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SHOULD BE ADDRESSED TO THE **FINANCIAL SECRETARY**
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P.O. BOX 512
KINGSTON
JAMAICA

September 29, 2023

Circular No. 26
Permanent Secretaries
Heads of Departments
Chief Executive Officers

Budget Call Circular - Fiscal Year 2024/2025 and the Medium Term

1. INTRODUCTION

This is the call for Accounting Officers to prepare and submit to the Ministry of Finance and the Public Service by November 30, 2023, the four year Corporate/Strategic Plan of ministries, departments, and agencies (MDAs) containing the budget estimates for Financial Year 2024/2025 and medium-term forward estimates (FEs) for financial years 2025/26, 2026/27 and 2027/28.

The Budget Call communicates the envelope of resources available to each MDA for allocation to priority programmes, activities and where applicable to public investment projects, for Fiscal Year 2024/25 and the medium term (2025/26, 2026/27 and 2027/28).

2. THE LEGAL AND REGULATORY FRAMEWORK

The Budget Call Circular is issued in accordance with the requirements of the GOJ public financial management legislation:

I) The Jamaica Constitution Order in Council 1962 Chapter VIII FINANCE Section 115 (1) stipulates that “The Minister responsible for finance shall, before the end of each financial year, cause to be prepared annual estimates of revenue and expenditure for public services during the succeeding financial year, which shall be laid before the House of Representatives.”

II) The Financial Administration and Audit Act, the Financial Management Regulations and the Financial Administration and Audit Act (Fiscal Responsibility Framework) Regulations authorise the Minister of Finance to issue, a Budget Call containing economic and fiscal parameters to govern the preparation of the Estimates of Expenditure for the ensuing financial year and the medium term.

III) The Financial Administration and Audit Act (Fiscal Responsibility Framework) (Amendment) Regulations, 2015 6(1) (2), require each accounting officer to submit to the Minister of Finance, a four-year Corporate Plan containing budget estimates for the upcoming financial year, and forward estimates for the succeeding three financial years, in respect of existing recurrent and public investments, and any new policy proposals, to be implemented within the period covered by the corporate plan. The Regulations impose a requirement on Accounting Officers for the cost of implementing MDAs Corporate Plans to be consistent with the expenditure ceilings of the Budget Call.

IV) The Financial Management Regulations Regulation 12(2) stipulate that the Budget Call shall require every department to submit in respect of the upcoming financial year, its:

- (a) corporate plan

- (b) operation plan
- (c) procurement plan
- (d) expenditure budgets
- (e) cash flow forecast
- (f) Permanent Secretary’s memorandum; and
- (g) any other document prescribed by the Minister.

3. CONTEXT OF CENTRAL GOVERNMENT EXPENDITURE BUDGET

The medium-term fiscal profile has been formulated within the context of the legislated targets under the Fiscal Responsibility Framework, with the overarching objective of attaining a debt-to-GDP ratio of 60%, or lower, by the end of FY 2027/28.

Growth in real GDP is expected to decelerate from the 4.7% reported in FY 2022/23 to 1.3% in FY 2023/24, reflecting the normalization of economic activity. Economic expansion is forecast to continue, averaging within the range of 1.0% to 2.0% over the medium term.

Inflation is projected to decline marginally in FY 2023/24 and further decline to 4.6% in FY 2024/25, following which it is expected to stabilize at approximately 5.0% in the later years of the medium term.

Table 1- Central Government’s Medium Term Macroeconomic Assumptions (%)

Macroeconomic Variables	2024/25	2025/26	2026/27	2027/28
Nominal GDP growth rate (%)	6.7	6.3	6.4	6.4
Real GDP growth rate (%)	1.0	1.3	1.3	1.3
Inflation: Annual Pt to Pt (%)	6.1	4.6	5.0	5.0

Source: MOFPS

The Central Government aggregate non-debt resource envelope available for allocation across the Government for FY 2024/25 and each year of the medium term to 2027/28 is reflected in Table 1 below.

Table 2 - Medium Term Non-Debt Resource Envelope (J\$M)

	2024/25	2025/26	2026/27	2027/28
Programmes	314,021,001	332,862,261	352,833,997	377,811,057
Compensation of Employees	461,138,313	507,252,145	557,977,359	604,388,302
Capital Expenditure	72,965,560	94,708,324	107,942,738	115,556,777

Source: MOFPS

4. RESPONSIBILITY OF ACCOUNTING OFFICERS

I) In keeping with the Financial Management Regulations (FMR), Accounting officers are to ensure, among other things, that:

- a) the estimates are prepared as completely and accurately as possible.
- b) the estimates are framed with due regard to economy and efficiency.
- c) the estimates are submitted in due time and in proper form.

- d) the services which are included in the estimates are within the capacity of the MDA to deliver during the financial year.
- e) the estimates are submitted in due time and in proper form.

II) Accounting officers are required to submit along with the estimates of expenditure the following documents, using the Budget Preparation and Management System:

- a) **Permanent Secretary's Memorandum** on the budget proposal, giving an overview to include the following:
 - i. the policy and programme direction for the upcoming year
 - ii. a report on the current year's performance and achievement
 - iii. an indication of priority programmes for the upcoming year
 - iv. an indication of the extent to which the ministry will be able to fulfil its mandate and objectives in the context of the expenditure ceilings; and
 - v. priority programmes which may be affected by the ceilings, and the implications for the ministry's performance.
 - vi. Full details of the allocation requested for consultancy payments and contract officers, the purpose of these services, contract period and annual cost.
 - vii. The stock of unpaid bills at the end of the previous fiscal year and the stock at the end of September of the current fiscal year.
- b) **Medium Term Corporate/Strategic Plan** highlighting the ministry's specific goals and objectives, strategies, performance indicators, performance targets; and incorporating the Medium-Term Financial Resource Plan
- c) **Procurement Plan, Implementation Plan, Cash Flow Forecasts** for both Public Investment Projects and activities which will be implemented under the Recurrent Head of Estimates.
- d) **Operational Plan**, which provides details of the programmes/activities to be implemented in the first year of the Corporate/Strategic plans.

III) In order to present a comprehensive picture of Central Government's Expenditure Budget, Accounting officers must ensure that the total costs of MDAs operations (both capital and recurrent), whether financed by revenue, grants, loans, or appropriations-in-aid, are reflected in the budget for approval by Parliament. All donations/grants from local and external sources must be treated in accordance with *the Financial Instructions* issued by the Financial Secretary.

IV) The GOJ medium-term results-based budgeting (MTRBB) approach, requires, among other things, the preparation of estimates of expenditure for four (4) years – the budget for Fiscal Year 2024/25 and the forward years 2025/26, 2026/27 and 2027/28. The MTRBB Forward Estimates Tool is to be used in developing the estimates for the three forward years. Accounting officers are reminded that the Tool is pre-populated with costing measures (e.g., inflation) across the sub-sub objects of each activity. The tool also allows MDAs to record their changes and assumptions for activities and programmes affected by other adjustments such as demand-driven growth or policy changes.

V) Accounting officers are advised that the ceilings for the forward years must take account only of the cost of ongoing programmes or programmes that have already been approved by Cabinet for implementation in future years. The costings for new programmes, proposed for implementation by MDAs in the new fiscal year, is to be presented separately. Allocation of the ceilings must take into consideration those programmes/activities that contribute to achievement of the government's policy priorities.

VI) In addition to presenting medium-term expenditure estimates, MDAs are required to present **key performance indicators (KPIs)** for their core programme(s) as part of the medium-term results-based budgeting process. This information is to be extracted from the Corporate/Strategic Plan for inclusion in Estimates of Expenditure. While there are several types of KPIs, the Estimates of Expenditure currently captures four types; these are **Input, Output, Efficiency and Outcome**. MDAs must provide no more than three examples for each type of Indicator. The selected KPIs are to be identified in the **Performance Information Template** (Appendix III) and submitted with the Corporate/Strategic Plan.

VII) Accounting officers must ensure that the results to be delivered by the policies and programmes reflected in their Corporate/ Strategic Plans are consistent with the strategic priorities of the government, aligned with the national priorities and outcomes of Vision 2030 and the Sustainable Development Goals.

VIII) Accounting officers are to ensure that submission of the budget numbers is done via upload to the Budget Preparation and Management System (BPMS). Accounting officers are reminded that the Budget Ceilings for each MDA will be loaded into the BPMS prior to the system being made available for the input of budget estimates. Draft Corporate/Strategic Plans along with the Permanent Secretary's Memorandum are also to be uploaded via the BPMS.

IX) Accounting officers must ensure that the input of data into BPMS accurately reflects the purpose for which the funds are required. As such budget allocations at the object, sub object and sub sub-object levels must be accurate to prevent distortion of data and unexplained variances in summary reports that are generated for publishing.

X) The Medium-Term Budget is the quantitative expression of the medium-term Corporate/Strategic plans. Accounting officers must therefore ensure that there is alignment between the planning and budgeting processes and that the plans are developed with due regard for the limits of the expenditure ceilings allocated to each MDA.

XI) Section 75 of the FAA Act, Financial Management Regulations, requires accounting officers to submit **Quarterly Performance Reports** on the status of their departments in relation to the approved targets stated in their corporate/strategic and operational plans.

XII) Accounting officers must ensure that their MDAs provide an Implementation Plan, a Procurement Plan and a Cash Flow (Appendix IV) which reflect the Recurrent programmes/activities and the targets whose performance will be reported on in their Quarterly Performance Reports.

XIII) Corporate/Strategic/Operational plans are to be updated and brought in line with the Budget-As-Passed by the House of Representatives. The Implementation Plan, Procurement Plan and Cash Flow must all be updated and aligned with the Approved Budget. The updated plans are all to be submitted to the MOFPS by the end of **May 2024**, to inform timely and accurate warrant releases for budget implementation and the quarterly performance monitoring process.

5. RECURRENT EXPENDITURE PROPOSALS

Preparation of the Recurrent Budget is to be guided as follows:

I) Compensation of Employees:

- a. The projected expenditure for this item is to be based on staff in place, as at preparation of the Third Supplementary Estimates (TSE) 2023/24.
- b. Details of vacancies filled after the TSE 2023/24, details of vacancies proposed for filling in FY 2024/25 and the status of the recruitment process are to be submitted in the PS Memorandum.

- c. Compensation arrears related to prior years are to be identified and submitted in the PS Memorandum.
- d. Provisions for the Third Year of the public sector compensation restructure are not included in the individual compensation ceilings being sent to MDAs.
- e. The incremental cost of the Third Year of the public sector compensation restructure (FY 2024/25) is to be calculated for each Activity and presented in a spreadsheet, in the Permanent Secretary's Memorandum, showing the actual sums paid out in 2022/23 and 2023/24 and the projected costing for 2024/25.

II) Recurrent Programmes (Non-Wage Expenditure)

Accounting Officers must ensure that all programmes/activities are reviewed in order to determine their continued relevance and contribution to government's current policy directions.

The following guidelines are to be observed in allocating the ceiling across Recurrent Programmes activities:

(a) Public Utilities

Allocations must be based on actual usage of public utility services to prevent the build-up of expenditure arrears. Accounting Officers are reminded that interest charges are applied on balances over thirty days by the service provider, and therefore, adequate allocations are to be made to keep the accounts current.

(b) General Consumption Tax on Purchases

The full cost of purchases of goods and services, inclusive of consumption tax, customs charges and other import duties must be allocated to ensure that the taxes are paid on a consistent and timely basis.

(c) Rental of Property

Estimates for rental of property must reflect actual contract arrangements and allocations made for known increases that are expected to take place during the financial year.

(d) Travel Allowances and Subsistence

Fixed travel allowances are to be reflected under Object 21- Compensation of Employees. Discretionary local and overseas travel are to be managed within the budgetary allocation for the fiscal year.

(e) Expenditure Arrears

Due regard is to be given to developing realistic budgets as unauthorized spending above the budget or entering into commitments which result in expenditure above the level approved by Parliament, is a breach of the Financial Administration and Audit Act.

(f) Statutory and Other Deductions

Adequate provision must be made to facilitate the timely payment of statutory and other deductions from the earnings of employees in compliance with Regulations 54 and 54A of the Financial Management Regulations.

(g) Appropriations-in-Aid

Appropriations-in-Aid approved to be used to finance expenditures must be clearly identified in the Estimates of Expenditure. Payments from AIA funds must be processed on the accounting system and submitted to the AGD in the normal manner using the relevant fund source code for AIA payments.

6. CAPITAL EXPENDITURE PROPOSALS / PUBLIC SECTOR INVESTMENT PROGRAMME (PSIP)

- I) The Capital Budget reflects the budgetary allocations approved for implementation of Central Government projects under GOJ's Public Sector Investment Programme (PSIP).
- II) The Project Summary Template (Appendix V) is to be:
 - a. Completed for all new projects which will be entering the PSIP for the first time in FY 2024/25, and
 - b. Updated to reflect any approved changes made to existing projects under implementation.
- III) The Capital expenditure ceiling is to support the public investment projects that have been appraised by the Public Investment Management Committee (PIMC) and approved by Cabinet for implementation and funding. Projects that have not gone through this process are not to be included in the Budget Submission.
- IV) Budgetary allocation required to undertake preparatory/pre-investment planning activities in support of the development of public investment projects, are to be allocated in the Recurrent Budget of **portfolio ministries**, under Programme 001; Sub Programme 01; Activity 10098: Pre-Investment Planning. Allocation must only be made to projects that have received the prior approval of the PIMC to proceed with further development.
- V) Accounting officers are to ensure that Project Implementation Plan, Project Procurement Plan and Cash Flow (Appendix VI) are completed for all public investment projects and uploaded via the BPMS.

7. BUDGET- FUNDED PUBLIC BODIES

- I) Budget-funded public bodies that are fully or partially dependent on the Consolidated Fund for financing, must comply with the requirements of the Budget Call.
- II) The Boards of budget-funded public bodies are to be apprised of the budget constraints and advised of the approval process for utilizing own-source funds as Appropriations-in-Aid (AIA) to off-set their operating expenditure.
- III) Expenditure proposed for funding from AIA must be clearly identified and submitted along with the budget proposals.

8. DEADLINE FOR SUBMISSION OF DRAFT BUDGETS

Accounting officers are reminded that the budget estimates are to be submitted to the Ministry of Finance and the Public Service via the BPMS by **Thursday November 30, 2023**.

9. BUDGET CEILINGS – FY 2024/25 AND MEDIUM-TERM FY 2025/26 – 2027/28

The budget ceilings will be transmitted electronically to MDAs as:

- | | |
|-------------|---|
| Appendix I | (a) Recurrent Expenditure Ceilings for FY 2023/24 and the Medium Term |
| Appendix II | (b) Capital Expenditure Ceilings for FY 2023/24 and the Medium Term |

10. OTHER APPENDICIES

These appendices will also be transmitted electronically:

- Appendix III - Key Performance Indicators Template

- Appendix IV - Recurrent Programmes Implementation Plan, Procurement Plan and Cash Flow
- Appendix V - Project Summary Template
- Appendix VI - Project Implementation Plan, Project Procurement Plan and Cash Flow

Please be guided accordingly.



Darlene Morrison, CD
Financial Secretary

C: Auditor General

Attach: