



BUDGET STATEMENT 2013/14



**"Counting
our Blessings
Amidst the Challenges"**

**Presented by the Hon. Premier
and Minister of Finance &
Economic Management
Delivered in the Legislative Assembly**

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Abbreviations

APIS	-	Advance Passenger Information System
BAICO	-	British American Insurance Company
CLICO	-	Colonial Life Insurance Company
DFID	-	Department for International Development
ECCU	-	Eastern Caribbean Currency Union
FCO	-	Foreign and Commonwealth Office
FRA	-	Fiduciary Risk Assessment
GDP	-	Gross Domestic Product
GIU	-	Government Information Unit
GoM	-	Government of Montserrat
HMG	-	Her Majesty's Government
HOME	-	Home Ownership Motivates Everyone
HYPE	-	Help Young People find Employment
IMPACS	-	Implementation Committee on Crime and Security
MDC	-	Montserrat Development Corporation
NCD	-	Non Communicable Disease
OECS	-	Organisation of Eastern Caribbean States
OTEP	-	Overseas Territories Environmental Programme
PEFA	-	Public Expenditure Framework Assessment
SCOT	-	Safeguarding Children in the Overseas Territories
UK	-	United Kingdom
US	-	United States
UWI	-	University of the West Indies

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INTRODUCTION

This budget seeks to take us back to the foundations of our faith – that calls us to have hope amidst challenges knowing that God is always with us and his steady hand has never failed. We therefore take this opportunity to reflect on some of the many blessings we probably take for granted.

Last year's budget was about securing a sustainable future for Montserrat. The focus was then on securing binding financial agreements and commitments for engaging in projects and activities that will deliver economic growth.

We must be thankful for the blessing of life. Through our senses we experience the beauty of the world, its people and nature. While we remain alive there is always something we can do to change our circumstances no matter the challenge.

We must be thankful that we live on an island which continues to be relatively crime free. We will strive to keep it this way.

We must be thankful that we live in a community where there is access to good health care and education from birth to death. Through family and community support and by applying themselves, our children can be anything they really want to be. There are no restrictions or barriers to ambition.

We must be thankful for the blessing of religious freedom. We need not hide to express boldly our spiritual beliefs.

We must also be thankful for the blessing of owning property for our peaceful enjoyment. There are countries where you can't do that unless you were born into a privileged family. It may take some time but on this island we can change the way we live.

We are thankful that we exist within a region with a stable currency and States that are willing to cooperate with us in functional areas such as justice, education, health and engage in common policy approaches. In so doing, we are able to minimize costs and access a wider market area.

We must continue to be thankful for the blessing of having a generous donor community and in particular, the United Kingdom and the European Union. The loss of over \$4 billion in assets and infrastructure following the eruption of Soufriere Hills Volcano is the foundation for Montserrat's current challenge. Undoubtedly, we would be worse off if we had to borrow our way to growth.

It is with this thankful spirit, that we enter this new budget cycle. This is with the full understanding that the global environment is difficult even for the developed and better resourced countries. But this Government continues to press forward,

making the necessary sacrifices and championing Montserrat's bid for sustainable development.

CURRENT POLICY ENVIRONMENT

Economic

Preliminary estimates of the global GDP for 2012 saw growth slowing to 3.2% down from 3.9% in 2011. The advanced economies continued to see sluggish to negative growth in 2012, and unlike the previous years the emerging economies could not be depended on to shore up the faltering global economy.

The incredible growth experienced by emerging economic powerhouses such as China and India during 2011 saw significant decreases in 2012 falling from 9.3% to 7.8% and 7.9% to 4.5% respectively. Although these growth rates when compared to the advanced economies are impressive, it highlights the general economic downturn experienced during 2012.

The debt crisis continued to batter the Euro zone economies with growth estimated at -0.4% in 2012, a complete reversal of the modest 1.4% growth in 2011. This was mainly as a result of the near collapse of the economies of several of the Euro zone countries such as Greece, Portugal, Italy and Spain.

These countries continued to experience turmoil in the financial markets, as unemployment soared resulting in more stringent conditions and higher cost of borrowing. As these economies struggled to reduce the burden of debt and

widening deficit, a number of increasingly harsher and more painful austerity measures had to be implemented.

The region's main trading partner, the United States, saw an increase in growth of 2.3%, as job creation grew and consumer spending expanded. This brings with it some hope for many of the world's economies including our own.

The UK economy which is arguably the most important factor in Montserrat's continued development saw growth contract to -0.2%, down from 0.9% in 2011. Clearly, this will continue to cause some concern for us and public investment in the future.

The Eastern Caribbean Currency Union (ECCU) continued along the trend of contraction, as growth was once again estimated to contract by -0.1% in 2012. Although the ECCU countries experienced another year of negative growth, it is worthy to note, that the contraction was much less than the average -2.2% experienced over the past three years.

This will continue to create concerns as these economies struggle to pay their debt. Currently, debt restructuring programmes are being implemented in at least three ECCU member states.

Local Economy

The growth forecast for 2012/13 of 1.6% is a marked contrast to the forecast for our neighbours in the ECCU and many larger countries in the region that

experience negative growth or growth of less than 1%. 2013 is also expected to see the Montserrat's economy continue along this path as the Government undertakes a number of development projects.

Sectoral Analysis

The Government of Montserrat continues to implement its plans to shift economic growth from being public sector driven to a more mixed economy where both the private and public sector contribute to overall economic development. This, we must be aware will be a longer term goal and the necessary infrastructure must be in place to allow the private sector to flourish.

The major growth sectors for 2012 were Hotels & Restaurants estimated at 6.6%, Financial Intermediation 4.3%, Construction 2.5% and Agriculture 36.9%.

We cannot help but recognize that although the global economic environment during 2012 looked bleak, Montserrat's economy is still recording growth and is projected to grow beyond 2013. Most of that growth will be due to the major on-going and planned capital investments with an increasing contribution from the private sector.

The Fiscal Framework

In 2012/13, using the medium term economic framework, we projected recurrent revenues, including grants, of approximately \$101.3 million and similar expenditure levels.

The actual revenue outturn for 2012/13 is projected to be around \$95 million and the Ministry of Finance has sought to manage the expenditures within this limit. Several worthwhile programmes had to be withdrawn which we would have liked to support but unfortunately the funds were not available. This is because we have taken a pragmatic approach to the public budget – namely, only spend what is available.

We projected that 13% of the recurrent and development budget would be spent on Strategic Management and Administration actual spend 12%; 3% on Information, Planning and Policy Coordination amounts fully spent; 6% on Financial and Economic Management actual spend 5%; 5% on Education, Youth and Sports actual spend 4%; 21% on Health and Social Services actual spend 15%; 18% on Management and Governance actual spend 12%; 8% on the Administration of Justice and Internal Security actual spend 6%; and 25% on Infrastructure Services actual spend 44%. This analysis of the expenditure for fiscal 2012/13 shows that by March 31, the end of the fiscal year we are likely to spend 12% less than projected of the recurrent and development budget.

We have committed ourselves to clearing all of the outstanding debt obligations that have been ignored for years. We have paid off the very substantial debt due by Government to Blake's Estate Limited, which was owed since the late 1990's, for lands acquired for the Look Out housing development.

We must thank our partners in DFID for this special assistance. In like manner, we have paid down a substantial portion to the UWI and other bodies from an

accumulation of savings from previous years. We will continue to do this while ensuring that Ministries and departments do not build further arrears.

We have centralized a number of obligations within the Office of the Premier to ensure that the payments are paid on time.

In last year's budget, we identified the BAICO and CLICO collapse as a major issue that could have a significant impact on the GoM's fiscal position, local institutions and individuals.

There has been some resolution to the problem and yet another blessing – our worst fears have not materialized. British American Insurance (BAICO) is in the final stages of going through the Judicial Management process.

BAICO's traditional insurance business is being transferred to SAGICOR and those persons with life insurance will now retain their cover and consequently the financial institutions with loans that are guaranteed by these life insurances can now feel more secure.

Individuals and institutions with investments in annuities can now look forward to the return of all or part of their investment. Persons with investments in the Flexible Premium Annuities (FPA) with \$30,000 or less, received all their investment in December 2012 from the Judicial Manager.

Policyholders with investments between \$30,000 and \$150,000 will receive a substantial portion of their investments based on the available funds in the pool. It is expected that policyholders with investments in annuities over \$150,000 will benefit from the sale of assets and proceeds from litigation against persons associated with the collapse.

In addition, CLICO (T&T) with the backing of the government of Trinidad and Tobago and the Republic Bank provided a proposal to investors with a number of options. Many policyholders exercised their options. They received cash with the balance converted to bonds maturing over a period of 20 years. CLICO (Barbados) is still under Judicial Management and we await the outcome of this process.

This result would not have been achieved without the collective efforts of the Governments of the Currency Union, Ministerial and technical committees, regulators and the Government of Trinidad and Tobago. We now await the outcome of the Judicial Management process in Barbados.

Social Context

In reviewing the results of the census, the population comprises 52% male and 48% female. 20% of the population is over 50 years and 15% under 20 years. This will have implications on our general policies but in particular, our immigration and labour policies as we undertake the major capital development projects.

The literacy rate is estimated at 96% with 91% of the population having at least a primary level education. We are working at converting this high literacy rate into developing a workforce that is relevant for our continued development.

52.5% of the 2,335 households own their homes outright or with a mortgage, 39% live in rented accommodation and 7.9% live in public assisted housing.

43% of admissions to our hospital are related to diabetes and hypertension and reflects the main challenge to the health of the population and one of the areas of focus of GoM's health policy.

Bearing in mind these facts, it must be acknowledged that notwithstanding the issues and challenges that still confront the Emerald Isle, the standard of living is commendable and opportunities for development is steadily increasing. Most importantly, we are putting in place the policies and programmes necessary to address the gaps identified within our economy.

POLICY ENVIRONMENT FOR 2013/14

Delivering the Framework Agreements and Commitments to Drive Growth

This will be the third year in our new multiyear planning and policy environment. The goal of this government was to agree with our development partners, a clear set of policy commitments designed to stimulate economic growth and reduce reliance on budgetary aid.

We have to date secured a signed policy commitment with HMG entitled “Montserrat Sustainable Growth and Development Package”. Consequently, obligations and responsibilities are clear and all ministries and departments are being held accountable.

A key reality of this process is that GoM commits to being fiscally responsible. The UK Government, having studied the evidence of a number of economic reports, recognise that it must make strategic investments in key areas in the medium term so that the British taxpayer would in the long term spend less to support the reasonable needs of Montserrat.

We are also preparing to renegotiate a new programming document with the European Union. The successful completion and agreement of the programming document will provide Montserrat access to additional funds.

Delivering Key Economic Infrastructure

Energy

We have agreed an energy policy that is aimed at reducing dependence on fossil fuel. Work on geothermal has begun with the commencement of drilling a few days ago. We are indeed delivering the goods.

Port development

The designers for the new port development at Carr's Bay are moving towards the 90% completion stage of the design. The facilities will include a breakwater extended for the protection of the port, the marina, fishing vessel mooring area and the waterfront facilities in the new town. Preliminary estimates indicate that this would cost in excess of US\$100 million.

The facilities will accommodate cruise ships up to 275 meters. It will also accommodate up to 100 yachts to include the ferry. There will be tourist facilities and appropriate separation of passengers from the normal port activities. A facility for fishermen is included in the design. We cannot make a similar error as was done with the airport. We will take our time and get the design right and appropriate to the long term development needs of Montserrat.

Little Bay Town centre

Montserrat like its neighbours is extremely vulnerable to external shocks and natural disasters. Consequently, we have not been immune to the effects of the global recession; increases in oil and food prices and interest rates. Yet, we are thankful we have been spared the ravages of hurricanes and our volcano has been quiet for more than three years. We are most grateful for the assistance of our development partners, especially DFID and the EU for the development stimulus and budgetary cushion they continue to provide.

A number of investors have begun to show interest in various facilities within the town centre and an Investment Fund is being created to allow nationals at home and within the Diaspora to invest in the island's development. We have had expressions of interest from at least 11 potential investors in various aspects of the

development in Little Bay. We will continue to ensure that we work toward bringing most of these investments to fruition.

Road Networks

Government continues its major roads improvement programme. We have to date spent over \$17.2 million upgrading the main road between Salem and Brades. The improvement includes the laying of ducts to ensure that electricity, telephone and cable can be delivered to the various communities through underground cables. The drainage for our three major ghaut or river crossings has been improved to reduce flooding of our roadways.

Social Infrastructure

We are pleased to announce the approval of the hospital re-development project which includes a number of component projects aimed at delivering high quality health services to present and future populations. The total project value is well over \$30 million.

The project will not only focus on the buildings and equipment but also on the prevention, management and treatment of non communicable diseases; improving the quality of home care and support for NCD patients and elderly, thereby reducing hospital admissions and re-admissions.

We are also improving the education infrastructure at the primary school level. The project will not only deliver additional classrooms, laboratories, library and staff facilities, but also an auditorium which will enhance the performing arts.

Expenditure on improvements to Access

We are in the process of negotiating financing for the improvement of access to Montserrat. This includes proposals for a fit for purpose ferry and Twin Otter aircraft. In addition, we are looking at continually upgrading the current airport and runway facilities to improve the safety and security of the aerodrome.

European Union's Commitment to the development budget

Notwithstanding the above, the European Union has allocated some €15 million of which we have drawn down €5 million this year and we are preparing to draw down another €5 million next year. These draw downs are based on us achieving certain targets which will trigger the release of funds.

We are confident in suggesting that this is the highest level of approval for projects in Montserrat's post volcano history. This is a sign of the confidence which our development partners have in the current administration. We must be thankful for these and other blessings. We can say that we have delivered the commitments for financing the key economic and social infrastructure necessary for growth and development.

Promoting the Development of Private sector infrastructure

A key policy outcome is that of encouraging private investment to the island, and to support local entrepreneurs in business development. This is being done by creating the necessary framework within which they can operate. We will, among other things, continue to critically analyse the public sector and identify services which can be more efficiently provided by the private sector.

We are continuing with our programme of fiscal incentives and a speeding up of the processing of investment applications. This Government is committed to making it simpler and easier to do business in Montserrat.

This government through the MDC has established a One-Stop Shop to facilitate inward investors. This includes a range of packages of assistance from business registration and financial planning, to land development applications and processing. The MDC has also recently launched a website, called "Invest Montserrat", which describes the attractions and opportunities for investing in Montserrat for potential investors.

A lot has been achieved since the Charrette in October 2011 when the previous Little Bay Master Plan received a final and detailed review. The current plan illustrates the development intentions throughout Little Bay and Carr's Bay including details of the proposed buildings for Montserrat's new town. Computer generated images of these structures are now available to the public at the MDC's sales office and will be online by the end of March 2013.

The question continues to be asked, when will we see major Development in Little Bay. I say, have a little faith. Already, the MDC has received interesting proposals

for various development undertakings but we must evaluate them properly. These intentions include local and overseas Montserratians.

The area at the northern end of Little Bay has already been cleared and will be ready to be developed into the new Marine Village, which will comprise a family beach area and associated facilities. The washroom for the family facility was completed in January this year. Four beach huts are planned and the call for business applications will be sent out by the end of this month, March.

Government divestment of school transportation, school meals and cleaning to the private sector has served in a small way to increase private sector contribution to GDP. We intend to continue to take steps to implement these divestment policies.

Promoting Public Administration & Governance

Over the past year, implementation of programmes for improving governance has been incremental. We have established the Commissions Secretariat; the Complaints Commission, with the other Commissions to be established in 2013. The resourcing of the National Audit Office is still ongoing.

The establishment of an Internal Audit function is now well on its way. This function will provide the information that will assist managers to ensure that resources are being used appropriately and inherent risks are minimized. We must ensure that the taxpayer receives good value for monies spent.

We continue to strengthen the capabilities of our institutions to appropriately operate at a level that will improve Montserrat's international rating as a well-run government and a good place to do business.

A number of Civil service development activities have also been initiated throughout the year. We must continue to improve the service's capacity to operate more efficiently. We record our gratitude to Her Majesty the Queen's Jubilee programme for providing the relevant funding allowing us to access online learning opportunities for Officers throughout the Service.

Over the years, the ability to attract and retain critical skills has proved rather challenging for us. It is expected that over time this will be alleviated through our long-term training and development strategy underpinned by a new set of learning and development protocols. Government is keen on ensuring that our people are given the opportunity to be developed to their fullest potential.

On the order paper for this sitting of this Honourable House, we will present the OECS Economic Union Bill. This Bill emanates from the revised Treaty of Basseterre. Once passed Montserrat will accede to the OECS Economic Union treaty. It should be recognized that Montserrat is an original member of the OECS since its inception in 1983 and this move is in keeping with the continued improvements within the OECS family. We will be no worse off. Rather, it creates opportunities for Montserrat.

We have now completed much of the work around improvements to the public budget as identified in the reports, that is, the introduction of the medium term multi-year expenditure framework and the classification of the chart of accounts to meet internationally accepted standards. More work is required in developing the performance indicators and linking them to the budget.

The operation and management of Statutory Bodies and government owned Corporations was identified both in the Fiduciary Risk Assessment (FRA) conducted by Crown Agents and the Public Expenditure Framework Assessment (PEFA) completed by the World Bank as an area with substantial risks.

As a result, during the first quarter of the fiscal year work will begin on the risks associated with the management and operation of all statutory bodies and government-owned companies. A Financial Adviser is already in place to work with the Ministry of Finance to undertake this work. The electorate of this island has trusted this MCAP governing group that is working assiduously at enhancing the international image of Montserrat.

Strengthening the Social Services

This government is intent on investing in the development of our people and improving the quality of life of Montserratians and all our friends that have chosen to live here.

We have a nine year Education Development Plan which is now well into its second year of implementation. The plan focuses on equipping the education management and leadership teams, improving the quality of teaching, reforming

the curriculum, improving the teaching and learning environment, as well as, forging strategic partnerships in education.

We will soon complete a National Youth Policy to guide us in empowering our youth. The Look Out Primary School extension will be commissioned shortly.

This government is also continuing to support our youth through our School Leavers Training and HYPE programmes helping to transition them from school to the world of work.

The management and care of our elderly and more vulnerable persons is a duty this government takes seriously. We are undertaking a comprehensive assessment of the Social Welfare system. This review will help us to redesign the social protection network to improve efficiency in meeting the needs of the poor and vulnerable.

Our children are our heritage and we must leave them a good legacy. Our government is taking steps to secure their future through targeted interventions and investments. It is vital that the risks to children and young people of abuse and exploitation are recognised and dealt with.

We are grateful for interventions from partners such as the DIFD's SCOT Programme (Safeguarding Children in the Overseas Territories) for helping us to develop a set of policies, protocols and procedures for protecting our children. We must also recognize the recently formed children's society by a group of volunteers. This is indeed encouraging.

The dream of house ownership is one distinctive trait of our people. The government has been doing its part to ensure that this dream remains an attainable one. We have used a mixture of strategies to support this. Our HOME Programme, home improvement and other grants, and making serviced residential lots available are some of the approaches which have been implemented.

We were able to secure a reduction of mortgage interest from 10% to 6.5% by negotiating with lending institutions on island.

We are therefore very pleased to report that as a result of these varied interventions we have been able to finally close all our shelters.

Safeguarding Public Order, Safety and Security

As we seek to create a sustainable economy we are well aware of the risks associated with development. In this new environment it is important that every effort be made to minimize crime and to ensure the safety and security of persons and property on island.

Legislative Drafting Programme

Over the year we have passed a number of legislation aimed at improving the regulatory framework on island. In particular, we have made great strides passing legislation in areas of governance, family law and financial management.

The Magistrate's Court (Amendment) Act came into force on July 18, 2012 and empowers the Magistrate to make an order instructing the person's employer to

garnish the wages of the person against whom the order is made and to pay the amount deducted into the Office of the Court or to the person to whom payment is ordered. A similar provision is included in the new Matrimonial Proceedings Act which came into force in November 2012. That latter Act seeks to simplify the procedure for obtaining a divorce in our courts.

Significantly, the Status of Children Act which came into force in November 2012 removes from our laws once and for all the distinction between children born out of wedlock and those born to married parents. It also establishes the circumstances in which presumptions of paternity can be made.

A modern Labour Code was also passed into law last year and came into force on December 27, 2012. It consolidates the legal framework concerning work related issues in one law.

It also introduces additional benefits such as paternity leave of up to two weeks to a man whose wife or de facto spouse is on maternity leave and also compassionate leave to an employee on the death or critical illness of his or her parent, child, brother, sister or spouse.

The four Bills mentioned are just three of over 65 pieces of laws drafted and finalized by the Legislative Drafting team over the period under review. They have responded in a timely manner and with the utmost professionalism to the demands made of them.

We in Montserrat continue to enjoy social and political stability which provides the confidence to undertake day-to-day activities with ease. We however, recognize

that we cannot be complacent. In this regard we have joined forces with the regional and international security agencies in the continued fight against crime.

The use of IMPACS and APIS along with other such initiatives will provide information on the movement of criminal suspects. We are collaborating with the US authorities as well. We must all work together to keep Montserrat crime free.

We will seek to identify the risks and deal with them before they become unmanageable. We will continue to support and develop the capability of our civil and criminal justice institutions to ensure access to justice for our entire population.

Sports, Tourism, Culture and Information & Broadcasting

Over this year we have observed several positives as we have continued to support sporting development on island with particular emphasis on cricket, netball, basketball, football, track and field, and volleyball. We are seeing the re-emergence of our cricketers on the Leeward Islands stage and being noted for progression onto the West Indies team.

Our athletes are benefiting from The Digicel Grassroots Program and the Scotia Bank Kiddies cricket program. This government understands what blessings can come of having our athletes make the world stage and we are committed to ensuring that they get there.

Tourism is an industry critical to the sustained development and the maintenance of livelihoods in Montserrat. We will continue in 2013 to consolidate all our other

tourism related assets to improve the products of Montserrat that continue to attract visitors to our shores.

In this regard, we will create new institutional arrangements to bring under one umbrella the activities of the Tourism Board, Culture, the National Trust and related organisations. There will be a TDP-4 Project which will finance developments and improvements in the core areas to provide:

- An expanded and diversified Tourism Product
- Enhanced Visitor Attractions and Amenities
- Upgraded Quality and Service Standards
- Seamless Air-Sea Inter-model Access and Visitor Facilitation
- Focused and Cost Effective Destination Marketing
- Re-organised and Strengthened Institutional Arrangements

The Montserrat Cultural Centre will remain a cornerstone for the expression of culture and a sales point for our visual and literary arts. This Government recognises the challenge that the management have been facing for a number of years and will incorporate it within the Montserrat Tourist Board's management structure.

During the past year, we have achieved an integration of our information and broadcast units, GIU and ZJB. The addition of 'The Spirit of Montserrat' Face book page and utilization of YouTube has broadened the multi-media reach of both systems especially for our people all over the world and of course in helping to sell Montserrat abroad.

We will continue to encourage and support improvements to the technology so that delivering information becomes easier and as a result help us to reach a wider cross section of people and businesses.

Significant Economic and Fiscal Policies

This government recognizes the need for every Montserratian to have a stake in Montserrat's future and that every investor feels welcomed and a part of the Community.

We have therefore sought to put together a package of incentives for local and foreign investors. Currently, returning Montserratians benefit from a waiver of Customs Duties and Consumption Tax on their personal effects including a vehicle but are required to pay an administration charge of 5%.

Individuals constructing a house for rental or for sale over US\$300,000 can apply to have a waiver of duty and consumption tax on materials and furniture after presenting their architectural drawings and bills of quantities to assist the MCRS in ensuring that the correct quantities of materials are exempt.

Many individuals have been complaining that incentives are only given to foreign businesses. We have listened and now we have passed the Micro and Small Business Act which provides for concessions on a variety of items such as income tax, building materials, furniture, tools of trade etc. for those Montserratians wishing to establish a business.

We are systematically providing the tools for everyone living on island to participate and benefit from the new Montserrat. We have made it possible for all businesses that play by the rules to benefit from a variety of incentives.

We will continue to promote foreign investment. We have agreed an investment policy aimed at having a transparent set of concessions for large investors. Foreign investors will be for instance, entitled to a number of benefits including tax concessions, economic citizenship, work permits etc. based on the size of the investment, the type of investment, whether it is competing with local investment and proportion of nationals employed including plans for training.

We have also taken steps to reduce the bureaucracy involved in handling investments both local and foreign. We have had a number of consultancies in which everyone was encouraged to participate.

We have listened and have established a “one stop shop” to ensure that both foreign and local investors will have a positive experience when establishing and operating businesses on the island. A professional team is being recruited at the MDC to lead in the process.

We have agreed to outsource further services within government. These include hospital laundry, catering and security services. This will be added to the work being done in improving the management and care of the elderly.

We have taken steps to bring a number of services on line. We already have an online visas application system, customs clearance and we are well on the way to bringing our Property Tax and Inland Revenue online. Work is also being done by the Financial Services Commission to bring the entire company registry online.

We have recently passed our new cultural policy and a national honours and awards system to ensure we have in place a framework to guide our cultural development and honour persons who have made significant contribution to Montserrat's development.

Public Finance and Resource allocations

Overall budget current and capital

The total budget allocation for this fiscal year 2013 is \$179 million. This represents an increase of over \$52m from last year. Our aid partners have shown great confidence in this administration and our financial management systems. They are assisting us in investing significantly in areas that will grow the economy and help secure a sustainable future.

This year the estimated revenue from local sources is expected to yield \$44.7M. Grants for funding the recurrent budget are \$55.8m for a total recurrent expenditure of \$100.5m. This represents about a 1% decrease from the 2012 approved budget. This reduction comes from our determination to grow the private sector contribution to GDP while decreasing the footprint of government as well as to significantly reduce our long-term liabilities.

Seventy two percent of the recurrent budget is fixed to cover pensions and related retirement costs, of which 55% relates to direct staff costs. The remaining 28% or \$28m of the budget is available to fund services. This ratio is unsustainable.

Tax revenues from income and trade account for approximately 77% of revenue generated locally. Fees, fines, permits, rents, interests and licenses will be expected to generate the remaining 23% of the total revenue.

The Estimates of Revenue and Expenditure presented is balanced but this is premised on the assumption that every taxpayer, whether individual or company, will continue to meet their obligation as good corporate citizens, and pay their taxes in a timely manner, and those who have arrears to settle these as quickly as possible.

We will continue to demand fiscal discipline by Accounting Officers to meet the targets in the most economical and efficient manner. In so doing, we will ensure that the money received from taxpayers will be properly managed and accounted for. Part of the process requires that our Public Financial Management systems have been significantly improved and all financial reports are being published.

A number of projects are currently being considered by DFID for approval and these will be presented to this Honourable House through a Supplementary Appropriation Bill as soon as they become available. We only count our chickens when we see them.

We propose to spend \$40.9m on infrastructural development. \$23.9m of this amount is for geothermal energy exploration; \$17.3m will be spent on

development of social services and social infrastructure; \$10.9m will be spent on public administration including human development and \$7.8m for miscellaneous projects across a range of areas including tourism, and development co-ordination and planning. The Development budget will be funded by Her Majesty's Government through DFID 80%; the European Union 15% and the remaining 5% by OTEP, Darwin and the Government of Montserrat.

Allocation by Ministries and Programmes

The Recurrent Budget reflects a number of policies and programmes aimed at moving government towards fiscal sustainability. The recurrent budget is used to facilitate salaries, wages, and operational expenses of the Ministries and Departments across government.

The Office of the Deputy Governor will receive an allocation of \$26.3m or 26.2% of the recurrent budget. This includes provision for the Disaster Management Coordination Agency and the MVO – \$ 9.6m (9.6%) and provision for Pensions of \$11.1m (11%)

The Ministry of Health and Social Services' allocation is \$15.2m (15.1%)

The Ministry of Education, Youth Affairs and Sport \$9m (9%)

The Ministry of Communication and Works' \$13.6m (13.5%)

The Ministry of Agriculture, Lands, Housing and the Environment is allocated \$5.5m (5.5%)

The Police and Fire Services will receive \$6.1m (6.1%)

The other agencies of government will receive \$24.7m (24.6%) among them. These include the Ministry of Finance and Economic Management along with those responsible for the Executive, Legislative and Judicial services of the government. For ease of reference, the full set of allocations is attached to this Budget Speech and detailed in the Estimates of Revenue and Expenditure tabled in this Honourable House at its last sitting.

The public budget forecast remains positive with expenditure on projects such as the Hospital Redevelopment, Little Bay and Port development together with targeted investments in tourism, exploitation of geothermal energy, road infrastructure, government accommodation and housing projects. Several of these major infrastructure works will extend over the next two to three years.

Allocation by Functional Classification

The budget has been classified under eight broad programmes. Strategic Management and Administration 12%; Information, Planning and Policy Coordination 2%; Financial and Economic Management 5%; Education, Youth and Sports 4%; Health and Social Services 15%; Political Management and Governance 12%; Administration of Justice and Internal Security 6%; and Infrastructure Services 45% of the budget resources.

Public debt

Government of Montserrat's total debt obligation stands at just over EC\$7.2m most of which is public guaranteed debt on behalf of the Montserrat Port Authority. The debt levels will be increased when the implementation the MUL Power project is completed.

Even though Montserrat will be incurring an additional \$6.8m in debt we are blessed to still be enjoying a fiscally stable environment. Our debt to GDP ratio will continue to be less than 10%. This is well below the fiscal benchmark of 60% set by the ECCB and by other international institutions. We want to keep it that way and therefore on the occasions when government deems it necessary to borrow, it will be done within an overall strategy with clear goals, outcomes and repayment plan.

Acknowledgements

The progress that have been made towards achieving the targets we have set ourselves is not without challenges and could not be met without the generous support of individuals, institutions and governments.

We are thankful for the unwavering and steady support of Her Majesty's Government represented by DFID and the FCO. There is much more to be done but we are moving forward in a considered, phased and pragmatic way that ensures that a sustainable and viable Montserrat economy emerges in the future.

We thank, CARTAC and the IMF, the ECCB, and OECS family and members of the ECCU, CARICOM and CDB for their continued support.

Montserrat has benefited from the resources and allocations of the European Union and more so in recent times as the communication improves and a deliberate attempt made to overcome the challenges posed by changing rules and staffing. We acknowledge and thank them for their continued support.

I recognize that quite a number of the initiatives that have been undertaken over the past year and which will continue over the medium term could not have been delivered without the stalwart effort of the Officers within the Public Service. Some of you have gone out of your way to ensure that deadlines are met, and I want to publicly record my appreciation for your hard work.

Conclusion

Oprah Winfrey the famous talk show host said, “Be thankful for what you have; you'll end up having more. If you concentrate on what you don't have, you will never, ever have enough”.

In a world that is rife with turmoil and uncertainty, it is important to use what is available in a pragmatic and sensible way but most importantly, we must pause for a moment reflect on our many blessings and be thankful.

Clearly, this budget demonstrates that while many may complain about the problems of the world and in particular, Montserrat, we are making progress in many areas. We cannot underestimate the trauma and dislocation caused by the volcanic eruption but now we can see that amidst the challenges:

Little Bay Town Centre is taking shape as the infrastructure is being put in place; The public market is buzzing with activity and the new Social Security Building is under construction;

The Port is on the way as the designs are moving towards the 90% stage of completion;

The drilling for geothermal resources is underway

The health and education infrastructure is being developed

When judging this government's performance, many persons ask themselves "how is my life better today than it was in September 2009?" What I ask of you is to ask yourself, is the country better off than it was then and now can I and my family benefit from that? Rome was not built in a day. A government cannot and should not be expected to turn around a faltering economy in one five year term. For the first time since pre volcano days, investor confidence is growing, projects are being implemented, and we have kept people in work and creating new jobs. We can say to Calypsonian Storm that we are not only talking we are delivering.

We have been richly blessed. I want to encourage you to remain hopeful and have a little faith that our journey to a sustainable economy is no longer in the distant future but within our grasp.

Thank you and May God continue to bless Montserrat.

2013/2014 APPROPRIATION ACT SCHEDULE

VOTES	DETAILS	AMOUNTS	TOTALS
DEVELOPMENT FUND VOTES			
12	OFFICE OF THE DEPUTY GOVERNOR	4,124,700	
15	OFFICE OF THE PREMIER	3,076,300	
17	CABINET SECRETARIAT	6,821,700	
20	MINISTRY OF FINANCE	27,293,600	
30	AGRICULTURE	494,500	
35	COMMUNICATIONS, WORKS & LABOUR	33,665,200	
40	EDUCATION, YOUTH AFFAIRS AND SPORTS	3,053,000	
45	HEALTH AND SOCIAL SERVICES	-	
TOTAL DEVELOPMENT FUND VOTES			78,529,000

SUPPLY VOTES			
05	POLICE	6,130,200	
07	LEGAL	1,537,400	
08	MAGISTRATE'S COURT	340,300	
09	SUPREME COURT	698,000	
10	LEGISLATURE	2,662,800	
12	OFFICE OF THE DEPUTY GOVERNOR	26,301,800	
13	PUBLIC PROSECUTION	616,400	
15	OFFICE OF THE PREMIER	5,975,800	
17	CABINET SECRETARIAT	4,533,200	
20	MINISTRY OF FINANCE & ECONOMIC MGMNT	9,202,700	
30	AGRICULTURE	5,397,900	
35	COMMUNICATIONS, WORKS & LABOUR	13,649,200	
40	EDUCATION, YOUTH AFFAIRS AND SPORTS	8,233,400	
45	HEALTH AND SOCIAL SERVICES	15,219,800	
TOTAL SUPPLY VOTES			100,498,900

SUMMARY		
DEVELOPMENT FUND VOTES		78,529,000
SUPPLY VOTES		100,498,900
GRAND TOTAL		179,027,900