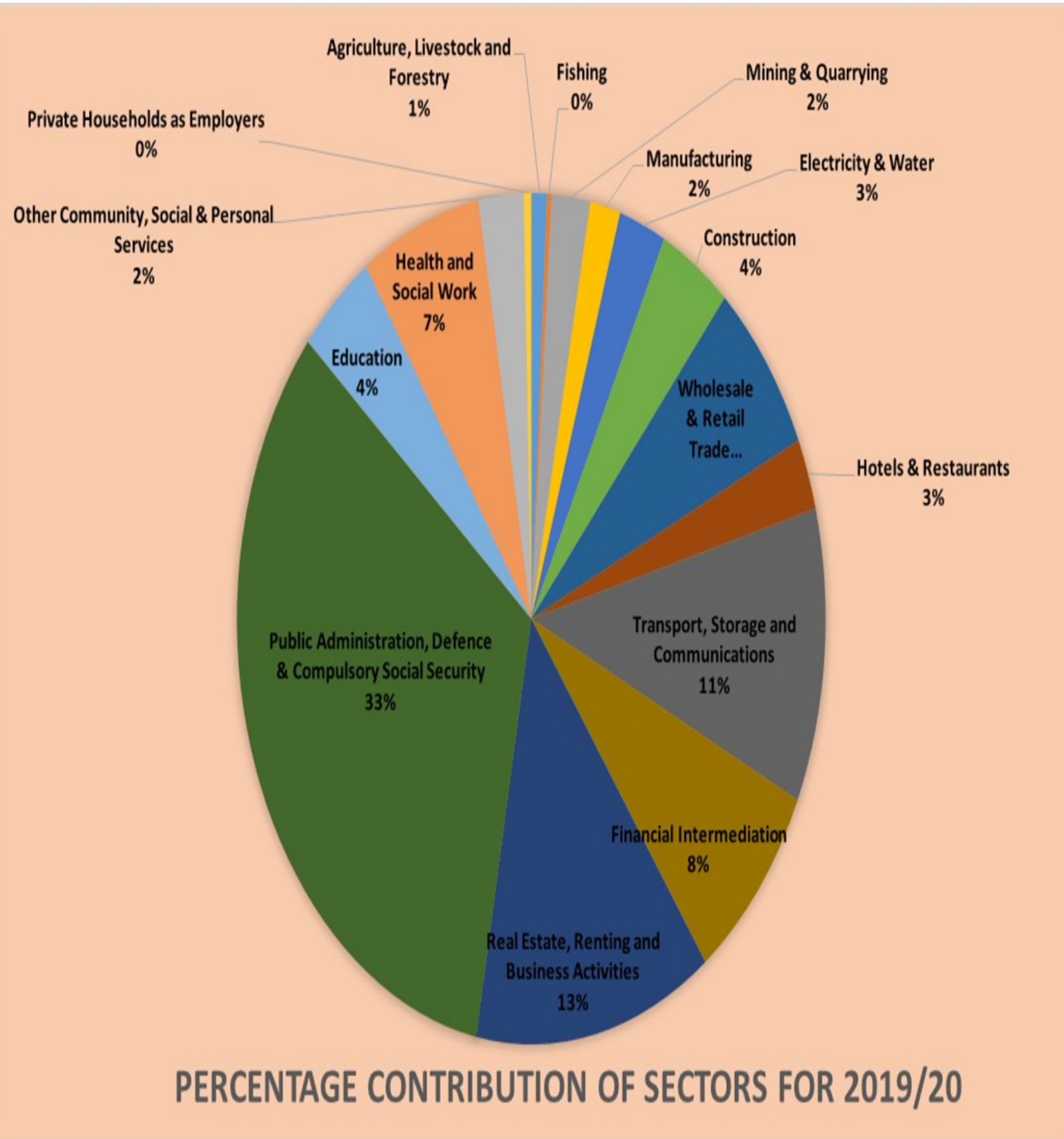
- The Execution - Ministries and departments implement programmes and spend the funds.
- Monitoring, Evaluation and Auditing - Auditor General assesses revenue and expenditure.
- Preparation and Submission - Cabinet reviews draft budget.
- Approval - Minister of Finance presents budget to Legislative, debates and approves budget.

Allocation of 2019/2020 Capital & Recurrent Proposed Expenditure

VOTES & DETAILS	Capital	Recurrent	Total
05 POLICE	-	7,130,700	7,130,700
07 LEGAL	-	1,781,300	1,781,300
08 MAGISTRATE'S COURT	-	179,000	179,000
09 SUPREME COURT	-	734,300	734,300
10 LEGISLATURE	-	1,654,600	1,654,600
11 AUDIT OFFICE	-	1,232,200	1,232,200
12 OFFICE OF THE DEPUTY GOVERNOR	2,105,800	29,118,900	31,224,700
13 PUBLIC PROSECUTION	-	803,900	803,900
15 OFFICE OF THE PREMIER	16,891,000	21,784,700	38,675,700
20 MINISTRY OF FINANCE & ECONOMIC MGMNT	1,758,300	21,384,600	23,142,900
30 MINISTRY OF AGRICULTURE	1,160,100	6,139,800	7,299,900
35 MINISTRY OF COMMUNICATIONS, WORKS & LA	38,063,700	13,739,300	51,803,000
40 MINISTRY OF EDUCATION, YOUTH AFFAIRS AND	3,393,400	11,693,800	15,087,200
45 MINISTRY OF HEALTH AND SOCIAL SERVICES	500,000	20,395,100	20,895,100
	63,872,300	137,772,200	201,644,500



LOOKING TO THE FUTURE



Economic Growth Rate

Montserrat's Real Gross Domestic Product (GDP) is the total value of goods and services produced, which is then adjusted for inflation each year. For FY 2019/20 the expected expansion in real GDP is estimated between 3.2% to 3.5%.

Sectors include:

- Public Administration— this is expected to continue to see growth with the continuation of increment payments based on performance standards, as well as the potential increase in TC spending.
- Transport and Storage and the Wholesale and Retail trade— these are impacted by government infrastructure projects and policy, tourism activity and the level of importation are expected to see growth in the upcoming years.
- The Agricultural sector is expected to rebound in the upcoming year with growth as action is taken to address the issues facing the sector in 2018.
- Mining and Quarrying will remain a strong sector for growth, barring any disasters or loss of equipment by operators in the sector.
- Hotels and Restaurants sector, is expected to continue to see growth, as investments continue to improve the tourism product on the island through a series of projects and annual festival activities.
- Real Estate & Housing, is forecasted to grow as the government concession programmes is expected to be extended.

RESOURCES

More information on the budget may be found in the budget documents and on the Ministry of Finance's website:
<http://mof.gov.ms/documents>

1. Estimates of Revenue and Expenditure 2019/2020-22, For the Financial Year ending March 31, 2020
2. Government of Montserrat Policy Agenda, FY 2019/2020
3. ECCB Published Statistics

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