

Table of Contents

BUDGET STATEMENT	1
INTRODUCTION	1
ECONOMIC ENVIRONMENT.....	2
International and Regional Developments	2
National Performances.....	3
National Goals and Assumptions	4
Barriers and Risks.....	6
GOVERNMENT CURRENT AND PROPOSED ACTIONS	7
Economic Management and Financial Stability	7
Infrastructure development	7
Targeting Long-term Growth: Sector Development Strategies.....	9
Priming the pump in the Tourism Sector.....	9
Diversifying the Telecommunications Sector.....	11
Mining and Quarrying: Building hope from Ashes	11
Securing Food Security through increased Agricultural Production	12
Energy Development & Utility Management.....	12
Water and Waste Water Operations	13
HUMAN DEVELOPMENT & WELL-BEING.....	14
Improving access to education	14
Improving access to Healthcare and Social Services	17
Providing Welfare Services	18
Working with the homeless	18
Bringing Sports and Entertainment back into focus	20
ENVIRONMENT AND DISASTER MANAGEMENT	21
Environment.....	21
Disaster Management	21
PROMOTING GOOD GOVERNANCE SYSTEMS.....	23
Integrity in Public Life	23
Civil Service Development and Management	24
Financial Governance and Management	25
LOCAL, REGIONAL AND INTERNATIONAL RELATIONS.....	26
Immigration and Population Management	26
Local Government & Regional Affairs.....	27
RECURRENT AND DEVELOPMENT BUDGET ALLOCATIONS	28
Recurrent Revenue and Grants.....	28
Recurrent Expenditure	29
Developments Funds	29
Public Debt.....	30
KEY POLICY MEASURES.....	30
Economic, Financial and Social Policies	30
ACKNOWLEDGEMENTS	33
CONCLUSION.....	34

BUDGET STATEMENT

'Maintaining financial stability in the face of global economic turmoil'

Madame Speaker, I rise to move the second reading of a Bill shortly entitled the Appropriation Bill 2009.

INTRODUCTION

1. Madame Speaker, as I deliver our 2009 Budget Speech, I am mindful of the crippling effects of the global economic and financial crisis on countries throughout the world, but more importantly on Montserrat. In spite of these trying times, Madame Speaker, my Government and I have nonetheless found many reasons for hope and opportunity among the challenges.

2. We are hopeful because of God's promise that he will not leave us nor will he forsake his people, if we are faithful and abide by his rules. We are hopeful because so many people in the major capitals of the world and in the region are working together to overcome the economic and financial turmoil that has brought the economies of so many countries to their knees. We are also hopeful because of the commitment of so many Montserratians, well wishers and immigrants from other countries who have taken on the challenge of seeing Montserrat through this crisis and return her to a path of sustainable growth and prosperity.

3. Madame Speaker, in this budget, not only must we consider a number of short-term measures aimed at achieving immediate fiscal stability, but we must also focus on a number of measures that will lead to long-term growth and development. It will not be easy nor will it be painless as we seek to adjust our lifestyles and budgets to reflect the current economic environment, but we will succeed as long as we keep in mind that 'tough times never last, but tough people do.'

4. Madame Speaker, the road before us is a difficult one that is filled with constraints and images of gloom but I am happy to say there will also be opportunities, for where there are changes and challenges there are also opportunities for those who are innovative and willing to take the associated risks. We must embrace these opportunities and implement targeted strategies that will lead us to success.

5. It is clear that our development and growth for the foreseeable future will rely heavily on Her Majesty's Government (HMG) and European Union (EU) support. Nevertheless, our economy, culture and social structures are intricately woven into the fabric of the OECS and the Caribbean Community (CARICOM). And Madame Speaker, it is through these institutions that we have a chance to defy the limitations of size and space, the vulnerability of scarce resources and increase the scope for our people to have fuller and broader experiences.

6. In the 2008 Budget, we spoke about a broad and optimistic agenda which included a variety of infrastructure and construction projects; substantial increases in

tourism resulting from the development and promotion of our tourism product; and implementation of programmes aimed at local business development. We were keen to ensure that in the process, social safety nets were maintained and that our most vulnerable were protected and supported.

7. Madame Speaker, what a difference a year makes! While we have made some progress over the past year, in just one year the global recession has brought with it massive unemployment as many businesses went into liquidation or simply downsized. As you are aware, the unavailability of credit is wreaking havoc on new investment initiatives and because people have less money available to them, they are consuming less, travelling less and sending less to their loved ones here at home.

8. This changing environment clearly dictates that the public service must continue to carry the burden of the economy but this must be done more efficiently and innovatively, and in such a way that will encourage the strengthening and development of the private sector. In short, we must stay the course, but be smart and strategic in our interventions.

9. Madame Speaker, Sir Gus O'Donnell, in the Roland Smith Lecture Series spoke on *The 21st Century Civil Service: Return of Public Sector Ethos*. He described the simple truth of our time when he said, "Change happens. We all know that. And we all recognise that good organisations reform and change and keep pace with the evolving needs of the world around them. But there are some periods in history where change seems to happen faster than in others."

10. It is now clear, Madame Speaker, that 2009 will be one of these periods where change needs to happen quickly and we will all have to adapt to the changing times.

11. And, it is in this context, Madame Speaker, that I now deliver the 2009 Budget Speech – mindful of the change that is occurring about us while at the same time grasping every opportunity for growth and development of this our beloved island.

ECONOMIC ENVIRONMENT

International and Regional Developments

12. In 2008, Madame Speaker, the global economy entered an unprecedented period of uncertainty after five consecutive years of strong growth. In the first half of 2008, the world economy grappled with crises in the commodities market in the form of high oil and food prices. In the last quarter, the United States (US) financial meltdown which started in the mortgage market occurred, spreading rapidly to other markets within Europe and Asia. Thus, by the end of the year, the impact of the financial crisis began to be felt globally.

13. In 2007, the real Gross Domestic Product (GDP) of the US economy grew by an average of 2.0 percent; however, by 2008, the GDP growth rate fell to 1.4 percent, the

slowest growth since 2001, and the indicators are that by the end of 2009, the US economy will experience negative growth in real GDP of at least -0.7 percent. In the case of the United Kingdom (UK), Madame Speaker, its GDP grew by 3.0 percent in 2007, but by only 0.7 percent in 2008, with the anticipation that it will shrink by at least 1.3 percent in 2009. The world's emerging and developing economies also experienced slower growth in 2008, mainly reflecting a softening of external demand. For these reasons global economic growth is estimated at 0.5 percent for 2009, compared to an average of 5.0 percent from 2003 to 2007.

14. Madame Speaker, the foreign exchange market was also volatile in 2008. In the first half of the year, the US dollar depreciated against several major currencies but subsequently regained its value, resulting in an overall appreciation for the year. The pound sterling also weakened against the US dollar in 2008, registering a depreciation of over 20.0 percent for that year raising concerns for those who had sterling investments or interests.

15. The Caribbean economies, Madame Speaker, have not been immune to the adverse effects of rising oil prices and other commodities prices in the first half of 2008. The economic slowdown within major trading partners of CARICOM countries has resulted in lower tourism receipts; lower remittances, lower Foreign Direct Investments (FDI), lower commodity prices, slower economic growth and balance of payments pressures. These unwelcomed developments have manifested themselves in loss of employment and income to households and private companies while at the national level increasing budget deficits and public debt are worrisome. Despite all these challenges, however, the regional economies were able to register growth of 1.7% in 2008 compared to 5.23% in 2007. Growth in the OECS is estimated at 0.01% in 2009.

National Performances

16. Madame Speaker, in 2008 preliminary data indicated that for the second consecutive year, Montserrat's economy recorded a positive growth rate. At the end of the final quarter of 2008, economic growth expanded by approximately 3.78 percent. This growth was driven by the construction sector which recorded increases of 11 percent. This growth benefited from the construction of private homes and businesses and a range of public projects such as the Little Bay project, infrastructure development at the port, housing for the vulnerable and the Drummonds Housing project.

17. Other contributors to GDP growth were the Tourism Sector, Mining and Quarrying, Wholesale and Retail Trades, Transportation and Agriculture. Tourism saw a 1.2 percent growth in visitor arrivals. Excursionist and yacht arrivals showed strong increases, recording improvements of 5.3 percent and 36.4 percent respectively. However, stay-over and cruise ship arrivals declined by more than 5 percent in 2008. Mining and Quarrying is improving steadily at 3 percent of GDP and it is noteworthy that exports increased by 14.5 percent in 2008. Wholesale and Retail Trades and Transport sectors recorded increases of 22 percent and 6 percent. These improvements were

counterbalanced by decreases in areas of key sectors such as fishing and livestock production.

18. Madame Speaker, the inflation rate during the first nine months of 2008, as measured by the retail price index, increased significantly by 4.8 percent compared with 2.2 percent during the corresponding period of 2007. The relatively large increase in the gas, electricity and water sub indices reflect upward adjustments to the retail price of fuel. The rise was mainly associated with increases in the sub-indices of gas (18.8 percent), electricity and water (6.8 percent) and food (6.1 percent). The inflation rate at the end of 2008 fell to approximately 4.5 percent as a result of a decline in the retail price of fuel.

19. Madame Speaker, we noted that the net foreign assets of commercial banks grew by 7.2 percent, largely reflecting an increase in assets held at banks and other institutions in the currency union. This is positive news in that our banks are still very liquid. We are encouraged by the fact that over the period January-September 2008, credit extended by the commercial banks grew by 8.3 percent, fuelled primarily by an expansion in outstanding loans to households. Total deposits with commercial banks grew by 3.5 percent. This was driven largely by a 5.8 percent growth in deposits by households, which accounted for 75.0 percent of commercial bank deposits. Central Governments' deposits with commercial banks also increased by 6.2 percent which reflects inflows from grants however, the net deposits of other public enterprises fell by 3.6 percent which indicates that their expenditures are overtaking the revenues generated.

20. Madame Speaker, despite the adverse global economic climate, the prospects for economic growth in Montserrat for 2009 remain favourable. The projection for economic growth is 2.0 percent for 2009 if the total budgetary aid package and revenues of this budget are realized. This reflects the fact that donor agencies remain committed to our public sector projects and private construction is increasing. We hope to encourage and facilitate this as an opportunity in the midst of a global crisis.

National Goals and Assumptions

21. Madame Speaker, my Government remains committed to five (5) broad long-term objectives. These are: management of the economy; support for human development and quality of life; natural resources conservation to ensure a sustainable environment; enhanced governance; and creating the environment for the growth of a viable population in Montserrat.

22. The first, management of the local economy, will be approached in a way that would lead to sustained growth and long-term prosperity for all our people. This will comprise several sub-strategies which include the development of key infrastructure in the north of the island, the development and marketing of the tourism product, and support to the private sector in ways that will restore them to a leadership role in the economy.

23. With the prediction that the price of energy will increase in the future, a critical part of our economic survival lies in the development of alternative energy sources; and this we intend to vigorously pursue. A final pillar of our economic management plan is food security as a means of insulating us in some way from external shocks and circulating our scarce resources more efficiently among the local population.

24. Mr Speaker, when these objectives were agreed, the underlying assumptions were that the world economy would have been growing between 2.0 percent and 4.0 percent, investment capital would be available, employment would increase, energy prices would remain high, and that this development would enable Government to further support agriculture production leading to greater use of the public market and the whole country would benefit from import substitution.

25. Madame Speaker, you will note in the economic review that these assumptions are no longer valid. We will therefore have to make some adjustments to our programmes.

26. The second national objective is aimed at designing programmes and institutions that support human development and quality of life. The strategies to achieve this in the short and medium-term will be to provide and encourage a wider range of housing solutions through public and private endeavours and to provide and promote health and wellbeing through a variety of education, cultural, sports and entertainment programmes. It is recognised that underpinning these key strategies was the need for physical infrastructural facilities in health, education, sports and entertainment. There is also the need for the softer side solutions involving a focus on family, improved working environment and care for our senior citizens and those that are vulnerable.

27. Our underlying assumptions are that we would be able to attract and develop the capacity to deliver these programmes. We intended to work through social institutions, group and individual efforts to ensure the sustainability of approved programmes. Clearly, there is an assumption that project funding would be available at the level that would allow us to replace the infrastructure that we lost through volcanic activity and to address these critical needs that remain after thirteen (13) years. This objective remains a challenge as we seek to balance our needs against available resources, institutional capacity, the social dynamics of the island and changing attitudes.

28. The third national objective relates to our actions to conserve our natural resources and to ensure that our environment is sustainable for future generations to enjoy. Given that we live within a hurricane zone and with an active volcano, we must take a proactive approach to disaster preparedness, mitigation and rehabilitation. This will be done through enforcement of legislations, effective monitoring and the continual development and fine-tuning of systems and procedures.

29. The assumptions are that the necessary funding will be available to meet the various threats and challenges; and that the monitoring and management of the institutions involved will remain efficient and effective.

30. Madame Speaker, the fourth national objective is our commitment to maintain and improve effective systems of governance nationally and within the public service. This will include improvements to the legislative framework, modernising the public service systems, maintaining law and order and maintaining effective relationships with our development partners both regionally and internationally.

31. The assumption is that there will be continued funding and support for the reforms and that local capacity is enhanced to effectively build the relationships we seek and to identify and pursue the opportunities that will assist us in the longer term.

32. Finally, Madame Speaker, my Government remains committed to increasing the population even though this will be a difficult task at this time. We are in many ways locked in a vicious cycle. We need sustainable investments to create employment to ensure that our people remain on island and are able to pay their mortgages and utilities, buy food and clothing and afford fuel consumption. Unfortunately, businesses require a viable population or customer base to justify their investment.

33. The assumption we make here, is that once we have in place the required population, labour and immigration policies, there are programmes that can be implemented to increase the population in the short, medium, and long-term. As we move forward, we will explore some of the specific actions required.

Barriers and Risks

34. Madame Speaker, I wish to consider some of the factors in the internal and external environment that will shape, impede or propel our economy in 2009 and beyond.

35. We cannot bury our head in the sand and pretend that we will not be affected by the changes that are occurring world-wide and that these will create barriers to our development. Clearly, the lack of credit and downturn in economic growth in major capitals throughout the world will reduce, if not stop many foreign direct investment flows and private remittances. With unemployment levels rising, the development of tourism will be a challenge in the short to medium term, but we are hopeful that with the resolution of our access problem, this hurdle can become less of a challenge.

36. There are also a number of risks that can prove quite costly. The first is foreign exchange risk on British aid (both budget support and capital aid). When we first negotiated support with the British Government for 2009, the rate of the Eastern Caribbean (EC) dollar to the pound sterling was five dollars and twenty five cents (\$5.25). This has now fallen to three dollars and eighty cents (\$3.80). Madame Speaker, this had the impact of reducing the aid by over twenty seven million (\$27m). There are other market risks associated with certain commodities – energy, steel and food items – that can reduce the effectiveness of some of our programmes. Finally, there are also natural risks associated with our geographic location here in the hurricane zone and from having an active volcano; these can cost as much as 15.0 percent of GDP or more. Our plans must therefore be responsive to these possible changes while we hope for the best outcome.

GOVERNMENT CURRENT AND PROPOSED ACTIONS

37. Madame Speaker, having outlined the strategic direction my Government wishes to take, I will take the time now to highlight some of the programmes put forward by the individual ministries and departments that will be undertaken in 2009 and show how the programmes are linked to our strategic intentions.

Economic Management and Financial Stability

38. Madame Speaker, in 2009 a three pronged strategy will be employed to effectively manage the economy in these challenging times. In the short term, a number of projects will be implemented that will begin to generate employment and economic activity. Alongside these will be programmes in key sectors and these will be aimed at providing sustainable economic growth in the medium to long term; and the final strategy is aimed at managing the size of the public service in relation to the private sector.

39. Historically, this economy thrives best when the construction sector does well and you will note that this is true globally in the design of the stimulus packages of several countries. It is for this reason that infrastructure development will be used as the short term driver for stimulating economic activity and employment generation.

Infrastructure development

40. In this regard, Madame Speaker, plans are in place in the Ministry of Communication and Works to implement a fourteen million nine hundred thousand dollars (\$14.9M) roads programme. The project will run over a two year period and entail resurfacing of significant portions of the main road from Salem to St. John's and upgrading of the Asphalt Plant. The Ministry will manage it in a way that will maximise local employment and engage every Montserratian who is willing to work in this area.

41. In addition, Madame Speaker, my Government has also received two hundred and twenty five thousand dollars (\$225,000) in funding from the Caribbean Development Bank for the paving/resurfacing of the Shinlands road. This has been a problem for residents in this area and this will certainly bring some measure of hope to this community.

42. Another key infrastructure project is the construction of accommodation for government offices. DFID has approved the Project Concept Note and construction work on at least three buildings will commence in the latter half of 2009. Work is ongoing to get the detail drawings and estimates ready and will form part of a supplementary appropriation brought before this Honourable House in a few months. These buildings will provide permanent accommodation for the Ministry of

Communication & Works and provide more permanent offices at Government Headquarters.

43. In order for the Ministry of Works to take forward these projects, Madame Speaker, my Government has embarked on a three year programme to strengthen the PWD mechanical workshop and its management organization, together with the procurement of strategically important pieces of plant and equipment. The equipment includes excavators, graders, backhoes, wheel loaders, bulldozers, patching units and bitumen sprayers among others. This project is in line with Government's key Sustainable Development Plan (SDP) priority to equip fundamental public sector agencies to provide efficient, business-friendly services. The total project cost is seven million eight hundred thousand dollars (\$7.8 m).

44. Some two hundred and thirty six thousand dollars (\$236,000) has already been approved as pre-project expenditure and is being spent on the installation of a computerized data management system, the provision of related training and the purchase of essential tools and equipment urgently needed by the workshop.

45. Madame Speaker, access to Montserrat continues to hinder our development. The sea-based development, which includes a jetty and breakwater, will be one of the most critical economic infrastructures to be constructed in the north of the island and will set the tone for future development of the area. To date, we have allocated in excess of five million Euros (€5m) for port development under the European Union Trade in Services Support Programme. There is also a commitment from Department for International Development (DFID) to provide supplementary financing for the Port Project. You will recall that in 2008, Halcrow undertook a port study which presented five options for Port Development at Little Bay. Subsequently, tenders were invited to undertake detailed design of the preferred option for port development which includes a breakwater facility. The designs will take approximately six months to complete which would allow construction to commence early in 2010. During this year, the Government of Montserrat (GoM) will focus on ensuring the port design work is completed through the engagement of a firm that will also cost the project.

46. Madame Speaker, despite delays, progress has been made with respect to other areas of port development. I am also pleased to announce that the port development landside project (Port Paving and docking ramp) is scheduled to be completed and be in full use by May 1, 2009.

47. Madame Speaker, the Terms of Reference for the soon-to-be-appointed Access Coordinator includes assisting with the development of facilities for travel to and from Montserrat. He or she is expected to play an important role in early provision of facilities at Little Bay to increase the arrivals of yachts, cruise ships and freight vessels. The major focus however will be to resolve the air access problem that we currently experience.

48. Again, Madame Speaker, the Little Bay Town Centre Development project is on the way and Phase 1 is scheduled to be completed by September 2009. This twenty two million dollars (\$22m) dollar project will provide the road network and utilities

necessary for developing the area as the new town centre. This area covers Phase I of the development and will be vested in the Montserrat Development Corporation (MDC) which will be responsible for its development into a 21st century town that is consistent with our development philosophy which provides for a high degree of local ownership.

49. In this regard, the MDC will manage the five million dollars (\$5m) Private Sector Development (PSD) project which will continue through to 2011. The SDP for the island stresses the importance of the rebalancing of the economy away from public sector dominance to a commercially-led one. We are convinced that this can only be achieved if the private sector is given the tools and the appropriate environment to foster sustained growth. Therefore, Madame Speaker, the PSD Project must be seen as the principal Government vehicle for achieving this and be fully supported to do so.

50. The project, which has nine components including business counselling, business training, business consultancy fund, loan guarantee fund, enterprise equity fund, investment promotion, export promotion, business premises and support for public services are good candidates for outsourcing. These are all critical tools to be used in the rebirth of the private sector.

51. Madame Speaker, in order to get these private sector support initiatives buoyant, a well functioning Montserrat Development Corporation becomes essential. The GoM and DFID are therefore working closely to ensure that an effective management team is in place to make this a hub for private sector support in Montserrat.

Targeting Long-term Growth: Sector Development Strategies

52. Alongside our short term activities, that is, implementation of infrastructure projects and the provision of business support, is the second set of strategic actions. These relate to programmes targeting key development sectors which remain at the heart of Montserrat's economic sustainability. These are: Tourism, Mining & Quarrying, Telecommunications and Agriculture.

Priming the pump in the Tourism Sector

53. Madame Speaker, our development strategy identifies tourism as the lead sector that will place us on the path of sustained growth. To date, several steps have been taken to increase visitor arrivals despite the continuing challenges of transportation access between Antigua and Montserrat. There is no denying that the costly and unreliable air service has damaged our efforts to effectively market tourism and to significantly benefit from the expenditures made so far in this sector.

54. Madame Speaker, we have launched an initiative in the Tourism Challenge Fund. The fund was launched with massive media coverage on island followed by marketing and advertising campaigns that were conducted and completed by the end of October 2008. Applicants seeking grants from the Fund had to show that their project would lead to increased visitor numbers, increased visitor satisfaction and increased

visitor expenditure. On January 30, 2009, 16 successful candidates were announced. The successful applicants have already started receiving grant disbursements.

55. The second round of the Tourism Challenge Fund will commence in the second half of 2009. It is envisaged that the grant funding of just under one million four hundred thousand dollars (\$1.4m) to small business owners will make a significant contribution to the Tourism sector and Montserrat in general. It is estimated that approximately 166 jobs will be created as a result of this scheme with direct injections into the economy of approximately two million eight hundred thousand (\$2.8m).

56. The success of the applicants is one thing, but I am sure that there would be much more success for the island when the innovative ideas are implemented and lead to the results of increasing visitor numbers, visitor satisfaction and/or increased visitor expenditure on the island for the foreseeable future. Every taxi driver, shop-keeper, maid, craft maker and the general retail business community will share in this success of our island.

57. Madame Speaker, during 2008, the Montserrat Tourist Board (MTB) secured approval for the plans for a new beach facility at Woodlands Beach and selected a contractor for the safe removal and disposal of the existing asbestos roof. The project has been handed over to the Montserrat National Trust for completion during 2009.

58. Madame Speaker, a key component of our Tourism development strategy, is the recreation of facilities to revive residential tourism during the winter months. We will continue to actively assist in the establishment of a golf course in the developable northern 17 square miles of Montserrat. We hope that with the easing of the credit market that this project will become a reality.

59. Another key component of the tourism development strategy is the early completion of a safe inland marina at the Piper's Pond area to accommodate yachts and the tenders of cruise ships. With this in mind, we plan to expand the number of attractions available to day visitors. We wish to add to the Montserrat Volcano Observatory (MVO), the Montserrat National Trust Centre and the Jack Boy Hill viewing site. The restored Carr's Plantation Archeological site, quality performances at the Montserrat Cultural Centre, an OECS Climate and Volcano Observatory on the Silver Hills, and a Brimms Ghaut/Marguerita Bay wind and biofuel energy research project are ideas being considered.

60. Madame Speaker, I have a special interest in Disaster, Eco and Sports Tourism. The courses of the proposed Institute of Disaster, Research Education and Management of the Montserrat Community College, the Blake's Football facility when complete, and the International Cricket Field and recreation centre at Little Bay, when the bathrooms and pavilions are complete, all have the potential to host many regional and international events that will attract many visitors to Montserrat.

61. We recognise that much more work is required in developing and managing our festivals, Christmas, St Patrick's and Calabash - as part of our tourism product and that greater effort is needed in presenting a holistic view of the variety of things one can do

on island. Hopefully, we can package the products, market them and sell the Montserrat experience. In this area, we acknowledge the work of the HOST programme in preparing interested persons by improving their knowledge about the island and providing the platform for greater professionalism in the hospitality industry.

Diversifying the Telecommunications Sector

62. Madame Speaker, you are aware that we now have the Info-Communications Bill before this Honourable House, which repeals the 1951 Telecommunications Act, CAP 192. The approval of this instrument by the Legislative Council will pave the way for market liberalization in the communications sector.

63. My Government sees telecommunications as a critical component in the development of the Information, Communication and Technology (ICT) sector. Therefore, while we intend to rationalise our incentive programmes in this area, innovation and investment in technologies that would give Montserrat a competitive advantage will be considered favourably for government support.

64. Liberalization in this sector has the potential to facilitate a major change in our ICT infrastructure and the way we do business on island. Our vision is that this step will assist us in:

- a. attracting and increasing investment on island;
- b. improving access to telecommunication services;
- c. providing greater consumer choice and better prices;
- d. promoting infrastructure development, particularly increased customer connections and improvement in the quality of service; and
- e. increased public revenues through taxation, licenses and spectrum fees.

65. Madame Speaker, already, two licenses have been issued for the purpose of Frequency Modulation (FM) broadcasting stations. These licenses were issued under the old Telecommunications Act and will be valid for one year in the first instance or until the new Info-Communications Bill comes into force. There are a few more applications for Internet Services and for FM broadcast licenses to be considered during 2009. These applications confirm the potential for development in this area and we intend to pursue them as good sources of revenue.

Mining and Quarrying: Building hope from Ashes

66. Madame Speaker, the mining and quarrying sector continues to be one of our strongest areas of growth and is fast becoming the most important export sector on Montserrat. This is a source of foreign exchange, employment, income generation and

economic activity, and it is Government's intention to provide the appropriate environment to foster further growth in this sector.

67. To date, the development of this sector has resulted in a deterioration of our road networks. It is, therefore, essential that we reduce the costs to our Government in the long term. The strategy for the future will be to encourage development of jetties closer to the mining and quarrying sites. This will not only save government millions of dollars in road repairs but lower the cost of exporting this material.

68. We also intend to review the royalties currently charged for mining rights but we recognise that many of the companies have lost substantial business as a result of on-going volcanic activity and have had to cope with the high cost of fuel and wear and tear on much of the equipment. We are also mindful that with significant reductions in foreign investments as a result of the credit crisis, in 2009 exports may fall drastically.

Securing Food Security through increased Agricultural Production

69. Madame Speaker, the inclusion of this strategy in the Sustainable Development Plan reflects the importance attached to this area during the consultations. The first and foremost aim is continued employment for those persons who depend on farming to feed their families, the second is food security, and the third is import substitution.

70. You will note Madame Speaker, that the output of vegetables and root crops increased by 8.9 percent coinciding with improved access to land under cultivation and the construction of feeder roads in major farming communities. To this end, Madame Speaker, the department will pursue programmes that will increase crop production and encourage the planting of fruit trees. At this point, Madame Speaker, I wish to express profound thanks to the Government of Trinidad and Tobago and the Petroleum Stabilization Fund for one million one hundred thousand dollars (\$1.1m) in grants for the agriculture feeder road programme. We expect this investment to result in a further major increase in the output of vegetables and root crops during 2009.

71. Madame Speaker, livestock production is a critical component of the agriculture development strategy but it must be managed in a way that it does not become anti-crop production. Clearly, untethered or roaming livestock is unacceptable and the department will continue to take steps to reduce this problem. Consequently, the Department will assist livestock producers to introduce semi-intensive management practices, improve productivity and reduce the numbers of free roaming sheep and goats.

72. Other areas that will be given special attention are egg production and fisheries. Programmes will be introduced to achieve the Department's goal of achieving self sufficiency in eggs by the year 2010. It was noted that the volume of fish caught fell by 15.6 percent and programmes will have to be put in place to determine the reason for this and reverse this trend.

Energy Development & Utility Management.

73. Madame Speaker, the Ministry of Communications and Works (MCW) is keen to provide reliable and affordable energy and water resources to the people of Montserrat. In 2008, a Montserrat Utilities Company was formed to integrate, coordinate and develop a unified power and water development strategy for the future.

74. The Ministry has developed and has had Executive Council's approval for a new energy policy. This will serve to guide the development of all energy resources on island. During 2008, Montserrat Utilities Limited (MUL) continued to face many challenges associated with the operation of containerized high-speed diesel generators for the production of electricity.

75. Issues of reliability, an unfavourable operating environment and the very high cost of maintenance continued to be major concerns for the utility company. This Government continues to explore the potential for geothermal energy and recently a contractor with experience in geothermal exploration, EGS Consulting Inc. has been retained to undertake the exploration phase in our bid to develop this area. My Government with support from DFID has allocated approximately eight hundred thousand pounds (£800,000) to this activity.

76. Madame Speaker, to ensure that this exploratory phase proceeds promptly, Government of Montserrat will provide an alternate low risk road route from Isles Bay Hill to Foxes Bay and Richmond Hill areas. Funds have been provided for this by the Petroleum Stabilisation Fund and we have received permission from the Montserrat Company to establish this route, which had been planned many years ago.

77. Earlier this week, we discussed with a United Nations Development Program (UNDP) delegation, a proposal for a wind and bio-fuel energy research project to supply the areas of Look Out and Drummonds. This has the potential to reduce our dependence on fossil oil fuel and reduce the cost of electricity for consumers.

Water and Waste Water Operations

78. Madame Speaker, I am delighted to report that the final Phase of the Water III Project was completed in December 2008.

79. The aim of the project was to replace and upgrade the water distribution network, increase storage capacity, install rain gauges, upgrade and repair spring catchments, locate aquifers and develop underground water at Belham, construct new pump stations, construct access roads and train staff to operate and maintain the system.

80. A Hydro-geological Survey was carried out to determine the favourable sites of groundwater in the north. The survey indicated that all seven sites explored do have some underground water. However, actual drilling and testing would have to be done to determine the quality and quantity of water available. Extensive work was done at a number of springs to construct and repair catchment areas. Concrete access roads were constructed to facilitate maintenance at a number of storage facilities.

81. A project has been recently approved for improvement works to spring sources and water storage facilities funded by the Government of Montserrat and the Caribbean Development Bank. Work on this sub-project commenced in February 2009.

82. We have confirmed that significant supplies of water are going to waste from the Corbett Springs near Molyneaux. This is water that once supplied the areas of Trants, farms and Spanish Point. We intend to explore ways of harnessing these supplies for distribution in the areas between Jack Boy Hill, St Johns, Look Out, Silver Hills and Little Bay.

83. During 2009, GoM will also transfer the sewerage treatment operations to MUL. This is being done to concentrate the operations in the area where the necessary expertise resides. This will also ensure that a holistic approach is taken in terms of natural and waste water management.

84. The Government of Montserrat wishes to express its sincere appreciation to the employees of MUL, who despite the many challenges, continue to ensure that the island's electricity, water and sewage disposal needs are adequately met.

HUMAN DEVELOPMENT & WELL-BEING

85. The ultimate aim of economic development is to create opportunities through which people will be able to enjoy a reasonable quality of life. It is for this reason that people are at the centre of our programmes. Our aim is to ensure that the opportunities exist for every citizen and resident who can through their own efforts enjoy a reasonable standard of living. Madame Speaker, notwithstanding this, in circumstances where persons are unable to help themselves as a result of some event or vulnerability, Government will intervene and assist in order to maintain an acceptable social safety net.

Improving access to education

86. Madame Speaker, in this regard we continue to invest in education to provide our people with the tools to live productive lives. It is for this reason that we invest over ten million dollars (\$10m) in education and training endeavours. Madame Speaker, the more we expand our knowledge, the more we come to recognize that the challenges we face are not insurmountable. We become creative, new ideas evolve and these bring solutions. Through education and innovation we will seek to create a culture of entrepreneurship and strengthen local industry on Montserrat.

87. In 2009, we will continue to target resources to improve the education infrastructure that supports the development of our children and helps them to reach their full potential. Madame Speaker, some repair and repainting work was done on some of the schools during the summer of 2008 and we intend to continue these renovations and improvement works in 2009.

88. The construction of the new Salem Early Childhood Centre was completed at a cost of approximately one million two hundred thousand dollars (\$1.2m) and the building was handed over on 5th February 2009. The Salem Community and the teachers have benefited from this new and modern facility because of funds provided under the Basic Needs Trust Fund (BNTF). Work on the expansion of the St John's Day Care Centre is expected to be completed during this year as well.

89. Madame Speaker, my Government is proactive in its response to ensuring that adequate infrastructure is in place to meet the educational needs of thriving communities. The Lookout community is expanding and the school facilities are now inadequate. In 2009, we will see the start of infrastructure works to improve the Lookout Primary School compound and the Brades Primary School.

90. The Ministry of Education will also advance plans to secure a new site for the Montserrat Secondary School (MSS) in the north. We will shortly introduce the pilot phase of the levelling system and advance the Lower Education Achievement Project (LEAP) to help students cope with the transition from primary to secondary school. This programme is complemented by the work of the Pupil Support Unit which provides much needed support services including remedial reading, behaviour modification and social and emotional development. Learning support is also provided for students with language difficulties, challenging behaviours or other special needs.

91. The national library continues to improve its service to the public with the introduction of the Alexandria Database Management system which allows the library to have real time, in-house access to its holdings. Customers will now be able to access this directly from the comfort of their homes to request and reserve available material. The development of the library's website will facilitate the library's advancement towards other electronic databases and e-books. We are currently focusing on improving the systems so that they can be easily transferred to a purpose-built permanent building in the Little Bay Town Centre.

92. Madame Speaker, you can see that this government is trying to provide the support necessary for every child to develop his or her true potential.

93. We are also proud of the growth that has taken place at the Montserrat Community College (MCC). The college now offers a full-time Advanced Level Programme and a Nursing Assistant Programme as well as several Part-Time Programmes.

94. The MCC also continued to expand its programmes and courses to meet the training needs of the Montserrat community. This academic year the College's enrollment in its full-time programmes passed fifty students, a one hundred percent increase over the 2007 enrollment. The Advanced Level courses have also increased from nine, in 2007, to seventeen, which presently includes French, Law, Physics, Geography, Chemistry and Accounts. The College also recorded a seventy-four percent overall pass rate in the 2008 CAPE examinations, with seven students achieving a one hundred percent pass rate.

95. The College continues to facilitate continuing education and training courses either directly as part-time courses or in collaboration with other agencies. The College continues to maintain and expand its external collaboration linkages as a critical aspect of its sustainable development strategy.

96. The Caribbean Knowledge and Learning Network (CKLN) provided consultancy support to the national consultations in the process of developing its long-term strategic plan, key to the long-term sustainability of the College but focusing on the use of ICT. Additionally with the support of CKLN, the College participated in a pilot course whereby the Library Attendant was able to take an online course in “Information and Records Management” offered by the Sir Arthur Lewis Community College in St Lucia. As the College continues to pursue this modality to facilitate delivery of additional programmes and courses, and moves to offering some online vocational courses in the not too distant future, our collaboration with the CKLN initiative will be critical to our meeting these goals. For example, the College is presently pursuing the offering of an online course in English for Spanish speaking persons in collaboration with SENA (Servicio Nacional de Aprendizaje), the national training

97. The major external collaborative training partner of the MCC in recent times, has been the Montserrat Development Corporation, whereby the College has facilitated several training initiatives. Shortly, the College expects to enter into an agreement with the MDC to be responsible for delivering the training component of their Business Development initiative.

98. The College continues to be a key stakeholder in the Government of Montserrat’s initiative to establish an OECS Climate and Volcano Observatory in Montserrat, an initiative which includes a training component. Additionally, the College in collaboration with the Disaster Management and Coordinating Agency (DMCA), successfully administered the regionally funded accredited pilot training course in Search and Rescue that brought regional participants to Montserrat. This successful course has become the basis for the establishment of the Institute of Disaster Research Education and Management (IDREAM) as a department of the Community College, which, with external funding, will offer this course and related courses on the international market.

99. The College has recently completed its three-year Strategic Corporate and Business Plan. This Plan will guide the developmental activities of the institution for the period September 2008 – August 2011 and provide the College’s stakeholders with the cost implications of these strategic initiatives.

100. We intend to, however, focus on a review of the MCC to strengthen its management, to explore options for strategic alliances and to ensure programme relevance. We intend to also move toward increased cost recovery with respect to the operations of the college during 2009.

Improving access to Healthcare and Social Services

101. Madame Speaker, in 2008 my Government continued its efforts to provide high quality, affordable health care to all persons on Montserrat. We promoted partnerships and explored various funding opportunities that ensured that all persons regardless of their socio-economic situation had access to an essential package of quality health care. Thus, in 2009, our health programme will focus on enhancing routine health provision, strategic health development and project implementation.

102. As part of our strategic response to the health issues, my Government will bring before this Honourable House in 2009, two pieces of legislation, namely: the Health Professions Act and the Food Safety Act which will address the existing deficiencies in the administration and regulation of these areas. Madame Speaker, it is our hope that the introduction of these legislation will provide the quality assurance that the users of our health services require.

103. Madame Speaker, Montserrat has received commendation for its care support programme for the elderly and mentally challenged. In 2009 we will build on the success we have achieved in this area. We will enhance our welfare programme for the mentally challenged in 2009 through the adoption of community care mental health protocols and the implementation of a Social Care programme. With the completion of the Warden Assisted Facility at Sweeney's, one (1) Apartment Complex at Lookout, several duplexes and single dwellings the Ministry will house some forty (40) persons from this year. These investments will cost over five million dollars (\$5m) when they are completed.

104. Madame Speaker, my Government has given high priority to the development of the hospital infrastructure. In 2008, we conducted a comprehensive assessment of the hospital infrastructure and we now have a well-developed Draft Site Plan. By the end of this year we will see the development of full design working plans which this Government will use to pursue funding for the phased construction of an upgraded hospital.

105. The focus of primary health care is prevention. Considerable programmes and action plans have been designed in areas such as management of chronic illnesses, nutrition and HIV and AIDS. While these programmes have been substantially adjusted to reflect the available financial resources, the health team is committed to ensuring that appropriate support is provided when the need arises.

106. Madame Speaker, the Government of Montserrat continues to struggle with the provision of specialist health services mainly due to the significant costs involved. Notwithstanding this, we have been able to maintain a visiting Ophthalmologist and Psychiatrist throughout 2008 and will continue to do so in 2009. The Government of Montserrat will continue to work relentlessly with specialists who are willing to provide voluntary services in order to complement our short falls.

107. Quality emergency response is being assured by continuous training of health staff in Basic and Advanced Cardiac Life Support. The Ministry has also assured emergency response through the procurement of medical equipment which cost well over six hundred thousand dollars (\$600,000) last year.

108. Madame Speaker, as the world grapples with its financial challenges, the debate on the financing of health care continues. Montserrat is no exception. We believe, Madame Speaker, that if we are to make any significant strides in the provision of health care, we must seriously consider our health financing options in 2009 and also consider the strategic direction Government of Montserrat wishes to take regarding the management and delivery of health care in the future. This will be discussed later under key policies for 2009.

Providing Welfare Services

109. The global financial crisis has imposed hardship on many individuals on the fringe of poverty and the current economic climate continues to create social difficulties. In 2009, my Government will seek to provide funding to allow for a reasonable increase in the social welfare benefit package.

110. Madame Speaker, based on the review of the One-off Grants system in 2008, the Ministry will seek to implement new policies for this system in 2009, and persons can expect to see a small increase in these grants.

111. In 2008, social welfare financial assistance was provided to an average of two hundred and eighty one (281) households and three hundred and twenty three (323) individuals. An average of eighty three (83) households received rental assistance during 2008. Foster Care Allowance was provided to twelve (12) children during the year through the Social Welfare Financial Assistance System. There was a total expenditure on the Social Welfare Scheme of two million three hundred and fifty two thousand dollars (\$2,352,000).

112. Approximately two hundred and eighty-eighty (288) one-off grants were approved during 2008 totalling approximately four hundred and seventy-seven thousand dollars (\$477,000). Government also provided support to the Old People's Welfare Association, the Golden Years Home and Meals on Wheels programme to the tune of nine hundred thousand dollars (\$900,000).

113. In addition to our core functions, in 2009, the Community Development Programme will focus on Community Action Plans, Child Protection Services, Domestic Violence and Child Abuse.

Working with the homeless

114. Madame Speaker, 13 years after the volcanic crisis, housing dislocated persons have remained a challenge for all governments. Over the past year, we have advanced

the housing resettlement programme by providing permanent housing solutions to persons displaced by volcanic activity and we gave priority to those persons still living in Communal Shelters. In 2008, we allocated some twenty-five (25) financial assistance grants to help persons secure mortgage financing to construct their dwelling house north of Nantes River. This year we will provide an additional seventeen (17) grants and make available some seventeen (17) serviced residential lots to persons who can secure mortgage financing to complete the construction of a dwelling house within the specified time.

115. Madame Speaker, by October of this year we will present before this Honourable House, Montserrat's first National Housing Act. This Act will provide the supporting framework for the administration of social housing and the bedrock for the medium and long-term vision for housing.

116. My Government, Madame Speaker, proposes to collaborate with the private sector to improve access to affordable housing under the Vision 2020 Housing Strategy. Our strategic aim in 2009 is to "Promote Decent Homes: Develop Montserrat's Physical and Social Infrastructure."

117. In this context, we are proud of the new development taking place in Drummonds. In 2008, we were able to complete the construction of six, two bedroom apartments in a single building at Drummonds utilizing funds provided by our CARICOM partner, the Government of Trinidad & Tobago, under the Petroleum Stabilization Fund. This year we will expand the Drummond's Housing Development Project with the construction of some fifteen (15) new dwelling houses as part of the locally funded projects using monies from the Housing Revolving Fund. This has leveraged private sector resources and partially accounts for the increase in private sector construction activities.

118. Under the Home Ownership Motivates Everyone (H-O-M-E) project we will address the need to provide low-income persons and young professionals with good quality housing. We will forge ahead with our plans to develop a "sustainable housing market" and restore home ownership to Montserratians who have lost property as a result of volcanic activity and encourage residents to own a piece of the rock.

119. Government will lead this new investment strategy by making available some \$2.75 million per annum over the next 5 years for new home construction under the H-O-M-E project. We will also work with the private sector to develop and institutionalize the save-to-own investment plan for housing. This programme will allow young aspiring homeowners at home and abroad to invest in the Housing Revolving Fund by depositing a fixed amount weekly or monthly into a Savings Fund. These fixed deposits will attract a competitive yet attractive interest rate to help our young to build for the future. We have been in discussion with the Eastern Caribbean Home Mortgage Bank on ways in which they can assist us during this challenging time.

120. Madame Speaker, my Government will continue to seek ways of implementing the Housing Support Programme of the Caribbean Single Market and Economy (CSME) Public Sector Investment Programme approved for funding by the Regional

Development Fund. This project provides for a two million dollars (\$2m) grant between 2009 and 2011, to provide housing and other services such as mortgage support to incoming CARICOM nationals, including returning Montserratians. This funding is dependent on the entrustments from the U.K. to sign on to the CSME.

Bringing Sports and Entertainment back into focus

121. Madame Speaker, we have made progress with developing the Little Bay sporting facility. Currently, we are able to accommodate local and regional matches on our grounds, and with time and further improvements to the overall arena, we hope to attract international sporting events to our beautiful island.

122. With these developments, we are confident that our youth will be encouraged to raise their sporting skills to the levels recognized by regional and international standards. We are extremely proud of our own Lionel Baker who has become the first Montserratian to be picked and serve as a member of the world renowned West Indies cricket team. With this achievement Lionel Baker has brought a beam of positive spotlight on Montserrat and my Government is, therefore, even more encouraged to continue to invest in establishing modern and adequate sporting facilities for our youth.

123. I am very disappointed that we were not able to complete the bathroom and changing facilities at the Little Bay recreation area in time for the schools' sports this year. We had hoped to have access to the nine hundred thousand dollars (\$900,000) allocated to the Little Bay Phase 1 project for a bathroom block in the town centre. This was not allowed, so we have proceeded with a community project, led by the Montserrat Cricket Association, which we were happy to support. Escalating costs and lack of funds have stalled this project, which Government of Montserrat must find ways to complete. It is my hope that Lionel Baker's popularity may help the Cricket Association and the Ministry of Sport's fundraising efforts to find the two hundred thousand dollars (\$200,000) needed to complete this facility, so that it meets all the requirements for the West Indies Cricket Board to host further regional games at Little Bay.

124. Madame Speaker, the people of Montserrat have no doubt about my commitment for a first class cricket facility in our new town, to rival both the Ovals in Barbados and London. And we will fully rehabilitate Salem Park as a supporting venue.

125. Madame Speaker, we are also seeking to secure the financing to enable us to construct a multi-purpose sporting complex at Brades, the design of which has already begun. I am sure that both the 'netballers' and 'basketballers' would welcome this prospect.

126. Madame Speaker, with the development of these areas, we are hopeful that our youth will participate more in sports, become healthier and be lured away from otherwise deviant behaviour. In time, it is our hope that they become more attracted to activities that would help them develop into becoming more productive adults in our society and the world.

127. And certainly, Madame Speaker, the benefits of these capital investments in sports will far outweigh the costs, as we anticipate increased levels of revenue to businesses from sports tourism and from the intangible benefits that would accrue from increased exposure to sports.

ENVIRONMENT AND DISASTER MANAGEMENT

Environment

128. Madame Speaker, over the last financial year, significant progress was made in developing and putting in place the legislations, regulations, plans and administrative machinery for the effective management of the flora, fauna and other natural resources with which we have been endowed. These include:

- Physical facilities which were put in place to better accommodate the Department of Environment which is now being staffed to more effectively carry out its mandate.
- The Conservation and Environmental Management Bill which has been drafted and work has begun on the enabling legislation for this bill.
- Species Action Plans which have been developed setting out strategies for the preservation of endemic and endangered species, as well as the management of invasive species.

129. During this financial year, it is the plan of the Government to build on the achievements of last year by putting in place further legislations and regulations required to ensure the implementation and adoption of sound environmental and sustainable development principles by all, including the various arms of the GoM.

130. In an attempt to develop and implement a comprehensive national strategy and action plan for the prevention and management of Invasive Alien Species (IAS), the Department of the Environment will work with the Department of Agriculture to develop and implement a plan to improve the sanitary and phytosanitary service at ports of entry by the end of 2009. Madame Speaker, beginning this year, the Department of the Environment will also compile and update annually, a list of potential and actual invasive species on Montserrat.

Disaster Management

131. Madame Speaker, with the continuing activity of the Soufriere Hills volcano and the potential for other natural and man-made hazards, my Government remains committed to strengthening national and community level capacity for the efficient and effective mitigation of, preparedness for, response to and recovery from emergencies and disasters in Montserrat. Information, before, during and after hazard events, is

critical to building public understanding of the risks faced and actions to be taken, or organized by Government.

132. Last year, based on a number of simulation exercises, including a full-scale exercise involving not only response agencies, but also the Royal Navy, it became clear that communication was an area of concern where it was felt that steps needed to be taken to improve on the existing facilities on island, and also the competencies of persons designated to play critical roles in the Emergency Operation Centre when it is activated.

133. To this end, Madame Speaker, over the coming year 2009, priority attention will be given to:

- i) Training of DMCA staff and other response agencies in disaster mitigation, response and management strategies;
- ii) Upgrading of the emergency communications systems;
- iii) Finalizing hazard specific plans;
- iv) The erection of signage relating to the Special Vulnerable Areas (Zones A & B); and
- v) The establishment of the Institute of Disaster, Research Education and Management (IDREAM) here on Montserrat, as a department of the Montserrat Community College.

134. Madame Speaker, we have held discussions with several donor agencies, with the intent of securing funds to train community emergency response teams through IDREAM at the Montserrat Community College. In support of this initiative, the DMCA will this year also seek to secure the necessary funding to construct purpose-built units to accommodate overseas students of the Institute and also serve as hurricane-resistant shelters when the need arises.

135. With regard to the MVO, Madame Speaker, the Government remains committed to the monitoring of the Soufriere Hills Volcano to ensure that residents receive accurate and timely information on the associated hazards and threats.

136. Having improved its technical data gathering, analysis and monitoring capabilities, as well as refining and strengthening its public communication strategies, it is expected that the MVO will continue to provide clear, appropriate and timely scientific advice to the Authorities and the general public. The Scientific Advisory Committee (SAC) will also continue to provide independent scientific advice and Risk Assessments to enable the Authorities to make important decisions to prevent loss of life, and minimize damage and losses, when hazards threaten or occur.

137. Madame Speaker, our volcano is not only our problem. It is also a problem for our Organization of Eastern Caribbean States (OECS) neighbours and the nearby

French Territories. They are exposed from time to time to ash falls, their airports have been closed on several occasions after eruptive events, and nearby coastal areas are vulnerable to the effects of any tsunamis that a major dome collapse may generate.

138. The location of the Montserrat Volcano Observatory in Zone A which would be at risk in the unlikely event of a lateral blast has caused some concern, and we were grateful for a Petroleum Stabilization Fund grant of seven hundred and fifty thousand dollars (\$750,000) to provide a Hope Bypass Road to guarantee safe and easy access to the MVO from the Nantes River area.

139. It is for the same reasons that the OECS Authority willingly endorsed the establishment of a Climate Change Centre here in Montserrat on the Silver Hills, to serve as a back up for the MVO.

140. Following consultations with officials of the Caribbean Community Climate Change Centre (CCCCC), and potential donors for construction and financing of the initial operations of the centre, we have accepted a recommendation for the project to be renamed the OECS Climate and Volcano Observatory (OECSCVO) with education and research as major functions of its activities. The project is proposed to be a self-financing and sustainable institution, deriving its revenues from tourist related activities, research and education grants and specialist consultancy services to the subregion.

141. We have prepared proposals for the construction of the centre and its road access estimated to cost \$3.2 million and a proposal for operating costs for the first 3 years, estimated to be seven hundred and fifty thousand dollars (\$750,000).

PROMOTING GOOD GOVERNANCE SYSTEMS

142. Madame Speaker, the Government of Montserrat is committed to good governance in every aspect of public affairs. In this regard, in 2009, we will continue to identify gaps in our legal framework and seek to improve them where applicable. We look forward to completing the constitutional modernisation discussions with Her Majesty's Government.

143. We also continue to provide support to His Excellency, the Governor in those areas for which he is responsible such as the public service, international affairs including international finance and internal security.

Integrity in Public Life

144. Madame Speaker, my Government is keen to have in place integrity laws that will promote the highest level of ethical conduct. However, we recognise our own budget and capacity constraints and consequently will design legislation that is effective but not costly and administratively cumbersome.

145. Members of this Honourable House are aware of the current piece of legislation providing for members to register their interest now being considered at the Committee stage of this House. Madame Speaker, we have an opportunity to reconsider a Draft 2006 Integrity Bill which covers more broadly, matters of integrity. Both Bills when passed will complete the process.

146. Again, Madame Speaker, a code of ethics has been drafted and will form part of the new Civil Service staff rules. This will be bolstered by relevant sections in a new Public Service law to be introduced later this year to establish an effective, modern legal framework for the management of the civil service.

Civil Service Development and Management

147. Madame Speaker, the effective management of the civil service is key to delivering public goods and services to the people of Montserrat. It cost taxpayers substantial sums of money to keep the service functioning and for this reason the public service must be as cost effective as possible and must not engage in services that can be done by taxpayers. In other words the public service must not compete with the private sector.

148. It is for this reason that the public service reform programme places emphasis on performance based organisation reforms and is defining areas that can be done by the private sector. This may result in merging departments and units to obtain efficiencies or enhanced policy coordination and will produce a set of systems and procedures that will be transparent and make public officers accountable.

149. Madame Speaker, we have committed considerable resources from the public budget to provide the public service with the skills and knowledge to perform at the standards expected by the public. There will, therefore, be little excuse for non-performance going forward. I would hope that all civil servants take full advantage of this training.

150. A key feature of the new public service is the move towards a performance based system for all public officers. This will be first rolled out to Permanent Secretaries and Heads of Departments. It will also provide for a more accountable and flexible arrangement where persons can move in and out of the civil service without losing their pensions. This will be discussed later. This will ensure that ambitious and talented individuals can gather valuable experience in the private sector, regionally or internationally and return with this wealth of experience for use in the development of Montserrat.

151. Work is also being advanced on the development of a modern set of staff orders which seek to outline the rights and responsibilities of officers within the public service.

152. Madame Speaker, as part of the programme to improve efficiency, customer service and transparency, the Public Service Reform Unit is spearheading the development and upgrading of the Government of Montserrat website and soon, all the laws, vacancies, policies and news will be provided to the public via this information platform. The launch of this new feature was held in December 2008.

Financial Governance and Management

153. Madame Speaker, there are two aspects to this subject. The first relates to how we manage the local budget and the second relates to how we engage and respond to our obligations under international treaties and directives and ensuring that citizens of other countries are protected when they do business across jurisdictional borders and in particular, Montserrat.

154. With effect from 1 April 2009, the new Public Finance Act will come into force. It will change the financial year from 1 January to 1 April. It will enhance transparency and accountability by increasing the information the Legislative Council can obtain and the reports that must be submitted by Ministries and Departments for inclusion in the public accounts. It requires statements of policy intentions in the short and medium term to facilitate a more fundamental knowledge of public business by the public and members of Legislative Council.

155. The effect of these changes, alongside changes in the reporting lines and scope of the Auditor General's function, and the planned improvements to standing orders establishing select committees within the Legislature to consider any portfolio and subject area are noteworthy. This move will provide the tools for members of Council to answer the clarion call for transparency and accountability by the public.

156. Madame Speaker, Montserrat has to engage in transactions regionally and internationally and while this provides us with opportunities, it places obligations on us through a variety of laws, systems and contracts between people, firms and governments which must be efficiently managed. In this regard, Montserrat has committed itself to the effective exchange of information through Double Taxation Agreements and Tax Information Exchange Agreements (TIEA). This is a complex area and we have requested support from Her Majesty's Government to:

- i) Draft a UK/Montserrat double taxation agreement that would advance our development needs while at the same time protect our mutual interests;
- ii) Consider other double taxation agreements with Commonwealth and other countries that will be transparent, mutually beneficial and appropriate in terms of international best practices;
- iii) Identify the gaps in Montserrat's compliance with its commitment to the Exchange of Information under the EU Savings Directive, subsequent directives and guidelines; and
- iv) Identify gaps in our regulatory system and capacity in order to develop and implement specific programmes and actions to address the relevant issues.

157. Madame Speaker, the CLICO and British American fiascos underscore the need for joint regulation and exchange of information across jurisdictions. Montserrat has approximately eighty-two million dollars (\$82m) at risk in deposits and pension funds out of the \$1.7 Billion at risk by the entire region. We are pleased with the decision of governments of the region to do whatever is necessary to preserve our financial system, by keeping these companies as 'going concerns'. The joint efforts of regional regulators to share information to place the problem in context and the inclusion of multilateral funding agencies to shape a solution to the problem. We want to take this opportunity to encourage our citizens not to panic, but to be patient and support the wider regional initiative.

LOCAL, REGIONAL AND INTERNATIONAL RELATIONS

Immigration and Population Management

158. Madame Speaker our rather small population size continues to be a matter of great concern as it relates to our island's capacity to: support businesses; make available an adequate skilled labour force; and result in increased contribution to government revenues and a more buoyant private sector. Our plan for 2008 was to comply with the then draft SDP requirements for a comprehensive review and analysis of the workforce and to devise an action plan for building our population. We were in 2008, through enhanced private sector involvement, able to create a blueprint within the SDP consultation process, to take forward action in this regard.

159. It was also our intention to create a separate Immigration Department, thus relieving the Police Force of this responsibility, but there were no resources available to make this change. In 2009 we will consider measures to create savings by improved coordination of the departments of Regional and International Affairs, Labour, Immigration, and consular services, under the supervision of a director, within the Office of the Chief Minister.

160. During 2009, a focused review and revision of our labour, immigration and population legislation and policies will be implemented so that together they support and facilitate the growth of the workforce in keeping with the developmental goals of the people of Montserrat. The appointment of a Labour Advisory Board (LAB) in 2008 was long overdue, but this augurs well for the future of this programme, which would need to be complemented by the revision of immigration regulations which we committed to during the last financial year.

161. During 2008, enhanced management arrangements at the Department of Labour resulted in a general improvement in policy implementation, work permit administration, human rights reporting and work place surveillance across the island.

162. During 2008, concerns for safeguarding Montserrat as a place of law abiding residents, living in peace and comfort, meant that the relaxation of work permit regulations had to be suspended. The return to normal now means that migrant workers need to have pre-approval for a work permit before they travel to Montserrat to engage in any form of employment.

163. Steps were also taken to integrate all migrant workers into life on Montserrat and in this regard, the GoM has introduced the issue of a five (5) year work permit. Each permit will need to be re-validated annually in order to check for tax and social security compliance. The visa granted at immigration will also now be given to coincide with the duration of a valid work permit. The adjustments to the Labour and Immigration policies are to promote a hassle free business environment on Montserrat and to encourage the people needed, to remain on island.

164. A new Labour Market Information System (LMIS) and a computerized job centre will also be introduced at the Department of Labour this year 2009. This will be important for Montserratians abroad seeking to find work on island and also provide vital information for investors and other stakeholders wishing to do business on Montserrat. Initiatives focused on the worker in 2009 will include greater emphasis on Occupational Health and Safety (OHS) and the promotion of Human Rights as part of a project with the London-based Commonwealth Foundation.

165. This will greatly enhance immigration control and population management on island. It will also provide the foundation for developing population policy in the future.

Local Government & Regional Affairs

166. Madame Speaker, although the CARICOM Single Market and Economy (CSME) is expected to contribute significantly to inter-regional trade and output, many of the smaller and less developed members were at risk of being adversely affected. The OECS Heads, therefore, argued successfully and secured the early implementation of the provisions of the Revised Treaty of Chaguaramus including the CSME that seeks to protect small and vulnerable economies and to share the gains of regional integration in an equitable manner. Consequently for the period 2009 to 2012, Heads of Government provisionally approved ten million United States dollars (US\$10m) to assist my Government to cope with the requirements of the CSME and with initiatives under the Public Sector Investment Programme.

167. You will recall, Madame Speaker, that during 2007 and 2008, five million one hundred thousand dollars (\$5.1m) and three million ten thousand (\$3.01m), respectively, from the Petroleum Development Fund, enabled us to fund a range of disaster prevention and emergency response projects. For the year 2009, similar financial assistance is available to fund critical development projects.

168. Honourable Members, in addition, the enhanced OECS Economic Union Treaty is expected to facilitate growth and development within member states by collaborating to secure the benefits of economies of scale. My Government therefore remains committed to deepening the regional integration process which will contribute to enhanced socio economic benefits and an improved quality of life for our citizens. In this regard, during this budget year my Government will focus on addressing those issues that militated against us, securing the entrustment requested and refine the strategy which will assist Government to obtain one entrustment from Her Majesty's

Government by 2010. This is important for us, as it would allow access to the twenty seven million dollars (\$27m) Regional Development Fund CSME Public Sector Investment Programme for the period 2009 to 2012, which includes a Housing support programme, a Small Business Development Scheme, a Small Land Holder Agricultural and Infrastructural Development programme and a Tourism Sector Repositioning grant to facilitate the construction of an interim safe small inland marina harbour.

RECURRENT AND DEVELOPMENT BUDGET ALLOCATIONS

169. Madame Speaker, the total funding available for 2009 is one hundred and thirty eight million fifty two thousand one hundred dollars (\$138,052,100). This has been allocated mainly on the priorities of Ministries and Departments. This represents an overall reduction in funding by four million one hundred and ninety-three thousand five hundred and twenty-eight dollars (\$4,193,528) or two percent (2%) from one hundred and forty two million two hundred and forty five thousand six hundred and twenty-eight dollars (\$142,245,628). This reduction in the amount reflects issues arising from the general global economic and financial crisis.

Recurrent Revenue and Grants

170. The Ministry of Finance estimates that recurrent revenue and grants will be approximately ninety five million two hundred and twenty thousand two hundred dollars (\$95,220,200) down from a revised estimate of ninety-nine million six hundred and ninety-nine thousand six hundred dollars (\$99,699,600) for 2008. Madame Speaker, revenue generated from local sources is expected to reach forty two million seven hundred and twenty thousand two hundred dollars (\$42,720,200). This is two percent (2%) higher than last year and this takes into account modest increases in economic activity due to planned implementation of housing solutions and establishment of a project implementation unit to fast track projects.

171. Madame Speaker, members are aware of the depreciation of the pound sterling by approximately 27% from five dollars and twenty-five cents (\$5.25) to three dollars and eighty cents (\$3.80). The implication of this is that the ten million six hundred thousand pounds (£10.6m) approved for budgetary aid fell from fifty five million six hundred and fifty dollars (\$55.65m) to forty million two hundred and eight thousand dollars (\$40.28m) creating a gap of fifteen million three hundred and seventy thousand dollars (\$15.37m). In an effort to reduce the effect of this loss on many of the major programmes planned, my Government agreed to transfer seven million dollars (\$7m) from the capital development budget and scale back on essential but non-critical programmes of expenditure to fit the funding available. Members will also note an unfunded element of five million two hundred thousand dollars (\$5.2 m) in the budget that reflects the amount of additional funding that will be requested of DFID in June/July and will be based on the outcome of discussions on future programmes for sustainability. Madame Speaker, we plan to meet the benchmarks set by DFID, so that it will not be necessary for this House to reconvene in June to consider a revised budget or face harsh measures that will be necessary if we fail to secure the additional funding.

Recurrent Expenditure

172. The budget provides for fourteen million, eight hundred and eight-seven thousand two hundred dollars (\$14,887,200) to be spent on Consolidated Fund Services of which pensions and gratuities will account for eighty percent (80%) of the expenditures. The remainder will be spent on other statutory payments such as loan and interest repayments, remuneration for certain posts and refunds.

173. Madame Speaker, eighty million three hundred and thirty-three thousand dollars (\$80,333,000) was allocated for the programmes of various ministries and departments. The Ministry of Health will receive the largest allocation totalling fifteen million three hundred and eight-seven thousand two hundred dollars (\$15,387,200). The Ministry of Education will receive eight million and forty seven thousand nine hundred dollars (\$8,047,900). The work of the Ministry of Communication and Works will be critical at this time and we have therefore allocated eleven million five hundred and seventeen thousand six hundred dollars (\$11,517,600). The Ministry of Agriculture, Lands, Housing and the Environment will receive an allocation of six million eight hundred and forty two thousand eight hundred dollars (\$6,842,800). Other major allocations have been made to the Police – six million seven hundred and fifty-two thousand nine hundred dollars (\$6,752,900), Disaster Management Agency – five million one hundred and thirty seven thousand five hundred dollars (\$5,137,500) and Department of Administration – five million seven hundred and ninety-two thousand six hundred dollars (\$5,792,600). For ease of reference, the full set of allocations is attached to this Budget Speech.

Development Funds

174. Madame Speaker, the overall Development Fund budget for 2009 is forty-two million eight hundred and thirty-one thousand nine hundred dollars (EC\$42,831,900). It is expected that twenty seven million two hundred and eighty two thousand two hundred dollars (EC\$27,282,200) will be spent on infrastructure development; four million nine hundred and twenty seven thousand five hundred dollars (EC\$4,927,500) will be spent on the development of natural resources including geothermal energy development; two million seven hundred and sixty-one thousand nine hundred dollars (EC\$2,761,900) will be spent on social services; and seven million eight hundred and sixty thousand three hundred dollars (EC\$7,860,300) for miscellaneous projects across a range of areas including tourism, human development and development co-ordination and planning.

175. The Development budget will be funded by several agencies and through local endeavours. The United Kingdom Government through DFID will finance sixty-seven percent (67%) of the capital budget, the European Union will fund twenty-three percent (23%) and the remaining ten percent (10%) by CDB, the Trinidad and Tobago Government through the Petroleum Stabilisation Fund and the Government of Montserrat.

Public Debt

176. Madame Speaker, the public debt remains low and well within the limits established for best practice. At 31 December, 2008, the balance was nine million one hundred and forty seven thousand one hundred and eighty-eight dollars and sixty-three cents (\$9,147,188.63). Over the last year, we have passed the Treasury Bills Act and the Development Bonds Act which would allow us to raise funds on the Regional Securities Exchange when and if the need arises.

177. Madame Speaker, it was our intention to borrow from CDB to fund a diesel powered generation plant. This was delayed given the advances made in terms of the exploration of Geothermal Energy and wind energy. It is anticipated that we may need to borrow to provide counterpart funding for the development of the Sea Port.

KEY POLICY MEASURES

Economic, Financial and Social Policies

178. Madame Speaker, in these troubled times we need to remind ourselves of what policies are available and then discuss how they can be adjusted to advance our economic and social objectives.

179. We are committed to the idea of food security, and while this cannot be met in its entirety, it is our intention to reduce our dependence on external sources for most of our food supplies. This will require the expansion of lands being brought under cultivation. In the area of fisheries, we would like to see greater use of the fishing areas around Montserrat and around the OECS for that matter. Therefore, we will:

- i) Re-introduce the import licence regime to control imports in foods that are grown on Montserrat. We will put in place monitoring systems to ensure that restrictions are placed on products that are available locally.
- ii) Promote local production for export and therefore commence activities to establish a food technology laboratory to assist with research in areas relating to agro-processing to increase the shelf life of local produce and to promote and support export-oriented businesses.

180. In the area of mining and quarrying, Madame Speaker, we have an abundance of volcanic materials that can be used in construction and the cosmetic industry. We intend to introduce policies and provide support where necessary to:

- i) Construct alternate jetty facilities near to quarrying sites to stem the costly impact of wear and tear on our road networks caused by the heavy equipment used in this industry.
- ii) Regulate this industry to ensure the orderly extraction of mining materials. This will incorporate any royalties to be paid and export facilitation arrangements.

181. Madame Speaker, the construction sector is important to our economy and in particular, private construction. We have already sought to boost this sector by offering a number of tax breaks for construction of hotels and other business properties and homes for rental or resale. The response so far has been reasonable given the size of the economy. We have had feedback from a number of persons willing to invest in homes for rental and resale who have indicated that given the level of disposable income and the slow turnover of properties, the investment value is too high and should start at a lower amount and gradually increase as the economy grows. In this regard, any application received from 1 January 2009 for concession under this Statutory Order, the value to be applied will be two hundred thousand United States dollars (US\$200,000) as opposed to the initially proposed three hundred thousand United States dollars (US\$300,000).

182. Government will also repatriate some of its investments when they mature for the financing of local projects and the refinancing of mortgages and other loans at interest rates that will not compromise the sustainability of the institutions from which these funds have been requested. This will no doubt serve to boost economic activity on island alongside all the other measures.

183. A major pillar in our medium to long term development strategy is the rebalancing of the public to private sector scope of operations and activity in the economy. We can no longer afford to allow the public sector to 'crowd out' private sector business development. This is a vital ingredient for budget sustainability and for growth. While in the short term we do not expect to see any significant economic growth from this re-adjustment, it will offer the private sector opportunities to participate in areas where there is competence to do so and also where there is the potential to develop further in the future. In this regard, we intend to accelerate work on developing public-private partnerships. Those Ministries and Departments that have identified candidates for this arrangement will be given technical and other support to take these measures forward swiftly and without undue delay.

184. It is for this reason we intend to transfer the dental services to the private sector. It is our belief that if done correctly, a broader range of services will be available to the island and that it will facilitate many persons who currently leave the island to obtain these services. For those public patients who are worried about care, the change in the provision of such care will not affect you as Government will still subsidise any care provided to those who qualify. This service is an area where we have had credible local and other interests expressed in providing the service. We also see no problem with employment as persons can opt to remain in the public service or work with the new private sector organisation.

185. Madame Speaker, it is our intention to manage the hospital through a Health Authority, that is a statutory body, similar to the pattern of the National Health Service Hospitals in the U.K. and consistent with other service agencies here in Montserrat such as the Port Authority, Montserrat Utilities Ltd and the Land and Development Authority (which is now also heavily engaged in housing and should probably be renamed the Montserrat Land and Housing Development Authority).

186. In order to ensure the long term funding of this scheme, we intend to advance work on the National Health Insurance linked to the short term benefits branch now operated by the Social Security Scheme.

187. We have already approved similar arrangements for a joint Revenue Service to coordinate tax policy and the services of the Inland Revenue and Customs Departments. This approach will provide a more independent management structure, and allow for the organisations to form strategic alliances leading to a broader range of services and professional development for staff.

188. Madame Speaker, one of the key issues in making these changes is the issue of loss of jobs. Fortunately for us, in looking at the vacancies across the service and within many of the units that may be merged, it is possible to absorb and even provide further opportunities for those currently employed.

189. Madame Speaker, another critical element in terms of the public budget is the sustainability of pensions and social security. In this regard, the following policies will be pursued and implemented before the end of 2009.

190. With regard to public service pensions, the retirement age will be gradually increased from 55 years to 60 years with effect from 1 January 2009, but persons over the age of 50, will retain the option of retiring at the age of 55 with the current full benefits. A new Pensions Bill will be drafted, discussed with all stakeholders and presented to this Honourable House by September 2009. For sustainability reasons, the new Bill will ensure that persons benefitting from both a government pension and social security or state pension will have their benefits and pensions capped at a level to be determined on the advice of an Actuary. Further, the Bill will include greater levels of flexibility, for instance, in allowing persons to move in and out of the service without losing their rights to a pension. This is critical in terms of facilitating the free movement of people. On the other hand, given our limited capacity we will have the benefit of the skills of public servants for a longer time now that they will retire much later.

191. Government recognises that there are persons who have served for over ten (10) years **continuously** in the civil service as a non-established worker and are treated far differently than their established counterparts. We must put an end to this. There are also persons who have served for 33 years in established posts and because they were not appointed have received pensions that do not reflect the service that they have provided. Madame Speaker, in correcting this discriminatory practice, non established workers retiring after 1 January 2005 and is:

- i) in an established (but not appointed) or non-established posts **continuously** for more than ten (10) years **and** have reached the retirement age will be entitled to a pension under the same terms as an established civil servant; or
- ii) in an established (but not appointed) or non established posts **continuously** for more than twenty (20) years, can opt for early retirement and if approved, obtain pension entitlements in a similar manner as established civil servants.

192. This undertaking will be subject to the overall amendments to the Pensions Act.

193. Madame Speaker, with regards to Social Security, the retirement age will be increased to 65 years. This will greatly improve problems currently faced with respect to the sustainability of the Social Security Fund. This Bill is currently before this Honourable House for debate. Alongside this are a number of measures that will be introduced by regulations aimed at:

- i) Increasing the ceiling of the insured earnings so that an individual's maximum pension will be increased to more realistic level.
- ii) Introducing automatic increases to persons receiving social security pension's to ensure that these pensions relate more closely to the cost of living.
- iii) Making it possible for nationals living overseas and self-employed persons to participate in the scheme through voluntary contributions. This will assist in ensuring that the viability of the scheme will not rest with the resident population only. This also provides an incentive for nationals abroad to return home when they retire.
- iv) Modifying the benefits to make them relevant, realistic and eliminate duplication of benefits where these occur.

ACKNOWLEDGEMENTS

194. Madame Speaker, throughout the year there are many governments, institutions, companies, civil society organisations and individuals that have assisted in making the management of this island easier than it otherwise would have been. We have encountered many obstacles and challenges over the last year and we recognise that we would not have endured without the input of many friends throughout the world.

195. It is significant that I start with Her Majesty's Government through its various agencies, in particular, DFID and FCO for the significant outlay of budgetary and technical support they have provided and continue to provide at our request. Given the challenges we face from the volcano and those created by the international market, we can say that while we have been affected in many ways by these events, we have been spared from the full impact of them.

196. Madame Speaker, we want to acknowledge the continued budgetary support provided by the European Union. We recall their contribution to the John A Osborne Airport development and current allocations to the development of our Seaport at Little Bay.

197. At the regional level, the Government of Trinidad and Tobago continues to provide assistance to Montserrat through the Petroleum Stabilisation Fund and when

we had difficulty finding a fire tender to keep the airport open, they came to our assistance and have since confirmed a loan as a grant. Also, I want to acknowledge the support and work of our other regional partners, CARICOM, the Eastern Caribbean Central Bank (ECCB), Organisation of Eastern Caribbean States (OECS), Caribbean Development Bank (CDB), the Caribbean Regional Technical Assistance Committee (CARTAC) and the Government of the Cayman Islands for all the tangible and intangible support we received throughout the last budget period and even now as I present this budget.

CONCLUSION

198. Madame Speaker, I conclude as I began, in saying the world is in economic and financial turmoil, but there is hope.

199. This budget is about fixing the economy through a variety of ways – some short term and some long term. It speaks to the development of our greatest asset – our people - and provides opportunities for them to improve their lives if they embrace and participate in the programmes being put forward. Madame Speaker, many people will still complain and that is their right in a democratic society, but the greatest things achieved in life usually start from a collection of small things done well. We have now provided a collection of programmes some small and some large, I hope we work together to make them work well.

200. Madame Speaker, this budget speaks to the modernisation of our institutions and systems. It signals our intention to engage with the regional and international community in our search for opportunities; and expresses our willingness to honour our obligations to the wider global community.

201. This budget recognises that development without a vibrant private sector is virtually impossible and welcomes the opportunity for government to play a more traditional role as an enabler and provider of public goods and services that cannot be provided by the private sector.

202. This budget is about change and coping with change. God bless you all and I thank you for your support.

203. I thank you Madame Speaker.

ANNEX

Allocations by Ministries and Departments