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MINISTRY OF FINANCE AND THE PUBLIC SERVICE  
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KINGSTON  
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Ref. No. 907/120

September 30, 2019

## Circular No. 17

Permanent Secretaries  
Heads of Departments  
Chief Executive Officers

**Budget Call: "Financial Year 2020/2021 and the Medium Term 2021/22 -2023/24"**

### 1. INTRODUCTION

This is the call for Accounting Officers to submit to the Ministry of Finance and the Public Service by November 30, 2019, the draft budgets of Ministries, Departments and Agencies (MDAs) for Financial Year 2020/2021 as well as Medium Term Forward Spending Estimates (MTFSE) for financial years 2021/22 to 2023/24. The expenditure ceilings within which the budgets are to be developed are attached at **Appendices 1 and 2**.

This Call is issued in accordance with *the Financial Administration and Audit Act, the Financial Management Regulations and the Financial Administration and Audit Act (Fiscal Responsibility Framework) Regulations* which authorises the Minister of Finance to issue, by September 30 each year, a Budget Call containing the economic and fiscal parameters to govern the preparation of the Estimates of Expenditure for the ensuing financial year and the medium term.

The Financial Administration and Audit Act (Fiscal Responsibility Framework) (Amendment) Regulations, 2015 6(1) (2), require each accounting officer to submit to the Minister, a four-year corporate/business plan which must meet the following criteria:

- a) indicate the estimates for the following financial year, and forward estimates for the succeeding three financial years, in respect of existing recurrent and public investments, and any new policy proposals, that are to be implemented within the period covered by the corporate plan;
- b) incorporate into the recurrent budget all recurrent costs associated with public investment projects that are being implemented under the current Public Sector Investment Programme; and
- c) be consistent with the expenditure ceilings set out in the Budget Call under regulation 12 of the Financial Management Regulations, 2011

The timelines for the presentation and approval of the GOJ Budget are set out in the Budget Calendar (see **Appendix 3**) as established under the Financial Administration and Audit (FAA) Act, the *Financial Administration and Audit Act (Fiscal Responsibility Framework) Regulations* and the Financial Instructions. Budget preparation and approval for the 2020/21 Budget will be executed in accordance with the legislated Budget Calendar.

## 2. MEDIUM TERM MACROECONOMIC AND FISCAL POLICY

The Precautionary Stand-By Arrangement with the IMF will come to an end in November 2019. This however will not affect the Government of Jamaica's firm commitment to fiscal discipline, economic reform and growth generation. As such the fiscal programme crafted for FY 2020/21 and the medium term continues to be anchored by the objectives of debt reduction and economic expansion, through the preservation of macroeconomic stability.

The key fiscal targets and macroeconomic variables and the aggregate non-debt expenditure ceilings for FY 2020/21 and the medium term are reflected below:

### 1) GOJ's key fiscal targets:

- achievement of a primary surplus of 6.5% of GDP,
- maintenance of a Wage-to-GDP ratio of 9.0% and
- reduction of the Debt-to-GDP ratio to 60.0% or lower by end FY 2025/26

### 2) The Key Macroeconomic Variables

Macroeconomic Variables	2020/21	2021/22	2022/23	2023/24
Real GDP Growth Rate (%)	1.1	2.1	2.3	2.0
Inflation Rate (%)	4.2	4.2	5.0	4.9

Source: MOFPS

### 3) Non Debt Medium Term Expenditure Ceilings

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	Revised 2019/20	Projection 2020/21	Projection 2021/22	Projection 2022/23	Projection 2023/24
Programmes	214,355,007	218,727,921	228,133,400	239,539,882	251,418,828
Compensation of Employees	211,458,887	222,296,627	236,595,379	254,067,279	271,960,306
Capital Expenditure	72,110,620	74,903,400	79,721,400	85,608,600	91,637,700

Source: MOFPS

### 4) RESPONSIBILITY OF ACCOUNTING OFFICERS

In keeping with the Financial Management Regulations (FMR) 2011, as amended 2015, Accounting Officers, in preparing the draft estimates, are responsible, in particular, for ensuring that:

- the estimates have been prepared as completely and accurately as possible;
- the estimates have been framed with due regard to economy and efficiency;
- the estimates are submitted in due time and in proper form;

Accounting Officers are required to submit in respect of the upcoming financial year, the following documents:

- Medium Term Corporate Plan;
- Operation Plan;
- Procurement Plan;
- Expenditure and Miscellaneous Revenue Budgets;
- Cash Flow Forecast;
- Permanent Secretary's Memorandum;

Accounting officers must ensure that MDAs medium term Corporate/Business Plans are aligned with The National Development Plan - Vision 2030 and its Medium Term Socio Economic Framework. In allocating budget resources for FY 2020/21 and the medium term, priority is to be given to programmes and projects which contribute to achievement of the expressed strategic priorities of the government.

### **3. MEDIUM TERM RESULTS BASED BUDGETING (MTRBB)**

Accounting officers are reminded that the GOJ has adopted the medium term results based budgeting (MTRBB) approach which requires the preparation of forward spending estimates (FSEs) for three years beyond the Budget Year.

Accounting Officers should ensure that the FSEs incorporate only expenditures associated with ongoing policies/programmes which have been approved by Cabinet for implementation and for which fiscal space has been identified. New policy proposals and expansion in scope and cost of existing policies should be submitted in the Permanent Secretary's Memorandum.

The Medium Term Budget is the quantitative expression of the Medium Term Corporate/Strategic/Business Plans and as such the plans are to be developed with due regard for the limits of the fiscal space allocated to each MDA and the stated priorities of the government.

### **4. BUDGET PREPARATION & MANAGEMENT SYSTEM**

MDAs will be required to utilize the new budget software (BPMS) in submitting their 2020/21 Medium Term Budget proposals to the Ministry of Finance and the Public Service. Accounting Officers are reminded that the Budget Ceilings for each MDA will be installed in the software prior to the system being made available for the uploading of the budget submissions.

### **5. RECURRENT EXPENDITURE**

All programmes/activities/projects are to be reviewed and resources allocated based on the priority accorded. The full cost of MDAs operations, whether financed by grants, loans or appropriations-in-aid, must be reflected in the budget proposals submitted by MDAs.

#### **a) Compensation of Employees**

Accounting officers are to be mindful of the need for accurate costing of the compensation budget in view of the wage related fiscal target (9% of GDP). Already incorporated in MDAs Medium term Compensation Budget is the annual performance increments and, salaries adjustments under the Four-Year public sector wage settlement. MDAs are therefore not required to make any further adjustments for these increases.

In calculating the cost of the compensation budget, no increase in staff complement should be assumed without prior authorisation from the Post Operations Committee of the Ministry of Finance and Public Service.

In developing the compensation budget for FY 2020/21, accounting officers must ensure the following:

- i. Close management of overtime; payment in lieu of leave; and other variable compensation-related expenses;

- ii. Actual savings resulting from the SERP and natural attrition are reflected in the Estimates where relevant and that dormant and vacant positions are excluded in the calculation of Wages and Salaries;
- iii. Precise calculations of performance increments to reflect actual requirements;
- iv. Clear identification and accurate costing of allowances paid under Compensation of Employees. The category "Other" is not acceptable;
- v. The Permanent Secretary's Memorandum contains details of any changes which will impact the compensation outturn for FY 2019/20 and the budget for FY 2020/21 and the medium term; and
- vi. Supporting information is provided in respect of the number of established posts and the actual expenditure at September 2019.

#### **b)Public Utilities**

In order to prevent any build-up of expenditure arrears, Accounting Officers must ensure that adequate budgetary provision is made to meet the actual cost of public utility services. In regards to electricity, Accounting Officers are advised that interest charges are applied on balances over thirty days and must ensure that no additional burden is placed on the budget arising therefrom.

#### **c)General Consumption Tax on Purchases**

Accounting Officers are to ensure that adequate budgetary allocation is provided to cover the full cost of purchases, inclusive of the consumption taxes, customs and other import duties.

#### **d)Rental of Property**

Estimates for rental of property must reflect the actual contract charges.

#### **e)Travel Allowances and Subsistence**

Accounting Officers are required to put measures in place to cap discretionary local and overseas travel; and to ensure that the budgeted provision is not exceeded during the course of the financial year.

#### **f) Expenditure Arrears**

Accounting Officers are reminded that unauthorized spending above the budget or entering into commitments which result in expenditure in excess of the level approved by Parliament is a breach of the Financial Administration and Audit Act.

#### **g)Statutory and Other Deductions**

Accounting Officers must ensure that payment of statutory and other deductions from the earnings of employees are carried out in compliance with Regulations 54 and 54A of the Financial Management Regulations, 2011, as amended 2015.

### **6. PUBLIC SECTOR INVESTMENT PROGRAMME (PSIP)**

Accounting Officers are reminded that the Capital Budget can only reflect expenditure associated with public investment projects. The FAA Act defines a **Public Investment Project** as a project supported by public investment requiring planning, execution, monitoring and evaluation, which are carried out as an integrated set of activities aimed at meeting a development objective, at specified costs and within a defined timeframe.

Public investment projects which have not gone through the screening and appraisal process carried out by the Public Investment Management Committee (PIMC) through the Public Investment Management Secretariat (PIMSEC) must not be included in MDAs budget submissions.

Projects which are currently with PIMSEC are not to be included in the budget submission. Provision is made by the Ministry of Finance for all projects approved by PIMC and the Cabinet for implementation, to receive funding whenever the approval process is complete.

Accounting Officers should ensure that projects are properly planned and designed and provided with the necessary technical resources to ensure effective and efficient implementation.

#### **7. 2020/21 BUDGET SUBMISSION**

The Medium Term Budget is the quantitative expression of the Medium Term Corporate/Strategic/Business Plans and as such the plans are to be developed with due regard to the limits of the fiscal space allocation for each MDA and the stated priorities of the government.

#### **8. BUDGET- FUNDED PUBLIC BODIES**

Accounting Officers are advised that budget-funded public bodies, which are fully or partially dependent on the Consolidated Fund for financing, must comply with the requirements of the Budget Call. The Boards of these bodies are to be apprised of the budget constraints and advised to put appropriate cost-containment measures in place. Furthermore, these public bodies are to be advised of the approval process for utilizing own-source funds as Appropriations in Aid (AIA) to off-set their operating expenditure. The amounts designated as AIA must be submitted along with the budget proposals for the necessary parliamentary approval.

#### **9. DEADLINE FOR SUBMISSION OF DRAFT BUDGETS**

Accounting officers are reminded that the 2020/21 budget proposals are to be submitted by **Friday, November 29, 2019.**



Darlene Morrison (Miss)  
Financial Secretary

#### **Attachments:**

- Appendix 1- Recurrent Expenditure Ceilings for FY 2020/21 and the Medium Term
- Appendix 2- Capital Expenditure Ceilings for FY 2020/21 and the Medium Term
- Appendix 3- Legislated Timelines of the GOJ Budget Calendar