

THE CITIZENS' GUIDE TO THE 2021-22 BUDGET

TAKE A LOOK INSIDE

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MONTSERRAT'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, Joseph E. Farrell

The 2021/22 Budget Statement and Estimates was presented under the theme “**Beyond the New Normal: Recovery, Growth and Opportunity in The Age of Covid-19**” as we enter a new normal in which we must live and grow alongside uncertainty and evolving scientific understanding. We must act now to advance our economic, environmental and

social well-being development goals while building on the lessons of this recent crisis and those we have survived before.

It is in Montserrat’s DNA to take adversity, and to turn it into opportunity. It is a fate that has been forced upon us too many times in the last century. Through storm, volcanic disaster, and now a new microscopic enemy, Montserrat’s path to self-sufficiency is never without its turmoil. On the bright side, we are perhaps more attuned and resilient than any other country on earth in facing this task. Our journey towards a sustainable economy may seem long, but we never stop moving forwards, and with this budget, I predict a giant leap towards that future.

2020/21 has proven to be an unprecedented year. We can no longer operate as though we are in a protective bubble, a safe haven, isolated from the impacts of global crises. COVID-19 has shattered all such illusions and shown we are as vulnerable as our regional counterparts. However, Madam Speaker, I believe as a people we have showed great fortitude and resourcefulness in our response to COVID-19, and furthermore, we are one of the few nations on earth that can claim to have been COVID-free for so many months of the previous year. Such strength and resilience cannot go unacknowledged. Therefore, I pay tribute to all the residents of Montserrat for working together for our collective safety during the last year.

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 2021-22. It is my sincere hope that this guide will enhance public awareness of the budgeting process and promote citizen participation.



Remarks from the Honourable Financial Secretary (Ag), Philip Chambers

The Ministry of Finance and Economic Management is pleased to present the Approved Estimates of Recurrent Revenue & Expenditure for the 2021/22 financial year. This document outlines a total expenditure (including debt servicing) of \$136.34 million. Capital expenditure is estimated to be EC\$69.74 million, bringing the total 21/22 budget to \$206.09 million. The total revenue (local and aid) is projected at \$134.34 million.

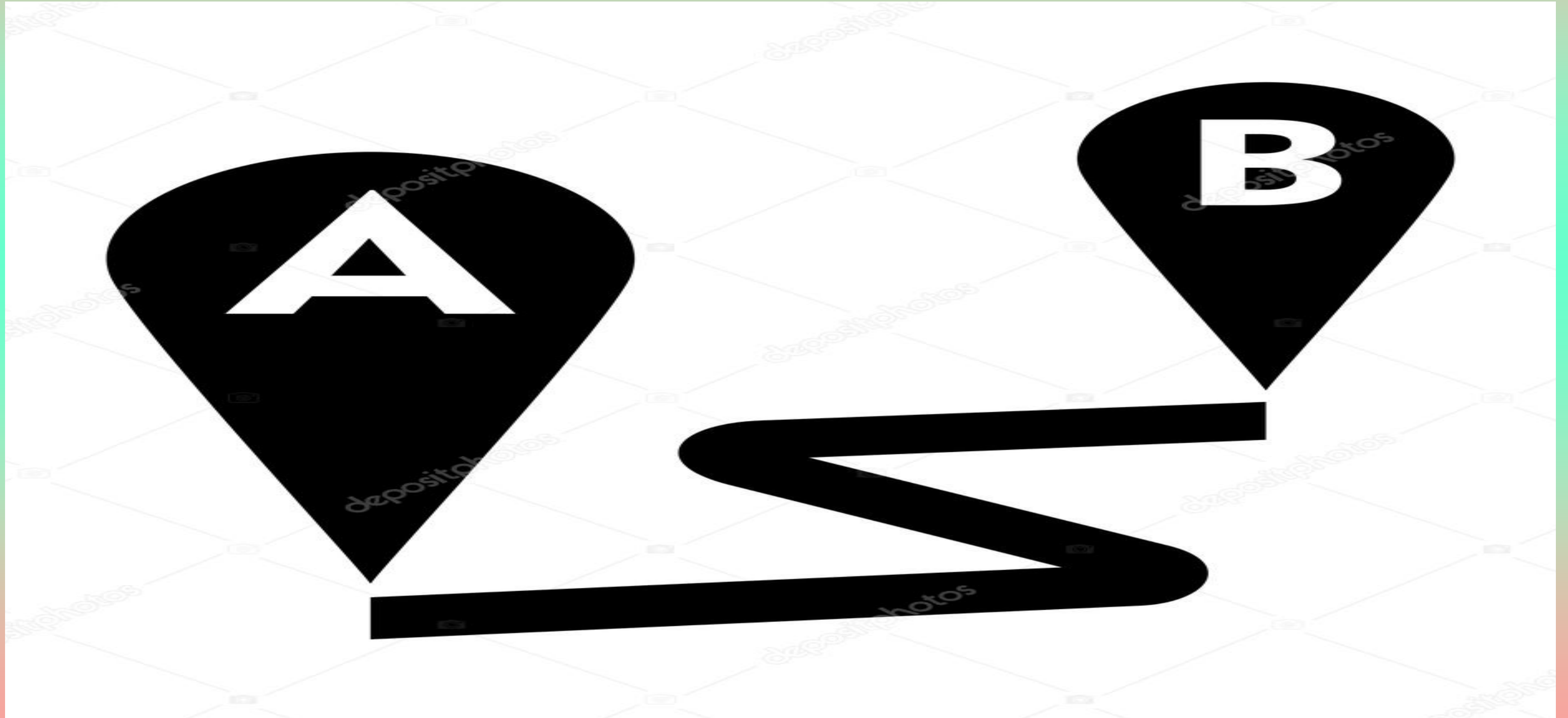
The information presented within this guide promotes transparency and accountability on behalf of the Ministry of Finance, Government of Montserrat (GoM). It seeks to provide residents with summarized information regarding the budget preparation process, the sources and uses of GoM funds.

It is hoped that all residents will take the time to read this guide to be informed about GoM’s plans for this fiscal year and to also identify ways in which they can positively contribute to fiscal goals for the financial year.

"A change is brought about because ordinary people do extraordinary things,"
Barack Obama.

The Purpose of this Citizen's Guide

The guide aims to give an understanding of the process of how our government collects and spends money. This guide concentrates on Revenue, Recurrent and Capital Expenditure and provides a synopsis of how budgetary resources will be allocated and the major projects and programs which will be implemented during the 2021-22 financial year.



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 2021-22 Budget Estimates

The Government has budgeted a total spend of \$206,090,500 to meet its obligations and provide goods and services to citizens for the FY 2021-22. The charts and table below show the major expenditure categories.

Chart 1: Expenditure by Functional Classification

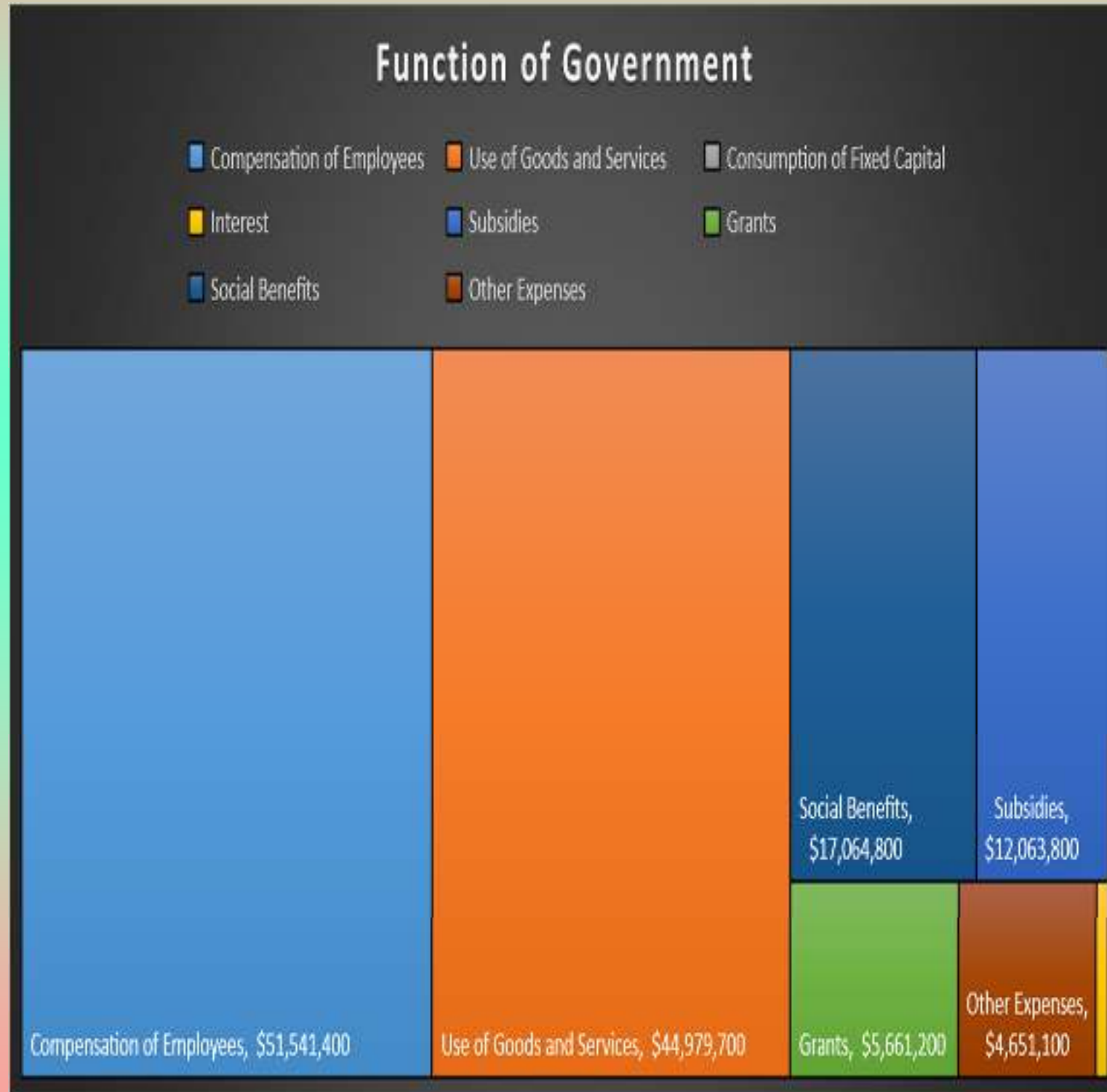


Chart 2: Expenditure

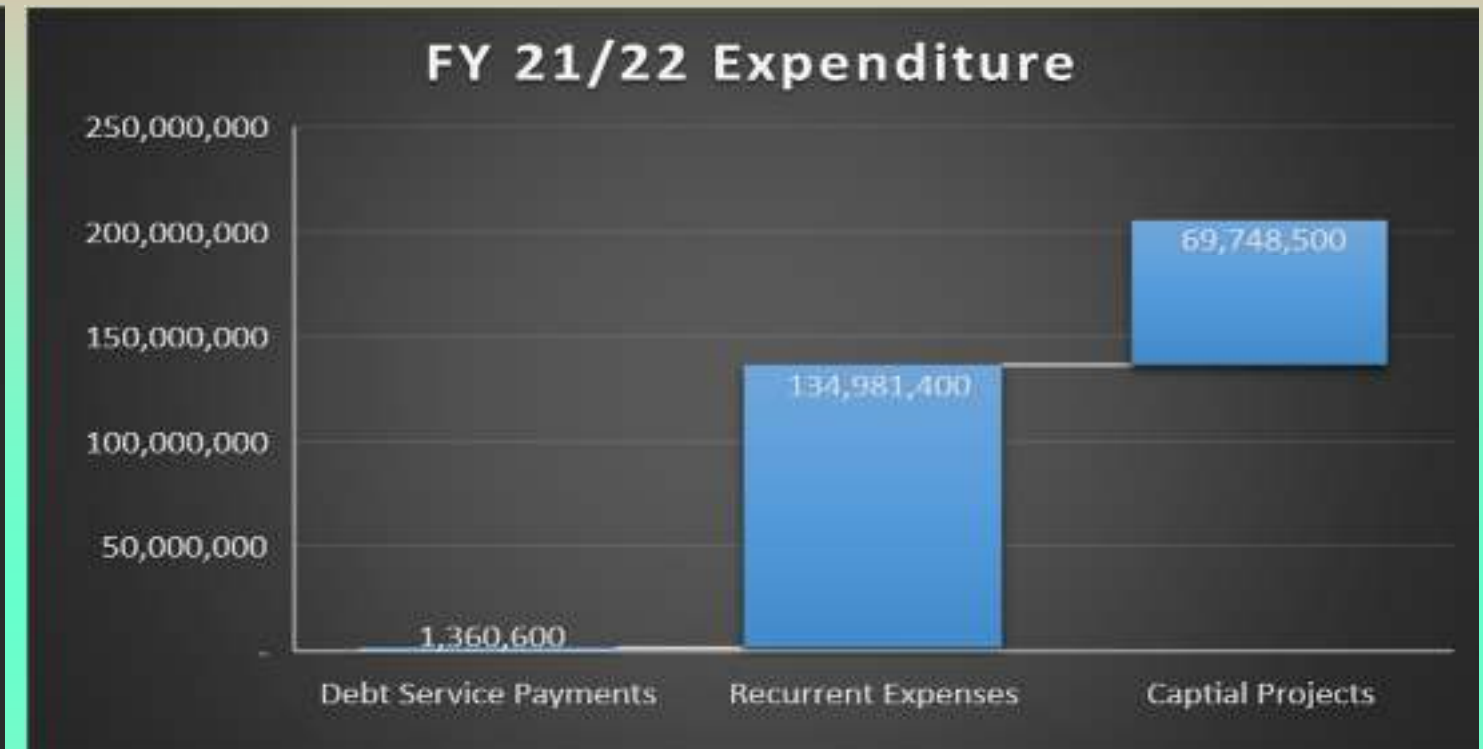


Table 1: Main Classifications of Expenditure

Classification of Expenditure		
Debt Service Payments		1,360,600
Principal	980,600	
Interest	380,000	
Recurrent Expenses		134,981,400
Personal Emoluments	51,541,400	
Benefits	13,056,600	
Goods and Services	70,383,400	
Capital Projects		69,748,500
Office of the Deputy Governor	680,800	
Office of the Premier	6,942,900	
Ministry of Finance & Economic Management	4,445,000	
Ministry of Agriculture, Housing, Lands and the Environment	2,107,800	
Ministry of Communications, Works and Labour	50,519,800	
Ministry of Education, Youth Affairs and Sports	3,113,700	
Ministry of Health and Social Services	1,938,500	
TOTAL		206,090,500

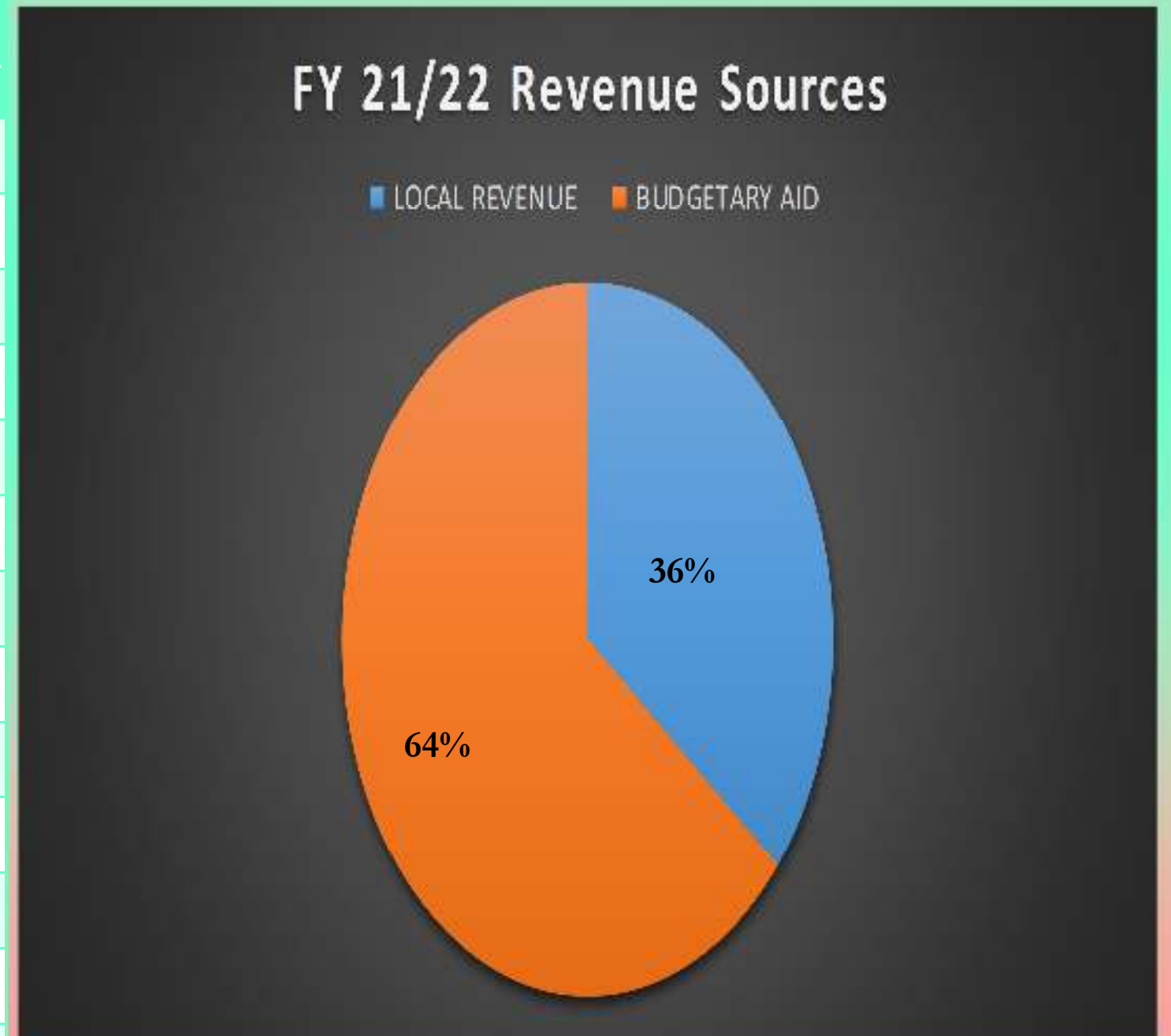
Where does the Money Come From to Fund The Budget

The Government of Montserrat expects to generate revenues totaling **\$134.34** million. 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\$48.2 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 FCDO will contribute £23.6 million or *EC\$86.14* million or 64% to the recurrent budget. Of this support £493 thousand or EC\$1.8 million will go towards Access Subsidy and £2.93 million or EC\$10.7 million will go towards Technical Cooperation and Capacity Building. An exchange rate of EC\$3.65 to £1.0 is used in the conversion.

TABLE 1: Revenue Sources by Ministry/Department

VOTES & DETAILS	Budget	Forward	Forward
	Estimates 2021-2022	Estimates 2022- 2023	Estimates 2023- 2024
POLICE	327,600	327,600	327,600
MAGISTRATE'S COURT	55,000	55,000	55,000
SUPREME COURT	23,500	23,500	23,500
LEGISLATURE	2,000	2,000	2,000
AUDIT OFFICE	60,000	60,000	60,000
OFFICE OF THE DEPUTY GOVERNOR	270,000	270,000	270,000
OFFICE OF THE PREMIER	295,700	313,700	313,700
MINISTRY OF FINANCE & ECONOMIC MGMNT	127,775,600	130,419,100	131,394,500
MINISTRY OF AGRICULTURE	1,073,000	1,073,000	1,073,000
MINISTRY OF COMMUNICATIONS, WORKS & LA- BOUR	3,506,300	3,512,800	3,511,300
MINISTRY OF EDUCATION, YOUTH AFFAIRS AND SPORTS	387,500	230,500	230,500
MINISTRY OF HEALTH AND SOCIAL SERVICES	565,800	565,800	565,800
TOTAL REVENUE	134,342,000	136,853,000	137,826,900

CHART 1: Revenue Sources



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

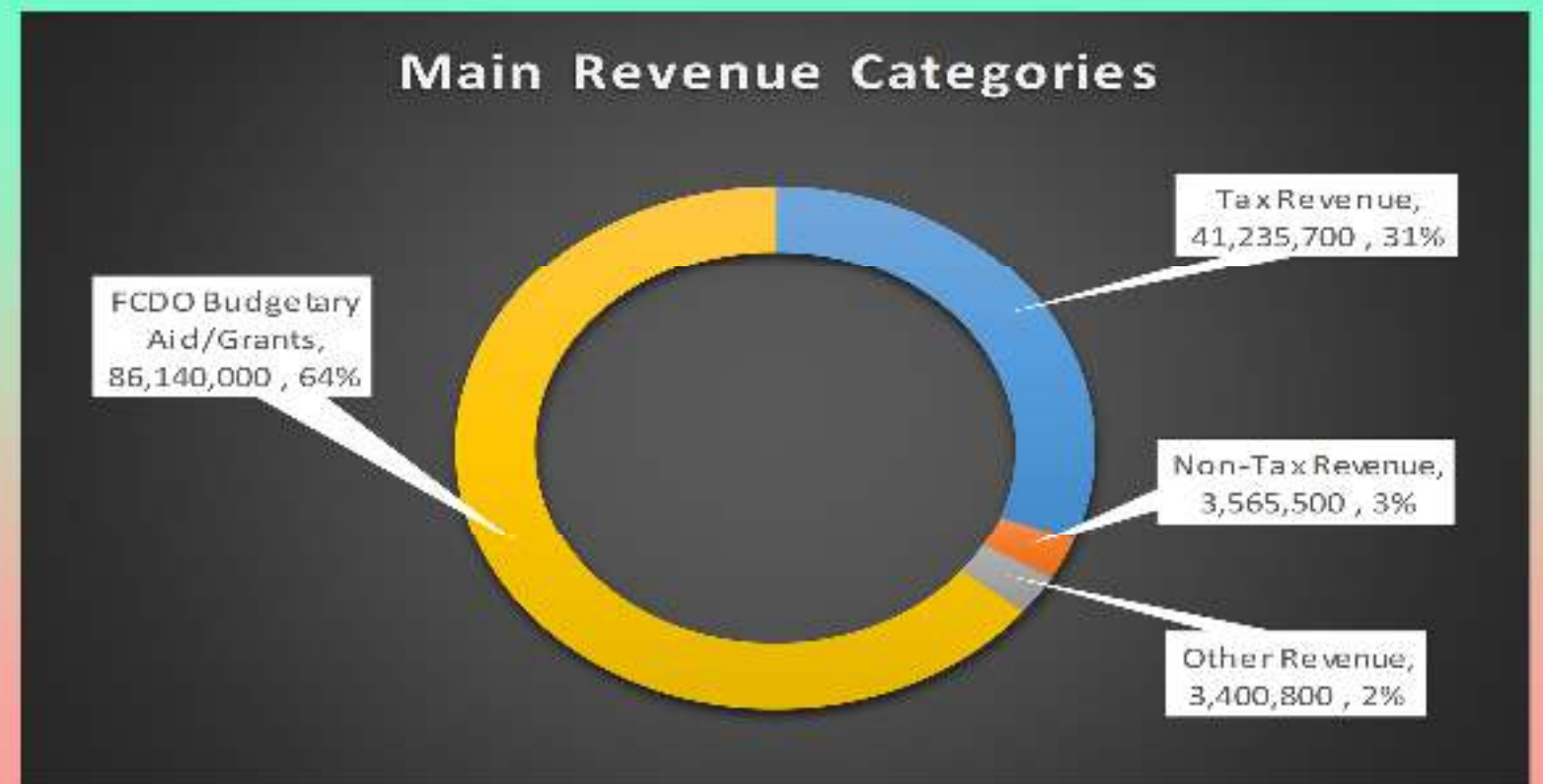
This tax is recurring income earned by the Government from sources other than taxes. The most important receipt under this head are interest receipts (received from loans given by CDB) and dividends and profits received from companies.

iii. DFID Budgetary Aid

This tax is in the form of overseas aid from UK. FCDO's goal is to help Montserrat achieve self-sufficiency, particularly through tourism. FCDO'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.

Table 3: Categories of Revenue

		\$EC
Tax Revenue		41,235,700
Taxes on Income, Profits	16,900,000	
Property Tax	745,000	
Taxes on Domestic Goods and Services	1,784,600	
Licenses	3,025,700	
Taxes on International Trade and Transactions	18,000,000	
Arrears of Taxes	780,400	
Non-Tax Revenue		3,565,500
Fees, Fines and Permits	1,980,500	
Rents, Interest and Dividends	1,470,000	
Reimbursements	115,000	
Other Revenue	3,400,800	3,400,800
FCDO Budgetary Aid/Grants		86,140,000
Budget Support	86,140,000	
TOTAL REVENUE		134,342,000



Where does the Money Go

PUBLIC DEBT

GoM's debt comprises of Domestic and External debt. The external debts are the Port Development Loan, the Consolidated Line of Credit and the Power project which were all secured from the Caribbean Development Bank (CDB). The domestic debts are to Montserrat Social Security and Montserrat Utilities Limited. As at 31 March 2021, the Government had debt of approximately \$10.51 million from an opening balance at the start of the financial year of \$11.22 million.

COMPENSATION OF EMPLOYEES

Staff costs include the salaries and allowances of permanent staff, temporary staff and contract workers. For FY 2021/22 staff costs increased by 4% or \$2.08 million compared to FY 20/21. 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 **\$136.34 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

CAPITAL EXPENDITURE

The capital expenditure for FY 2021/22 is estimated to be **EC\$69.75 million**. The classifications are as follows:

- ♦ Economic Infrastructure development EC\$54.91 million
- ♦ Social Infrastructure development EC\$10.43 million
- ♦ Public Administration EC\$1.73million
- ♦ Education EC\$2.15
- ♦ Agriculture EC\$0.23 million
- ♦ Statistical Research & Miscellaneous Projects EC\$0.30 million

Approved New Spends

Ministries and Departments (MDA's) have sought additional or new funding for a particular programme or a new project in the form of New Spend Requests. The approved funding for FY 2021-2022 are:

Staff - One (1) New Fire Fighter	54,000
Operation of MV Heliconia Star	150,000
Training	50,000
Top Up of Votes	71,100
Electoral Reform Exercise	75,000
Montserrat National Trust - Curator	36,000
Systems Administrator	84,400
Due Diligence Procedures	18,900
Maintenance of MVO Building	150,000
Sanitary Improvement for the Vulnerable - Toilets & Baths	100,000
Maintenance of Family Units	90,000
Species Management	60,000
Agro-Processing Unit	250,000
Maintenance of Oriole Villa	85,000
Annual Licence Fees for the electronic Health Information System (electronic health records)	160,000
Professional Services - Cuban Medical Brigade	400,000
Increase in Supplies (PHC)	200,000

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;

FCDO - 33.49%

EU - 36.57%

UKCIF - 28.67%

Other (CDB, UNICEF, Darwin etc) - 1.27%

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.

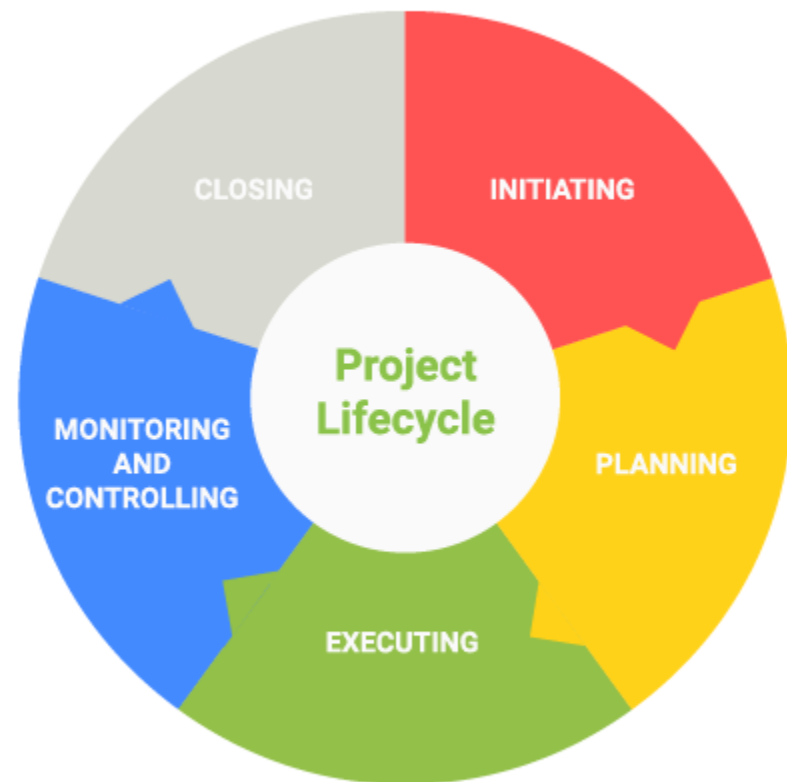
Montserrat will be able to shine once again after years of slow to no growth in its economy.

Project Lifecycle

Capital projects on island are developed and managed inline with the standard Project Cycle and subjected to the rules of GOM's budget cycle.

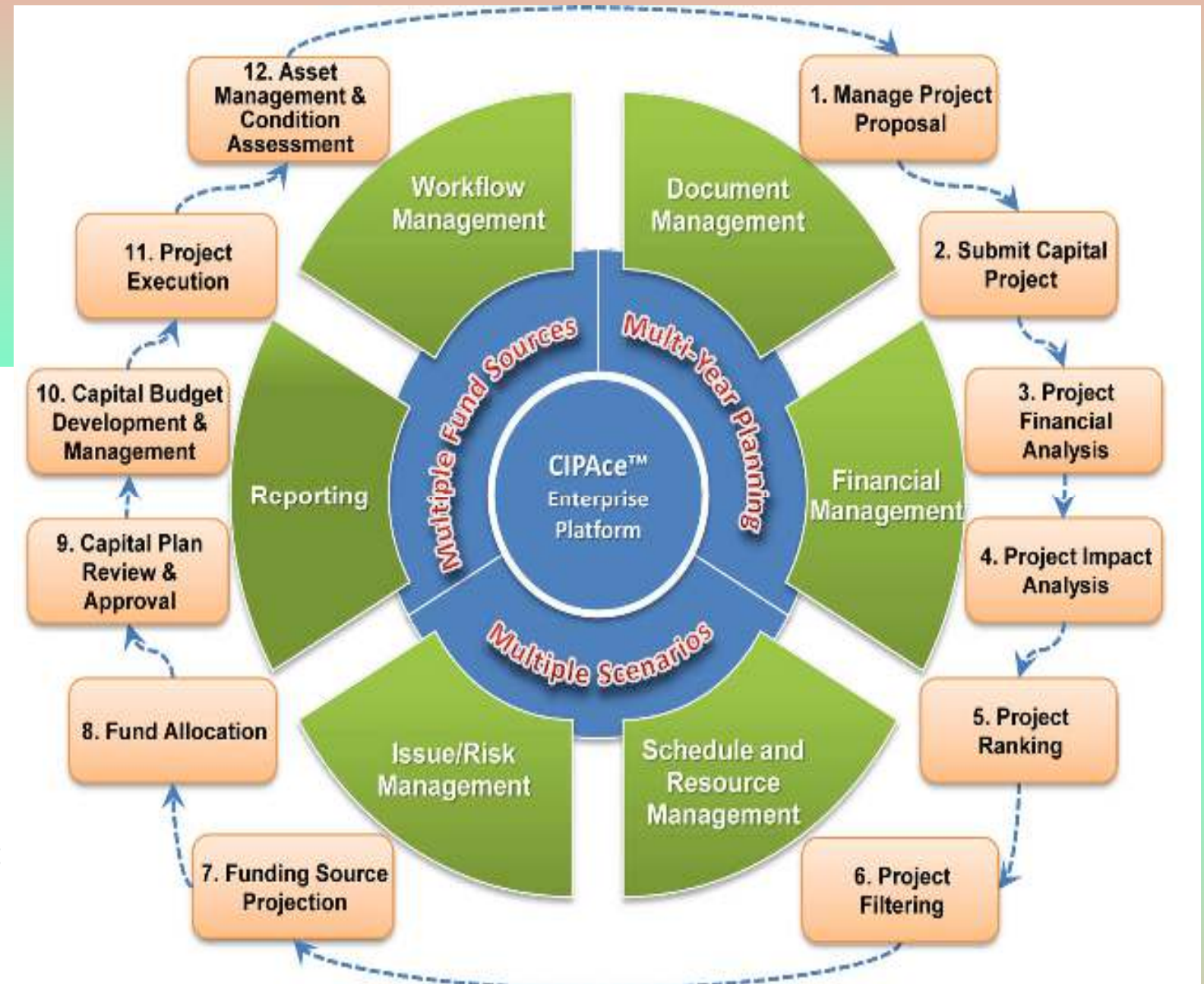
The Project Cycle is key to ensuring that projects are conceptualized, managed and completed within scope, time and budget.

Step-By-Step Project Lifecycle Methodology



- Define project at a broad level
- Plan project and develop a roadmap
- Put the plan into action and create deliverables
- Monitor and control project progress to avoid overruns
- Close the project and file the report

Simple Project Cycle



More Detailed Project Cycle

Steps to the Capital Budget (Simplified)

A collection of Project Budgets across Government Ministries/Departments are added together in one budget document to make up the Capital Budget for the Government of Montserrat.

REMEMBER! A project is an interrelated set of activities that has a definite starting and ending point that results in a unique output or outcome.

Steps towards the Capital Budget

1. **Project need/(s) is/are identified** - (There is a problem to be solved, an idea is generated etc)
2. **Search for Suitable Projects** - (PS's and technical personnel get to work on possible solutions)
3. **Identify and consider alternatives** - (Alternative projects are also identified to allow for a wide selection pool)
4. **Financial Analysis applied** - (Internal Capital Investment appraisal carried out on all projects identified)
5. **Analyse alternative and identify feasible alternatives** - (All options are considered and most feasible)
6. **Concept Note Development** - (Project concept Notes are developed by Ministries for each identified need (1 per need and ranked in order of priority).
7. **Concept Notes Submission(s) to MoFEM/Grant Funder** - Concept Notes are submitted to the Ministry of Finance or relevant approved funding agent for robust review or funding as applicable.
8. **MoFEM submission to Cabinet** - MOFEM reviews concept Notes (discuss with Ministries if required), rank them according to approved weighted criteria and submits to Cabinet for approval
9. **Cabinet Decisions** - Approved Concept Notes are then sent to the Ministries for development into full business cases .
10. **Capital Budget** - Approved project's budgets are then combined into one budget document according to Ministry. This is then entered into the Government of Montserrat's Budget Estimates for the following year.



PROJECTS FOR 2021/2022 AND BEYOND

The Government continues to deal with the ramifications of the ongoing COVID-19 pandemic, which include; reduced employment in some sectors, direct impact on the livelihood of business owners and slow growth in the economy. Capital projects for 2021– 2022 and beyond are designed in such a way to facilitate economic recovery and to try and accelerate economic growth.

This is in line with the policy agenda items to include;

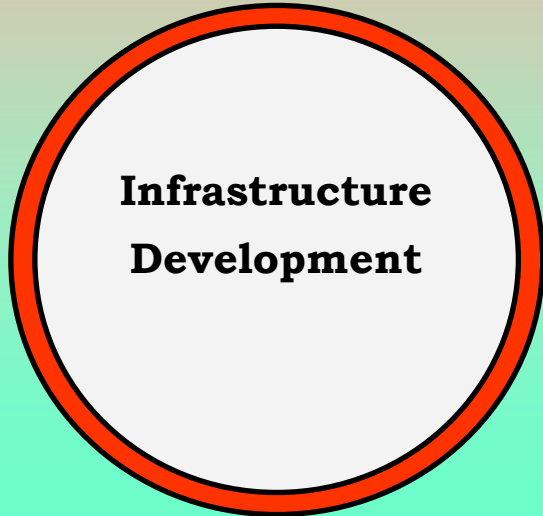
- i) Increased and expanded health promotion services to reduce public health concerns, to reduce the incidence and effect of non-communicable diseases, to improve the care of the elderly and including a focus on vector-borne diseases,
- ii) Operationalisation of plans to deliver priority infrastructure for generating economic growth
- iii) Montserrat's reputation preserved as a just, safe and secure place to live and visit.
- iv) Enhanced youth development through national programs and services.
- v) Education provision improved to raise educational outcomes to be regionally and internationally competitive and equip people for sustainable livelihoods.

The Capital Budget include Projects such as:

- ◆ Airport Upgrade (Tower)
- ◆ Airport Runway
- ◆ 750 KW Solar Power Energy
- ◆ Education Infrastructure (Phase 2)
- ◆ Fibre Optic Cable Phase 2 (Landside Development)
- ◆
- ◆ Environmental Awareness MNI
- ◆ Social Housing Project (Designs)
- ◆ Hospital Development
- ◆ Look Out Housing Force 10 (Continuation)
- ◆ Port Development

PROJECTS FOR 2021/2022 AND BEYOND

PROJECT HIGHLIGHTS



Airport Runway Resurfacing Project

Upgrading the existing Runway and Apron, to ensure the continued operation of the airport, whilst maintaining safety, standards and regulatory compliance with international aviation agencies.

Budget 2021/22 Allocation
EC\$10,000,000



Airport Upgrade (Tower Project)

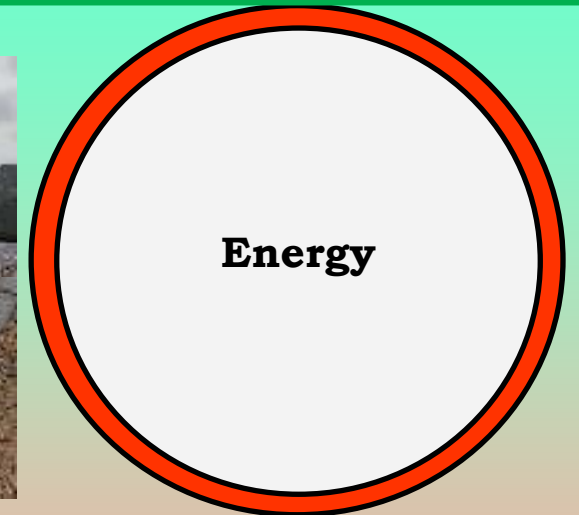
To construct a new and more modern control tower at the airport, equipped to sustain winds from a Category six(6) hurricane. It is also a regulatory requirement for maintaining continued operations and access.

Budget 2021/22 Allocation
EC\$3,000,000



750 KW Solar Power Energy

This is phase 2 of the 1MW Solar PV plus 1MWh Battery Energy Storage Project. It is currently within the Construction stage.



Budget 2021/22 Allocation
EC\$2,413,700

PROJECTS FOR 2021/2022 AND BEYOND

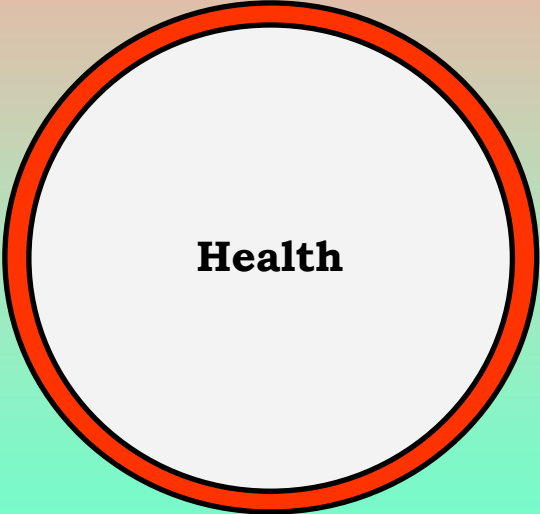
PROJECT HIGHLIGHTS



Hospital Development

To improve the quality and sustainability of Healthcare on Montserrat through the construction and operationalisation of a New Hospital. The preliminary designs have been completed and procurement options developed for detailed design and build. These services are to be procured within this year.

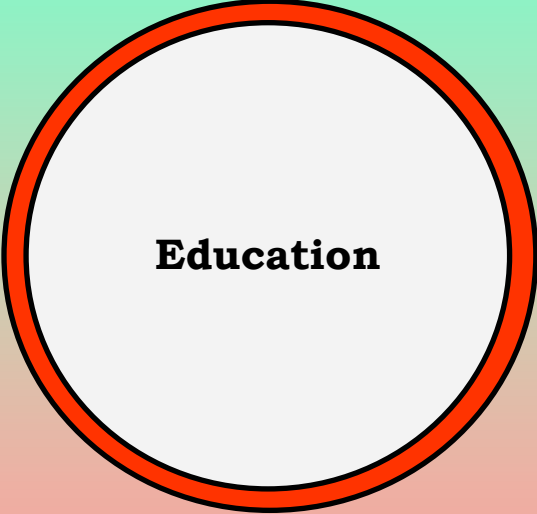
Budget 2021/22 Allocation
EC\$1,500,000



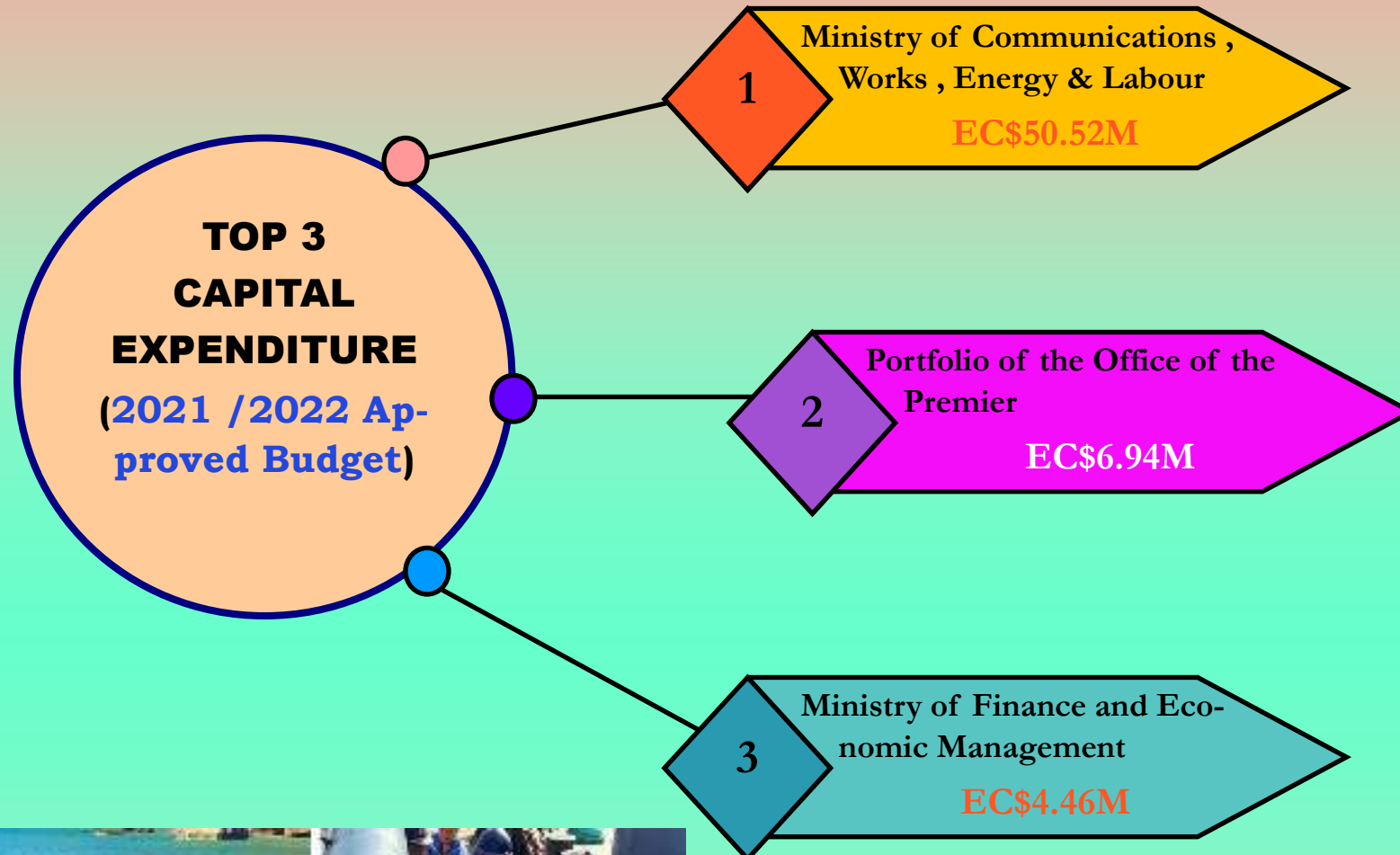
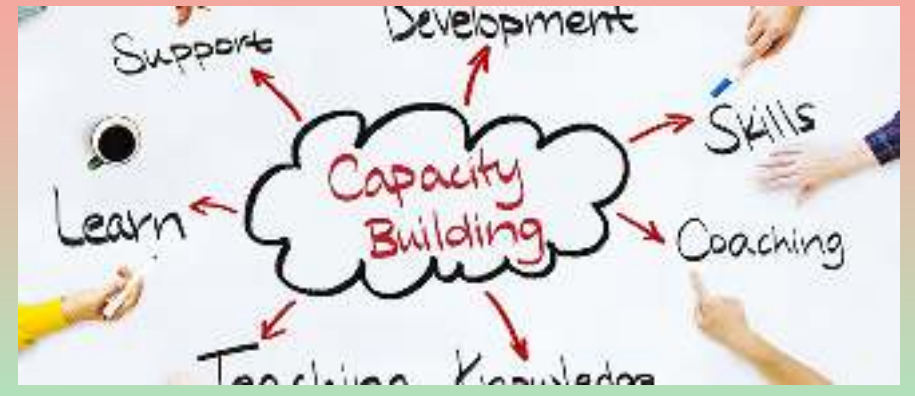
Education Infrastructure (Phase 2)

To rehabilitate the Montserrat Secondary School, ensuring a fit for purpose and safe environment for both students and teachers. The four (4) components advanced thus far include: restoration of blocks L&M, Refurbishing of the Pupil Support Classroom, refurbishment of the Staffroom and covering of dangerous drainage systems.

Budget 2021/22 Allocation
EC\$2,100,000



PROJECTS FOR 2021/2022 AND BEYOND



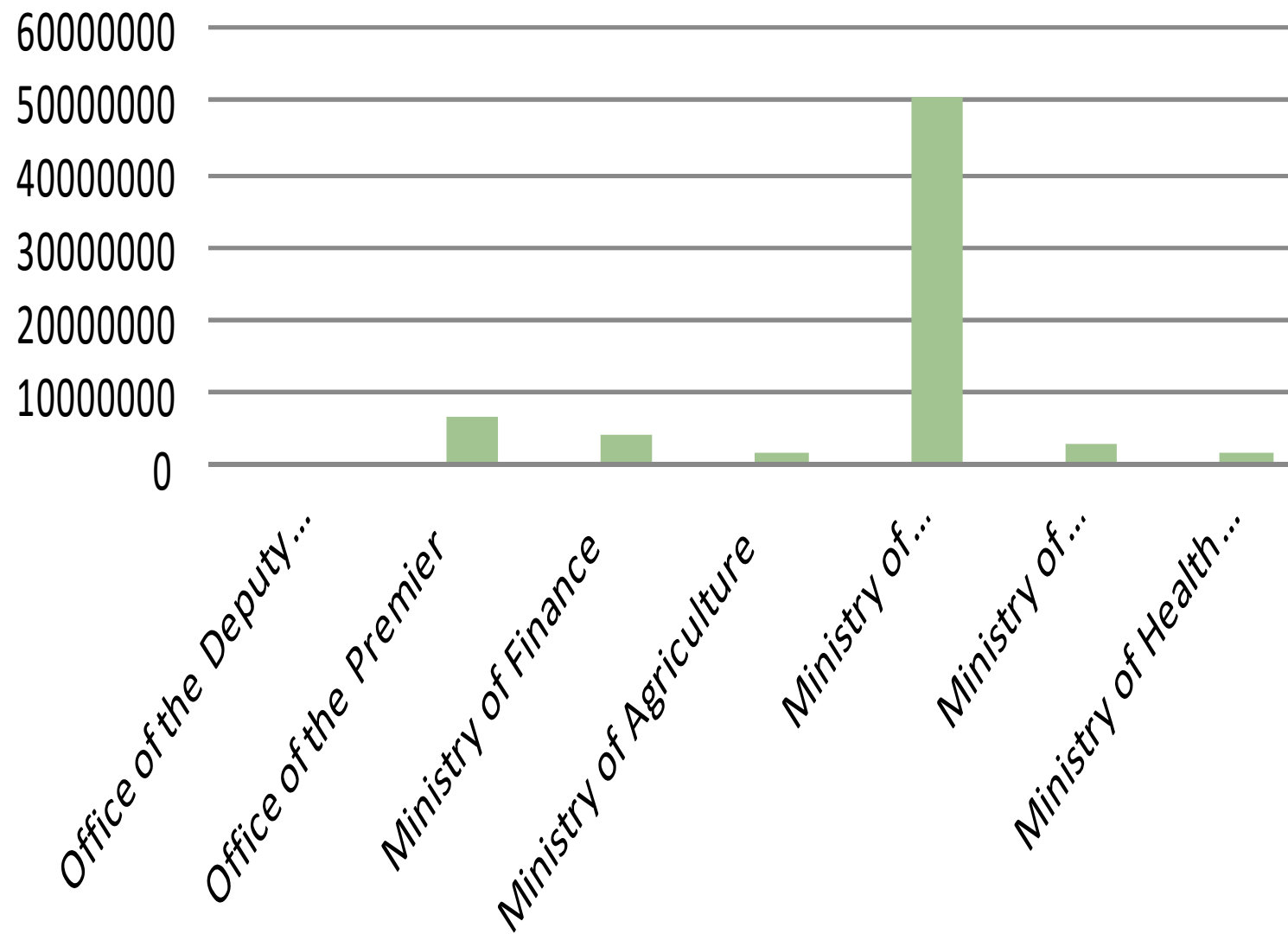
Projects under these three Ministries for the year are heavily focused on infrastructure and economic development.

These range from Port Development (construction of a new birthing facility). Fibre Optics (land side development to accompany the seaside elements) and PMO Capability Development (recruitment of targeted skills set needed to build capacity and tailor the use of international project management principles and practices for the Montserrat context.).

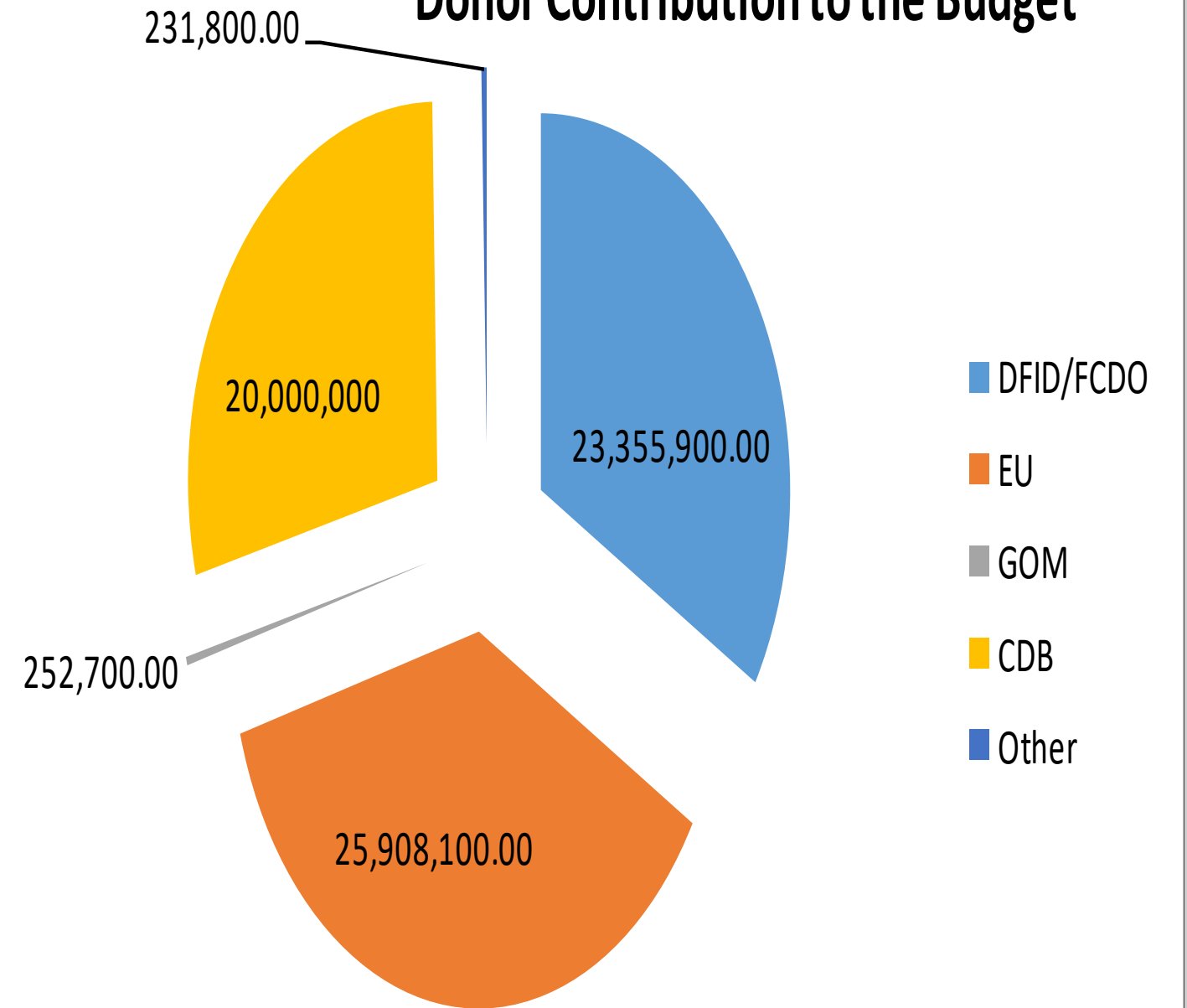


PROJECTS FOR 2021/2022 AND BEYOND

Capital Budget per Ministry

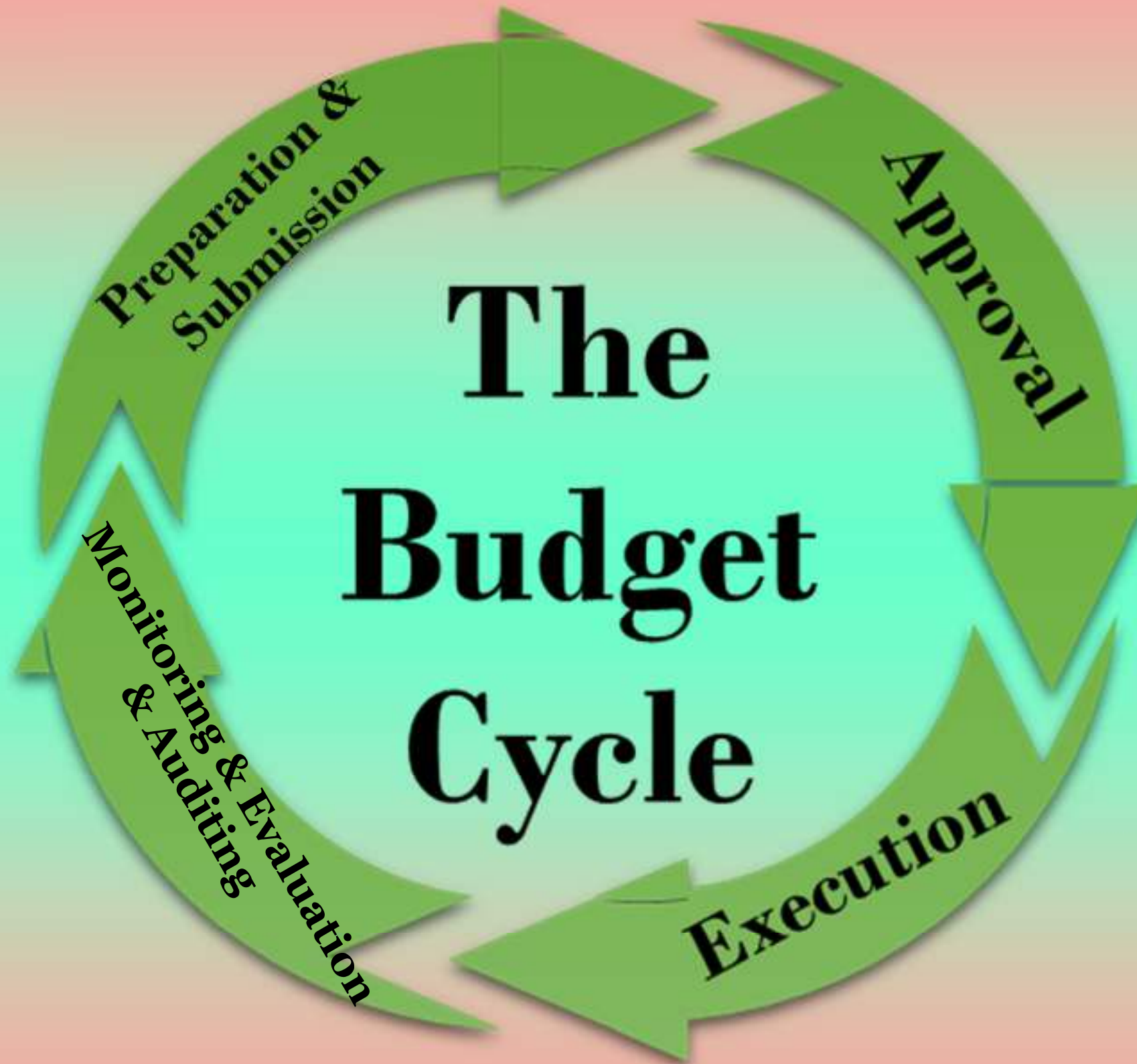


Donor Contribution to the Budget



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.

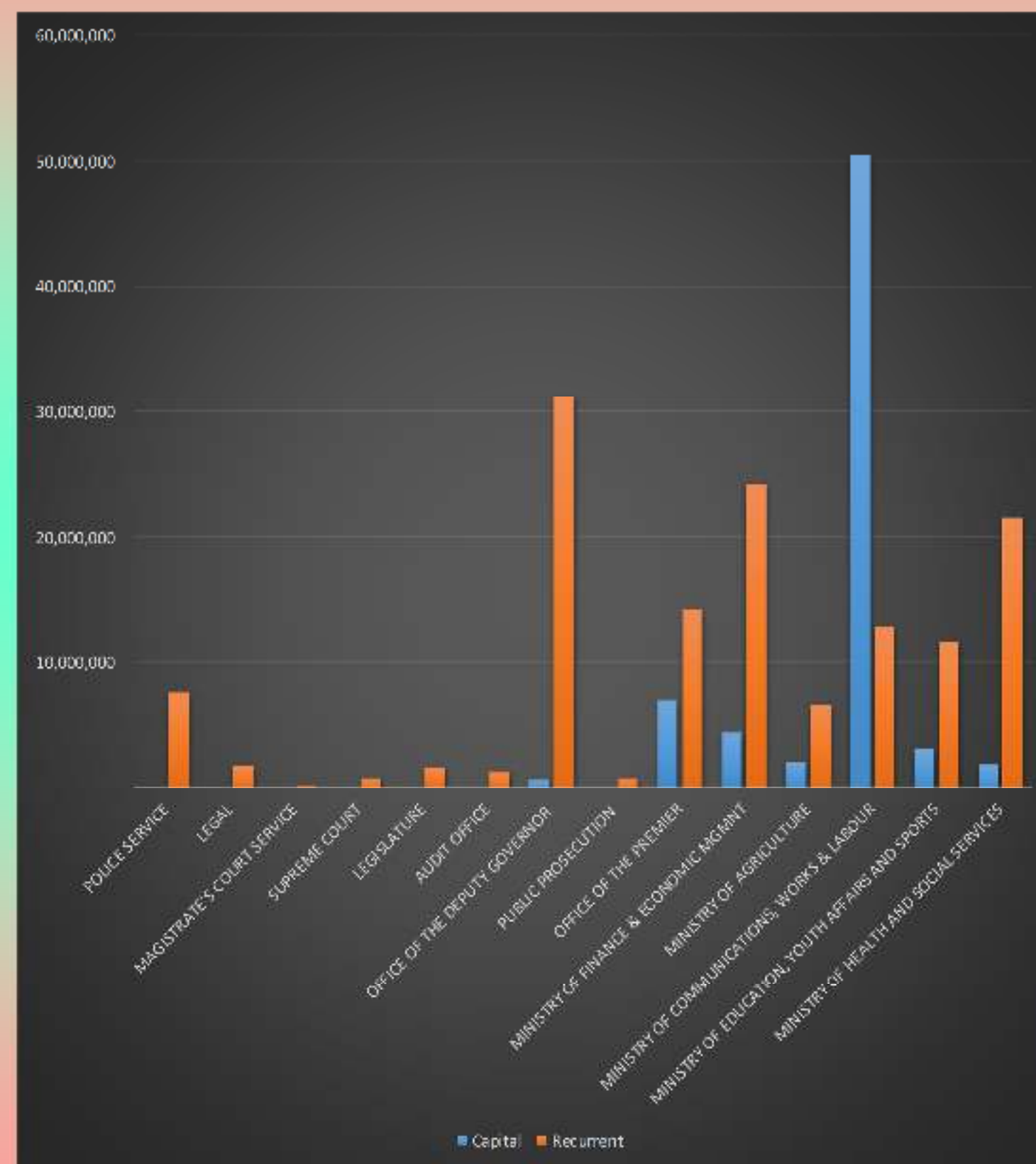


The four segments for the budget cycle are:

- 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 SERVICE	-	7,556,500	7,556,500
07	LEGAL	-	1,789,100	1,789,100
08	MAGISTRATE'S COURT SERVICE	-	204,600	204,600
09	SUPREME COURT	-	804,700	804,700
10	LEGISLATURE	-	1,681,300	1,681,300
11	AUDIT OFFICE	-	1,223,000	1,223,000
12	OFFICE OF THE DEPUTY GOVERNOR	680,800	31,245,500	31,926,300
13	PUBLIC PROSECUTION	-	849,700	849,700
15	OFFICE OF THE PREMIER	6,942,900	14,152,300	21,095,200
20	MINISTRY OF FINANCE & ECONOMIC MGMNT	4,445,000	24,229,600	28,674,600
30	MINISTRY OF AGRICULTURE	2,107,800	6,658,800	8,766,600
35	MINISTRY OF COMMUNICATIONS, WORKS & LABOUR	50,519,800	12,788,200	63,308,000
40	MINISTRY OF EDUCATION, YOUTH AFFAIRS AND SPORTS	3,113,700	11,579,800	14,693,500
45	MINISTRY OF HEALTH AND SOCIAL SERVICES	1,938,500	21,578,900	23,517,400
		69,748,500	136,342,000	206,090,500



LOOKING TO THE FUTURE

Economic Outlook for 2021 and Beyond

Overall economic activity for 2021 is expected to be robust but this hinges on the pace of implementation of several public sector projects. As well as, the progress of the pandemic, vaccination rates, development of new variants, and the removal of travel restrictions. Montserrat's economy is expected to rebound by 4-5% in 2021.

The Wholesale and Retail sector is anticipated to see an expansion in activity in 2021. The sector only experienced a decline in activity in 2020, due to the initial three-month lockdown in 2020 and the cancelling of the popular festivals.

The agriculture sector is expected to return to growth in 2021, on the assumption that there will be no reoccurrence of a drought or the supply chain issues that affected livestock production due to Covid-19. GoM made a concerted effort to support local farming in 2020 and it is expected that this investment will start to pay off in 2021 and beyond.

Hotels and Restaurants and Transport & Storage sectors are both expected to experience growth during the upcoming fiscal year. This assumption is simply because it is unlikely that passenger movements and visitor arrivals will be as low as 2020. Despite this growth, it is likely going to take a few years until these sectors return to pre Covid-19 levels.

Other key sectors such as Construction, Real Estate, Renting and Business Activities, and Financial Intermediation are all expected to return to growth in 2021. This is simply because, it is assumed there will be no more lockdowns which had prevented economic activity in 2020. Overall, the forecast beyond 2021/22 is likely to also be positive but with a far greater degree of uncertainty.

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 2021/2022-24, For the Financial Year ending March 31, 2022
2. Government of Montserrat Policy Agenda, FY 2021/2022
3. ECCB Published Statistics

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