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BUDGET STATEMENT 2002

“Securing Sustainability in a Constraining and Dynamic Global Environment?”

Mr Speaker, I beg to move that the Appropriation Bill 2002 be read a second time.

INTRODUCTION

- 1.** Mr Speaker, I wish to express gratitude for the support of the people of Montserrat over the past year. In spite of a number of challenges my Government is determined to enhance the economic and social well-being of our people. This Government has been mindful that it owes its success to Almighty God and the resilience of our people. These two factors, Mr Speaker have motivated us to approach the future with great optimism.
- 2.** It is almost one year since our Party, the New People’s Liberation Movement was elected to office. Since then the world has changed dramatically. The World Trade Centre tragedy of September 11 2001 and the ensuing global reaction have weakened economies across the world, making it more difficult for smaller states to advance economically.
- 3.** The September 11 event not only changed the geopolitical landscape but also the financial and legal environment in which we do business. Mr Speaker you would no doubt realise that the marketplace has become hostile and some organisations have used this event to implement decisions that gives the competitive advantage to developed countries. Consequently, economic prospects and development opportunities for microstates have narrowed considerably.
- 4.** Nevertheless, Government is optimistic and will use every window of opportunity to steer this country on a path of sustained economic growth. This is important for the development of our people and ultimately our own survival. Let us now examine what has been accomplished so far.
- 5.** Mr Speaker, over the past eleven (11) months we have used the resources available to improve the economic situation on Montserrat. The Governor of the Central Bank has reported that during this period preliminary estimates show that the Montserrat economy grew by 5.7% from -5.3% to 0.4%. This growth is due to several factors. Chief among them is our experience at negotiating with the British Government and the fact that the British Government has said that they are satisfied with the way that this Government is conducting its affairs. This has led to removal of restrictions that had prevented the speedy implementation of projects.

6. I am pleased to report Mr Speaker, that between April and October 2001, this Government has seen the implementation of a number of projects with expenditure totalling approximately \$25 million. Some of the projects to which I refer are as follows:

- | | |
|---|----------------|
| • Brades Police Headquarters | \$5.20 million |
| • Brades Fire Station | \$2.07 “ |
| • Land Development Authority Building | \$1.02 “ |
| • Look Out Housing for the Elderly (50 units) | \$9.04 “ |
| • Look Out Nursery School | \$0.91 “ |
| • Material Grants III | \$5.00 “ |

This Government will continue to implement projects in an efficient and economical manner so that maximum benefits can accrue within the financial year.

7. Mr Speaker, we were also mindful of the fact that we needed to develop policies and partnerships that would provide an environment for financial institutions to assist us in restoring home ownership to our people. This has been done with remarkable success. I am pleased to report that:-

- The Bank of Montserrat will launch its new mortgage programme by July 2002;
- The Montserrat Building Society is preparing its business plan and is developing its mortgage programme which will be implemented also by July 2002;
- The British Government has approved £10 million for housing over a period of 5 years.

8. We have also taken our commitment to the Eastern Caribbean Central Bank (ECCB) seriously and have passed all the relevant legislation to ensure that the Eastern Caribbean Securities Exchange (ECSE) becomes a reality. This initiative will provide the opportunity for our people to invest throughout the Organization of Eastern Caribbean States (OECS) without any restrictions.

9. Another important initiative that this Government has successfully embarked on since coming to office is the passing of legislation to bring into being the Financial Services Commission. This organization will now be responsible for regulating the offshore financial sector. We are in the process of fostering partnership with Montserrat Chamber of Commerce in an effort to jointly promote and develop our offshore business. Although there is still much work to be done in meeting the international requirements we are making steady progress.

10. Mr Speaker, this Government has shown maturity in the way we do business and we have successfully completed negotiations with the Department for International Development (DFID) which would give more autonomy in managing local affairs. DFID

has already begun to scale down its supervisory operations on Montserrat. This new arrangement presents challenges and opportunities but we are committed to making the arrangement work for the benefit of our people.

11. In this new relationship the Government is also cognisant of the fact that it is necessary to review financial and budgetary systems to ensure that government spending is focused on what is important.. To this end, a review of the public finance system is being conducted to examine ways in which Government can stimulate the development of the private sector while balancing its own commitment to finance public services.

12. Finally, the fundamental building block of our economy is the private sector. As promised, we have expanded this sector by privatising the fuel operations from 1st July 2001 at no additional cost to the consumer. We have just completed negotiations with the operator and this would lead to savings in the cost of electricity to consumers.

ECONOMIC CONTEXT

International and Regional Issues

13. Mr Speaker, it is significant to note that the growth in the Montserrat economy in 2001 was experienced in the face of many global economic challenges. This government continues to do what it can to cushion the impact of global developments on the ordinary working men and women in this country.

14. The event of September 11, 2001 occurred at a time when the leading economies of the world, including the United States, were already declining. Since the United States is the major centre of international business, financial and economic activity, and the leader in the global economy, this major shock had a significant negative impact on economies around the world.

15. The destruction of the World Trade Centre affected the United States most directly. As the shock deepened and spread throughout that economy, unemployment further increased and in the third quarter Gross Domestic Product (GDP) fell by 1.1%. The Federal Reserve, in an effort to stimulate the economy, reduced the interest rate 13 times over the last year. Eventually, the United States economy was able to experience growth of a mere 0.4% in comparison to a healthy 5.3% in 2000.

16. The United Kingdom (UK), like most of the member states of the Organisation for Economic Cooperation and Development (OECD), has seen growth rates decline in 2001. As the United States went into a recession, growth in the UK declined to 1.5% in 2001 from 3.0% in 2000. With the economic slowdown in the UK, external demand has decreased, raising the trade deficit for 2001. Furthermore, the European economies, with which the United Kingdom is closely linked, experienced a slowdown in activity with a growth rate of 2.8% in 2001 in comparison with a 3.3% growth in output in 2000.

17. Mr Speaker, it is clear that United Kingdom government officials would have had first hand experience with these economic developments. It is therefore my hope

that they would recognise the potential impact on a small vulnerable economy like Montserrat, and arrange for the necessary support to be provided to us during the course of this fiscal year.

18. The Organisation of Eastern Caribbean States also experienced economic difficulties during last year. Preliminary estimates indicate that growth in economic activity in the OECS contracted by 0.8 percent following growth of 2.6 percent in 2000. Indications also are that Tourism, which is one of the leading sectors in these economies, suffered a decline following the events of September 11. Activity in the agricultural and manufacturing sectors also declined. However, growth was recorded in the services sectors, particularly government services, transport and communication, and electricity and water. The rate of inflation regionally remained moderate at 2.4 percent in 2001, falling from 2.7 percent in 2000. Imports within the region contracted and there were declines in direct investment income and other payments from abroad, while private direct investment was estimated to have fallen.

19. Governments of OECS are concerned, Mr Speaker with rising budget deficits and fiscal distress caused by deteriorating economic performance and rising debt servicing arrangements. This path cannot continue without serious corrective measures being taken.

20. In all of this, it is worthy of note that the East Caribbean dollar remained sound, backed by external reserves to the extent of 97.5 percent compared with the legal minimum of 60 percent. I am also satisfied that this analysis indicates that, in comparison to our immediate neighbours, the Montserrat economy has fared well generally during the first nine months of my government's stewardship.

The Domestic Economy

21. Mr Speaker, I believe that a major factor, which positively influenced the local economy in 2001 was this government's targeted strategy aimed at bringing about the implementation of a number of projects with significant multiplier effects in the economy. These have already been outlined. Despite this, we cannot be complacent because there is much more to be done and there are many Montserratians to whom we must still bring relief.

Construction

22. Up to the end of October 2001 there were 68 new building starts comprising 52 residential, 5 commercial and 11 public buildings. This compares with 81 building starts for the same period in 2000 comprising 73 residential, 7 commercial and 1 public building. Although there was a greater number of building starts in 2000, the value of the contribution to the sector in 2001 was more than double that for 2000. The estimated value of buildings started in 2001 is EC\$24.9 million compared with EC\$12.2 million for 2000. The new Police Station, Fire Station and Sheltered Housing projects were the three main public sector projects being implemented at a total value EC\$18

million. These projects have generated a significant number of jobs in the construction sector as well as increases in wages and income in the economy.

23. Government will be instituting measures to ensure the construction sector will be given further impetus in 2002. Approximately 200 serviced lots will become available early in the second half of this year. The funds that were initially allocated to the Soft Mortgage Housing Scheme will be made available to extend the Material Grants programme. Two sets of direct build housing programmes financed by the European Union (EU) and DFID will also commence in 2002.

Tourism

24. It is government's intention to make tourism one of the leading sectors of the economy and a major contributor to national income. At present, the tourism sector continues to realise steady growth. During 2001, total visitor arrivals up to November increased by 3.6% over the figure for 2000 to 12,946. This is following a 10.7% growth in visitor arrivals for 2000 over the previous year. There was a remarkable increase of 40% in the number of excursionists visiting Montserrat in 2001.

Agriculture

25. The prolonged dry spell in the first half of 2001 has seriously impacted on the level of agricultural produce. The irrigation project has provided some relief to farmers but was implemented late in the second quarter of 2000. In 2001 local production declined by 45% to approximately 92,000 lbs. The main crops produced were white potato, sweet pepper, cucumber and okro. On a more positive note, the level of egg production which was negligible in 2000 increased substantially to 10,800 dozens in 2001. Fish catch for 2001 also increased by 8% over the catch for 2000 to 77,515 pounds.

Manufacturing

26. Government continues to vigorously develop the necessary infrastructure and incentive programmes in an attempt to stimulate activity within the manufacturing sector. Despite these efforts, the level of manufacturing activity remains insignificant and is limited to mainly furniture manufacturing, block making, and sand and aggregate mining with a contribution to GDP of less than 2%.

Output

27. In 2001, the Montserrat economy experienced positive growth for the first time in seven (7) years. The preliminary rate of growth for 2001 is estimated at 0.4% in comparison with a rate of -5.43% in 2000. The implementation of a number of major public sector projects would have accounted for growth in the construction sector. The other sectors that expanded marginally over the period are the services sector including electricity and water, transport, real estate and housing and government services.

28. This government was successful in removing the bottlenecks that stifled the pace of implementation of public sector projects. In an attempt to ensure continued economic growth government will be targeting activities in the private sector, and more specifically the manufacturing and agriculture sectors.

29. It is important to note that even with significant public sector construction the economy is fickle and the benefits do not spread across the different income groups. Consequently, persons working outside the construction related sectors never felt the impact of the growth referred to above. This is why broad base development of the private sector is crucial.

Inflation

30. Inflation for the year 2001 stood at 4.9%. One of the main goals of this government's economic policy will be to control inflation. As I have already indicated, we will work with the private sector to ensure that the prices of goods and services are kept under control.

General

31. Mr Speaker, the economic data has shown that the world has changed and in many cases for the worse. This will affect Montserrat's ability to develop rapidly. Further, Mr Speaker, Her Majesty Government (HMG) has directed us to reduce our level of dependence on budgetary aid and have tied the approval of certain projects to cost recovery measures and we have had to implement some of these measures. The Government of Montserrat feels that the time is not right for any major decreases in aid as the economic infrastructure is not yet ready to replace this loss of funding. We cannot control the policy of HMG but it is this Government's intention to seek to balance HMG's policy with the need to avoid unbearable pressure on an already heavily taxed working population.

32. It is therefore the goal of this budget to outline policies that would be sufficiently creative and flexible to minimize the impact of the negative repercussions from the global economic environment and to promote growth in our local economy.

HUMAN DEVELOPMENT INITIATIVES

33. Mr Speaker, we have had in the past and will continue to maintain a focus on people. This is not easy to accomplish and must necessarily be a process of gradually improving the standard of living for Montserratians and others who choose to live and work on island. Our programmes for achieving this goal are targeted at the development of land, housing, education, health, recreation, sports, culture, community and employment generation.

Land Development

34. The relative scarcity of land and the cost of relevant infrastructure are impediments to the provision of appropriate housing to our people. Government of Montserrat has and will continue only where necessary to acquire land and transfer it at reasonable costs to those who qualify. However, private landowners need to be more enterprising and join Government in making lands available for residential and other purposes. This problem requires joint effort.

35. In this regard, Mr Speaker, the Look Out II project is important in providing land and housing opportunities for displaced residents. This project is intended to provide 200 new residential lots, 1.5 acres of land for commercial plots, and 5.6 acres for community-based activities, including open space and recreational facilities. Government has therefore taken the decision to allocate over \$9.5 million to this important project.

36. Government has made significant advances in the design of a Master Plan for Little Bay. This project is funded by the Caribbean Development Bank (CDB). In 2002, Government will commission an overall preliminary design and detailed designs for Phase I of the Little Bay Development. Also as part of Phase I for 2002, Government will provide \$2.0 million for the initial infrastructure development in Little Bay. This will provide development for the site of the Cultural Centre and its environs, as well as some commercial and housing sites. The Public Market area will also be included in Phase I.

37. During the year 2001, Government has made progress in streamlining the operations of the Lands & Surveys Department so that applications and transactions involving land subdivision, surveys, transfers and registration can now be processed within a shorter time frame.

38. A project costing approximately \$1.6 million will provide much needed computerisation, surveying equipment and training to staff in this area. This investment will allow a reduction in the costs of consultancies related to any significant land development as Government will have the capability of carrying out sophisticated and technologically innovative land surveys and mapping.

39. The year ahead offers great opportunity for development in this area. The relocation of the Lands & Surveys Department to Brades will provide a secure environment and greater accessibility to the Land Registry information. Key work areas will be the implementation of permanent Global Positioning (GPS) Systems network, which should reduce survey costs and allow low cost GPS to be used in the survey of unclaimed lands, cadastral surveys and topographic mapping. The Geographical Information System (GIS) Project, Phase II, will capture new photography of the island, which will allow updates of the topographic mapping which has not been revised since the 1980's. This data will be added to the GIS database to ensure maximum distribution of land related information within Government and provide opportunities for

revenue generation whilst providing quality assurance of existing data sets. The completion this work will also allow for revision of the Tourist Map in 2003.

Housing Development

40. Mr Speaker the Government is mindful of the plight of the 1000 displaced households who are still in need of housing. There are persons without acceptable housing provisions. The housing register shows that there are many Montserratians who wish to return to the island but who do not have access to land and mortgage financing.

41. As a result of our Housing Strategy, DFID has approved a further £10 million for housing over the next five years (2001–2006).

42. The approved Housing Programme comprises several components, namely, infrastructure development to provide 200 serviced lots at Look Out, the Materials Grant Phase III, Establishment of a Housing Corporation, and Refurbishment of Houses at Davy Hill and Shinn Lands. DFID support for housing will be carefully coordinated with parallel support from the European Community of about £3.25 million. The European Development Fund (EDF) allocation will finance the servicing of 50 lots and the construction of approximately 50 starter homes at Look Out II.

43. Our senior citizens are important to us. In late 2001 construction began on 50 units for the elderly under the Sheltered Housing Programme. This project includes the purchase of land at a cost of \$9.04 million. Mr Speaker, when this project is completed Government will have provided accommodation and support to over 150 of our most vulnerable. This is significant in a population of approximately 5000 people.

44. Mr Speaker work has also just begun on a 20 single-bedroom hostel at Lookout costing \$1.3 million to house single persons. You see, Mr Speaker, Government is ensuring that the needs of all categories and classes of our people are addressed.

45. We continue to help people to help themselves. The Self-Build Materials Grant Scheme is on-going with an additional 44 new awards to Montserratians already allocated this financial year. Further, funds are now available under the approved Housing Programme for applicants who are awaiting assistance under the Scheme.

46. Again, Mr Speaker, we are repairing and renovating 55 houses at Davy Hill and Shinn lands at a cost of approximately \$1.0 million. It is unfortunate that previous authorities allowed these houses to be built. This Government is now forced to put it right and this will be done. The project started in early January 2002 and should be completed by the end of March 2002.

47. Having said this, Mr Speaker, one of the main aims of Government's Housing policy is to restore the levels of home ownership to that which existed prior to the volcanic crisis. To this end, Government has decided that its housing stock at Lookout Phase I, Davy Hill and Shinn will be offered for sale to the current tenants. Tenants will then be able to apply directly for planning permission in the usual way to extend their homes if they wish to do so.

48. My Government welcomes the news that the Montserrat Building Society and the Bank of Montserrat will be launching their mortgage programmes by July this year. It is hoped that the terms would be reasonable to ensure that many more persons would qualify. It is estimated that this partnership will bring about \$12.0 million into circulation over the next two to three years. This would leave government to concentrate on delivering public housing to the most vulnerable.

49. Mr Speaker, Government's Housing Policy is being implemented through two organisations working in the same sector: The Housing Unit and the Montserrat Land Development Authority. Government has already made clear its strategic intention of establishing a self-supporting corporation that would assume the function of managing Government's housing stock and efficiently implement its housing programmes. These programmes include the divestment of current housing stock, financial assistance for the procurement of housing materials, and assistance to poor and vulnerable groups. During this financial year, Government intends to complete all necessary procedural steps to merge the existing GoM Housing Unit and the Land Development Authority into a National Housing and Development Corporation. This new institution will assume central responsibility for delivery of government's land management and development policy. To this end \$440,000 has been allocated to implement the housing strategy.

Education

50. Government is fully appreciative of the fact that it is education that will provide the platform for future development of Montserrat. During 2001, we have made significant strides in improving the quality of education provided. Steps were taken to improve physical accessibility to education and to boost students' performance at all levels. The skills of teachers were enhanced through professional development workshops and training programs and further access to educational opportunities for the adult population was created through the establishment of a part time evening institute.

51. More importantly, a Unit for children with special needs was established. Form VI advanced level programme was re-introduced at the Montserrat Secondary School and a Five-Year Education Development Plan was formulated. The Government of Montserrat is committed to the successful implementation of the Plan.

52. .During 2002 emphasis will be placed on the construction of the Montserrat Community College, expanding access to early childhood education, improving the school bus fleet and increasing the sums allocated for the purchase of equipment and resources for each level of the education system.

53. Government remains steadfast in its commitment to increase provision of education at the tertiary level. In fulfilment of this objective a Community College will be constructed adjacent to the Salem Campus. This project is jointly funded by the European Union and DFID and is estimated to cost in excess of EC\$6.0 million. The building when completed will provide a state of the art library, computer room, science laboratory and workshop area accompanied by classrooms and staff areas. The College will provide A' level classes as well as vocational training in many disciplines. Following approval from the European Union the Ministry of Communications and Works will co-ordinate all design work for completion and tender in the middle of the year. Construction should be completed in time for the start of the academic year in September 2003.

54. Government realises that a prerequisite to success at the highest level is the need for the development of a solid foundation. To this end, the Nursery school at Lookout was started on site in July of 2001. The building provides the Ministry with a large children play/education hall, a smaller quiet area and ancillary office and support areas. The building will be handed over shortly.

55. Mr Speaker, we attach importance to the consolidation of good quality educational opportunities in Montserrat, to retain those workers in the productive sectors who have young families and might otherwise relocate elsewhere for educational purposes.

56. When the education facilities are completed, approximately \$9.1 million dollars would have been spent. The education plan will then focus on the quality of outputs, taking into account:

- Access and equity for all;
- Student achievement and defined standards;
- Analysis of skills required and designing appropriate training response;
- Promotion of a healthy and balanced lifestyle;
- Promoting partnerships and alliances between stakeholders.

Health Service

57. Mr. Speaker, government recognizes that a healthy population is critical to any country's developmental thrust; and that the physical, emotional and mental well being of the people must be at a level that would allow them to make a meaningful contribution not only to their personal development but to development in general. In the 2002 budget we have allocated \$10.9 million to the recurrent budget and \$14.0 million to the capital budget giving a grand total of \$24.9 million available to the Ministry.

58. Government is continuously seeking to improve the standard of health care both at the primary and secondary levels. We began work on the expansion of

St John's Health Centre in September of 2001. The facility will greatly enhance the provision of primary medical care in the North of the island. The existing building is being greatly expanded to include consulting rooms, office accommodation and ancillary areas for several doctors and nurses as well as a Mental Health day care centre. It is expected that the project will be further expanded to include a comprehensive dental unit with two consultation rooms. The construction programme remains on schedule with a completion date of May/June 2002.

59. In addition, Mr. Speaker, government has just received approval for the St Johns Hospital Operating Theatre and a Mortuary project at a cost of EC\$2.5 million. The Operating Theatre project will provide a new and fully equipped operating theatre, recovery room, nurses station, ancillary areas and hospital stores adjacent to the main ward in St Johns. It is expected that the project will be completed by the end of 2002.

60. The new mortuary will replace the existing temporary mortuary at the hospital and will greatly enhance the existing facilities, allowing post mortem inspections to be carried out on island. The building will be placed on a site to the rear of the existing ward block. Construction will begin in the second quarter of 2002.

61. We intend to continue offering special care to the mentally challenged. Presently we are aiming to create additional bed space for psychiatric patients. A secure single room adjacent to the main wards is being constructed where patients can be monitored without disturbing other patients on the general wards. The project will also create a substantial storage area adjacent to the main nurses' station.

62. Also, in the area of primary care, Government has received approval of funds to renovate and expand the St. Peter's Clinic. The existing clinic will be enlarged to include two consulting rooms, a nurse's room, administration area and new patient waiting area. It is hoped that access can be improved to the building to allow for the safe unloading of ambulances and ingress by wheelchair bound patients.

Poverty Reduction and Social Development

63. Mr. Speaker, Government is committed to the mainstreaming of social policy into the overall development process and has therefore adopted a Rights based approach to development. To this end a number of social principles have been developed to guide decision making at all levels. The following core social principles are therefore being promoted and will be taken into account in developing programmes. These are:-

- Tackling poverty and hardship
- Reducing marginalisation and social exclusion
- Promoting social justice and equity
- Supporting the empowerment of people
- Increasing the social capital

64. In this regard, the Social Welfare System will eventually be developed into a comprehensive Poverty Protection Programme providing various forms of assistance to persons in greatest need. It was expanded during 2001 to provide rental assistance to persons in Government housing that are finding it difficult to pay their rent; 66 cases were assessed during the year, 44 of which qualified for full subsidy and 3 for reduced rent.

65. We are in the process of increasing the Social Security insured earnings limit to reflect the changes in the cost of living. Our aim, Mr Speaker is to have a well-managed and affordable Fund that provides a minimum pension to contributors to enable them to survive with dignity.

66. The vision of maintaining the independence and dignity of our vulnerable persons has been further encouraged by the successful operation of Garling Hill House for the elderly and Mahogany "Shelter" for the mentally challenged. These warden-assisted units have greatly improved the living conditions and social interaction of the residents.

67. There are still a number of elderly persons in shelters, residential homes and communities who are in need of appropriate housing and reintegration into a stable supportive community. The fifty apartments currently under construction in Look Out will be a great step towards addressing this need. In addition, the adjacent Community Centre will allow for various activities and programs for the elderly from all areas, as well as provide a venue for Youth and Community Group meetings and other functions.

Recreation, Sports and Culture

Sports

68. Mr Speaker sporting activities continue to play an integral role in the physical well being and hence overall development of our human resources.

69. The Sports Department currently conducts school and community based training programmes in lawn tennis, netball, and athletics. The response has been encouraging and an upsurge in physical activity among women has been most evident. Government has allocated \$192,340 for the administration of sports. However, much of the activities of this unit are financed through the education and infrastructure budgets.

70. This Government continues to upgrade and develop recreational facilities within the occupied areas of Montserrat. Salem Park was upgraded to host the visiting South African Team earlier in 2001. Change rooms, spectator seating, the main pavilion and the construction of a press and commentary box were all part of the new

expansion. Major works are being done to improve the pitches and the outfield. This was a collaborative effort financed by DFID, the Private Sector and the Government of Montserrat.

71. The Sports Department has recently acquired a cricket matting surface which has been installed at the Salem Park. This will allow cricketers to obtain valuable practice on a batting surface all year round.

72. The South African Tour was a significant step in the redevelopment of Montserrat and sports tourism, as it demonstrated that Montserrat is once again able to host regional and international matches, our size notwithstanding. This is the reason why the Government of Montserrat has protested very strongly to the Heads of Government in the region the blatant omission of Montserrat as a venue of the Regional Cricket Tournaments. We look forward to having this situation rectified.

73. Three tennis courts were constructed with lighting, two located at Salem Secondary School, and one at Look Out, in an effort to support the introduction of the game at the schools and community level. The total project cost was \$962,380. Lawn Tennis now forms part of the Sports Department training Programme within the schools.

74. In addition a basketball court was constructed at Look Out for community use. The basketball court at Brades was resurfaced and upgrading works were carried out on the netball facility.

75. Government continues to support the Football Association in the construction of their facility at Blakes, which is being funded by FIFA at a cost of approximately US\$850,000. We look forward to this facility developing into a major centre for Sports and Sports Tourism on the island.

76. In 2002 the Sports Department intends to revive inactive sporting associations that were affected by migration and other factors. This would assist the Department to utilize its scarce human and financial resources in a more effective manner.

Culture

77. Mr Speaker in an effort to improve the quality of cultural activities on island, the Chief Minister' s Office along with Department of Culture was instrumental in organizing a Public Forum on Festival earlier this year. An enlarged and revitalized Festival Committee has been formed and a new Vision for Festival is being developed to mark the 40th Anniversary of Festival in Montserrat. The Festival Committee will be responsible for overseeing and coordinating a number of festival related activities throughout the year including the St Patrick's Day Celebrations. The Department of Culture will be facilitating the process to ensure that the Festival Committee develop into an autonomous organisation that will be fully registered.

78. This year our Government will launch several programs that will involve masquerade training, costume building and a continued effort to combine all the different nationalities on Montserrat to enhance the Montserrat Culture. The

establishment of a national dress and the promotion of the national song will take effect this year. A radio program called the Cultural Corner will be launched shortly and this will serve to keep our culture alive.

79. Government is also working with the newly formed Montserrat Cultural Centre Trust to ensure that all preparations are in place for the commencement of the construction of the Cultural Centre later this year. We anxiously await the completion of this facility which we will attract state of the art performances and stimulate activity in cultural tourism.

AGRICULTURE, AGRO-PROCESSING AND FISHERIES DEVELOPMENT

80. Mr Speaker, my Government holds the view that the agricultural sector continues to play a significant role in the socio economic development of Montserrat. Policies within the Ministry of Agriculture, Lands, Housing and the Environment are aimed at a gradual reduction in food imports through the development of domestic substitutes where this is feasible. Government recognises that a reduction in imports of some items and the resulting foreign exchange savings are valuable ways in which the agricultural sector can make an important mark on the economy. That is why a two-day Agricultural Exhibition will be mounted to showcase the island's enterprises and to foster a closer relationship between the Ministry and other stakeholders. A sum of approximately \$130,000 has been budgeted for this very important event. I also wish to express our sincere appreciation to the Private Sector for their contribution to this significant event.

81. In 2002 the focus will continue to be on the construction of critical agricultural infrastructure such as roads, mini dams, other irrigation facilities and semi intensive units for small ruminants. An allocation of \$459,200 for irrigation systems was made in the 2002 budget. Again the government recognizes the need for markets and a slaughter facility and will look for ways to bring forward the construction of the Abattoir. This project is estimated to cost in the region of \$1 million.

82. The Government has specified three main areas in the move towards self-sufficiency in Agricultural production.

83. Firstly, a number of crops have been targeted. The main crops in the momentum toward optimum self-sufficiency include roots and tubers, pulses, fruit, leafy vegetables and condiments. This programme is supported by the irrigation and extension projects, which are ongoing.

84. The next area is egg and poultry meat production. Local broiler producers account for 25% of the chicken meat consumed. Local egg producers account for 85% of the local consumption of eggs. This was achieved partly through the Egg Promotion and Marketing project, which was implemented in 2001. In 2002, a broiler production project will focus on small-scale production units averaging 20-30 birds per batch.

85. Finally, the Department of Agriculture will continue to provide support and assist in strengthening the Livestock Producers Association and the Farmers Association to enable them to play a greater role in the drive for self-sufficiency. Government through the Department of Agriculture continues to provide a forum for the discussion of farmer's issues via Radio Montserrat and the print media.

Public Market

86. This Government will establish a Public Market facility at Little Bay in 2002. Farmers need a place where they can come together to sell their produce, and consumers need to be able to shop for a variety of fresh produce in a single area. The establishment of the market is important for social reasons as well, and Government is committed to this enterprise for 2002.

Agro Products

87. Mr. Speaker, the effort to improve Agro-processing in Montserrat continues to be hampered by the lack of raw materials namely fresh fruits and other inputs. Government has taken steps to increase the availability of these raw materials through the re-introduction of species of crops that have been lost through volcanic activity. There has been a measure of success with hot peppers in this regard. Events such as Tree Planting Day and the Agro Forestry Grant Scheme continue to provide planting materials for production of fruits. In 2002, a pineapple-bulking project, which envisages the importation of suckers to be utilized in the production of additional suckers for distribution to other farmers. This will increase the local production of this fruit.

Extension Service

88. During 2001, Mr Speaker, the Department of Agriculture was heartened by the renewed interest in agriculture; this is encouraging as most of the interest came from very young people. This new interest of course has placed additional burden on the Department to find lands for these farmers.

89. However the Department of Agriculture in keeping its obligation to assist farmers in providing a sustainable livelihood for themselves, has identified and distributed new lands in the Olveston area.

90. Mr Speaker, you are aware that historically our farmers have depend solely on 'rain fed' systems to grow their crops resulting in a glut during October through to February and severe shortages during the months of March to September. We are pleased to report that in an effort to change this practice, the Department of Agriculture began the implementation of an Irrigation Project, and at the end of 2001 completed three mini dams in the Olveston area. With the construction of a fourth dam in the Upper Blakes farming belt, farmers now have available to them in excess of half a

million gallons of water which will be used to produce crops during the dry season. This type of technology would make a difference especially to farmers in the north who are now able to plant throughout the year.

91. In addition, limited amounts of water tanks are available at the Department for backyard gardeners, as we seek to assist this group in supplementing their income through the growing of some of the food, which they would normally have to purchase. In 2002, Government also intends to pursue implementation of a program in containerized farming, particularly for backyard gardeners.

92. Every effort is being made to make available to the farming community a number of services e.g. information exchange and technology transfer through its Extension Division, tractoring and a variety of vegetable seedlings. In 2002, Government intends to promote trials in use of hydroponics among interested farmers.

Fisheries

93. The Government of Montserrat placed emphasis in 2001 on training for Fishermen and Fisheries staff. Fishermen received training in the use and maintenance of Global Positioning Systems, the importance and use of safety equipment such as life vests, marine radios and flares and techniques in net mending. Training was also carried out for Fisheries staff in Fisheries Management, Data Collection and Management and Construction and Safety Standards for fishing vessels. We are committed to continue training in 2002 with the emphasis placed on improving the livelihoods of fishermen through the use of improved techniques and technology.

94. In order to alleviate some of the hardship suffered by fishermen due to a lack of storage space for gear and equipment, the Fisheries facilities at Bunkum and Carrs Bays were upgraded in 2001 to provide more storage rooms as well as toilet and bathroom facilities.

TRANSPORTATION

95. Mr Speaker, this Government believes that transportation into and out of Montserrat is a fundamental requirement for any significant economic development. With this view in mind, we have dealt with this matter with a sense of urgency. We recognise that there are varying opinions on this matter and if we were a wealthy country we would have had the option to address our transportation problems differently. Unfortunately, this is not the case.

96. Consequently, we have settled for a safe, reliable and affordable transportation system and we are ensuring that in taking this strategy forward that all the checks and balances are put in place. In the circumstances, that is all this government can do without seriously retarding Montserrat's recovery efforts.

97. In the short term, Mr Speaker, GoM will maintain a subsidised helicopter and ferry service to the people of Montserrat. We have therefore allocated \$7.5 million to maintaining these services. We recognise from the tendering process however, that there are other helicopter services that would be willing to operate private charters to Montserrat. We would welcome this additional service. I have no doubt that many visitors to the island will find such charters useful.

Airport Facilities

98. Mr. Speaker, the long-term solution to our external transport problem is an appropriate fixed wing facility. The construction of an airport has been a long outstanding issue given its critical importance to Montserrat's economic development.

99. In December 2001, the Ministry of Communication and Works initiated plans for the establishment of a temporary airstrip at Gerald's, with the appointment of a Project Manager. The proposed Gerald's Airstrip will be implemented in accordance with international regulatory standards as recommended by the International Civil Aviation Authority.

100. In January 2002, the Department for International Development, acting in concert with the GoM, contracted the UK Company, the Halcrow Group to prepare final designs for the airstrip. The contractor's programme of works will also include an assessment and consideration of appropriate geo-technical, wind turbulence surveys for

the safest, most feasible, and affordable airport option at Gerald's. The understanding is that the airport will be capable of accommodating at minimum a twin otter or equivalent aircraft.

101. The Gerald's Airstrip is scheduled to commence in August 2002 and completed by December 2003 at a preliminary estimated cost of approximately EC \$41.5 million.

TOURISM

102. My government recognizes that the tourism sector has the potential to be one of the fast growth sectors of the economy and as such, we have sought to ensure that we provide the enabling environment for tourism development. To this end, we are implementing a number of projects and programmes aimed at improving the physical infrastructure. We have also intensified our marketing and promotion efforts in traditional and non-traditional tourist markets. The year 2001 was a transition year for the tourism industry. By October 2001 visitor arrivals had increased by approximately 9% over the previous year and an even greater increase is anticipated for this year.

103. One of the first tasks being undertaken by this government is that of correcting the misinformation that is being provided by many travel guides and websites. This is being done in an attempt to ensure that the correct information on

Montserrat is being promoted. This we will continue to do at International Trade Shows and by ensuring that the various Travel Advisories issued by International Governments are correct.

104. Another major task being undertaken is a redesign and enhancement of the Montserrat Tourist Board's website, which is a major part of its current marketing and promotion strategy. Upgrades to the website are intended to make it more user friendly, more attractive and the information content more interesting. Links are currently being sought to ensure that information on the island is available on specific niche market sites such as adventure/nature/eco-tourism and volcano related sites. There is also a push to have the website listed on all major search engines, thereby making it easier to find.

105. Mr. Speaker, the year-end of 2001 saw the approval of several projects aimed at improving the product offering of the island. A visitor facility will be built at Garibaldi Hill which would encompass a concession area, rest rooms, seating area, interpretive panels and a coin operated telescope with viewing capability of the volcano, Plymouth and surrounding environs. In addition, a portion of the trail network will be significantly improved for better hiking through nature trails.

106. Through this government's close collaboration with the Irish Government, Montserrat is now benefiting from a grant of some IR£150,000, made available to assist with the development of a strategic plan to reposition the tourism industry on island. It is expected that this consultancy will be completed by the first half of this year.

TRADE, COMMERCE AND INDUSTRY

107. The private sector is the engine of growth, and this Government in its overall strategy to develop the economy recognises the need to facilitate this most important sector and thus programmes are being undertaken to assist in the growth process.

108. To augment and facilitate the sector's development, a Private Sector Development Consultancy was undertaken and has identified strategies and programmes that will enhance the growth of private enterprise. This government will immediately inject over \$3.5 million into this sector in the form of grants for institutional strengthening, and to undertake capital projects, which will support identified opportunities within the private sector.

109. The Private Sector Development consultancy will provide through the Chamber of Commerce, National Development Fund (NDF), and the Development Unit business support services that are presently not available to the business sector. These

key institutions will first be assessed and appropriate changes made to strengthen them, thus providing the capacity to assist and improve the current private sector business environment.

110. Mr Speaker, my government wishes to applaud the Montserrat Chamber of Commerce and the NDF for their prompt response to Government's challenge for a co-ordinated approach to private sector development. I have been advised that the Chamber is reviewing its structure to achieve this goal. If the Chamber accepts the challenge, Government of Montserrat will provide a subvention for two (2) years in the first instance, to assist and strengthen the institution while it seeks to expand its revenue base. Government would also transfer all activities relating to the promotion of Offshore Financial Services to Chamber to ensure the widest involvement of the private sector in the development of these services.

111. The Business Survey carried out by the NDF, which has just been completed and is presently being analysed, will enhance the Private Sector Development consultancy. The information gleaned will be used to provide insight into needs of the business community and used to develop strategies to aid further development of this sector.

112. Mr. Speaker, inward investment is of highest priority to this government. The attraction of inward investment has started with the completion of Montserrat's Investment and Living Guide. Work is also ongoing to further develop Government's promotional website.

113. The present thrust to attract new businesses to Montserrat in the areas of e-commerce and information technology lends itself to a dual approach attracting businesses suited to a small but literate and highly trainable population as evidenced in Montserrat. This also brings Montserrat into the age of information where current technological and trading trends ride on the back of technology. To this end we will be engaged in discussions to look at how we can take-over and develop Montserrat's domain name, that is, dot ms. We will then explore the investment opportunities that this creates.

114. Local investment is not to be forgotten and it is a mandate by the government to encourage and facilitate locals investing in the economy. The exporting of aggregates by Selsi Ltd. a locally owned company, the granting of mining rights and the opening of Belham Valley by the Government facilitating the process is in itself a testimony to this.

115. The commencement of broadcasting by Family FM a locally owned radio station, which has pioneered a new form of Radio Broadcasting in the Caribbean, is of special significance. This local station has allowed Montserrat to once again be seen as an innovator pointing the way forward in this information age.

116. Mr Speaker, new areas are being targeted; the opening of a water bottling plant is seen as one of the ways in which a local product can be utilised almost overnight. I have no doubt that with proper marketing we can find a niche market for ourselves.

117. In the present circumstances, there is no one path to success. This government is keen to create opportunities and hopes that our resilience, faith, and thrift may open doors that appear to be closed at this time.

INFRASTRUCTURE DEVELOPMENT

118. Mr Speaker, this Government envisions a Montserrat that would retain its former economic position and where the majority of our people could find gainful employment and earn their livelihood here. For this to happen, Government must lay the 'stepping-stones' that will lead to prosperity in this nation. One of these must be appropriate infrastructure to support the population as well as encouraging entrepreneurs to see Montserrat as the place to do business.

119. Let me assist you in recalling the developments in 2001, Mr Speaker, you saw the beginning of construction on the following infrastructure projects:

- i. Sheltered Housing for the elderly at Look Out (50) units;
- ii. St John's Health Centre;
- iii. Nursery School at Look Out;
- iv. Land Development Authority Building at Brades;
- v. The New Police Headquarters at Brades;
- vi. The New Fire Station at Brades;
- vii. The Montserrat Volcano Observatory at Friths;
- viii. The Emergency Department Warehouse at St Johns
- ix. The renovation of the Cudjoe Head Police Station.

120. The cost of these projects Mr Speaker is approximately \$30 million. You will recall that we said that the New PLM will remove the bottlenecks and ensure a steady flow of projects. This is a promise delivered by this Government in less than one year in office.

121. We will continue to develop the infrastructure in 2002. The projects that will commence in 2002 are as follows:

- i. The St Johns Operating Theatre;
- ii. The renovation and expansion of the St Peters Clinic;
- iii. The New Mortuary Facility;
- iv. The Montserrat Community College;
- v. The Single Person Hostel at Look Out;
- vi. The Construction of the PWD Maintenance Workshop;

- vii. The Montserrat Port Authority Landside Development;
- viii. Refurbishment of Government Headquarters;
- ix. New Airport Development.

Again, the cost of these projects is more than \$50 million dollars of which over \$40 million is for the airport facility.

Road Improvements

122. Major reconstruction-realignment and road pavement will be done to the St John's to Gerald's Road at a cost of EC\$3.0 million. This is a critical development step and will improve accessibility to the hospital, the proposed Gerald's Airport and to other communities in that area. Work is expected to commence before June of this year.

123. Works have commenced on several sections of the main road from Forgathy to Salem. Although the allocation is inadequate to resurface all sections of this road, the most distressed areas will be rectified. Government will expend almost \$2.0 million on this project.

124. Additionally, Government has allocated \$1.7 million for general maintenance of roads. This includes, drain cleaning, verge cutting, minor patching and repairs and resurfacing of some secondary roads. It is our intention too, to undertake approximately ten urgently needed minor projects such as culvert repairs, drainage provisions and road reconstruction from this allocation.

Water Distribution

125. During the year 2001 the Montserrat Water Authority continues to serve all of its consumers with a regular and reliable supply of potable water. After a considerable decline in consumer base between 1995 and 1997 the trend for the past two years has indicated some increase. In 2001 there were 2,832 consumers compared to 2,748 in 2000.

126. There are some areas e.g. Mars Hill, top of Fogarty and Cudjoe Head that are experiencing difficulties related to insufficient storage, undersized main and low pressures. It is hoped that these problems would be addressed in the Water III project this year. We hope that the Belham Valley exploration works may improve the water available for distribution.

127. The purpose of the Water III project is to improve the capacity and reliability of water storage and distribution network within the northern safe zone in order to meet

demand. The Water III project was approved in principle in late 2001 with a pre-project expenditure of approximately EC\$717,600.00. The pre-project expenditure is earmarked for the purchase of specific materials. In addition, this will meet the cost of the consultancy for a digital distribution network that would enable the Authority to have a better knowledge of the system and future demand.

128. It is anticipated that work to upgrade the distribution mainline will be undertaken in Jones Hill, Barzey's, Nixon's, St. Johns, Cudjoe Head and Manjack. Additionally, plans are being finalised for the construction of a new reservoir in Manjack and Mars Hill. This project is expected to cost approximately EC\$5.1 million.

Power Supply

129. Montserrat Electricity Services Limited (MONLEC) is on the way to a healthy recovery, following the scaling down of operations that accompanied the volcanic disaster. The utility has been helped, in part, by the resolve of many residents and businesses to re-establish their installations in the occupied north of the island. However, the utility continues to operate in a very volatile environment and it must seek to strengthen its financial position, as rapidly as possible, to be able to overcome future adverse events.

130. One negative event that has impacted on the operating performance of the company, and the island's economy, since late 2000, was the rapid increase in international fuel prices. The utility responded by embarking on a customer awareness campaign aimed at enlightening customers of the efficient and wise use of energy.

However, the worldwide trend has now reversed so Government is presently negotiating with fuel suppliers to ensure that savings in the worldwide reduction of fuel are passed on to the consumers.

131. During the past year, MONLEC was able to install and commission a fourth 1,000-kilowatt generating set which it financed wholly from internal sources. The company also completed a control center and offices building, funded by the DFID.

132. During 2002 the company will focus on further development of the Power Station site, along with projects for improving the reliability of the electricity distribution network, and activities associated with the restructuring of the utility.

133. This Government values highly, the contributions made by all persons in the electricity supply industry to the economic development of our country, and I therefore take this opportunity to express appreciation to them, on behalf of Government and people of Montserrat.

DEVELOPMENTS IN FINANCIAL MARKETS & INTERNATIONAL AGREEMENTS

134. Mr Speaker, this Government can only achieve sustainability with the support and creativity of the financial institutions. Over the past year, we have been concerned with the level of commitment and approach of some of these institutions in our recovery effort.

135. We are assured that for 2002, there is reason to be optimistic. Several of these institutions have now indicated that they will be expanding their services to customers and where necessary adjust the terms and conditions of their financial products. The Bank of Montserrat, The Montserrat Building Society and The St. Patrick Credit Union have indicated that they intend to resume their mortgage programmes by the end of the year.

136. GoM supports their efforts and stands ready to assist any well-managed institution to improve their services where possible.

137. In my last budget address, I indicated Montserrat's intention to join the ECSE and that we were awaiting the approval of HMG. I am pleased to report that we received the required entrustment and the relevant legislation was passed in this Honourable House. The Act became effective 1 January 2002.

138. Financial institutions can now apply to the Exchange to provide services as intermediaries. These institutions will be licensed to buy and sell shares on the exchange. Mr Speaker, this is a notable milestone because our people will now be able to invest in any island of the OECS. This permits OECS citizens to own property in other islands without any restrictions to the transfer of such property. It has regulatory challenges but safeguards are in place. The business opportunities this creates are tremendous especially in terms of spreading investment risks. As you can see,

Mr Speaker, this legislation allows the ordinary man to invest in companies anywhere in the OECS. He or she will be able to earn a share of the profits of the company or for that matter own companies in any of the islands.

139. We are also pleased Mr Speaker, to report the successful establishment of the Financial Services Commission which came into effect on 1 January 2002. This is an independent regulatory authority and conforms with the practice internationally. Regulation is a costly exercise and GoM has gone further to invite the ECCB to investigate how the Bank can work with the Commission to fulfill its mandate at affordable rates.

140. Mr. Speaker, Montserrat has joined other regional governments in committing itself to the Organisation for Economic Cooperation and Development's principles of transparency and effective exchange of information in tax matters. Discussions on this commitment have been on-going for more than a year and the commitment itself has undergone considerable changes since it was first proposed. This was achieved

through the efforts of the International Tax and Investment Organisation (ITIO), an organisation established to assist small developing countries face the challenges of the global business environment.

141. This commitment will ensure that Montserrat does not appear on the OECD blacklist. Mr Speaker, we cannot afford to be blacklisted especially at a time when we are trying to develop our offshore financial services.

142. Mr Speaker, the foundation is now laid for Montserratians to expand their investment opportunities.

PUBLIC ADMINISTRATION

143. Mr Speaker, we have always been justly proud of our safe, stable and peaceful environment. This Government is committed to keeping the island this way. In this respect, good governance, internal security, information and broadcasting, and high quality public services are key tenets to achieving these goals.

Governance

144. This Government supports the principles of democracy, accountability and transparency in governance. Our present bid for constitutional reform will not deviate from these principles. Many of you are aware that a Constitutional Committee has been established to review the present constitution and GoM is looking forward to the recommendations of the committee. The terms of reference is designed to encourage broad based consultation and input. GoM is encouraging all interested persons and groups to participate in whatever way possible.

145. Mr. Speaker, this government recognises that many areas within our legislation are outdated. We have therefore established a law revision committee led by the Attorney General's Office to review and improve current legislation where applicable. Consideration must be given to changes that have been made to international legislations especially since September 11th last year. This and our own evolving relationship with regional institutions must be examined in light of Montserrat's status as an Overseas Territory of the United Kingdom. It is hoped that some of these issues would also be addressed in the ongoing Constitutional Review.

146. You have all heard the discussions on the granting of UK citizenship to Overseas Territories. The legislation was passed in the UK Parliament late last month. I have also been informed that United Kingdom Passports will be available to Citizens of British Overseas Territories by May this year.

Internal Security

147. Mr Speaker, government continues to support the efforts of the Royal Montserrat Police Force (RMPF), the Fire Department and the Royal Montserrat Defence Force. It is our intention to support the development of these institutions to ensure that our immediate internal security capabilities are not compromised. Mr Speaker, approximately EC\$9.4 million dollars have been allocated in the recurrent and capital budgets for this purpose.

148. GoM applauds the efforts of the RMPF in introducing the concept of community policing. It is hoped that this multi-agency approach would continue to encourage mutual respect for the law. The domestic crime unit at Cudjoe Head is welcomed and should have a positive impact on the wellbeing of members in the household.

149. Mr Speaker, after Hurricane Hugo in 1989 and the ongoing volcanic activity, we should always be prepared for disastrous situations. You will note that the capabilities of the Montserrat Volcano Observatory and Emergency Department have been or are in the process of being enhanced. In this area, a new emergency warehouse is being constructed; emergency shelters are being retrofitted, emergency warning systems and other communication systems upgraded. Mr Speaker, we have allocated to date \$4.9 million in the recurrent and capital budgets for improvements in the emergency response programme.

Information

150. The demand for quick and reliable information both locally and internationally has placed increasing pressure on Government to computerise its systems. Mr Speaker, at this time several computer systems and networks are in operation or being developed. These include the Government Accounting system (COTGAR), the ASYCUDA system used by Customs, the Geographic Information System and the Health Information System. These are government's attempt at modernising its systems to meet the demand for quick and accurate information.

151. Mr Speaker, we recognise that in the early stages of development of any system that there is usually problems encountered. We regret any inconvenience experienced in the services provided to consumers. It is our intention to take appropriate remedial action where necessary.

Broadcasting

152. Government has agreed that there would be a comprehensive review of the ZJB Radio with the view to improving the quality of broadcast and creating greater autonomy. To this end, we have established a Review Committee and the review will commence shortly.

153. Ongoing improvements to the radio coverage especially to the Salem area and the Daytime Entry Zone are being made possible with the commencement of the Emergency Communication Programme. This will provide an additional 5000 watts of broadcast power to Radio Montserrat. This improvement in the broadcasting service is expected to be implemented alongside the development of a more permanent facility to accommodate the station.

Civil Service

154. The focus of government's policy for the civil service Mr Speaker is to improve its efficiency and cost effectiveness especially at a time when funds are inadequate.

155. This means firstly, that where practical, every effort will be made to transfer the delivery of certain public services to the private sector. In our environment, the more activities government engages in, the less business opportunities would be available to the private sector. It is anticipated that the Public Finance Review will identify some of the public services that can be provided by the private sector.

156. Secondly, our policy means that greater attention and resources will be placed in staff retention and recruitment programmes including professional development opportunities for existing staff. The Governor, who is responsible for the civil service has advised that the recent job evaluation exercise was inadequate and a committee was established to address outstanding issues. The recommendations should hopefully, be ready by the end of April. Mr Speaker, this Government is ultimately interested in a competent and adequately paid civil service.

157. Having said the above, Mr Speaker, we recognise that some of our more qualified and capable people are employed in the Public Service. They are forced to remain in the service because they will lose their pension benefits having not served for 20 years. Government feels that it is in Montserrat's national interest to have free movement of labour to and from the public and private sector. It is for this reason that we are in the process of developing a single Social Security Scheme for both public and private employees. Further, this will provide a pool of funds that can be used for the benefit of contributors to the scheme. Government's over-riding policy is that the benefits due to public servants when they are transferred to the Social security Scheme, should not be less than they would have received had they remained on the Civil Service Pension Scheme.

PUBLIC FINANCES

158. The overall thrust of Government's public finance strategy is to generate revenue through increased economic activity in key sectors. The allocations in the

recurrent budget are based on the assumption that there would be no major shift in policy or volcanic activity from last year that would significantly influence revenues or expenditure.

159. The focus of the development budget is to replace Montserrat's economic infrastructure quickly but in an orderly and environmentally friendly manner and that respects our cultural preferences.

160. Mr Speaker, both the recurrent and the development budget will seek to support programmes that promote Montserrat as a destination either for holidays or for investment. Government's support for the Chamber of Commerce and the funding of the tourism development project are examples of this focus. We cannot guarantee the outcome because we must rely on the behaviour of individuals and corporations but at least we intend to create opportunities for investment.

Fiscal Review

161. Mr Speaker, you will recall that before this government took office that HMG had established an aid framework. Let me refresh your memory, on what was stipulated for both budgetary and capital aid:

2001/2002	£24.4 million
2002/2003	£17.0 "
2003/2004	£13.6 "
2004/2005	£09.5
2005/2006	£07.5 "

162. We took office in April 2001 and by the time we cleared the bottlenecks that delayed several development projects, over six (6) months had elapse. Nevertheless, Mr Speaker, we worked closely with our senior civil servants and officials in DFID to ensure that we spend as much of the £24.4 million as possible to stimulate the economy.

163. Government is deeply concerned with the rate of decline in UK grants imposed by the Aid Framework in light of the slow economic recovery and consequently the public revenue base. From what I have seen so far, It is reasonable to state that some of the assumptions on which this framework was developed did not happen and hence there is a need for some adjustment especially in the 2003-5 budgets.

164. In 2001, the level of budgetary aid fell to \$27.8 million, which was \$0.8 million lower than estimated. The actual revenue raised locally during 2001 was \$26.5 million or approximately \$1.0 million less than the \$27.4 raised in 2000. The shortfalls in revenue were in the area of direct taxes and duties & consumption taxes. Improvements in stamp duties however, reduced the impact of these shortfalls in revenue.

165. Mr Speaker, expenditure for 2001 totalled \$52.2 million. With respect to expenditure, there were savings in 2001 budget due partly to the vigilance of civil servants and vacancies that existed within the service. These were also due the fact that the responsibilities of several positions were performed by technical co-operation officers who were paid directly by DFID from the development budget. It was this saving that allowed us to pay the one (1) months salary in December 2001.

166. The long awaited Public Finance Review consultancy has begun. Many individuals, and groups have participated in preliminary discussions with the consultants. They are currently in the process of evaluating the information obtained. They will also compare this information with other regional countries before entertaining further discussions. We look forward to the recommendations of this report to see whether they can be incorporated into our system.

Fiscal Projections

167. We must note that for this financial year, that is, 2002/2003 the total UK aid package is £17.0 million or \$64.6 million. Mr Speaker, Government proposes to spend \$143.6 million allocated between the recurrent and development budget.

Recurrent Expenditure

168. Mr Speaker, based on the programmes put forward for the fiscal year, I propose to spend \$66.2 million under the recurrent budget. This is \$10.9 million more than was allocated in my last budget. The allocation to Ministries and Departments are as follows:

Votes	EC\$
Consolidated Fund Services	8,335,400
Ministry of Agriculture, Housing, Lands & the Environment	4,573,800
Ministry of Education, Health & Community Services	15,819,250
Ministry of Communication & Works	13,451,650
Ministry of Finance	2,917,320
Other Departments	21,137,980

	66,235,400

169. The increase in the budget reflects the transfer of management and cost of the ferry and helicopter services to Government of Montserrat. The figure of \$7.5 million is included under the Ministry of Communications and Works for that purpose. The second major component of the increase is an amount of approximately

\$2.0 million for addressing staff recruitment and retention issues including a payroll increase not exceeding 10%. Also included in the increase is an allocation of \$1.0 million for pensions and gratuities that become due in 2002.

Recurrent Revenue

170. This year Government estimates its local revenue to be \$28.2 million. This leaves a recurrent budget deficit of \$38.0 million. The United Kingdom Government has agreed to finance this deficit. In the estimates of revenue and expenditure, you will note that recurrent revenue for 2002 increase by approximately \$1.7 million over the total for 2001. This increase is due mainly to the anticipated revenues to be generated from the helicopter and ferry services.

Development Fund Expenditure

171. Mr Speaker, the value of the Public Sector Investment Programme over the next year is \$77.4 million. British Development Aid for existing and new projects account for \$69.0 million, while \$8.4 million would be funded by other donors and savings from the recurrent budget. The funds allocated to Ministries and Departments are as follows:

Votes	EC\$
Ministry of Agriculture, Housing, Lands & the Environment	24,196,790
Ministry of Education, Health & Community Services	15,192,270
Ministry of Communication & Works	22,937,890
Ministry of Finance Economic Development & Trade	9,665,590
Other Departments	5,377,180

	77,369,720
	=====

172. In the development budget you will also note that \$53.0 million has being allocated for infrastructure development, \$3.3 million for natural resources development, \$14.7 million for improvements in social services and \$6.4 million for miscellaneous projects. The latter allocation includes for example, expenditure on training, small enterprise development and tourism repositioning (Draft Estimates: pg 57).

173. The trend in the past is for 25 – 30% of the funds available to be spent within the financial year. This is the result of delays in design and approval of projects. GoM intends to work closely with DFID and other donor agencies to ensure the speedy release and use of funds in the year they are budgeted.

174. Mr Speaker, DFID and GoM have agreed a new procedure for processing development claims. The new system is for GoM to present a forecast of development

fund expenditure on a quarterly basis. DFID would then advance these sums through Crown Agents Financial Services Ltd, to a separate development fund account kept by the Treasury. The disbursement of funds from this account would be reconciled on a quarterly basis. This means that GoM will always have sufficient funds on hand to pay for expenditure on projects. In addition, the processing of these claims would be easier and quicker. This is a vital development given that over the next year a few large projects are expected to start.

Public Debt

175. Mr Speaker, our foreign debt mainly held with the Caribbean Development Bank (CDB) stands at approximately \$20 million (£5.3 million). The balance is similar to that of last year because of the three-year moratorium granted on several loans. A further \$4.0 million is due to bondholders but this is adequately covered by sinking fund accounts maintained for retiring this debt..

176. It is our intention to continue to maintain Montserrat's high credit rating on the international market. We need to find ways of retiring these debts earlier than programmed. Most of the outstanding loans were for assets, like the Port Plymouth Jetty and mortgage programmes, that were located in the path of the volcanic flows and have been destroyed or rendered unusable by volcanic activity. Loans for Agriculture, Commerce, and Industry have suffered the same fate.

177. Many of these assets must be replaced in the north of the island and require similar loans to be taken. Unfortunately, the insurance payoffs were inadequate to retire old loans. This situation has hampered the redevelopment effort as we do not have the financial flexibility to borrow to finance critical projects. In addition, we are receiving budgetary assistance from the United Kingdom and therefore are not authorised to borrow.

178. We have discussed the issues with Her Majesty's Government and the CDB and we hope that a reasonable solution can be reached to alleviate the difficulties posed by this situation.

Significant Financial Policies

179. Mr Speaker, My Government is keen to resolve the tax arrears problem in a consistent, practical and equitable manner. **As a first step government will 'write off' all property taxes owing including the penalties and interest on properties south of Belham Valley.** Many of these properties have been destroyed and others cannot be used for the purpose for which they were built. Over the past six years, these properties has been inaccessible to the owners and the cost and effort of keeping them in good repair after continuous ash falls justify this decision.

180. As I have explained earlier, housing is essential to achieving population growth and restoring national dignity. But Government alone cannot address all the

needs identified. Too many Montserratians at home and abroad, now live under less than tolerable circumstances; in fact, many of those who have lived comfortably in the past have fallen below the poverty line and are dependent on Government and in some cases strangers to survive. **To encourage the private sector to be involved in resolving the land and housing issue, property owners, developers and financial institutions will be exempt for a period of three (3) years from:**

- **All taxes on income arising from the sale of land to citizens of Montserrat for residential purposes;**
- **All taxes on income arising from sale of homes by a developer and income arising from mortgages issued by financial institutions to citizens of Montserrat.**

181. Mr Speaker, we believe that Montserrat has much to teach the world and we are keen to encourage reputable offshore educational institutions to establish themselves on island. We see our volcanic experience for example as a product that with assistance can be developed to the mutual benefit of investors and Montserratians alike. **We propose that offshore educational and scientific institutions provided they register an appropriate legal entity incorporated under the Laws of Montserrat, be exempted from the following:**

- **Income taxes for a period of 10 years in the first instance with reviews conducted every five years; and**
- **Import duties and consumption taxes on all machinery and equipment related to the operation and development of such institutions.**

182. Finally Mr Speaker, in an effort to promote partnerships between local and international firms, the following incentive is proposed. **Offshore companies and individuals who through a partnership or joint venture conduct an approved business on island will be exempt from withholding taxes on income or dividend repatriated for a period of five (5) years.**

183. Mr Speaker, like last year this budget will not propose any new tax measures instead Government wants to target expansion of new and existing businesses by the use of incentives. This policy recognises that increased taxation in the current economic climate would lead to a contraction in the economy. We cannot afford this because it would mean fewer people would be available to pay the cost of public services. Our aim is to secure sustainability through an expanding economy.

ACKNOWLEDGEMENTS

184. Mr Speaker, my Government understands the importance of partnerships in achieving economic and social development. It would be remiss of me not to recognise the contributions of our benefactors and the support of our social partners.

185. We are grateful for the assistance of our main benefactor, HMG and in particular, DFID and Foreign and Commonwealth Office. In spite of any difficulties or sensitivities that may exist, it would have been virtually impossible to achieve and maintain our current level of development without their assistance. There is however, room for improvement.

186. Government of Montserrat also takes this opportunity to thank the European Union for maintaining the aid allocation to Montserrat for the airport for over a decade. We continue to cherish their support and hope that we can negotiate programmes that would lead to greater opportunities for our peoples.

187. It is necessary to place on record our sincere thanks to the Government of the United States for the Temporary Protected Status classification granted to relocated Montserratians that allow them to remain and work in the United States. I hope that this benefit continues and that in spite of our smallness that it will be possible to collaborate and implement programmes that are mutually beneficial to both of our citizens.

188. Mr Speaker, we wish to thank and commend our CARICOM and OECS partners for their support and the various initiatives undertaken during the past year. This has proven to be a vital source of policy support for member countries especially when we are required to respond to the impacts of globalisation. We would wish to specifically mention the work of the Eastern Caribbean Central Bank in creating a single financial space in the OECS. This will facilitate the free movement of financial resources among member states for the mutual benefit and development of all.

189. Government takes this opportunity most of all to thank Montserratians, other residents and well wishers who have continued to have faith in our island paradise. They are the people that make things happen and we will do all we can to ensure that you are rewarded for your optimism and commitment.

CONCLUSION

190. Finally, Mr Speaker, this Government has sought to make the best of every opportunity that presents itself in this rather challenging situation. You will recall that I mentioned earlier that we are under pressure to conform to international standards that are by their very nature, designed to reduce the access of small states to the benefits of the global market place. We are forced to respond to trade liberalisation policies developed by powerful institutions that have the effect of making our products uncompetitive resulting in unemployment and weaker economies. Further, the goal posts are constantly changing through legislation, treaties, and policy directives by people who are not familiar with our circumstances and so we are always catching up using scarce resources. From where I sit, Mr Speaker, the more we integrate globally the more we become isolated and impoverished.

191. Nevertheless, while we have life we must continue to grasp every opportunity, no matter how small the chance maybe to succeed.

192. The strategy of the 2002 budget is therefore quite simple. It maintains a proportionately high public expenditure programme aimed at stabilising activity in various economic sectors and redistributing where possible, some benefits to the poorer and weaker among us. It also seeks to create short and medium term opportunities for the private sector and challenges them to take a less conservative approach in investing in Montserrat. If we are successful, the economy will expand and create further opportunities. On the other hand, if we fail the economy will contract, especially in the face of declining aid, and our worse fears would become a reality.

193. Mr Speaker, people are our greatest resource. Government therefore continues to trust the resilience of Montserratians, their faith, tenacity and creativity. It is in this conquering spirit that we wish to make an investment, as we strive to find economic sustainability.

194. Mr Speaker, I so move.