



HIGHLIGHTS BUDGET STATEMENT 2020-2021

**Presented by Premier and Minister of Finance & Economic
Management – Hon. Joseph E. Farrell
Delivered in the Legislative Assembly
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'Building Montserrat's Economy in a Digital Age'

Overview

This year's theme '*Building Montserrat's Economy in a Digital Age*' reflects the important role technology will play in charting Montserrat's path to development, and the Government's commitment to using information technology in all areas of the islands development. The critical role of technology in our progress was also reinforced during the peak of the COVID19 pandemic.

While COVID19 has propelled our drive to incorporate technology more aggressively, the impact of COVID-19 on the estimate local revenues of Government is devastating, even with the fiscal measures in place.

COVID19 presents challenges to governments everywhere, **“Our revenue streams due to COVID19 for the year have been significantly impacted and our budget presented here today stands at a deficit of nearly \$22m...this is unprecedented and is due to the fact that we are living in unprecedented times.”**

Nonetheless, Government's intention and commitment is to navigate Montserrat through these challenging times—not only to economic recovery but economic transformation.

Fiscal Measures Taken Due To COVID-19

Over the past several months, Government of Montserrat has faced a unique set of economic, social and health related conditions due to COVID-19.

To provide financial support to the economy, the Government of Montserrat presented a business case to DFID in March 2020 requesting direct support, which resulted in an additional 2.5 million sterling being provided to tackle the crisis. This made it possible for the Government to introduce a series of Fiscal Measures in April 2020.

- For April and May the Government has spent over \$3.5m EC in Fiscal Support, and Government aims to spend \$3.4m EC before the end of June—a total of **\$6.9m EC** on Fiscal Support.
- The Cuba Medical Team, of 13 medical professionals, will be engaged for three months starting in July at a cost of **\$1.4m EC**.

This is a total spend of **\$8.3m** on COVID-19 Support.

Costs Associated with fiscal support measures:

- To date, fiscal salary support has been provided to businesses across all sectors, including tourism related businesses, of over **\$1.5 million**, supporting **117** business and ensuring that over **460** people remain in employment. By the end of June, **\$2.3million** in salary support will be provided by the Government.
- Direct grants up to a maximum to **10 thousand dollars** has been provided to **74 businesses** supporting them in paying rent, utilities and insurance costs, total spend to the end of June will be just under **\$250 thousand**.
- Unemployment benefit during the crisis has provided direct support to **over 1000** people on island.. To date, Government has provided nearly **\$1million** in support, and by the end of June Government aims to allocate over **\$2.88 million**.
- Food packages provided to over 807 households at a cost of **\$300 thousand**.
- **\$338 thousand** in fiscal support to the agricultural sector has been provided to date. Government will spend another **\$278 thousand** by the end of June.
- Government will spend over **\$330 thousand** in the education sector supporting the procurement of laptops for teachers and pupils who cannot afford to purchase these devices, thereby enabling the transition to greater online distance learning.

- **\$350 thousand** being spent to refurbish the Golden Years Home, retrofitting of Margetson Memorial wards and the purchasing of PPE to provide protection for medical staff.

Overall the Government of Montserrat will spend **\$8.3 million** responding to COVID-19.

Leveraging ICT's for Montserrat's Development

Subsea Fibre Optic Project

Approximately EC\$16 million dollars secured from DFID to implement the Subsea Fibre Optic Project, which will increase the resiliency of the island as it relates to threats from hurricanes. Despite the impacts of COVID19, the Project has made considerable progress over these last few months and work is due to be completed by August 2020.

A new task force is being established to ensure that our capital investments will also leverage the opportunities presented by new technology and connectivity, that will arise as a result of the subsea fibre optic project.

Terrestrial Fibre Optic Project

All of the off-campus government departments will be connected to the main Data Centre at Government Headquarters via a combination of underground and overhead fibre optic cables. The fibre connectivity between GoM and MVO Data Centers (Server rooms) also allows for redundant data storage and replication of essential data and services in multiple locations.

New Media Centre

The New Media Centre in Davy Hill now provides fit-for-purpose accommodation and state-of-the-art equipment for the Broadcasting Services/ZJB and the Government Information Unit (GIU). Both ZJB and GIU are now positioned to deliver at a higher level in 2020, with plans in place for a number of exciting programmes.

ICT Policies & Plans

Government will continue to update legislation, ICT Policies and implementation plans.

Transport Infrastructure & Access Development

Roads and Bridges

With support from the new DFID capital programme (CIPREG), Government will commence Phase 2 of the A01 Road Improvement Project, thereby improving the road condition, width and safety for key sections of our road network.

Port Development

Preliminary design of the new Port is now completed, and the project will proceed to the detailed design and construction phase this year. This Project will provide a new 130m jetty to accommodate improved cargo operations, and will enable – for the first time – the docking of smaller cruise vessels. The new facility will significantly protect the current jetty which will remain in operation throughout construction and into the future. The impact upon our reef system and bat cave network will be minimised and the Government is also working with the fisheries sector to ensure that appropriate accommodations are made to enable their continued sustainable fishing off our shores.

Airport Development and Operations

The project to resurface the runway at the John A. Osborne Airport is progressing. At the completion of this project, it is envisaged that the airport will maintain its aviation compliance certification through ASSI, provide the public with greater confidence in our air operations, and lay the foundations for future opportunities in improved air access. This Project has also remained on track throughout COVID19 with the issuance of the construction tender, and works are scheduled to begin in early November 2020.

Access

In May 2019, Cabinet approved the Access Strategy with the two broad principles of (i) owned ferry services, and (ii) the implementation of Twin Otter services to Montserrat. Work is still ongoing, despite the impact of COVID-19, to consolidate the requirements for air and sea access and by the final quarter of 2020/21, the market is currently being engaged to provide the Government of Montserrat with the options and costings to take this forward.

Contribution of the Tourism Sector

Visitor numbers increased by 14% in 2019 to 20,156 over the 2018 figures of 18,338. This represented the first time in the active volcanic era that our arrival numbers have topped the 20,000 mark. Cruise arrivals increased by 59% from 4,294 passengers in 2018 to 6,821 passengers in 2019. There was also a marginal increase in yacht calls to our shores in 2019. One of the more important metrics, Visitor Expenditure, rose to EC\$27.0 million, a 1% increase over 2018.

Work has begun on projects being funded by the European Union, namely the rehabilitation of the island's trail network. Three of the seven trails identified – namely, the Oriole Walkway, Blackwood Allen and The Cot - have been enhanced and including improved access.

Upgrades to beaches are ongoing, with improvement works at Woodlands Beach already providing a better experience for visitors. These improvements will continue across a number of our beaches, together with improved tourism and directional signage.

A potential site in Little Bay has been earmarked for the construction of the much-anticipated Volcano Interpretive Centre. Survey work would commence in the coming month.

Another EU-funded project is the development of a new destination website. This project is underway and is expected to be launched at the end of July.

While these tourism advancements continue, it is undeniable that COVID-19 has dealt a serious blow to Montserrat's tourism sector. For the first quarter of 2020, stayover visitor arrivals fell by 12%, while cruise arrivals fell by 20.3% - an overall decline of 14%. And while visitor expenditure increased slightly (just under 1%) for this period, with the borders being closed for almost 3 months, the revenue stream for all tourism stakeholders has dried up for the short term.

Trade & Business Development

Upon assuming Office late last year, this administration transferred the Trade function from the Ministry of Agriculture to the Office of the Premier. This strategic move will bring about streamlined operations and services for local businesses. The Government aims to provide increased fiscal incentives and capacity development/building activities to micro/small businesses.

Over the 2019/2020 period, businesses which benefited from Duty Free Concessions Initiative facilitated by the Trade and Quality Infrastructure Division amassed a total investment inflow of approximately \$1.2m. 60% percent of these businesses were start-ups, whilst the remaining 40% were seeking to further expand operations.

The Government is in discussion for the setting up of an Investment Promotion and Tourism Agency, to assist in attracting appropriate and sustainable investment to the island.

Reform & Transformation

Governance Reform & Institutional Development Programme (GRID) And HR Development

The vision of the GoM's Governance Reform and Institutional Development programme is "To invest in our People to enable a thriving Montserrat". The GRID, which is a three year programme, has been established as a transformational change programme with people at its very core. The total allocated by DFID for the programme is EC\$ 12.25m.

During 2020/21 there will be a number of new HR initiatives and investment to support the further development of a modern Human Resources function. HR will be looking to further develop the job evaluation process with the introduction of 360-degree evaluation, developing new grievance procedures and the leadership and development programme for senior officers will continue.

The key improvement for HR will be the long awaited implementation of the Human Resources Information Systems (HRIS), namely InSync, has commenced, this will see the introduction of personnel management and attendance & leave modules.

Pension reform will also be a key area moving forward, and Government will discuss this with various stakeholders in a view to making changes to the Pensions Act.

Social Security

Government will be discussing urgently with a number of stakeholders a series of interventions, to address the Montserrat Social Security Fund's deficit for the past 8 years.

Energy & Utilities

The Government continues to progress the Public Lighting Improvement Project and the Montserrat 750 KW Solar PV plus Battery Storage Micro-Grid Project. The first project, Public Lighting, involves replacing all of the streetlights in the first instance along with designated Government of Montserrat compounds external lighting with LED lights. This initial target will be completed by the end of this month, and will save the Government significant sums on its annual electricity bills.

Government is working to reduce the long-term costs of electricity generation and to minimise the impacts on the environment from diesel-generated power with the implementation of the Montserrat 750kW Solar PV plus Battery Storage Microgrid Project. This project builds on the previous 250kW Solar Photovoltaic (PV) plant taking the island to 1MW being generated from a renewable source. This increase will support MUL's electricity generation for normal day to day usage, however in power outages the John A. Osborne Airport, the Glendon Hospital, DMCA and the Silver Hill Antenna will be served by the battery reserves for up to 36 hours. The work is on-going and will be completed in the first quarter of the 2020 financial year.

2019/20 Revenue and Expenditure

Recurrent revenue for 2019-20 was \$134.19 million. An increase of around \$4.64 million over Government's collection on the previous year, 2018/19, of \$129.55 million.

Budget Support from the UK remained the highest contributor to our revenues with support of \$78.69 million in 2019-20.

Local revenue collection was \$55.5 million (majority came from Personal Income Tax, and Consumption Tax)

Expenditure for 2019/20 was \$141.31 million.

Recurrent Expenditure 2020/21

Total Expenditure (including debt servicing) - **\$148.63 million.**

Budgetary Allocations by economic classifications are as follows:

- Compensation of Employees \$50.47m or 34%
- Goods and Services \$54.87m or 36.8%
- Interest payments \$.38m or 0.3%
- Subsidies \$10.98m or 7.4%
- Grants \$6.55m or 4.4%
- Social Benefits \$19.94m or 13.4%
- Other Expenses \$5.44m or 3.7%

Increase in funding:

- Salaries have been increased by \$2.02million or 4.99%;
- Allowances have been increased by \$0.056 million or 0.75%;
- Pensions & Gratuities reduced by \$0.48 million or 3.58%
- International Travel & Subsistence reduced by \$0.57 million or 52.61%
- Utilities reduced by \$0.15 million or 5.83%;

- Furniture Equipment & Resources decreased by \$0.049 million or 1.36%
- Uniform/Protective Clothing increased by \$0.017 million or 5.18%
- Maintenance Services has been increased by \$0.29 million or 3.41%
- Rental of Assets reduced by \$0.13 million or 9.12%;
- Grants & Contributions increased by \$0.049 million or 0.76%;
- Social Protection reduced by \$1.17 million or 23.25%;
- Revenue Refunds reduced by \$0.29 million or 19.82%;
- Claims against Government increased by \$0.15 million or 6.15%;
- Sundry Expenses reduce by \$0.15 million or 25.54%;
- Programme Production & Promotion has been increased by \$0.043 million or 5.06%; and
- Debt Servicing – Interest increased by \$0.088 million or 30.5%.

Recurrent Revenue 2020/21

Revenue estimate for 2020/21 is EC\$126.65million, representing a 9% decrease compared to the 2019/20 approved revised estimates of EC\$139.77 million. This projected decrease is as a result of the estimated dramatic fall in our domestic revenues during the Covid-19 pandemic.

The estimated revenue from local sources is EC\$37 million compared to EC\$58.17 million in 2019/20, a 36% fall in local revenue.

Budget support from DfID will contribute £23.6 million (EC\$81.65 million) (64.4%) to the recurrent budget.

In addition to the recurrent budget support from DfID there is an additional direct support for Covid-19 of £2.5million or EC\$8 million which has been included in this budget.

Government has requested further support from DFID to cover the estimated \$21.99 million deficit in the budget.

Capital Budget

Capital Budget for 2020/21 is **EC\$79,045,100**. Capital projects are outlined, as follows:

- Economic Infrastructure development of EC\$64.55 million, 81.66%;
- Social Infrastructure, Research and Services EC\$8.56 million, 10.83%;
- Public Administration –EC\$3.51M, 4.44%;
- Agricultural Services-EC\$0.05M, 0.07%;
- Statistical Research-EC\$0.3M, 0.38%;
- Education-EC\$2.06M, 2.6%; and

- Child Protection-EC\$0.02, 0.02%

This Capital budget will be funded with the UK Government/DFID providing EC\$33.19 million, the European Union support amounting to EC\$20.84 million, UKCIF through the CDB providing EC\$23.90 million and the other EC\$1.12 million by other funding donors and using local resources. The budget will fund projects such as:

- Elements under the Capital Investment Programme for Resilient Economic Growth (CIPREG), to include Fibre Optic Cable, Airport Resurfacing, Improvements to the Montserrat Secondary School and will see the start of the construction of the New Hospital;
- Developing Visitors Attraction and Amenities (the Volcano Interpretive Centre), Protecting and Enhancing the Natural Environment (enhancing hiking trails and beaches), Expanding and Diversity; and
- The important and key economic development of the Port.

Overall Budget – Recurrent & Capital

The total budget allocation for the fiscal year 2020/21 is **EC\$227.68 million**.