

BUDGET SPEECH



Restoring Growth Expanding Opportunities

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

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ABBREVIATIONS

CARICOM	-	Caribbean Community
CDB	-	Caribbean Development Bank
ECCB	-	Eastern Caribbean Central Bank
ECCU	-	Eastern Caribbean Currency Union
FATCA	-	Foreign Tax Compliance Act
GDP	-	Gross Domestic Product
HOME	-	Home Ownership Motivate Everyone
HYPE	-	Helping Youth Prepare for Employment
IMF	-	International Monetary Fund
MAN	-	Male Advancement Now
MCAP	-	Movement for Change and Prosperity
MDC	-	Montserrat Development Corporation
MSSF	-	Montserrat Social Security Fund
MTEF	-	Medium Term Economic Framework
OECS	-	Organization of Eastern Caribbean States
UK	-	United Kingdom

BUDGET STATEMENT

Theme: Restoring growth expanding opportunities

INTRODUCTION

1. I have the honour of presenting this budget address at a time when the challenges facing our island continue to be very significant. I am also mindful that in the next few months we will exercise one of our most fundamental rights, that is, to elect a government to continue the developmental process. This budget statement must therefore be a report of our stewardship over the past four and a half years and also an indication of our policies and programs to support our vision for the next five years.

2. It is a vision that carries with it huge political, economic and social programmes. It is also being presented at a time when the more prosperous nations of the world are struggling to maintain a stable socio-economic environment. Over the last four and a half years, the people of Montserrat under MCAP's administration have been on a mission. It involved the challenge not only of stabilizing the economy but also establishing a platform for recovery and growth.

3. This vision has had the overwhelming support and confidence of our development partners. This is evidenced by the increase in budgetary and development resources that we have been able to negotiate with our two major development partners, namely Her Majesty's Government and the European Union. The local public servants and the business community have also provided critical support in delivering improved service.

4. Let me take this opportunity to thank all the Montserratians and those who have made Montserrat their place of residence for their continued support and interest in the development of our land. It is so easy to allow the challenging economic environment to undermine the reputation and friendly atmosphere for which Montserrat is renowned. The MCAP Administration invites all to pause and reflect on the progress that has been made so far.

ECONOMIC AND FISCAL ENVIRONMENT

5. As we reflect on the economic and fiscal circumstances of our island there are two documents I will refer to specifically. The first is one written by Banerjee and Duflo in their book, *Poor Economics, A Radical Rethinking of the Way to Fight Global Poverty* in which they gave an account of what the world is like for many people, it reads: ***“Every year, nine million children die before their fifth birthday. A woman in Sub-Saharan Africa has a one-in-thirty chance of dying while giving birth, while in the developed world, the chance is one in five thousand six hundred. There are twenty five countries where on average a person is expected to live no more than fifty five-years.”*** It is also noted that ***“in India alone, more than fifty million school going children cannot read a very simple text.”*** These statistics provide us with a sobering reflection and comparison of where we are in terms of basic indicators of health care and education. While we are thankful for the improved standards of living that we enjoy on Montserrat, and comparatively speaking, we are not doing badly; however, we cannot be complacent and therefore need to make all our efforts sustainable.

6. The second reference I will make is Sir Dwight Venner’s Economic Review of the Eastern Caribbean Currency Union under the theme - Realism and Hope: Moving towards our development goals. It reads, ***“Every adversity, every failure, and every heart break carries with it the seed of an equivalent or greater benefit.”*** Montserrat has faced many adversities and much heartbreak during recent decades. In presenting this budget I am hopeful now more than ever that Montserrat and its people will be the beneficiaries of that ‘seed’.

7. With these thoughts in mind, I will now set the economic context upon which this budget is premised.

Economic Context

8. The United States and the United Kingdom are both expected to experience some of the fastest growth in the developed world in 2014, with forecasted growth rates of 2.8 % and 2.4% respectively. This is reflected in the overall Global growth figure of 3.7% up from the 3.0% of 2013. The increased growth forecast in the United States is a result of expected domestic demand boosted by the budget agreement. The higher forecast in the United Kingdom is based also on increased consumer demand as a result of more favourable credit conditions and increased consumer confidence. This is of significance to the Montserrat economy, as both are key tourist markets for Montserrat and the region. The performance in the United Kingdom however, is of greater significance to us since they provide the bulk of Montserrat's Aid. Furthermore a strong UK and US economy may result in a stronger and more prosperous Montserrat Diaspora, able to contribute more to the development of the local economy.

9. The growth experienced in the advanced and emerging markets was reflected, albeit to a lesser extent, in the overall growth experienced in The Eastern Caribbean Currency Union (ECCU). Preliminary estimates suggested a growth rate of 0.7% in 2013 which was well below the global average of 3%. Although growth is still admittedly sluggish in the ECCU countries, it is still an improvement and an encouraging one, when compared to the dismal situation experienced in the 2008 – 2012 period. Growth is expected to continue in the Currency Union, reaching an estimated 1.9% in 2014. This growth, much like the expected growth in Montserrat's own economy, will be mainly as a result of increased public sector capital expenditure and the growth in tourism and construction.

Local Economy

10. Growth in 2013 was slow when compared to 2012. Preliminary data indicates a growth rate of 0.87% which is comparable to the average growth of 0.7% in the other ECCU countries.

11. The local economy is projected to experience growth in 2014 at a pace of 1.34%. The main drivers of this growth will be the implementation of a number of development projects such as the power generation plant, continuation of the work on the

development of our geothermal resources, construction of additional government offices, continuation of the A01 road rehabilitation, hospital construction - completion of the design and site preparation works, upgrading of the Montserrat Secondary School campus, continuation of housing construction and rehabilitation, Abattoir construction, and further work on the Little Bay and port development. These and other projects will continue to build a stable platform which will further encourage long term development of the island. These economic indicators reveal that our focus is broad based across both social and economic sectors.

12. Government has committed to lessening the overall dependence not only on government expenditure as the main driver of growth in the economy, but also reducing our almost total dependency on aid. In this regard, we have identified the expansion of the Agricultural, Mining & Quarrying, Manufacturing, Tourism and Information Technology sectors as the main pillars for long-term growth. This shift of focus has already paid dividends. In 2013, the Agriculture and the Mining & Quarrying sectors saw the greatest growth of all the sectors within the economy of 23.94% and 15.00% respectively whereas export manufacture has once again commenced after a hiatus of over 15 years. The other sectors that experienced significant growth in 2013 were Wholesale & Retail which is estimated to have grown by 2.75% and Financial Intermediation with growth of 4.03%.

13. Improvement in local food production remains a top policy priority of this Government. We remain resolute in our aspiration to achieve self-sufficiency in targeted agricultural commodities. We have achieved significant milestones from our efforts to increase our contribution to local food consumption. We have attained self-sufficiency in green bananas, plantains and eggs with substantial gains in a range of vegetables and condiments. Our initiatives to support the Backyard Gardening Programme encourage production of selected crops and introduce sheltered vegetable production are some of the tools we have used to increase local production. I take this opportunity to commend those farmers and fishers that have worked to keep local produce on the market. You have played and will continue to play a very important role in helping us to achieve food self sufficiency.

14. The Mining & Quarrying industry remains a key component of improving Montserrat's Balance of Trade. This Administration has implemented policies that will result in increased exports from the Mining & Quarrying industry. We are exploring the possibilities of further expanding the manufacturing industry and this we anticipate will have a positive impact on Montserrat. The manufacture and export of cigarettes has commenced. Despite some startup issues there are 25 persons employed by that one plant.

PERFORMANCE OF KEY POLICIES AND PROGRAMMES

15. At the commencement of our term of office in 2009, we promised that this government would be committed to providing good governance; dependable and reliable leadership; deliver key infrastructure; promote and develop the private sector; strengthen the social services; promote social justice, public safety and security. We have made significant strides in these areas. However, there is more to be done. It's a work in progress.

Leadership and Governance

16. We promised to provide the kind of leadership that you can depend on, and we have. Leadership is proven by performance, not rhetoric. We have delivered a modernized Constitution, implemented a Public Service accountability framework, and are in the process of enacting a Public Administration Bill with accompanying regulations. These will provide a clear framework for performance accountability in the management of our human resources in a consistent and transparent manner.

17. Significant effort and resources have been expended in developing the strategic planning framework - the Strategic Development Plan to 2020, the Medium Term Development Strategy, the Medium Term Economic Framework among other planning devices. The question may be asked - why do you need all of these planning instruments? The response is simple. If you do not know where you are going and plan your journey, you will get lost. The funding agencies are more likely to assist you on this journey if they can be shown clear plans. These plans help us to develop and implement the priority strategies for ministries and departments.

However, in order to improve performance at the organisational level, the performance of individual staff will also be boosted. Public service management is being encouraged to be results oriented. In this context we continue to seek improved productivity within the public service.

18. We have established an Integrity Commission, revised the Public Finance Act, Proceeds of Crime Act and introduced other measures that provide a sound accountability framework for the regulation of financial services and integrity in public life.

19. An Internal Audit unit has been introduced to ensure that government gets value for money and that its resources are used for the purposes intended. Our annual audits are now fully up to date to enable the Public Accounts Committee headed by the Leader of the Opposition to scrutinize our public expenditure performance.

20. We operate on principles of fairness and equity for all. On August 1, 2013, this government approved the transfer of all full-time non-established workers to the permanent and pensionable establishment. The terms and conditions of these 110 workers would be improved. They will now benefit from receiving a gratuity and a pension, and increased leave entitlements, the same as for the office workers. We have taken the decisions that make peoples' lives better.

21. On the regional and international level, we have strengthened our relationship with CARICOM, the OECS and other regional and international bodies.

22. It is important to note that we have been assessed by a number of institutions including the IMF (at our request), the World Bank, the Global Forum for Tax Transparency, the Caribbean Financial Action Task Force, and Standards and Poors and have received passing grades. We are confident that we are doing the right things and are adamant that we should be assessed internationally. We are making steady progress with confidence. These actions have kept our institutions credible within the international community and allow greater access to international financial institutions in the major capitals of the world.

Delivering Key Infrastructure

23. We have delivered a framework of agreements and commitments that will continue to drive growth. We have agreed to a Memorandum of Understanding with DfID which includes a number of reforms on our side and a commitment to making a number of strategic investments on their part. We have met over 90% of these targets.

24. In the context of the European Union, we have also met most of the targets set in our financing agreement and have as a result been granted an almost 15% increase in financial commitments for the 2015-2020 allocations.

25. Keeping the commitments you make as a government always leads to further support from your partners in development. They have judged us and rewarded our performance. The people of Montserrat are asked to do the same for the team that has and will deliver the dream. You have the advantage of seeing and experiencing all the good work that this MCAP administration continues to do. Judge us on performance not on the criticism of those who oppose us.

Promoting and developing the private sector

26. We said we would promote and develop the private sector and we are making progress. We have introduced Micro business legislation to provide a framework for the regulation and increased incentives for small businesses. We have established the MDC as the one-stop shop for investment needs on island and a conduit to facilitate small business loans. The MDC is on the cutting-edge of technology when it comes to promoting both local and foreign investment. We have produced through the MDC, a master plan for the development of the Little Bay and Carr's bay area which will be our new town centre. This master plan is designed to create a hub for economic activity which will in turn spur growth and reduce our dependence on aid. The Plan involves the development of the Port at Carr's Bay, a yacht marina, hotel and residences, condominium units, a commercial centre, marine village and the mega yacht berth. Each

of these will generate its own economic activity, provide employment and increase government revenues.

27. The Customs and Immigration departments have been amalgamated to create the Internal Border Security Unit (IBSU) to provide a more pleasant and tourism-friendly environment for our people and those who visit our shores; visa applications can now be completed online; property taxes have been placed online; and we have implemented ASYCUDA World which allows traders to clear goods online within one hour. We have introduced SAILCLEAR, a web-based clearing facility for yachts visiting Montserrat. We are making steady progress creating a base for economic takeoff.

28. The improved business environment has begun to yield benefits. The European Union has just introduced a revised Overseas Association Decision (OAD) which allows for duty free access of manufactured goods from the Overseas Territories of the EU into the European market. We are working to benefit from this initiative which will create additional employment and export earnings for the island especially through further development of the private sector.

Improving the quality of life for our people

29. The MCAP Administration has sought to influence the quality of life for Montserratians and other residents in several areas – housing, provision of healthcare, education, sports and culture and poverty reduction activities.

30. With respect to housing, we said we would have provided housing solutions for the vulnerable and working-poor and we have. The relevant agencies have increased access to affordable housing by delivering over 100 new houses and facilitated the ownership of an additional 150 dwellings during our term in office. This is the largest number of homes to have been delivered without direct funding from our donors. Through creativity and innovation, we have built 32 new houses under the Home Ownership Motivates Everyone Programme (H.O.M.E.). Under this programme, we have spent about \$7.5M in making housing more affordable and accessible to our people.

31. We have, through continued tripartite partnership with financial institutions, construction firms and government, been able to improve access to mortgage financing and house construction for those who would not otherwise have been able to own a house.

32. Our stewardship resulted in the closure of all the volcano-related emergency shelters that caused our people to live in cramped conditions for more than 15 years.

33. Further, by offering housing incentives valued at more than half a million dollars we were able to deliver 20 new houses which attracted \$5.95M in private mortgage financing. In addition, this MCAP Administration embarked on a programme of housing regeneration to upgrade the prefabricated houses in Davy Hill and Lookout. This is currently work in progress.

34. Again, we said that we would provide improved health care services and we are making major in roads to meet the needs. We have begun the journey to improved health care for our people. We have endorsed the design concept for the construction of the new hospital facilities. The consultants have now commenced the working and construction designs. We anticipate going to tender no later than September 2014. Construction is expected to commence by first quarter of 2015 for completion in 2017.

35. We have also approved a 5-Year strategic health plan covering confidentiality, HIV/AIDS policies, financing policies, medical and disability policies and solid and liquid waste collection and disposal policies. We said we would deliver improved health care and we have completed the preparatory work and obtained the necessary approvals to move forward. There are still major needs to be addressed but we have made significant and measurable progress.

36. In 2009 when we took office, the Ministry of Education conducted a series of consultations with the population and created a 10-year development plan which was approved by Cabinet and formed the blueprint for the continued development of education in Montserrat. The plan covered several broad areas – Leadership and Management, Curriculum Reform, Teaching Standards, teaching and learning environment and education partnerships.

37. We have, as a result of these consultations strengthened the leadership in the primary schools by appointing deputy head teachers, changing the management structure of the schools and also by providing management and leadership training to key staff.

38. With respect to Curriculum Reform, teaching standards and improving the teaching and learning environment, the curricula in the lower secondary school are being revised and rewritten. Primary school grade 6 pupils are now being assessed using the Caribbean Primary Exit Assessments administered by the CXC to ensure that testing at that level is standardized across the region. Teacher training is being conducted to strengthen teacher competencies especially in science, mathematics, language arts and social studies.

39. The performance of each graduating class at MSS which attained the standard measure of secondary attainment, that is, 5 subjects including English and Mathematics, in 2009 was 23%. In 2013 the performance was at 26%. The regional average is 35%. We are still well below the regional average but we are moving in the right direction.

40. All schools have been made safe and more user-friendly over the last five years. In seeking to improve the learning environment we have increased expenditure by over \$700,000 on early childhood education in both the recurrent and capital budgets. Primary education benefited from capital allocations of approximately \$8.6M with Look Out School expansion project accounting for approximately \$7M while secondary education was allocated just under \$3M.

41. We have developed partnerships with individuals and businesses to improve the learning environment. We have also introduced the one laptop per child in the MSS which allows all children to have the same opportunities of access to the technology. The most significant partnership was with LIME which provided free wi-fi to students and staff on the MSS campus.

42. At the Tertiary level, in addition to 7 continuing awards, 16 new long-term scholarships, including 2 open scholarships were awarded this year, equating to a total of twenty five full-time scholars studying abroad - nineteen at regional institutions and 6 at institutions in the United Kingdom.

43. We are committed to culture. The St. Patrick's Week of activities is growing and becoming a major tourism event. This provided an opportunity to showcase our heritage and our history. Over the last two years, we have included the African Music Festival which has obtained very positive reviews. We aim to improve it and include it as one of our major tourism products. All those who participated, I am sure, were fully entertained and have benefitted educationally as well. This year, saw the introduction of the youth in coordinating the African Music Festival package. Showing confidence in young people is an investment in our future.

44. This Government is committed to improving the quality of life for our youth. We approved the multi-purpose sports arena at Little Bay under the management of the MDC with completion planned in time for Montserrat to host the Leeward Islands Basketball tournament in September 2014. We have tabled legislation for the development of motor sport. We recognized the initiative taken by a number of our young persons to organize and participate in the sport off-island. We will continue to support them and assist them in obtaining proper and safe facilities where possible.

45. Through the MDC we have organized training in entrepreneurship for our young people – some of these businesses have been established and have continued to operate.

46. We have through the Social Services Department delivered a number of programmes aimed at improving the quality of life for youths who require assistance and counseling. These include HYPE, the National Youth Choir, Youth on the Rise and a new initiative, the Male Advancement Now (M.A.N) project. This is a 6 month programme for young men between the ages of 13-21 years. The intent is to engage them in developmental activities and training for a vocation.

47. Our social welfare programme facilitates and supports over 300 persons. We are reviewing proposals to increase the support to them through a range of initiatives.

48. There are also just under 100 persons whose sanitation facilities are less than adequate. We have commenced a project to ensure that within the next two years that we would have the number closer to zero. Work on these facilities is ongoing.

Social justice, public safety and security

49. Government has remained committed to fighting crime and delinquency in all its forms. The law enforcement agencies led by the Royal Montserrat Police Service have introduced a crime management framework to include training in areas of youth delinquency, child abuse and domestic violence. The efforts made in advancing community policing have made the force more visible and serves as a deterrent to crime on island.

50. Your MCAP administration has sought to ensure that the penal and criminal procedure code and other relevant and critical legislation have been rationalized to ensure that where crimes are committed they can be dealt with appropriately.

51. We have sought to ensure that the rights and freedoms of our CARICOM and OECS brothers and sisters under the revised Treaties of Chaguaramas and Basseterre are respected and enforced.

52. Our detractors may ask so what does that all mean?

53. The answer is simple – we are committed to make peoples' lives better:

- We restored confidence, trust and reliability at the governance level both internally and externally by the successful management of the economy during this period of economic and financial turmoil. Our economic recovery is understandably slow but it is well planned and executed. Our budget process has been enhanced with the gradual introduction of the Medium Term Expenditure Framework (MTEF) which encourages senior management to better plan their programmes for a longer period of three years. This enables us to negotiate a more realistic package with our funding partners. It requires more effort on the part of senior managers but they are getting there. We can see the benefits of proper planning on the level of budget support being provided.
- We have recorded growth in the key Sectors.
- We increased benefits to households through employment, education and financial assistance.

- We created opportunities for businesses in terms of financial support, advisory services and the creation of commercial space for small businesses in the Little Bay area.
- We continue to ensure that a peaceful, safe and secure environment exist for those who wish to live here.
- We are helping to build the kind of Montserrat that will soon become even more attractive for our people to return and investors to do business.

POLICY AGENDA FOR 2014 - 2017 (3 years)

54. The achievements mentioned above demonstrates this administration's commitment and ability to deliver on the promises we have made. As we look to the future, we know there are a number of key projects that are on-going and there are still a number to be negotiated and approved. We recognize that there are many complex issues and delicate negotiations needed to conclude a few of the major projects to include the Carrs Bay Port, Geothermal and Fibre Optics, but we are making major strides in all of them. We are conscious of the fact that many improvements will still have to be made internally so that the public services and the general business environment can operate efficiently and in an enabling way.

55. So what is the policy agenda for the next three years?

Economic Growth and Job Creation

56. The primary goal over the next three years is a continuation of the economic growth and job creation agenda. We recognize that economic growth and jobs underpin a good quality of life for all.

57. Between the years 2004 and 2008, the recurrent and capital budgets received were \$438.4M and \$136.9M respectively. During the MCAP Administration, 2009 to present, both recurrent and capital budgets have increased to \$527.4M and \$281.2 respectively. This has helped to stabilize economic growth and provide jobs for our people. We will continue to negotiate a package of funding to maintain the island and foster economic growth while our key infrastructure is replaced and the private sector can once again become the major contributor to economic activity on Montserrat.

58. Bearing this in mind, the economic development agenda will continue to be led, for the time being, by public sector investments in key sectors of the economy supported by private sector investments made by local and foreign capital.

59. We will aggressively implement several key physical and economic infrastructure projects in order to increase economic activity with a view to becoming less reliant on the UK taxpayer by 2020.

60. I am pleased to state that the capital budget in 2013/14 was the largest in more than ten years. The Capital Budget in fiscal 2013/14 consisted of ten major projects with a total budget of \$100.1M. The major projects implemented during the period are in the areas of Geothermal Exploration, Education Infrastructure, Government Accommodation, Montserrat Power Generation Project, Hospital Redevelopment, the Gunn Hill reduction which is phase 1A of the Port Development Project and the A01 Road Refurbishment phase 1.

61. Increased spending on infrastructure is part of our economic stimulus programme. In so doing we not only create jobs during the construction phase but it also provides benefits such as:

- Higher quality of life and better health
- Lower maintenance costs for operation of vehicles
- Opening up of new areas for housing construction and business development
- Greater opportunities for investment
- Improved environments for workers and customers
- Opportunities for recreation for people of all ages

Energy Development

Geothermal

62. The development of geothermal energy is a core component of the MCAP administration's strategic growth plan to move Montserrat towards financial self-sufficiency and to reduce our

dependence on fossil fuel. The drilling phase of the project has been completed. On the basis of initial testing both wells are capable of producing over 2 megawatts of power, sufficient to meet the current peak load. The final sign off with the consulting firm was concluded on the 21st March 2014. We are therefore now in a position to complete the long term testing by July 2014. The testing phase would determine the type of plant required to generate electricity to feed into the grid. To date, over \$34m has been expended on the project. Another consultancy is running in tandem to examine the most cost effective means of linking this renewable source of power to the national grid. Currently we use just under \$10M in diesel for power generation. This is the approximate sum we will save annually in our import bill. The successful development of geo-thermal energy presents many opportunities for Montserrat leading to enhanced opportunities for industrial development, cost savings to consumers and a reduction of our carbon footprint.

Power Generation

63. The contract for the construction of the Power Station and for the procurement and installation of the generators has been awarded. The project is expected to be completed by the end of May 2015. This project would enable the island to have a reliable power supply during the development of the geothermal plant and also provide a backup source of energy during the periodic maintenance of the geothermal plant.

Port Development

64. The designers for the port development project at Carr's Bay are approaching the completion of the design, expected by May 2014. The Design Phase has lasted beyond the scheduled end date, but this was necessary to ensure that Montserrat receives a functional facility that is fit for purpose. Preliminary estimates indicate that the facility will cost over US\$100 million.

65. This project is critical to unlocking greater economic activities and accelerated growth for Montserrat. It must be emphasized that if the design and scope is compromised, we will not deliver Little Bay Town in the foreseeable future and our reliance on the UK taxpayer for our operational needs will remain for a very long time. The

cumulative effect of prolonged aid receipts will dwarf any investment made now to obtain a proper port facility.

66. The economic, environmental and social appraisals including the work done by Mouchel in 1997 have all recommended that Carr's Bay was the best suited for the construction of a port in the north of the island.

67. We cannot compromise on the scope of this critical seaside facility. We are already paying for the mistake of building an inappropriate airport facility that is not in sync with airlines already in use in the region and our future needs.

68. We have already completed phase 1A of the Port Development Project – the removal of Gunn Hill. This component of the project was developed to provide working space during the construction phase and to be the main area for the new port facility.

69. Despite a minor disagreement in approach we have been successful in maintaining the confidence of DFID in our vision. I wish here to applaud the current Minister of State for DFID for his faith in me and the government in supporting the use of private sector in funding the port, with an approach like the Minister's I am confident that rapid progress can and will be made in building the type of port facilities that will deliver the economic benefits desired.

A01 Road Network

70. Phase 1 of the upgrading of the main road between Salem and Brades has been completed at a cost of approximately \$22.5m. The improvement includes the laying of ducts to ensure utility services can be delivered underground. The drainage for three major ghauts was also improved to reduce flooding of our roadways. This phase of the project only completes around 50% of the rehabilitation requirement on the A01 Road. We are in the process of contracting the services to carry out the design works for the remaining sections of the project.(Brades-St. Johns)

Government Accommodation

71. The Government continues the initiative of relocating all major government ministries from temporary to permanent accommodation. Phase I of the programme is currently being implemented. We have, to date, spent over \$10.3m. We have already completed the Office of the Premier and the Ministry of Communications, Works and Labour. The design phase of the Montserrat Customs and Revenue Service is being completed. The contract for the Ministry of Agriculture, Housing, Lands and Environment has been awarded and work has commenced on the site. We are awaiting confirmation of funding for the Ministries of Education and Health and Community Services elements; the Court and Parliament Buildings.

Business Development and Entrepreneurship

72. Following the agreement of DFID to fund MDC for a further three years progress has been made towards building an effective, well managed and highly motivated executive team with the maximum possible local and regional participation. Only two of the remaining staff are left to be recruited to fill the complement agreed in the business case and it is worthy of note that over 90% of the permanent staff are Montserratian or have a strong Montserratian connection.

73. The 4 retail units at the Marine Village in Little Bay are almost completed with one already open for business, one set to open in May, a third tenant is awaiting MDC Board approval and we have two entities bidding for the remaining unit. MDC has also completed the renovation of one of the three privately owned retail operations in the area and work is well advanced on the remaining two units. It is worthy of note that the existing tenants have been provided with upgraded facilities. Even the garbage disposal units are well designed and constructed. The Corporation has also completed construction of the new ferry terminal which was completed in time for the 2013 Christmas season. Many persons have praised the entire area as providing an excellent welcome to the island. It should be noted that over 100 persons were employed on these projects.

74. In readiness for potential investors MDC have begun the filling of the Pipers Pond area to facilitate the construction of Block 1 in the new town centre and work is ongoing in raising the entire hotel site

to 4 metres above sea level to mitigate against the effect of climate change. Work on this major project continues as we deliver on the vision. A vision started by a former long-serving Chief Minister, the late John A Osborne who had the vision to buy the estate in the 1980's, enhanced and being delivered by the MCAP administration.

75. The One-Stop shop for investors is now fully operational and the Business Services department continues to finance small local businesses through the Business Facilitation Financing scheme. A number of the businesses financed are beginning to contribute to the local economy.

76. Investment briefs for potential investors have been produced for the six investment areas in the development i.e. the hotel, the villas, the condominiums, the waterfront and marina and the retail/commercial blocks. These investment briefs have been well received and have been sent to a number of potential investors. We will continue to aggressively pursue and facilitate both foreign direct investment and local investments in key sectors and areas of the economy.

77. To this end, I shall be leading a team to advance negotiations on the port and town centre developments with two overseas entities. Last week we had a visit by another grouping looking at financing major elements of this vision.

78. The MCAP team has rebuilt the image of Montserrat abroad and brought a new sense of confidence among our partners and potential investors. That kind of confidence is critical in our efforts to attract investment.

79. The success of the Master Plan for the Little Bay/Carr's Bay being managed by the MDC and further economic regeneration across the island hinges to no small degree on the construction of the proposed port in Carr's Bay. Cruise Tourism along with the more traditional tourism will go a long way to helping us reduce our dependence on budgetary aid going forward but attracting sufficient numbers of cruise tourists will require the berthing facilities planned for the new port. The MDC has already begun to build relationships with the cruise lines and to keep them abreast of the port developments. We will continue to see tourism as the lead sector for our long term development.

Human Development and Quality of Life

80. The second national goal is to invest in and encourage human development and quality of life on island. The MCAP Government recognizes that the greatest asset we have is our people. We are therefore committed to their development and quality of life. There are several broad areas of importance to us – Health, Education, Housing, Agriculture & Food Security, Culture, National Identity, Social Cohesion, Poverty Reduction and its alleviation.

Health

81. Good health is seen as a basic fundamental right and a key input in facilitating economic growth and citizen wellness. In this regard we intend to continue to develop our health services under the following strategic goals:

- Ensuring that the legislative and institutional framework is in place to guide the delivery of healthcare services. This will include the rationalization of medical assistance programmes; health financing options, hospital operational policies, procedures and protocols.
- Providing appropriate infrastructure and equipment to meet the health delivery needs of our people.
- Developing high quality and appropriately skilled human resource capacity in a number of areas. We have already started this process and members of staff have already been trained in areas such as the management of Asthma, cervical cancer, mental health management in children, HIV counseling and testing, and trauma support.
- Improving access and utilization of an increased number of Primary Health Care Services. This will include children health camps, diabetes and hypertension self-management. We are also in the process of rationalizing the delivery of care to our senior citizens.
- Improving access and utilization of an increased number of secondary and Tertiary Health Care Services. We have, in collaboration with one of our sons of the soil, been able to

deliver specialist medical services to our people. We wish to thank the entire team for this massive effort and commitment.

- Providing effective Environmental Health Services. The delivery of this goal will include a review of food and hygiene safety, management of both liquid and solid waste to include recycling used materials. We will effectively manage the new 2.7 acre cemetery in Look Out allowing for the traditional earth dug graves and also providing crypts thus offering burial choices.

National Health Insurance Scheme

82. Government is committed to improving access to health care for all its residents. Developments in the health system (in terms of management, equipment, and services) have not kept pace with economic developments over recent years. There is a strong commitment to strengthening the health system – not only to provide the right services to the population but to provide those services in appropriate settings, based on the concepts of solidarity, equity, efficiency and effectiveness. The desire to have a modern, responsive health care delivery and financing system has to be balanced against the small size of the population and their financial capacity. In a small country with a not yet fully developed economy it will never be logistically possible, economically efficient and financially feasible to provide all clinical services. Hard choices will have to be made about priorities.

83. Notwithstanding the constraints, it is the commitment of Government to harmonize all the social security provisions in the country, and that the provisions of health insurance to employed workers and the public sector should be unified and eventually brought under the umbrella of a universal health system.

84. Access to health care is limited and unequal in Montserrat mainly due to challenges associated with costs and income levels of some people. Quality of care differs between the public and the private sector and in both sectors fees and charges are prohibitive for many people. Most of the population is not protected by any form of health insurance. There is therefore a need to improve both access to and the quality of health care for those groups not covered by the Montserrat Social Security Fund (MSSF) arrangements and the public

sector scheme. Providing universal access is the overriding justification to introduce universal health insurance in Montserrat.

Education

85. Education may be expensive but it still represents the best way to lift people out of poverty and hardship and improve the quality of everyone's life.

86. We will continue with improvements in the delivery of education through training, resourcing and improving the physical plant. The Lookout Primary school plant is nearing completion and will be ready for the 2014-15 academic year. We will be making similar investment initiatives at the Secondary level.

- The students will be given every opportunity to excel. We ask the parents and the rest of the society to join us in this quest.
- We outsourced school bus services and we can see the benefits of an improved service.
- We outsourced school meals and we can attest to the improvement in the quality of the meals.

Housing

87. We will continue to roll out our Housing Regeneration Programme. We will continue our drive to bring homes to a decent standard through the enactment of decent homes standards and building regulations. We have started the Affordable Home-buy Scheme which will provide qualified first-time home-buyers on the housing waiting list with a pathway to home ownership. We recognize the need to facilitate the resettlement of our people who have been displaced and are now living abroad. We are negotiating a high-end housing proposal which will provide incentives for Montserratians to own a piece of the rock through the Lookout High-end Housing Development/ Serviced Residential Lots Project. We remain committed to providing housing for the vulnerable and to facilitate in the provision of homes for Montserratians wishing to return home through a range of appropriate incentives.

Disaster and Environmental Management

88. The third national goal recognizes that the need for us to preserve that natural environment for future generations but also understanding that we are prone to threats such as volcanic eruptions and hurricanes. We will therefore continue to develop and implement programmes including enacting legislation to effectively manage the environment. A draft Bill has been circulated for discussion and amendment where possible to ensure that the requirements are affordable and practical given our capacity constraints.

89. We will continue to support the various non-governmental organisations such as the Montserrat National Trust, Darwin Project, Kew Gardens among others in implementing programmes that preserve the environment. We recognize the efforts in terms of research, hosting exhibitions and the propagation of indigenous flora and fauna for the benefit of current and future generations.

90. We will continue to maintain our volcano monitoring systems notwithstanding the long period of quiet. We will continue to facilitate operations and tourist activities in the areas evacuated during the day time only.

91. We will continue to ensure that the necessary policies, legal framework and partnership arrangements are in place to preserve and protect the environment and to ensure that appropriate contingency plans are in place in times of emergency.

Agriculture and Food Security

92. Our focus was to deliver on food self sufficiency and we have made tremendous progress. Working together we will see even further gains in this area.

93. Our Oriole and Mountain Chicken populations have been under threat. The environmental teams with their international partners have achieved commendable success in terms of saving these national treasures.

94. Our forests and water supplies have been protected and preserved. This enables us to continue to have very high quality water supplies and excellent hiking trails.

Culture and National Pride

95. We have seen the development of our festivals showcasing our cultural diversity. These also provide business opportunities for a range of businesses from bars to taxi and tour operators, restaurants and accommodation suppliers, supermarkets and air and sea transport suppliers. All have benefitted.

96. We have introduced, through legislation, our national song, motto and awards. These are significant symbols of a people proud of their homeland and who they are. Appreciation and recognition of our own at the national and official level is one means of furthering the psychological independence of our people.

Diaspora Engagement

97. We have conducted a diaspora survey. We have had consultations and have benefitted from their input. A diaspora that continues to engage with their homeland is always beneficial. The MDC is using its contacts with this grouping to encourage them through an investment which allows each person to participate in the development of the island based on their own financial ability. We are encouraging skilled Montserratians in the diaspora to offer their services to the Development of their homeland. Additionally we have extended the period of concessions from six months to three years which gives a returning Montserratian a longer settling in period.

Regional and International Relationships

98. The fourth major goal is to enhance Montserrat's relationships and image abroad. There are a number of initiatives which are important for our development as part of an economic and monetary union that must be pursued at a regional level. These include our obligations under the Revised Treaty of Basseterre, consolidation and regulation of Indigenous Banks and Insurances and maintaining financial stability within the region.

99. Montserrat has sought and obtained an entrustment to sign on to the Revised Treaty of Basseterre. The instrument of ratification has been presented to the secretariat. As a consequence of this,

there are a number of additional institutions that have been or are being formed to bring the Treaty into practical effect. These include the OECS Assembly, Council of Ministers, Economic Affairs Council and the OECS Commission.

100. It is necessary for Montserratians to think of the region as one economic space where they can work and do business. The provisions of the revised Treaty of Basseterre create opportunities for our people where they can work and develop to their fullest potential.

101. A key goal of the region is to maintain the financial stability within the region. There are currently 40 commercial banks, 61 credit unions and 161 insurance entities. The financial space is simply too small for all of these to continue to operate in a sustainable manner and build the level of reserves that would be required to withstand the external shocks that are becoming more and more inevitable. In addition, the fiscal space within which governments operate do not permit them to guarantee depositors balances as has been the case in the past. A solution is currently being worked on at the regional level with the support of a number of multinational agencies. We are committed to ensuring the security of our depositors within the banking system.

102. Having regard for these discussions, Government of Montserrat will support regional policies aimed at consolidating regional financial and other institutions in order to gain economies of scale in a number of areas. The indigenous banks have already had meetings to determine the best way forward. In the background, the ECCB Agreement and the Banking Act are being strengthened; several new institutions are being created – the Resolution Trust Corporation to manage the assets of failed banks; a stabilization fund to ensure that funds are available in the event of future interventions in banks and a Deposit Insurance Scheme to protect the assets of small account holders. We are also committed to a regional regulatory and licensing authority for insurance services. The current experience and loss caused by the CLICO/BAICO debacle showed us how complex and powerless individual states are in resolving problems related to businesses that trade across different jurisdictions. Working as an OECS team we have been able to resolve some of the issues to the benefit of some policy and debenture holders so far.

103. Government of Montserrat, in anticipation of this broader regulatory framework has over the last few years broadened the scope of the Financial Services Commission making it the single regulatory authority for financial services on island. The longer term goal is to make this service part of a the larger regional authority allowing us to tap into relevant expertise at affordable cost, staff exchanges and training, exchange of information to reduce risks of regulatory arbitrage and to permit portability of businesses with licenses to move across the region within a single regulatory environment.

104. There is a price of internal self government in terms of the discipline and sacrifices that must be made in order to secure a sustainable future. The donor community is becoming increasingly restrictive in providing concessional funding to national governments who have put their economies at risk due to their own policies. We intend to take the appropriate policy decisions, which may bring us criticism from time to time but those decisions will be taken only where we are convinced that they are in the best long-term interest of Montserrat.

105. The international regulatory environment has also become extremely hostile to the development of financial services in small jurisdictions and the outcomes are increasingly being linked to development aid, trade and the ability of local financial institutions to conduct business with institutions in developed countries.

106. In this regard, we signed an agreement with the UK with respect to the introduction of measures to provide information about persons liable for tax in the UK and we are working with the Eastern Caribbean Central Bank to introduce legislation aimed at complying with the United States Foreign Tax Compliance Act FATCA. We have draft legislation developed by the region to assist us with complying with the requirements of the United States FATCA. The penalties of not complying with the Act will have dire consequences for the continued operation not only of local banks but business and individuals who transact business within the United States of America.

107. We must not forget the sterling contribution and support of our legal team in these efforts. They have been providing the

enabling legislation which gives effect to these frameworks and international and regional agreements.

PUBLIC FINANCE

Overall budget current and capital

108. The total budget allocation for this fiscal year 2014-15 is \$160.8 million. We are being prudent here. We have not included funds for which negotiations are still ongoing. Once the process is concluded we will then, as in the prior year, return to the Legislative Assembly to have these approved as a supplementary appropriation bill.

109. Over the past four years we have been paying off commitments which had gone unpaid by previous administrations. The major ones being: the payment to the Social Security Fund in excess of \$17M to meet government's obligations on behalf of civil servants contributions of many years; the payment in excess of \$9M owed to the previous owners of Lookout; clearing of the arrears to the University of the West Indies and other regional and international bodies and outstanding court ordered payments in relation to court judgments against the government. There have been many others of smaller sums but they were substantial in total. These one off payments were all approved by the Legislative Assembly as supplementary appropriation requests. This MCAP administration believes in meeting its financial commitments and obligations. I wish to thank the DfID team for its tremendous commitment and support in settling these outstanding amounts. It is our intention to ensure that we do not build up arrears in the future.

110. The estimated revenue from local sources is \$44.4m. Tax revenues account for approximately 82% of revenue generated locally. Fees, fines, permits, rents, interests and licenses will be expected to generate 11% of the total revenue.

111. Grants for funding the recurrent budget are \$64.1m for a total recurrent expenditure of \$108.5m. This represents about a 7% increase from the 2013-14 approved budget. This comes from our determination to grow the private sector contribution to GDP while decreasing the footprint of government as well as to significantly reduce our long-term liabilities.

112. Seventy-seven percent of the recurrent budget is fixed, 14% is for pensions and related retirement costs, while 41% relates to direct staff costs. We raise less than 50% of the total revenue budget. In fact staff costs amount to 134% of the locally generated revenue. In short, we collect 100 units of currency in taxes and other revenues but spend 134 units of currency on staff costs. This is clearly not sustainable. The remaining 23% or \$25m of the budget is available to fund services. This includes the cost of welfare payments to include overseas medical referrals, school supplies, hospital supplies, maintenance of government plant and equipment to include roads, operation of vehicles, purchase of equipment and simply just finding money to do all that the populace requires of government. This overall situation has to be rationalized.

113. We will continue to demand fiscal discipline by Accounting Officers to meet targets in the most economical and efficient manner. In so doing, we will ensure that the money received from taxpayers will be properly managed and accounted for. We practice transparency in the use of public funds. Each quarter we report on the performance of the budget. This budget performance report is also published on the government website which makes it available for public scrutiny and comments.

114. A number of projects are currently being negotiated with DFID and these, once approved will be presented to this Legislative Assembly through the normal supplementary appropriation bills.

115. This Government proposes to continue to implement its ambitious but critical infrastructural development programme with a total budget of EC\$50.3m in the Development Fund. This will be allocated to the following projects:-

- Carr's Bay Port Development \$2m,
- Fibre Optic Project - \$3m,
- Abattoir \$1m
- Power Generation Project \$15m

116. Additionally, a significant portion will to be geared towards the enhancing of Montserrat's social infrastructure and social

assistance programmes, which we realize are equally important if we have any hope of achieving Sustainable Development.

117. This Government recognises that the human development and social enhancement of our people represent a cornerstone of any plans for Montserrat's advancement. This must go hand in hand with our plans for economic growth and diversification. It is with this in mind that EC\$11.2m has been allocated for the continuation for the Hospital Redevelopment Project, \$0.7m to the Look Out Housing Force 10 project and EC\$1.5m to the Davy Hill Housing Development project. The remainder of the Development Fund resources will be distributed across a wide range of key projects and programmes with \$2.4m allocated to Public Administration Infrastructure and Human Resources enhancement and \$3m going towards other small miscellaneous projects that will work in tandem with the larger projects to achieve the development goals. The Development budget will be funded as follows: Her Majesty's Government through DFID 65%; the European Union 34% and the remainder by CDB, OTEP, Darwin and the Government of Montserrat.

Allocation by Ministries and Programmes

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

119. The Office of the Deputy Governor will receive an allocation of \$28.2m or 26.0% of the recurrent budget. This includes provision for the Disaster Management Coordination Agency and the MVO – \$ 8.3m (7.7%) and provision for Pensions of \$12.3m (11%) and gratuities for contract workers.

- The Ministry of Health and Social Services' allocation is \$15.1m (13.9%)
- The Ministry of Education, Youth Affairs and Sport \$8m (7.4%)
- The Ministry of Communication and Works' \$18.1m (16.7%)

- The Ministry of Agriculture, Lands, Housing and the Environment is allocated \$5.4m (5.0%)
- The Police and Fire Services will receive \$6.1m (5.6%)

120. The other agencies of government will receive \$27.6m (25.4%) among them. These include the Ministry of Finance and Economic Management along with those responsible for the Executive, Legislative and Judicial services of the government. For ease of reference, the full set of allocations is detailed in the Estimates of Revenue and Expenditure tabled in this Honourable House have been circulated to each member electronically.

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

Allocation by Functional Classification

122. We have improved our budget reporting capabilities significantly and as a result the budget has been classified according to the ten Functions of Government developed by the Organisation for Economic Co-operation and Development. The budget resources are allocated as follows: General public services 30%; Defence 7%; Public order and safety 8%; Economic affairs 30%; Environmental protection 1%; Housing and community amenities 0.5%; Health 10%; Recreation, culture, and religion 2%; Education 7%; Social protection 4%.

Public debt

123. Government of Montserrat's total debt obligation stands at just over \$6.6m. The bulk of this debt is public guaranteed debt on behalf of the Montserrat Port Authority. The debt levels will be increased when the implementation the MUL Power project is completed.

124. Even though Montserrat may be incurring additional debt, our debt to GDP ratio will continue to be less than 10%. This is well below the fiscal benchmark of 60% set by the ECCB and by other international institutions. We want to keep it that way and therefore on the occasions when government deems it necessary to borrow, it will be done within an overall strategy with clear goals, outcomes and repayment plan.

ACKNOWLEDGMENTS

125. As we draw close to the eve of a new election it is fitting that we say thanks to a number of individuals, institutions and governments that have made our journey fruitful and encouraging amidst the challenges.

126. We must continue to express our sincere thanks for the substantial support provided to Montserrat by Her Majesty's Government and in particular the current UK administration who have committed themselves to making a number of strategic investments in key areas. The aim of this policy is to 'spend now to save later'. We are grateful because it will in the medium to long term reduce our dependence on UK taxpayers. A heartfelt thank you to the Minister of State for DfID, the former Secretary of State and the entire DfID team, especially the local contingent, for their confidence and support over these past five years

127. As an OCT of the European Union, we have benefited tremendously from the budgetary support provided by the Commission. The process has not been without its difficulties and hurdles but we have organized ourselves in a manner that would enable us to respond to the conditions precedent to the disbursement of funds. We are however, grateful that these funds have been made available to us. A special thanks to that wonderful lady in Brussels and her entire team to include those from the delegation in Barbados. That special friendship and can do attitude has helped us tremendously.

128. We extend thanks to CARTAC, IMF, World Bank, the ECCB, CDB, CARICOM and the entire OECS family for their continued support

especially in finding solutions to the challenges and risks exposed by the economic and financial crisis.

129. Over the last four and a half years there have been a number of friends of Montserrat that have contributed significantly and meaningfully to us and we would like to recognize them again.

130. At the commencement of the financial year there was a call for greater commitment by the local public service. In the main, we have seen an increased commitment by most. Despite the tight financial constraints, I wish to extend a similar challenge to them with similar consequences for prudence and hard work. Thanks very much to the hard working and dedicated public servants. This is our country we must all put our hands to the plough and together we will build this island into a prosperous paradise.

CONCLUSION

131. The remarks contained herein have focused not on political issues but on our performance as a government. It is quite deliberate. We are a government in office. Governments in office must be judged by the benefits they deliver to all the people and the foundation that they lay for sustainable development. Any fair assessment of our effort will conclude that we have done just that. We have delivered. Montserrat has a future. Montserrat has hope again. Our people are seeing bright prospects. We put performance before politics. We took decisions that had to be taken not because they were expedient but because they were prudent. We acted under a sound framework of governance and a commitment to principles of equity and fairness. We stand ready to continue. All we ask is that the people of Montserrat continue to show faith in our team - the team to deliver the dream.

132. I thank you and may God continue to bless our homeland.