



2017-2018 BUDGET STATEMENT

Moving Montserrat Forward towards Self-Sustainability and Inclusive Economic Growth



With the destructive volcanic eruptions fading into the past, now is the
time to move Montserrat forward

Honourable Premier, Donaldson Romeo

TABLE OF CONTENTS

Abbreviations	3
Opening Remarks	4
Highlights	6
Fiscal Review 2016-17	8
Recurrent Revenue	9
Recurrent Expenditure	9
Capital Expenditure 2016-17	10
2016/2017 Achievements	10
Tourism: Showcasing Montserrat to the World	10
Improving Access to the Island	11
Promoting and developing the private sector	11
Energy Development (Montserrat Energy Transition)	11
Geothermal Development	11
Power Generation	12
Priority Infrastructure	12
Emergency Shelters	12
Little Bay Port Development	12
Hospital Development	12
Roads and Bridges	13
Reforming the Public Service	13
PRogramme Management Office	13
Human Development and Quality of Life	14
Education	14
Health	14
Social Services	15
Youth and sports	15
Culture - Montserrat Art Council	15
Agriculture	15
Housing	16
Maintaining Public Order, Safety and Security	16
ECONOMIC CONTEXT - GLOBAL & REGIONAL	17
REGIONAL	18
LOCAL ECONOMY	18
SECTORAL ANALYSIS	19
Moving Forward – 2017-2018	20

Delivering the Frameworks, Agreements and Commitments to Drive Growth	20
Memorandum of Understanding	20
Economic Growth Strategy	21
Improvements in MCRS	21
Statutory Bodies and other GovernNment-Owned Enterprise	21
European Development Fund (EDF 11)	21
Delivering Key Economic Transforming Infrastructure	22
Energy	22
Little Bay Port Development	22
Future improvement to our Road Network.....	22
Tourism	23
Agriculture.....	23
Delivering Key Social Amenities	23
Moving Health and Social Services forward	24
Housing	24
Youth	25
Transforming Human Resources Management	25
Important year for Montserrat Arts council (MAC)	25
SUBSEA FIBRE CABLE PROJECT	25
Capital Expenditure Programme 2017-18.....	25
High Level Planning Group	26
RECURRENT EXPENDITURE 2017-18	26
New spend areas in 2017/18.....	27
Fiscal Measures	28
Fiscal Measures – Vacancy Factor and Changes to Nominal Roll.....	28
RECURRENT REVENUE 2017-18	28
Revenue Measures through taxation	29
Further changes to the taxation system	29
REDUCTION IN Import Duty on specific goods.....	29
Customs Duties and Consumption Tax Homes Built for Sale or Rental	30
Supporting Regeneration.....	30
OVERALL BUDGET - RECURRENT AND CAPITAL	30
Allocation by Ministries and Programmes	31
Allocation by Functional Classification.....	31
ACKNOWLEDGEMENTS	32
CONCLUSION	33

ABBREVIATIONS

LIST OF ABBREVIATIONS

CAPE	Caribbean Advanced Proficiency Examination
CARICAD	Caribbean Centre for Development Administration
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
DFID	Department for International Development
ECCB	Eastern Caribbean Central Bank
ECG	Electrocardiogram
ECLAC	Economic Commission for Latin America and the Caribbean
EU	European Union
FATCA	Foreign Account Tax Compliance Agreement
FCAU	Financial Crime and Analysis Unit
FCO	Foreign and Commonwealth Office
GDP	Gross Domestic Product
GoM	Government of Montserrat
HMG	Her Majesty's Government
HOME	Home Ownership Motivates Everyone
HRMU	Human Resources Management Unit
ICT	Information Communication Technology
KPI	Key Performance Indicators
MATLHE	Ministry of Agriculture, Trade, Lands, Housing and the Environment
MoHSS	Ministry of Health and Social Services
MOU	Memorandum of Understanding
MSS	Montserrat Secondary School
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PADR	Performance Assessment Development Report
PAHO	Pan American Health Organisation
PEFA	Public Expenditure Framework Assessment
SDP	Sustainable Development Plan
TC	Technical Cooperation
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Education Fund
UTECH	University of Technology
UWI	University of the West Indies
WHO	World Health Organisation
WICB	West Indies Cricket Board

Budget Speech 2017-2018

MOVING MONTSERRAT FORWARD

Honourable Premier, Donaldson Romeo

Madam Speaker, I rise to move a motion for the second reading of the Bill shortly entitled the Appropriation Bill 2017/18.

OPENING REMARKS

Madam Speaker, the theme for our budget this year is, ***“Moving Montserrat forward towards Self-Sustainability and Inclusive Economic Growth.”***



This theme reminds us of our vision, to return Montserrat to self-sufficiency, resilient, inclusive economic growth and sound, robust development. So, while we must face the urgent challenges of the moment, we must not lose sight of the long-term vision.

It is customary, and in accordance with our Public Financial Management Act, to lay the annual budget in time for implementation at the start of the financial year, which begins on 1 April. We understand the anxiety and the pressures this delay may have caused and therefore I believe it is appropriate to explain the reasons for the delay in announcing the budget.

2016/17 has been a turbulent year on a global scale; this has created many uncertainties, especially in the U.K. uncertainties directly impacting us in Montserrat:

1. The UK referendum and the vote to leave the European Union
2. UK Cabinet Re-shuffle
3. A drop in the value of the Pound as against the dollar
4. Department for International Development (DfID) Overseas Aid spending came under significant public scrutiny in the UK media. This increased scrutiny of Aid Spend, even for the Overseas Territories which have the first call on U.K.

Aid, resulted in a delay as the new DfID Minister, we are told, chose to review the budgets of the two Overseas Territories that receive financial aid.

Our budget was further delayed as Montserrat underwent an extensive review by a DfID external team and U.K. Government activities slowed after the review because of the announcement of the U.K. general election.

My Government had to wait until 26th April 2017, before receiving notification of the result of the review and only then could we undertake budget aid discussions, and finally be able to announce that our budget debate would start today with the annual budget speech.

My Government understands the public scrutiny that the U.K. Government faces concerning overseas aid spending and we understand the need to re-assure the new Government to be that such aid is being spent wisely.

Madame Speaker, the current circumstances of uncertainty and public scrutiny concerning aid spending make it important for me to set the local context which has brought us to where we are today. The recent DfID review as mentioned, and various other reviews gave cause for concern, those being:

- The Independent Commission for Aid Impact (ICAI) Report on DfID's support to Capital Projects on Montserrat (July 2013). The overall assessment of DfID support was Amber/Red meaning, and I quote: *"The programme performs relatively poorly overall against ICAI's criteria for effectiveness and value for money. Significant improvements should be made"*
- Montserrat Budget Aid 2013/14: Project Completion Review, undertaken May-June 2014 and Government of Montserrat (GOM) scored a B Quote: *"Outcome did not moderately meet expectations"*.
- The Government Accommodation Annual Project Completion Review, undertaken May 2016 and GOM scored a B in each year of the period;

Madame Speaker, add to these reviews the concerns raised by DfID's internal audit report on the Montserrat Development Corporation (MDC), and my Government's Joint task force review on MDC, and we had a graphic picture that Government needed to be fixed in critical areas, including Governance, Public Finance Management and Programme and Project Management.

Equally important was the need to restore the U.K.'s confidence in Montserrat's ability to manage its affairs, especially given that 61% of Montserrat's re-current budget support and almost 56% of our capital budget comes from the people of the U.K.

My Government does not take this support lightly. I wish to share with this Honourable House, and with the people of Montserrat, a visit we paid to a local government office in the UK during the November 2016 JMC meeting that we attended in Britain. We listened to ordinary people working with local government explain to us what it was like for them to face 30% cuts in the context of the U.K.'s austerity programme and to have to send colleagues home. Additionally, Government departments have further been told to outline potential spending cuts of up to 6% with the aim of saving up to £3.5bn by 2020.

We then shared with our colleagues in that local government office, the Montserrat story. And, we were heartened to hear those same people express their support for Montserrat despite the austerity measures they themselves are now facing.

So we understand that this support comes from sacrifice, one made by the ordinary struggling people of Britain, who are much like us, trying to move their country forward. To those people, I must say: *thank you, we understand how precious, how costly that gift is, and today we pledge that we will strive to make the very best use of it, to restore our volcano-ravaged island.* This visit re-enforced our conviction, as we contended in the UK last November that endless recurrent budget aid, is not in the best interests of Montserrat, nor the British Tax payer.

My Government, immediately upon taking office, committed to address the concerns of these reviews and to deliver on the promise we were elected upon, that is "Putting People First". Our manifesto spoke to how we would do this, by focusing on four key pillars: Transparency, Equality, Accountability and Integrity, in summary this is about good Governance and Inclusive Growth.

Our previous budgets focused heavily on Good governance BUT my Government did not forget the people. However, we knew that to deliver on our promise to put our people to work and provide opportunities for local job creation and growth, we needed a solid foundation. The role of government, regardless of its geography or economic system, is to lay that foundation and put in place a framework to stimulate and encourage growth, and that is what this Government has succeeded in doing.

Madam Speaker, robust economic growth, widespread prosperity and more adequate social well-being will not happen on Montserrat overnight. We are at a development crossroad. Whilst we have laid the foundations for Montserrat's transformation, our choice is clear; we **must** make strategic investments to return Montserrat to self-sufficiency, we cannot and will not continue to be a welfare state receiving annual Aid for generations to come.

With this intent, we must work in close partnership with the people and government of the UK, to build a sound future for Montserrat, and, Madam Speaker, that is what our budget's theme is all about. **Moving Montserrat forward towards Self-Sustainability and Inclusive Economic Growth.**

Before going into necessary details, let us now pause to identify some highlights of our achievements Fiscal Year 2016/17 and what is to come through this 2017/18 budget.

HIGHLIGHTS

Madame Speaker, highlights of our achievements, as against our Manifesto Pledge, include delivering on our promises to:

- review and advance negotiations for a safe harbor and port; Madam Speaker I am pleased to report that over this past year, the GOM has successfully negotiated the use of the UK/CIF funds to construct safe moorings in Little Bay, with construction due to start during this fiscal year, in 2018.
- Negotiate a better deal concerning pay conditions for Public Servants; Madam Speaker, we have started to address this. In 2015/16 Public Servants increments were re-introduced, and I am happy to announce that all

Government employees from the 1st of April 2017 will receive at least a 3% increase, those at the lower grades will receive up to 10% increase. Madam, Speaker we know that this is still below what we desire for our public servants, however, it is significant given the global economic context, the austerity measures that the UK itself faces and the scope within GoM's budget to identify cost savings to offset the increases.

- Negotiate a better deal for the elderly and the vulnerable; my Government has concluded long outstanding consultations on the Elderly care policy and look forward to start implementation during this fiscal year. We also committed to and implemented a fully resourced Social Services Department, including a new Child Protection Unit, staffing the Department with a mix of local and technical co-operation professionals. We have also put in place a succession planning framework for the Department to ensure when the TCs leave, there will be locals with the capability to succeed them.
- Make Montserrat a place of fairness and inclusion, recognizing the needs and contributions of Montserratians and also non-nationals. Madam Speaker, my Government has committed to eliminate unreasonable burdens on non – nationals, during the past year, we supported the unplugging of the backlog of Nationalization, registration and citizenship applications. We worked in partnership with UNICEF to deliver an equity study that will inform policies for further relief of non – nationals to include the removal of all fees for children seeking medical care.
- Concerning the needs of our diaspora. Madam Speaker, we have put in place an Honorary Consul for our citizens residing in Antigua & Barbuda; they now have a more structured way to have access to services in Montserrat.

As regards our promise to rebuild the economy, Madam Speaker, much has happened and continues on this front:

FIRST, Our Recurrent Budget: For 2017/18, the recurrent budget estimate is

One hundred and twenty-eight million, three hundred and eight thousand, three hundred dollars (\$128,380,300).

This sum is a 0.97 percent increase over 2016-17. We expect to raise \$50.38 million locally, and Budget Support from DFID will contribute \$78 million, 61%. In terms of sterling, the budget support approved by the UK Government is £22.9 million, which is an **increase** of £2.3 million on last year's settlement of £20.6 million.

SECOND- SECTOR PLANS; My Government commissioned and delivered a new tourism policy and Tourism development Plan, An Energy Policy and Action Plan and an Agricultural Strategy. In addition, we are in the process of developing an Economic Growth plan which will guide Montserrat's economic transformation, ensuring integration of these various sector plans.

THIRD, the Capital programme: For 2017/18, the capital programme estimate is \$31.14 million. This is based on approximately 56% funding from DFID, 37% from the EU and 7.15% from other funding partners. **When combining recurrent and capital the total budget allocation for the fiscal year 2017-18 is \$159.52 million.**

FOURTH, Main projects: Major projects in our capital programme include: Media Exchange (\$1.03 million) for the completion of the ZJB Building, Roads & Bridges (\$1.2 million) under the Montserrat Priority Infrastructure Needs Project, ICT (\$0.95 million), Energy (\$2.68 million) and Geothermal Exploration (\$0.63 million). Under the Montserrat Priority Infrastructure Needs Project, we are also using nearly \$5 million, to fund five overdue and prioritised projects:

- refurbishment of the Golden Years Home;
- improvement to Airport Facilities to ensure compliance;
- repairs to the MPA Ferry Terminal Roof and external canopies to the Ferry Terminal Building; and
- refurbishment of the Brades and Salem Primary Schools.

FIFTH, Expediting Projects: We took radical steps to ensure that the longstanding problem of delays in projects will be minimized by implementing a Programme Management Office (PMO). The aim is to ensure the capital programme will be substantially spent during the upcoming fiscal year; giving a needed boost to our economy even as we work towards the long term economy transformation programme to come.

SIXTH, Port Development: As we all know, access is perhaps our single biggest challenge to growth. I am happy to announce, therefore, that through **The UK Caribbean Infrastructure Partnership Fund (UKCIF)**, and Caribbean Development Bank (CDB), Montserrat has a top level allocation of GBP£14.4 million or USD\$20.3 million towards phase 1 of the Little Bay Port Development initiative. With an expected start date in early 2018, we will be building a safe area for docking and mooring.

SEVENTH, four other “catalytic” projects: Four **more** priority transformational projects to help us move to self-sustaining sound growth and development are also in train. These are:

- geothermal energy development;
- hospital developments;
- access connectivity; and
- human resources/public sector reform phase 3.

The four priority “catalytic” projects are going to be key to achieving our vision of once again being economically self-sufficient.

FISCAL REVIEW 2016-17

Madam Speaker, we now examine in more detail the Government's fiscal performance for 2016-17. This involves a review of recurrent revenue relative to recurrent expenditure, and combining this with capital revenue and capital

expenditure to give a picture of the Government's overall fiscal balance during 2016-17.

Madame Speaker, as mentioned earlier, my Government has continued to focus on good Governance but this past year was pivotal as we were able to recruit to some critical positions in the Ministry of Finance and Economic Management that had been vacant for at least 2 years, these include, a Financial Secretary, Chief Economist, Programme Manager, Chief Statistician, and Head Procurement. These posts are critical to our ongoing reform of Public Financial Management, as well as to achieving our Vision of self-sustainability and inclusive growth.

These enhancements to my Ministry will not only assist with our next Public Expenditure Financial Accountability (PEFA) Assessment scores but will also provide the level of confidence to the U.K. Government, as well as other development partners, and the private sector to continue to invest in our island.

RECURRENT REVENUE

The overall recurrent revenue for 2016-17 is \$123.9 million compared to the budgeted figure of \$126.5 million for 2017-2018. This is an increase of around \$1.6 million over Government's collection on the previous year, 2015-16; when \$122.3 million was collected. In 2014-15 this Government collected \$121.4 million this represents a significant year on year increase in revenue.

UK Budget Support remains the highest contributor to our revenues. HMG actually provided \$74.4 million in 2016-17 but this fell below the estimate of \$79.2 million. The unpredicted and dramatic fall in the value of the Pound Sterling accounted for most of this difference.

Madam Speaker, turning to local taxation and collection, in the year 2016-17, the majority of which are collected through The Montserrat Customs and Revenue Service (MCRS), the total collected for the year by MCRS was \$40.25 million against a budget of \$38.1 million, a significant over-performance of \$2.15 million. The majority of which came from an increased collection in Company tax and import duties.

Personal Income Tax, the second largest revenue item, was \$12.41 million compared to 2015-16 \$11.42 million, just under \$1 million year on year increase and the collections of Consumption Tax increased from \$10.88 million in 2015-16 to \$11.58 million, another significant year on year increase.

This government continues to support the sand mining industry and exports from our Mining Sector, the budget estimates for Royalties from the export of sand for 2016/17 was \$350,000, we in fact collected \$361,620.

RECURRENT EXPENDITURE

Recurrent expenditure totalled \$121.4 million in 2016-17, this is \$5.6 million more than the actual spend for 2015/16 (\$115.8 million) and shows a continued improvement of spending monies, moving from \$12.4 million under spend in 2015-16 to just under \$5.8 million under spend in 2016-17.

Madam Speaker, this Government continues to maintain a fiscally responsible approach to government expenditure and understands the need to spend in line with budget commitments, further improvements are planned in budgetary management for 2017/18 to tighten budget spend in line with programme delivery.

CAPITAL EXPENDITURE 2016-17

During the year 2016/17, approved additional expenditure capital budget increasing the budget from \$38.72 million to \$39.68 million.

As I stand before you today Madame Speaker, I can say that our drive to improve our Capital Programme on Montserrat has resulted in the establishment of a Programme Management Office (PMO) which replaces and enhances the previous defunct Project Implementation Unit in the last quarter.

Madame Speaker, I feel privileged that my Government has still managed to see the completion of many projects which I will come back to later in my speech.

2016/2017 ACHIEVEMENTS

Madam Speaker, there are several areas where achievements in fiscal year 2016/2017 are noteworthy. The goal of inclusive growth must be an ongoing effort and we can and are accelerating the rebuilding process.

TOURISM: SHOWCASING MONTSERRAT TO THE WORLD

Madame Speaker, continued promotional efforts by the Tourism Division have been paying dividends. The island has been featured in a number of magazines both online and in print and we were also featured on the ever-popular syndicated day-time show - Steve Harvey, where a lucky couple won a promotional trip giveaway to Montserrat during the show.

Madame Speaker, advancing tourism development on Montserrat is the responsibility of us all, therefore an extensive consultation process which also included a branding workshop took place. This has led to a new logo and Tagline being selected and presented for approval by Cabinet. The new Branding, and Logo for promoting Montserrat Tourism is summed up in the tagline that the Stakeholders selected **“Come - we have time for you”**. The logo was launched at the World Travel Market in November 2016 and was well received; we have continued to promote the new tag line and further promotion is planned for 2017/18.

IMPROVING ACCESS TO THE ISLAND

Madam Speaker, the availability of affordable air and sea services connecting Montserrat to our gateway in Antigua and the world is a critical economic and social issue. It's crucial for the growth and development of our tourism industry; it supports our business community; it provides opportunity for our growing agricultural sector and it's important for all Montserratians.

Improvements were made concerning the ferry service, we have a new high speed vessel and the public are now able to make reservations online, undertake advance bookings and pay online, all of which renders the entire booking and check-in process more efficient and customer-friendly. These improvements have increased the travelling public's confidence in the ferry service.

PROMOTING AND DEVELOPING THE PRIVATE SECTOR

Madam Speaker, GOM recognizes the need to improve the business enabling environment to foster sustainable inclusive economic development. We have therefore introduced a position of CEO within the Office of the Premier to focus on both local investment support and attracting international investment.

The role will be the key contact within GOM on investment matters and supporting local businesses. The position will coordinate, advise and partner with all the ministries in a coherent way to move forward the growth agenda.

ENERGY DEVELOPMENT (MONTSERRAT ENERGY TRANSITION)

Madam Speaker, the Montserrat Sustainable Energy Plan addresses *growing concerns* regarding the dependence of the country on imported fossil fuels for its energy needs.

To alleviate future dependency, the GOM has developed an Energy Policy & Action Plan up to 2030 which includes an Energy Strategy and Sustainable Energy Plan. This comprehensive set of documents shows how we can deliver 100% Renewable Energy capacity and significantly improves our chances of gaining external funding.

GEOHERMAL DEVELOPMENT

Madam Speaker, the development of geothermal energy remains a core component of the Government's strategic growth plan to move Montserrat towards financial self-sufficiency and to reduce our dependence on fossil fuel.

Drilling of well three was completed within the period required. Although testing of the source has been delayed it is anticipated that the well cleaning and testing phase will commence soon. Once the whole geothermal reservoir has been tested, an optimal exploitation strategy will be set, designed and constructed.

POWER GENERATION

Madam Speaker, the new 1.5 mega Watts Diesel Generator (DG) was successfully commissioned on the 28th February 2017. Then on the 9th of March 2017, we were able to supply electricity from the power station to the grid. The new power station development will deliver a more reliable and efficient electricity supply.

Further, new control systems have been designed to facilitate solar and geothermal power intakes. New buildings include a new power house and control facility, workshop, and additional fuel storage arrangements. The project is being financed by the CDB, and DfID, with contributions from GOM and Montserrat Utilities Ltd (MUL).

PRIORITY INFRASTRUCTURE

Madame Speaker, part of a Government's responsibility in enabling inclusive growth is to ensure the necessary infrastructure is in place. To that end I am pleased to report a number of achievements:

EMERGENCY SHELTERS

Madam Speaker significant improvements were made to emergency shelters including; construction of disability access ramps, repairs to roofs, equipping with indoor toilet facilities and securing the premises in the event of a natural disaster. The upgrades were carried out on the shelters under the Montserrat Shelter improvement project funded by DfID.

LITTLE BAY PORT DEVELOPMENT

Madam Speaker, Little Bay Port Development is a key catalyst to stimulate economic activity, create employment and improve physical access to Montserrat through the development of a port and breakwater. Our port development plans have progressed considerably over the past year. We have been working together with the consultants that were jointly appointed by UKCIF and CDB.

Madam Speaker, Montserrat has a top level allocation of GBP£14.4 million or USD\$20.3 million in funding for the port.

HOSPITAL DEVELOPMENT

Madam Speaker, despite challenges we have made great progress in realising the national aspiration of the construction of a new hospital. The economic appraisal of potential Hospital sites was formally presented to Cabinet by the Hospital Site Technical committee during the period and Cabinet chose Hill-Top as the preferred site for the location of the new Hospital.

Madam Speaker, we are now, in partnership with DfID, moving forward with a comprehensive EIA and evaluation of the site. This will facilitate a full business case to be developed by DFID for approval and funding of the project.

ROADS AND BRIDGES

Madam Speaker there were a number of improvements and initiatives accomplished for the 2016/17 financial year but of note is the emergency repairs and improvement works to the Collin's Ghaut bypass road, which is a critical section of Monserrat's entire road network linking the northern side of the island. Some other road improvements, drainage and reconstruction works completed included the Barzey's by-pass road; Shinnlands road; Brades; Palm Loop, Nixons; New Winward Road; Cat Ghaut/Judy Piece Road and construction of the Bunkum Bay Bridge which provides improved access to the beach.

REFORMING THE PUBLIC SERVICE

Madam Speaker, Phase 2 of the Public Service Reform (PSR2) project concluded in December 2016. Significant effort and resources have been used in re-vamping our strategic planning process to align with the Policy Agenda, and integrated it with the annual budgeting process.

Madam Speaker the key achievements include:

- Completion of the Functional Reviews for the Office of the Premier, Office of the Deputy Governor, Statistical Department and the Social Services Department;
- Establishment of the PMO;
- Completion of a Citizens Guide to the Budget and Draft National Performance Framework under the Strategic Planning & Budgeting consultancy; and
- Establishment of a Cabinet Committee to drive human resource transformation through empowerment of public servants.

As mentioned the Programme did well with an A rating in the June 2016 Annual review. A further programme to continue our efforts at public sector reform is anticipated.

PROGRAMME MANAGEMENT OFFICE

Madam Speaker, a Programme Management Office (PMO) has been set up under the Ministry of Finance. This will improve our value for money business cases, project and programme governance, transparency, and risk management. Such measures will help us improve our ability to effectively implement a sound development programme and put an end to underspending, and project over-runs.

Madam Speaker, the PMO has facilitated the set up a Portfolio Board and also set up the requisite Programme Boards including the core positions within those Boards.

Madam Speaker on Friday, May 12th, the Government of Montserrat officially became the newest corporate member of the Association of Project Management (APM). This demonstrates

Montserrat's willingness and commitment to the adherence and promotion of internationally accepted best practices.

HUMAN DEVELOPMENT AND QUALITY OF LIFE

Madam Speaker, this government has continued to make the necessary investments in order to improve the quality of life of our people.

EDUCATION

Madame Speaker, we live in a highly electronic technological age and likewise our education facilities must match the modalities of this era. Madame Speaker, I am pleased to announce that my Government prepared our computer labs at the Montserrat Secondary School, and for the first time a number of Caribbean Examination Council Exams are now being done online.

Madam Speaker, over the past year, there has been an increase in trained teachers and the Ministry has outperformed its target in having 55% of trained teachers at the secondary level and instead achieved 61%.

Madam Speaker, a key indicator for education is the percentage of students in the year five cohort who obtain 5 or more CSEC passes including English and Math. This year 42% of the year five cohort obtained 5+ CSEC passes including Math and English. This performance exceeds the Ministry of Education's target for the school. In terms of tertiary education, there are currently 27 people on the scholarship programme but we are expecting 12 to complete their studies in September 2017. There were 5 new awards for the 2017/2018 financial year.

HEALTH

Madam Speaker, again, we said that we would provide improved health care services and we continue on that journey to improved health care for our people. I am happy to report that GOM has further strengthened established strategic alliances as my Government signed a five-year agreement with the Pan American Organization /World Health Organization, this is a technical cooperation plan that supplements funding and support for the implementation of the Ministry of Health's Strategic plan. Madame Speaker this is significant as it allows for other streams of funding to assist with the Implementation of various improvements in health care on Montserrat.

Madame Speaker, the draft of the Social Protection Bill which will replace the Social Welfare Act has also been developed this year with the help of UNICEF. We say thanks to UNICEF for all their support.

Madam Speaker, the long awaited Health Sector review is currently in progress and this is important to providing an appreciation of the needs to strengthen our delivery and accessibility of health services. This review is on scheduled to be completed at the end of June 2017.

SOCIAL SERVICES

Madam Speaker, we are progressing our plans to modernise social services. A full complement of services is now available from the Social Services Department. Central to that Madam Speaker, is the establishment of a Child Protection Unit (CPU), to address child safety matters through a centre of excellence.

A Children (Care and Adoption) Bill was just passed into law and will provide much of the required framework for the CPU and for child care and adoption in Montserrat. A framework for succession planning has been developed to ensure that Montserratians are appropriately trained and skilled up to assume the positions at the end of the contractual period of external recruits.

YOUTH AND SPORTS

Madam Speaker, youth engagement through skills development and vocational training continue to be a priority area for this government. During the year, a number of events took place for young people, including a Youth month in October 2016. Most significant was, the Youth and Sports Development Program, a new initiative which was launched in 2016. A task force comprised only of young people has been established to coordinate and manage the various elements under this initiative, which includes the development of employable skills to unemployed and underemployed youth through apprenticeship and entrepreneurship, the development of a national youth policy, establishment of community groups within 7 communities for the purpose of advancing the development of members of the community with emphasis on the youth, and the development of a national sports policy to promote sports in Montserrat.

CULTURE - MONTSERRAT ART COUNCIL

Madam Speaker, cultural activities are an important part of any society. They contribute to the community facilitating fellowship and celebrations. As the Montserrat Art Council (MAC) moves forward to fulfil its mandate it is with the full knowledge of the important role culture plays in social cohesion.

Madam Speaker one of our major cultural success stories is "The Montserrat Memory Project"; a collection of photographs featuring pre-eruption Montserrat which was donated to The Montserrat Arts Council by Photographer Gildo Spadoni. This exhibition at the Montserrat National Trust attracted over 576 persons and the full collection will be stored at the Montserrat National trust and forms part of the national archives.

AGRICULTURE

Madam Speaker, GOM continues on its path to redevelop agriculture including the promotion of food security, satisfying local demand and targeting specific markets for

important substitution and export. Cabinet approved a new five-year, Agricultural Strategy and Marketing Plan running from October 2016 to September 2021.

Madam Speaker, we are pleased to see that production of staples, such as plantain, bananas and green leafy vegetables including pak choi and spinach is now large enough to negate the need for importation. Further, the island still maintains a level of self-sufficiency in egg production and has seen an increase in the production of broiler meats. Weekly slaughtering at the Abattoir commenced in May 2016.

Madam Speaker, a Territory to Territory partnership between the Falklands Islands Government Institute and the GOM to transfer knowledge and skills from the South Atlantic to the Caribbean was established.

HOUSING

Madam Speaker, the long awaited Housing Bill was passed into law in October 25th, 2016 and it will help us move forward to continue with emergency, social and affordable housing initiatives for our people. The Building Code which has been in draft for the past 20 years is now in the final stages for approval and a Building Code informational pamphlet was produced as part of a public awareness initiative.

Madam Speaker, the Housing Investment Programme, which leverages private sector investment through mortgage financing and reduces public sector involvement was allocated \$2 million in October 2015. To date, of the 62 awards offered, approximately 56 persons have benefitted from the four projects at a total cost of \$1.7 million.

MAINTAINING PUBLIC ORDER, SAFETY AND SECURITY

Madam Speaker, as priority, we are continuing to work with FCO and our Governor to improve security and ensure that Montserrat remains safe, secure and tranquil; factors central to our culture and to our tourism product. Madam Speaker, Serious Crimes declined by 19% over the reporting year.

FISCAL REVIEW

Madam Speaker, allow me to take you forward to the 2017/18 fiscal year and what is expected under the theme of ***Moving Montserrat forward towards Self-Sustainability and Inclusive Economic Growth.***"

Madam Speaker, the foundation was laid in 2016/ 17, when a delegation went to the UK to argue the case for building Montserrat's future. We argued that *"This is the time to move Montserrat forward, for another several decades of recurrent budget aid, directly funded by the British tax payers money is not in their or our best future. The choice at this economic crossroads is clear either we develop strategic capital investment to return Montserrat to self-sufficiency or we resign ourselves to continued annual aid for generations to come"*.

Madame Speaker, my Government was elected on a promise of "Putting People First". Our manifesto spoke to four key pillars: Transparency, Equality, Accountability and Integrity. We have not forgotten this commitment.

My previous budgets focused heavily on Good governance, i.e. Transparency, Accountability and Integrity. While this work continues it is now time to direct our attention more keenly to Equality. That is why we are focusing on Montserrat's economic transformation that will provide growth, job opportunities and allow us to deliver essential services to our communities.

This sustainable growth needed a solid foundation. The role of government, is to lay that foundation and put in place a framework to stimulate and encourage growth, and that is what this Government has succeeded in doing.

How did we do this? By implementing our Policy Agenda developed in 2016/17. By embedding new strategic planning & budgeting, as well as revised Capital project appraisal processes. We also recruited and appointed key personnel and we are, with the support of the Deputy Governor and the Governor, continuing to strengthen capabilities within the Public Service through the empowerment of our employees to be truly a people of excellence, molded by nature, nurtured by God. So we can deliver on our Vision of a wholesome Montserrat and we will move closer in realizing this under this year's charge of **Moving Montserrat forward towards Self-Sustainability and Inclusive Economic Growth**.

Madam Speaker, these efforts have resulted in relations between the GOM and UK Government characterized by closer collaboration and mutual respect.

Madam Speaker, before embarking into the details of the 2017/18 budget it is important to have an appreciation of the economic and political context in which this budget will operate.

ECONOMIC CONTEXT - GLOBAL & REGIONAL

Madame Speaker, Montserrat doesn't exist in a vacuum so it is critical to assess the current global economic landscape. The global growth forecast for 2017-18 is filled with optimism. Yet, the risks are real and the uncertainty will continue to define the global economy.

Madam Speaker, real growth is expected to accelerate in both advanced and emerging economies in 2017, with growth estimated at 3.4%. This resurgence is due to the projected strong growth in some advanced economies of 1.9% and Emerging Economies of 4.5%.

Disposable income in these economies always has a direct impact on the prosperity of Montserrat's tourism product, with the US and Western European countries making up a large proportion of the tourist arrivals, and more importantly, the visitor expenditure on the island. While there remains the potential to target new and more diverse markets, tourism remains the backbone of Montserrat's efforts to revitalise its economy.

Since 2016, the Pound Sterling has lost value against the United States dollar to which Montserrat is pegged, hence the strength of Montserrat's economy is linked to the continued health of the UK economy. This means that while the Development Aid of 0.7% of GDP remains stable, any further erosion of the value of the UK economy will have knock on effects on the recurrent and capital Aid to the island.

Madame Speaker, after years of cheap oil, prices are expected to increase slightly in 2017 and may impact island inflation. The Government has taken this possibility into account in its budget management for the next fiscal year.

REGIONAL

We must bear in mind the regional economic outlook. With ambiguity surrounding commodity prices and its ripple effects on other sectors such as tourism, major global entities such as the IMF and the CDB are placing regional growth at between 1.1% and 1.7%.

Moreover, we must acknowledge that the regional economic outlook remains uncertain. High levels of indebtedness remain a challenge for many regional economies; with increasing debt service payments crowding out productive expenditure that is critically needed to stimulate economic growth.

Similar to 2016, the growth in the Eastern Caribbean is expected to be led by tourism and related construction activity. Madame Speaker, our fellow EC members are facing the same risks as Montserrat, with regards to the prospective growth within the United States and especially the United Kingdom which is one of the largest tourist markets for the region. If the UK economy slows because of Brexit, tourism in the region may be adversely affected. For now, the region is expected to see growth into the medium term, with inflation expected to remain relatively low unless oil price increases are greater than anticipated.

LOCAL ECONOMY

Madame Speaker, the Government developed a new capital prioritisation programme that was rolled out in 2016/17, and which sought to prioritise the projects that would have maximum economic and social benefits. The Government is implementing these transformative projects that will be necessary for long term sustainable development, but which will also provide medium term opportunities for the private sector and employment in Montserrat.

Madame Speaker, as a result of these capital projects Montserrat's economic outlook remains positive with forecasted growth for fiscal year 2017/18 of 1.3%. These projects will be outlined later in this speech.

Madame Speaker, our growth strategy, which is pending completion, is my Government's roadmap for economic growth. It attempts to turn the government's vision into reality through concrete actions and deliverables. It is critical that we, as a country, must know where we are heading in these challenging global geopolitical economic times.

Madame Speaker, there is no doubt that we face a number of key challenges. Chief among these is the need to intensify policy actions aimed at creating a sustainable and more inclusive economic growth. Our economy must be environmentally sustainable and adaptable to climate change. More importantly, we must enable private sector-led growth and equip our people, especially our young people, with the skills appropriate for the Information Age with its increased use of technology, automation and artificial intelligence. The global economic order is in the midst of a profound change and only smart and agile societies will thrive. Montserrat must face this challenge with humility, courage and focus. Our proposed plan is balanced and looks towards the future with confidence and resilience.

SECTORAL ANALYSIS

Montserrat's Mining & Quarrying sector had slower growth this year in comparison to recent years, due to closure of Plymouth Port for a period of time. This remains Montserrat's largest growing sector and is expected to continue to grow as long as regional performance remains positive. Although it is the fastest growing sector, its contribution to both economic activity and revenue collection remains small but it has been identified as a potential growth sector with regards to wider development.

Public Administration remains by any measure the largest sector in Montserrat's economy and is anticipated to see growth in 2017/18 due to the continuation of increments and filling of key posts across the service.

Montserrat was once known as a thriving tourist destination and it is the intent of the Government to return to those prosperous days. During the Cruise Season over 600,000 tourists call into ports on neighbouring islands and for Montserrat this presents an opportunity to tap into a market for shore excursions.

Madam Speaker, to that end meetings have been held recently in Miami with 7 Major Cruise Lines and although discussions are at an early stage it has been made very clear that this Multi-Billion dollar industry is looking for something new, fresh, and unique and have expressed a very real interest of including Montserrat as an imaginative and compelling proposition to their customer base. It is now the job of Government to turn these discussions into a reality that will fuel the tourism sector and stimulate the island's economy.

Tourism is expected to grow as it will benefit from next year's landmark St Patrick's Day celebration commemorating 250 years since the slave rebellion of March 17th 1768, together with the continued growth of other festivals.

With the completion of the Healthcare review, the imminent commencement of Little Bay Port Development, works to the MPA and ferry terminal building, and government housing together with other construction related public sector programmes Construction is also expected to see growth next year.

Madame Speaker, this Government remains committed in its efforts to promote not only short term economic growth but is working assiduously to implement the type of capital and non-capital projects that will facilitate private sector growth in the future.

The goal of sustainable and inclusive growth is our number one priority and we will continue to strive for it. We are far from perfect, but we are far from finished. This budget is in the economic interests of Montserrat and we will make sure that we are successful in achieving the goals and objectives I will speak of today.

MOVING FORWARD – 2017-2018

Madam Speaker, the achievements outlined previously in my speech demonstrate our commitment, to put in place key foundational policy initiatives and projects that will credibly lead us on to the path of sustainable and inclusive growth in our economy. Madam Speaker, we are very hopeful as we look to the future because we know there are a number of economy-transforming projects that are on-going and there are still a number to be negotiated and approved.

DELIVERING THE FRAMEWORKS, AGREEMENTS AND COMMITMENTS TO DRIVE GROWTH

MEMORANDUM OF UNDERSTANDING

Madam Speaker, one of the goals of this government was to strengthen the Montserrat-UK partnership, to affirm our joint commitments to the continued development of Montserrat and to agree a clear set of policy commitments and processes which will focus on delivering these priorities. Therefore, we have been working on a Development Partnership Agreement that will be incorporated into a new Memorandum of Understanding between GOM and the UK Government.

Madam Speaker, this MOU will set out the shared and individual commitments made by the two Governments that are designed to stimulate economic growth and reduce reliance on budgetary aid in the long term. It also provides a transparent framework for accountability between the two governments and a key reality of this process is that GOM commits to being fiscally responsible and undertake planned governance and public finance reforms.

ECONOMIC GROWTH STRATEGY

Madam Speaker, plans are already in place for the GOM to develop a new Economic Growth Strategy (EGS) that follows on from the Sustainable Development Plan (2008-2020). The overall aim of the EGS is to develop a self-sustaining economy over the next 10 years resulting in the gradual reduction and eventual elimination of financial aid.

Government is committed to implementing it and taking Montserrat further along the path of progress, development and prosperity. This will lead to an inclusive economy where all Montserratians, and residents, have the opportunity to develop and prosper.

IMPROVEMENTS IN MCRS

In an effort to improve efficiency and to allow for the timely processing of Tax Assessments, the MCRS is currently working with DfID and HMRC to acquire a Tax Administration Computer System for the MCRS. Currently this is done manually using paper folders for every tax payer for each tax area. This is a very cumbersome and laborious method of administration. I can announce today as part of the DfID settlement the approval a new system and the costs of training staff to implement the system. \$300k has been provided to cover the additional cost. The system will be implemented before December 2017.

STATUTORY BODIES AND OTHER GOVERNMENT-OWNED ENTERPRISE

During 2016 MoFEM commissioned CARTAC to carry out a review on the status of the Government Owned Enterprise sector in Montserrat, the review focused on transparency, accountability and comprehensiveness of the Budget papers and supporting evidence. The assessment revealed gaps in the oversight of Statutory Bodies and other Government Owned Enterprises.

The key recommendation was the centralisation of the funding administration of all subventions, this budget reflects the recommendation with allocation of subvention such as the Montserrat Volcano Observatory, Montserrat Community College, Land Development Authority, National Trust and Montserrat Info-Communication Authority being moved to MOF. With this responsibility it is the intention of the MoFEM to assist the Government Owned Enterprises to improve financial performance and reporting.

Further recommendations from the report will be implemented over the coming year.

EUROPEAN DEVELOPMENT FUND (EDF 11)

Madam Speaker, GoM is currently renegotiating a new programming document with the European Union under EDF 11 funding. The successful completion and agreement of the programming document will provide Montserrat access to additional funding of around €18.4 million over four years. Progress is going well and it is hoped that the first tranche of monies will be released to Montserrat in early 2018, the monies will be used for technical support to implement the capital projects and the majority of funding will be allocated to energy, port development and tourism projects. We plan

to sign the funding agreement in October of this year, until then we cannot budget for the additional spend.

DELIVERING KEY ECONOMIC TRANSFORMING INFRASTRUCTURE

ENERGY

Madam Speaker, the energy sector has enormous potential to contribute to the growth stimulus that our country desperately needs. An Energy Unit will be established to drive GoM's Energy Agenda of renewable energy, energy efficiency and electric mobility. There will be a national Energy Public Awareness and Public Reach Programme to include schools, visits, radio programmes, community meetings to educate the people of Montserrat regarding renewable energy and energy efficient goals, targets and initiatives.

LITTLE BAY PORT DEVELOPMENT

As mentioned Government has been working with the consultants jointly appointed by UKCIF and CDB and during the latter part of May, a large CDB evaluation team arrived on Island to evaluate the detailed proposals and provide guidance and support with regards to the project. The review went extremely well and the CDB team left very positive about the project. CDB officials are aiming to take forward the project for final approval at their October Board meeting, and it is likely that work on the project will start in early 2018 following a design build procurement process.

Madam Speaker we plan to issue Requests for Information from prospective contractors to engage with the market at the earliest possible time. The tender process inclusive of assessments will commence immediately after endorsement has been provided by the CDB and it will be a design build contract.

Madam Speaker at this moment based on dialogue with the CDB it is envisaged that mobilisation and commencement of construction could begin in the 4th quarter of the financial year (2017/2018). Little Bay Port Development is a critical project for the people of Montserrat and the progress of this project is a significant indicator to becoming a sustainable society.

FUTURE IMPROVEMENT TO OUR ROAD NETWORK

MCWL is expected to continue playing a major role in the development and maintenance of the island's infrastructure. Under the infrastructure priority project that will be in its third year of implementation, it is intended to complete a section from Salt Spring to the Cavala Hill Church. Other major construction, drainage and improvement works planned for the coming year include Collin's Ghaut retaining wall; Pump Ghaut road; Cedar Park Loop, Jones Hill, upper & lower Firths, along the B02 road, Virgin Islands, Mongo Hill, Baker Hill, Manjack, Glebe Salem. Also, under the Global Climate Change Alliance (GCCA) Project in conjunction with the OECS, Montserrat is benefitting from a project that will fund the improvement works to the

Collin's Ghaut Culvert and the stabilization of the river embankment with Gabion Baskets.

TOURISM

We will continue to promote our beautiful Emerald Isle with additional promotions for 2017 which will include a road show and placing several Billboards in prominent positions across Antigua. We need to make bigger efforts to attract day trippers from Antigua and hook into the vibrant cruise ship industry. To this effect earlier this month I attend meetings with leading cruise ships companies in Miami seeking to include Montserrat in their excursion trips, the response has been extremely positive and I hope to announce further details on this extremely important incentive soon. We will seek to attract more cruise ship calls in the coming season and we aim to improve on the 4,378 passengers who visited our Island.

Madam Speaker, as a deeply faith-based, society, Montserrat also has a potential to attract faith-based tourism especially in conjunction with Antigua. My recent discussions with faith leaders in both of our countries has been very productive and we will make sure that we carry this discussion forward to make this a reality.

Promotion is key and this week we participated in Caribbean Week, New York where tourism officials, industry executives, media, travel agents, consumers, and Caribbean Diaspora meet to network.

Without doubt Plymouth as the "modern day Pompeii" is our star attraction for visitors - a truly breathtaking and unique experience in the Caribbean, but we need to do more for the visitor's experience and we need to maximise the potential benefits to our people from those visitors.

AGRICULTURE

Madam Speaker, we remain firm in our commitment to the agricultural sector. We have every confidence in our farmers' ability to build a stronger, more sustainable agriculture and Government will provide the necessary support to achieve this objective. We will work with relevant agencies to improve vehicular access to farming areas; provide services and technical support to farmers to generate increased production of selected crops; improve irrigation facilities and services and invest in fencing and crop production systems.

Madam Speaker, with regards to the abattoir, this Government has laid down the foundation for the establishment of what can potentially be a very profitable industry. If we eat what we produce, then the farmers in particular and the country as a whole will benefit. However, it is not our intention for Government to be involved in the running of the abattoir. This is a timely opportunity for the private sector to take over the operations of the abattoir and to market the sale of the animal products processed. In the coming year, we will review and update relevant pieces of legislation to ensure we privatise the operations of the abattoir.

DELIVERING KEY SOCIAL AMENITIES

MOVING HEALTH AND SOCIAL SERVICES FORWARD

Madam Speaker, through the Foreign and Commonwealth Office, the Social Services Department will continue to benefit from additional technical training over the next four years from CASCAF, who made their first visit to the island in early November 2016 to assess our needs.

Diagnostics capabilities will improve with the implementation of a fully fitted fixed X-ray machine which has modern technological capabilities for digitized imagery. Equipment purchases will continue to allow for the access to better working equipment in the health sector. The Environmental Health capacity will be enhanced with the purchasing of a new vehicle and the construction of an operation space for landfill workers along with the completion of the dumping ramps.

Universal Access to healthcare continues to be part of Montserrat's approach to improving equity in healthcare. Madam Speaker, I am pleased to announce that the necessary legislative changes will be made to improve male health, by adding prostate treatment drugs to the list of drugs exempted from charges and made available for men in Montserrat requiring treatment.

Madam Speaker, all health services for children of non - nationals, once born in Montserrat to parents who are engaged in employment and for non-national children who are enrolled in our education system, will be free of charge.

Madam Speaker, the protection of Health Professionals in the execution of their duties is important. With the assurance of the UK General Medical Council, Montserrat will introduce a malpractice insurance requirement, together with a programme and requirement for the necessary mandatory upskilling of Doctors and other key health professionals. Madam Speaker, we will continue to strengthen the legal framework in Health to ensure that we are IHR compliant by introducing the Tobacco Bill and legislation amendments necessary to ensure our compliance.

Madame Speaker all these are positive indicators for the development of the Health and Social Sector

HOUSING

Madam Speaker, this Government remains committed to provide each family with a decent home so that they can live in a healthy environment. We will continue to implement a comprehensive Housing Strategy with emphasis on safeguarding of vulnerable groups.

Madam Speaker, this Government also supports working families. We will expand access to homeownership for qualified low to middle income residents through public/private partnerships to include HOME programme, Serviced residential lots, Divestments of Land and Housing and new Direct Builds.

Madam Speaker, we said that we would provide housing solutions for the vulnerable and we have started and I can confirm that seven critical emergency houses are to be constructed in the new fiscal year 2017/18.

YOUTH

Madam Speaker, as a Government, we continue to provide the enabling environment for sports and youth development. The tennis courts at both Salem and Look Out are planned for major upgrades. The Little Bay Play Field and the Multi-Purpose stadium will have upgrades and repair works done.

As many of you know, basketball is close to my heart and during the course of 2017, we will seek to improve the courts and upgrade the facilities at both Salem and Look Out with additional expenditure being set aside to ensure the youth have facilities to develop their skills and improve their fitness levels.

TRANSFORMING HUMAN RESOURCES MANAGEMENT

Madam Speaker, GOM's programme for transforming Human Resources Management was initiated in October 2016 with the establishment of a Cabinet Committee to oversee the cross departmental work. The programme, entitled Empowering Excellence, is well under way, with a Public Sector Task force drawn from all levels of the public service to help plan and deliver changes, and a Private Sector Advisory Committee to provide private sector input and advise on the reforms. The programme activities cover public sector leadership, service delivery and change management. The public can also expect to see immediate changes in public facing services, such as better information on processes to obtain services, and feedback on services received.

IMPORTANT YEAR FOR MONTSERRAT ARTS COUNCIL (MAC)

Madam Speaker, this year we will see MAC take over the management and programming of the Montserrat Cultural Centre and begin motions to transform the space into a hub for cultural activities, the Montserrat Cultural Policy is also due to be finalized during this fiscal year.

Madam Speaker, 2018 will be a significant year in Montserrat's history as it will mark the 250th anniversary of the attempted insurrection by enslaved Africans in Montserrat on March 17th 1768. The Montserrat Arts Council will include in its programming among other things a significant theatrical production to mark the event.

SUBSEA FIBRE CABLE PROJECT

Madam Speaker, my Government is committed to working with DFID on the completion of the procurement process for the Montserrat Subsea Fibre Cable Project. The introduction of the ultra-high broadband speed internet connectivity will open up great potential in the Education and Health sectors and allow us to attract new and high value businesses to Montserrat.

CAPITAL EXPENDITURE PROGRAMME 2017-18

Government is proposing to allocate some \$31.14 million to its capital programme for the upcoming fiscal year. This is financed through DFID, EU and other donor agents.

This represents 55.79% funding from DFID, 37.06% from the EU and 7.15% from other funding partners.

Madame Speaker, the major projects included are: Media Exchange (\$1.03 million) for the completion of the ZJB Building, Roads & Bridges (\$0.63 million) under the Montserrat Priority Infrastructure Needs Project which should be increased within the year, NICT (\$0.95 million), Energy (\$2.68 million) and Geothermal Exploration (\$0.63 million) which is geared towards the testing phase for which additional funding is anticipated to be received.

Madam Speaker, it is the intent of the Government to utilise nearly \$5 million, which falls under the Montserrat Priority Infrastructure Needs Project, to fund five overdue and prioritised projects which have been long identified and require urgent capital investment. These are the refurbishment of the Golden Years Home, significant improvement to our Airport Facilities, repairing of the MPA Ferry Terminal Roof as well as the extension and refurbishment of the Brades and Salem Primary Schools.

HIGH LEVEL PLANNING GROUP

GOM has taken a bold step to focus its efforts on five transformation projects. These projects are being held to account by the High Level Planning Group. This group includes the Premier, Ministers, the Financial Secretary, FCO UK officials including the Governor and DfID local and UK representatives including, DfID Head Overseas Territories.

The Group meets on a monthly basis to discuss the immediate priorities within each Sector, highlighting issues or constraints and most importantly seeking out solutions to any delays or bottlenecks in the process. The aim of the group is to ensure these key transformation projects are delivered in agreed timelines.

The key transformation projects are the Little Bay Port Development, Geothermal Project, Access (sea and air), new Hospital and public sector reform.

The work of the group has been impressive to date with real progress being made as discussed on the Little Bay Port Development, Hospital and Access. The group gives a real focus to the most important transformation areas of work that will take forward and make a real difference to all.

Madam Speaker, I will now present the estimates of Recurrent Expenditure for the 2017-18 financial year.

RECURRENT EXPENDITURE 2017-18

Madam Speaker, the 2017-18 Estimates of Revenue and Expenditure provide for total expenditure (including principal and interest repayments) of one hundred and twenty-eight million three hundred and eight thousand three hundred dollars (\$128,380,300). This is a 0.97% increase over \$127.15 million for fiscal year 2016-17.

There are varying degrees of changes across the various budget economic classifications for 2017-18 budgets when compared to 2016-17 revised budget estimates.

International Travel & Subsistence has been reduced by 14%, \$144k

Furniture Equipment and Resources has decreased by 45%, \$2.5m

Rental of Assets has increased by \$170k, 14%

Professional Services and Fees increased by \$4.4m, 38%

Printing & Binding has decreased by 81% \$1.1m

Grants & Contributions increased by 10% \$637k

Subventions decreased by \$267k, 2%

Social Protection decreased by \$355k, 9%

Sundry Expenses increased by \$246k, 63%

Madam Speaker, I will take the time now to highlight some of the new spend areas that will be undertaken in 2017-18.

NEW SPEND AREAS IN 2017/18

Madam Speaker, as part of the annual budget process Ministers are asked to provide details of new spend areas, these are then considered by the MoF and proposals taken to DfID and Ministers.

I am happy to announce the following increases in budget spend areas:

An additional \$310k to carry out the required revision of Laws for Montserrat which has not been carried out for some time, further an additional \$30k has been allocated for electoral reform.

As stated previous \$300k has been allocated to MCRS to implement the new Tax Computerised system which will improve the efficiency of the Tax Office tremendously and will allow MCRS to focus not just on in-year collection but tackle the arrears, thus releasing income that could be used for the good of Montserrat.

We have allocated additional recurrent spend of \$32k to allow the aerodrome obstacle survey to be completed. Further, with the importance of energy GOM will be investing \$120k in a new Energy Director. A further new spend is for a Senior Disaster Management Coordinator \$70k.

Moving to Health we will be providing additional spending to maintenance across the hospital sites of over \$210k. We will continue to invest in our locum doctors to cover absences with an additional \$70k and invest in keeping our Island clean by increase the resources of the bi-annual clean up by \$60k.

Sports and Health are entwined. There are countless statistics linking a youth's involvement in sports to both their emotional and physical health. Therefore, I am happy to announce two new posts for Sports and Physical Education, an additional \$200K has been allocated for refurbishment of basketball courts in Salem and Lookout.

Finally, Madam Speaker, much has been said about the potential for a pay increase and providing a just award for the staff within the GOM. Work on this matter has been extensive and prolonged going back to November of last year. I can therefore today announce that all employees will receive a pay increase dated from the 1st of April 2017.

We recognise that those in the lower bracket of pay are the ones that may need further financial support. Therefore we are awarding a 10.04% increase at pay point R51 moving to 7.44% at pay point R40 with the remainder pay points receiving a 3% increase. This will be at a total cost of \$1.54 million.

Madam Speaker, we need to ensure that adequate pay is provided and therefore we will look to provide further increases in future years if the budget allows. This shows clear commitment to the most valuable asset within Government - our staff, and I wish to thank you all for the hard work, dedication and commitment you have shown day in day out. **Thank You.**

FISCAL MEASURES

In order to find resources to approve new spend areas, and in line with good financial management this budget includes a number of fiscal measures to release funds that can be better used in supporting programmes funded under this budget.

GOM has continued to underspend on its budget lines year on year, improvements have been made and will continue to be, but it is clear that a reallocation of funds is required, this budget seeks to address those issues.

We have identified over \$1.2 million in savings which has been reallocated across GoM budget lines. In the main this relates to utilities \$420k, grants, contributions & subventions \$409k, professional consultancy fees \$140k and other \$213k.

FISCAL MEASURES – VACANCY FACTOR AND CHANGES TO NOMINAL ROLL

This year a spending review has been undertaken to understand and redress the key areas of concern. By applying a number of prudent measures this resulted in identifying \$2.0 million from Personal Emoluments which has been reallocated across budget heads.

RECURRENT REVENUE 2017-18

Madam Speaker, the revenue estimate for 2017-18 is \$128.38 million, which represents a 1.5% increase over the 2016-17 estimates of \$126.49 million. This is based on a combination of new revenue measures, improvements in revenue collection, performance, and modest economic growth expectations. The estimated revenue from local sources is \$50.38 (2016/17 \$47.27 million). Total local revenues will be generated from two main areas tax revenue and non-tax revenue (fees, fines, permits, rents, interests and licenses). Budget support from DfID will contribute \$78 million, 61%.

Budget Support from DfID will contribute \$78 million, 61%. Last year DfID's budgeted contribution was \$79.22 million, and we therefore see a decrease of \$1.22 million, this is due to the changes in the exchange rate. In terms of sterling, the budget allocation approved by the UK Government is GBP£22.9 million, which is an increase GBP£2.3 million on last year's settlement of GBP£20.6 million. DfID funding has been ring-fenced (the funds cannot be used for any other purpose) under the following areas. Small Capital Assets Fund (SCAF) GBP£0.47 million, Access Subsidy GBP£1.59 million, Technical Cooperation and Capacity Building GBP£2.92 million and recurrent GBP£17.92 million. DfID have used an average exchange rate based on the last year's trend of 3.41 to arrive at EC\$78 million.

REVENUE MEASURES THROUGH TAXATION

As I have stated, in this budget the GOM wishes to promote healthier living, GOM must therefore do its part in setting tax policy to support healthier living and this budget sets out to do just that.

FURTHER CHANGES TO THE TAXATION SYSTEM

Madame Speaker, Today I can announce a series of changes to our tax system to stimulate the economy.

REDUCTION IN IMPORT DUTY ON SPECIFIC GOODS

In an effort to further complement the current home construction initiatives, and to assist in getting completed homes to full use and occupancy; we are reducing the import taxes on furnishings and household appliances such as white goods (fridges and freezers) and TVs for every person.

Cabinet has approved, for a period of two years, from the 1st August 2017 that Import Duty rates be suspended, this will see a reduction of import duty rates (Cost including Freight) on the following items:-

- furniture 10%;
- fridges, freezers and dryers 10%;
- washing machines 15%;
- cookers, dishwashers, microwaves and toasters 20%; and
- a significant reduction in Televisions of 40%

This will see an increase in business for the local furniture and appliance stores, resulting in an increase in imports of related items, further details on this scheme will be announced shortly.

CUSTOMS DUTIES AND CONSUMPTION TAX HOMES BUILT FOR SALE OR RENTAL

Madam Speaker, I can further announce that the Cabinet has approved the reduction from USD\$300k to USD\$200k for the qualifying property value under the Customs Duties and Consumption Tax (Property Developers) (Homes Built for Sale or Rental) (Exemption) Order.

This means that we are extending the Duty Free concession on the importation of building materials and furnishing, for homes that are to be built for the Sole Purpose of for Sale or Rental for a period of two years from 1st July 2017.

This will lead to an increase in the islands housing stock and in this case ensure that there are adequate numbers of properties that are available to rent or for sale. This programme will also provide an option for persons to invest and create a small business in apartment rental.

SUPPORTING REGENERATION

Madam Speaker, the work of the Cork Hill Reunion Committee in organizing the reunion, which took place earlier this year March 19-25, was inspiring to us all. **The efforts and hard work paid off, it was a great success.**

Madam Speaker, GOM and I want to further support their efforts and therefore Cabinet has recently approved granting exemption from Import Duty and Consumption Tax for three (3) years on all building materials imported specifically to repair or build any structure located in those villages of Cork Hill, Delvin's, Foxes Bay, Weekes's and Richmond Hill from the 1st of July.

This will give direct support to those people want to rebuild their homes and regenerate these important areas.

These important two amendments further support our extensive suite of incentives supporting economic growth, which include:

- First time home owner Home Construction programme- SR&O 32 of 2015;
- Home Built for sale or Rental programme- SR&O 80 of 2014;
- Exemption of new homes from property tax for three (3) years- Property Tax Act section 13; and
- Exemption of Commercial building from property tax for five (5) years - Property Tax Act section 14.

OVERALL BUDGET - RECURRENT AND CAPITAL

Madam Speaker, the total budget allocation for the fiscal year 2017-18 is \$159.52 million. This Appropriation Bill excludes certain new capital projects since negotiations are still ongoing and since the necessary stages of development projects often do not readily fit in with the annual budget process, such as the EDF 11 funding and CDB Little Bay Port Development.

The total recurrent expenditure is budgeted at \$128.38 million which requires budgetary aid from DfID of \$78 million for this fiscal year.

Recurrent expenditure shows an increase of 0.97% or \$1.23 million compared to the last year's approved expenditure budget.

Total planned development expenditure for financial year 2017/18 amounts to \$31.14 million. This comprises Economic Infrastructure development of \$19.79 million, 64%, Social Infrastructure development of \$5.65 million, 18%; Public Administration of \$3.98 million, 13% and Statistical Research, Miscellaneous Project and Child Protection of \$1.72 million, 6%.

The Development budget will be funded by the UK Government through DfID \$17.37 million, 56%; the European Union \$11.54 million, 37% and the remaining \$2.23 million, 7% by UNICEF, PAHO, UNICEF, GWG, RSPB and CDB.

ALLOCATION BY MINISTRIES AND PROGRAMMES

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

The allocation of the 2017/18 recurrent budget is broken down as follows:

- The Office of the Deputy Governor receives \$ 31 million or 24.1% of the overall budget;
- The Ministry of Finance and Economic Development \$20.2 million or 15.7%;
- The Ministry of Health and Social Services' allocation is \$19.2m or 14.9%;
- Office of the Premier \$17 million or 13.2%;
- The Ministry of Communication and Works' \$13.3m or 10.4%;
- The Ministry of Education, Youth Affairs and Sport \$9.9 million or 7.7 %;
- The Ministry of Agriculture, Lands, Housing and the Environment is allocated \$5.8 million or 4.5%; and
- 9.3% of the budget remains to be allocated among the other services of government which include Legislative and Judicial services, policing as well as the Office of the Auditor General.

For ease of reference, the full set of allocations is detailed in the Estimates of Revenue and Expenditure tabled in this Honourable House.

ALLOCATION BY FUNCTIONAL CLASSIFICATION

Madam Speaker, the budget has been classified according to the ten Functions of Government developed by the Organisation for Economic Co-operation and Development to allow for global comparisons. The recurrent budget resources are allocated as follows:

General public services	38.8%
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Defence	1.4%
Public order and safety	6.9%
Economic affairs	29.0%
Environmental protection	0.7%
Housing and community amenities	0.6%
Health	10.3%
Recreation, culture, and religion	1.1%
Education	6.5%
Social protection	4.6%

ACKNOWLEDGEMENTS

Madam Speaker, let me first acknowledge Almighty God for bringing us through the 2016/17 fiscal year, then the efforts of all my staff within the Ministry of Finance and that of my Ministerial Colleagues and all the staff who work diligently within Ministries, Departments and Offices across our Public Service.

Madam Speaker, I say thanks to Her Majesty's Government, including DfID and Her Excellency the Governor, and the Foreign and Commonwealth Office.

Madam Speaker, we want to continue to recognise the continued budgetary support received from the EU Barbados Delegation, and the Director and Commission of the European Union; we look forward to working further with them this year to agree the much needed support which will enable us to program the funding for EDF 11.

Madam Speaker, we also want to express our appreciation for the support of our International and regional organisations. I acknowledge the inputs from the CARICOM and OECS Secretariats and the OECS Authority for their continued support, the CDB and CARTAC in the provision of technical and policy support and also the work of the ECCB through its Governor and staff in maintaining financial, monetary and fiscal stability for the region.

Finally, Madam Speaker I would also like to recognise the ongoing contribution of the Montserrat UK Office in coordinating events, and being the first point of contact on international, especially EU matters and diaspora engagements; Special thanks to the Carbon War Room, Statistics Canada, ECLAC and UNDP, Waitt Institute, UNICEF, UNESCO, WHO/PAHO for providing support through funding, and technical assistance in a number of areas.

CONCLUSION

Madame Speaker, this Government articulated an overarching theme and vision for this budget: **“Moving Montserrat forward towards Self-Sustainability and Inclusive Economic Growth.”** At the heart of this is the development and delivery of the EGS for Montserrat; for as I already stated, Madam Speaker robust economic growth, widespread prosperity and more adequate social well-being will not happen overnight, nor with endless budget aid, which is not in the best interests of Montserrat, or those of the British Tax payer. Budget 2017/18 marks a crossroads; it is about making choices. **The only intelligent choice is strategic investment in catalytic projects.**

Madam Speaker, as I have stated, the various reports and audits that were delivered in the past did not give confidence to the U.K. Government to enable them to make the choice to commit to the necessary investment in Montserrat.

Today, our position is very different, my Government's previous budgets set and delivered the foundations for Good Governance, especially in public financial management. This should give the U.K. Government the required confidence, and also strengthen the special partnership we have with the U.K. Government and the people of Britain.

Our vision of self-sustainability and inclusive economic growth, while paying attention to the well-being of all of our people, is not new. It is a vision that my Government has maintained from inception it is absolutely vital that we keep it ever before us as the first objective of our Policy Agenda, 1.1:

“To change the development focus from post-volcano mode to developing and implementing plans focused on sustainable self-sufficiency that capture the spirit of Montserrat's past and preserve Montserrat's culture including enhancing relationships within the region and with key development partners”.

There will no doubt be challenges but we must all rise and embrace the opportunities and responsibilities that come with these challenges; we must act with our vision ever before us, and with unity, whether citizens, friends of Montserrat or development partners. We must speak with one voice in the global and regional economic arena as we address the broader challenges and opportunities for Montserrat's economic growth.

Our choice is clear;

- we **must** make strategic investments;
- we cannot and will not continue to be a welfare state receiving Aid for generations to come; and
- we **will** restore our Nation's dignity.

Madame Speaker this PDM Administration will do this by **Moving Montserrat forward towards Self-Sustainability and Inclusive Economic Growth.**

Madam Speaker, I thank you.

May God bless Montserrat and May God bless us all!