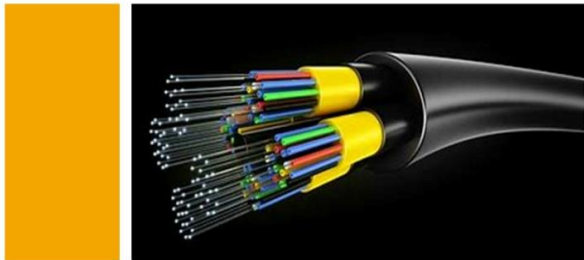


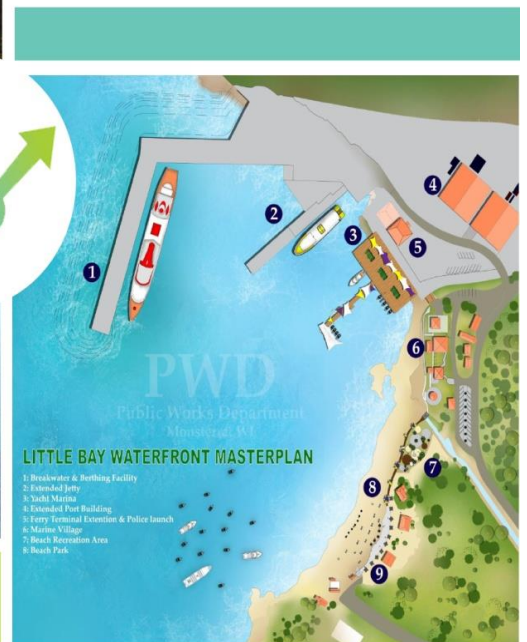


# BUDGET STATEMENT

## 2018-2019



**ADVANCING OUR JOURNEY TO  
SELF - SUSTAINABILITY THROUGH  
STRATEGIC INVESTMENTS**



**Presented by the Honourable Premier Donaldson Romeo  
and Minister of Finance & Economic Management**

Delivered in the Legislative Assembly  
Monday, 23rd April 2018.

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## 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, a measure of the amount our economy produces in a year
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
SCAF	Small Capital Asset Fund
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

Madam Speaker, I rise to move a motion for the second reading of the Bill entitled the Appropriation Bill 2018/19.

## Opening Remarks

I have the honour this afternoon to present to the Legislative Assembly the budget for the financial year 2018-19. This budget day is significant in that it marks a change in the landscape of our economic development. This is the budget speech where we will be able to speak to a number of strategic breakthroughs on our path to realising our vision where Montserrat can return to self-sustainability.

Today is significant for another reason. For, two hundred and fifty years after our enslaved ancestors sacrificed their lives in pursuit of the dream of freedom in 1768, we stand here today as a democratically elected government of free men and women working together to move our nation forward. We thank God for their vision, and for the work of the ten or so generations since that time. For, step by step, day by day, year by year, we, our parents, grandparents and more distant ancestors have worked hard to bring us to where we stand today.

That is why today I declare with confidence that we shall do like our parents and forefathers. Against all odds and naysayers, with God's help, through art and skill and sacrifice we shall continue to rebuild Montserrat one positive action at a time. Without question by God's grace we shall be victorious and prevail as a beacon of resilience and symbol of hope in our region.

Therefore, the theme we have set for this year's budget is: *"Advancing in our journey to self-sustainability through strategic investments."*

This theme reflects a number of strategic breakthroughs realised in 2017/18 that can credibly lead to sustainable growth in our economy, which is the outcome of the vision that my Government presented in 2015/16.

First is the Sea Port. The Port has long been identified as a high priority project that would improve access and connectivity, opening up room for economic growth, development and transformation. So, I am happy to inform this Honourable House that - as the media have reported - I have recently signed on behalf of the Government of Montserrat, the grant agreement for the first phase Port Development Project. The value of this project is fourteen million, four hundred thousand pounds (£14, 400, 00); estimated at the current exchange rate to be around EC\$ 54.5 million. The Project aims to improve efficiency, effectiveness and resilience of the Port facilities which will provide a safe harbour and accessibility to all users; cargo vessels, ferries, cruise ships, yachts, fishermen and all. One day soon cargo vessels, cruise ships and yachts no longer will be forced by rough seas to turn away from our port with valuable cargo and passengers.

Secondly, in February I went to Brussels to attend the Association of the Overseas Countries and Territories (OCTA) meeting of the European Union Ministerial Conference. There, I signed the 11th European Development Fund (EDF) Programming Document for Montserrat, which includes the Financing Agreement for eighteen million, four hundred thousand Euros (€18,400,000), estimated at the current exchange rate to be around EC\$60 million. This will see significant financial benefits to Montserrat in 2018 to 2019, with the first tranche of monies expected by this summer. The total cost of the project will be around GBP£22 million pounds estimated to be EC\$83 million, the balance of the funds coming from the EDF 11 allocation.

The 11th EDF will support the transition towards sustainable economic development and it will support renewable energy and other backbone infrastructure developments in areas crucial to addressing accessibility constraints on the island. Solar energy will help to reduce usage of fossil fuels, as my government continues its drive to 100% green electrification. This EDF programme is also expected to assist in reviving the economy as it will enhance Montserrat's tourism offer, while also taking steps to improve the business environment and encourage more inclusive private-sector development.

Thirdly, the Subsea Fibre Optic Cable project (which was originally scheduled to be put in place by July 2017) was delayed but we anticipate significant progress to take place by June 2018. GOM and DFID are keen to advance this project as soon as possible so as to increase the resiliency of the island to the threat from hurricanes.

We are also cognizant of the many other benefits that will accrue from the much anticipated implementation of a robust high speed connection to the Internet. For, in a "clicks plus bricks" era, digital connectivity is a vital part of our overall access strategy and it opens the door to private sector investments in back office services, call centres and more.

Fourth, over the past several months, we carried out early market engagement for Geothermal Energy Development. We have had several expressions of interest and have hosted two site visits. As just a tiny sketch of possibilities, pause for a moment to think about using highly reliable geothermal electricity to power internet server farms that provide back office services using our new fibre optic cable. High bandwidth reliable access can help us to rebuild our Financial Services Sector. That same high bandwidth access will improve our attractiveness as a site for a modern offshore medical school campus. Such access is also crucial for emergency management and resilience.

Fifth, the Economic Growth Strategy and Delivery Plan have now been developed following further consultation. The Economic Growth Strategy aims to accomplish two critical goals regarding the development of the private sector. The first is to have a continuous and open dialogue with the private sector on critical issues for moving Montserrat forward. The second is to get the private sector fully involved in creating sustainable and inclusive economic growth for all Montserratians.

These five breakthroughs illustrate a point I stated in my New Year's speech: *2018 offers the Government and people of Montserrat a unique chance to show the world what can be done, when*

*good will and unity of purpose, backed by adequate funding, are finally applied to our own volcano-devastated island. With a unified national consensus that is truly 'all hands on deck', all pulling in the same direction, Montserrat will gradually be able to stand up on its own two feet again, economically.*

We are **all** called for such a time and purpose as this. Let us believe in our coming success; and let us remember that God – our way-maker – has never left us nor forsaken us.

Now, let us turn to the specifics of our 2018 – 19 Budget.

## **Economic and Fiscal Context**

### **Global**

Madam Speaker, Montserrat's economy is small, open, import-dependent and vulnerable to shocks. As a result it is necessary for us to identify and monitor key global and regional trends if we are to understand our economy and soundly plan for growth and development.

The world economy exceeded growth expectations in 2017, and it is projected to maintain its current momentum. This could generate a 3.9% percent global growth rate in 2018. The growth is anticipated to be balanced across the advanced and the larger emerging markets. The United States leads the way for the advanced economies with a strong growth outlook as result of proposed tax and fiscal stimulus measures. Growth is also expected to be strong in most Eurozone economies for 2018. One estimate<sup>1</sup> has Eurozone growth for 2017 at 2.4%, the highest for a decade, and the same estimate projects growth for 2018 at 2.3%, expected to slow a bit to 2.0% in 2019. This is important for Montserrat and for the Eastern Caribbean Currency Union (ECCU) region as a whole because these are two of the biggest tourism markets for our region.

Critically for Montserrat, the United Kingdom is expected to see growth of 1.5% during 2018. However, this forecast is somewhat uncertain due mainly to unresolved issues surrounding Brexit. This uncertainty has a greater impact on Montserrat's economic outlook than any other international development for several reasons. Firstly, the uncertainty surrounding the effect of Brexit on the UK economy is reflected in the fluctuations in the value of the Pound Sterling over the last year. This is expected to carry on into the next budget year and could impact the value of our aid receipts for both recurrent and capital programmes.

We must also consider the UK's Territories' direct relationship with the EU after the Brexit has been finalised. The EU is Montserrat's second largest consistent source of Aid and the future of that funding, or the way in which Montserrat accesses that funding is likely to be tied to the terms of the finalised Brexit. This government therefore continues to actively engage with our fellow

1 See: [https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2018-economic-forecast\\_en](https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2018-economic-forecast_en)

OCT partners to lobby the United Kingdom Government to ensure that our unified voice is heard regarding the necessity of a continued beneficial relationship with the EU.

Another major consideration for both Government and the residents of Montserrat is the unpredictable but steady rise of global oil prices which will have a significant impact on expenditure, revenue and inflation. In 2013 – 14, oil hovered at about US\$ 100 per barrel, then its price fell to US\$ 40 or even lower in 2015. That reduction in price doubtless helped the world economy to begin to grow more rapidly after the recession of 2008 – 2009 and after the debt crises with Greece and other countries had hampered the European region. However, the price of oil has been creeping up since 2016; as we can see in prices at the gas pump and on our electricity bills. It is now at about US\$ 65 – 70 per barrel.

GoM is aware of the impact of energy prices and we understand the pressures due to inflation over the years. The volatility of oil prices is one of the reasons why we are seeking to move the energy base for Montserrat's economy to renewable sources such as geothermal and solar energy. We are also committed to moving to greener energy overall, as a sustainable base for our economy.

## Regional

During the past few years, hurricanes, storms and our own volcanic disaster have made resiliency a priority, as just one natural disaster can wipe out decades of development. For example, in 1989, Hugo caused us damage amounting to 377 per cent of our GDP at that time. Likewise, twenty years after the volcano struck, our economy is about half what it was just prior to the eruption; though, our GDP per person remained close to that of Antigua when we compare 1994 and 2016 figures. Also, just a few days ago, there was a Magnitude 4.7 earthquake off Antigua, reminding us<sup>2</sup> of other potential disasters. Therefore, in our onward development strategy, we have to make resilience to natural disasters a major focus.

The ECCB also informs us that *“over the period 2009-2011, economic growth in the ECCU contracted on average by 2.7 percent mainly on account of the adverse effects of the 2007/2008 global economic and financial crisis.”* This shows our vulnerability to global economic shocks. So, again, resilience to economic shocks is crucial. One strategy is to move our energy base to renewable sources such as geothermal energy and solar energy. Another is that we have to gradually diversify our economy.

ECCB adds, that *“Economic growth in the (Eastern Caribbean Currency Union) ECCU averaged 2.42 per cent over the period 2012-2016.”* This was a marked improvement on 2007 – 11, *“when average GDP growth was flat at 0.0 per cent.”* Renewed regional growth was *“driven by tourism and construction activity in several economies, namely Antigua and Barbuda, Grenada and St Kitts and Nevis, which all grew at an average rate of 3.5 per cent during the last five years.”* However, as tourism and construction are both vulnerable to economic shocks and to natural

2 Sources vary on the magnitude. However, see, UWI Seismic Unit: [http://uwiseismic.com/Downloads/EqEC\\_map2.pdf](http://uwiseismic.com/Downloads/EqEC_map2.pdf) and [https://www.mona.uwi.edu/cardin/virtual\\_library/docs/1375/1375.pdf](https://www.mona.uwi.edu/cardin/virtual_library/docs/1375/1375.pdf)



disasters, the clear message, again, is that we have to diversify our economy. ICT's are an obvious possibility and this points to the importance of the project to restore fibre optic cable connectivity to Montserrat (fibre optic connectivity will also improve our resilience in the face of natural disasters).

Going forward, growth for the ECCU region is anticipated to be positive and this is directly related to the expected robust performance of key tourism markets. Tourism and Construction will most likely be the better sectoral performers. A major contribution to the growth forecasted is because of post hurricane rebuilding efforts. That being said, the effects of the storms will be long lasting and without the aid of neighbours and other external donors, many of these countries may find themselves with increasing debt burdens as they finance their rebuilding efforts. This is a critical issue as many of our sister EC dollar territories are already beyond the ECCB's acceptable Debt to GDP threshold of 60%.

This Government has worked and will continue to work, in partnership with our neighbours to ensure that they receive the external aid and attention necessary to continue their recovery without jeopardising their future sustainability. Likewise our fellow British Overseas Territories have committed to partner with Montserrat so that our challenges are not forgotten. This has already borne fruit for Montserrat through our participation in the UN Conference on post-hurricane aid and the November 2017 Joint Ministerial Council's *declaration number 17*.

## **Local Economy**

Madame Speaker, thankfully Montserrat was largely spared the devastation experienced by many around us due to the recent hurricanes, but nonetheless we were affected. Suffice it to say that the storms have had an impact on many of the existing capital projects that were ongoing and stalled activity in some of the larger ones. While ministries have made significant effort to progress advance works, spending has slowed, which means that the expenditure will be carried forward. We also have to work to restore forward momentum on Programme and Project Cycle Management.

The Government of Montserrat is committed to facilitating and promoting sustained economic growth, diversifying the economy and creating employment opportunities for locals. Energy and Transformative infrastructure projects are key areas of focus for the upcoming years. These projects are expected to have positive and long-term "catalytic" impact on the economy.

Our provisional growth forecast for our economy in 2018 - 19 is 2.22 %. This is still below the ECCU benchmark of 5% but signs remain positive as projects are expected in the budget year 2018/19 and the following years that will jump start Montserrat's economy. Furthermore, the Economic Growth Strategy and Delivery Plan for Montserrat provides a framework for Montserrat which identifies the key themes, opportunities, priorities and delivery mechanisms to achieve sustainable economic growth of around 3% to 5% per annum over the next 10 years. This is similar to the rate the EC dollar zone has been able to achieve over the past several years. Across ten years at such a rate, we would be well on our way towards self-sustainability.

## **Sectoral Analysis**

Madame Speaker, some key sectors have performed admirably during the last year and are expected to continue into the next year. The Mining and Quarrying sector which has been for some years the private sector's fastest growing sector is expected to continue to grow. For 2018/2019, this sector will benefit from expanded demand as a result of the rebuilding efforts of our own and neighbouring islands.

The hardest hit sector as a result of the storms last September was Agriculture and Fisheries. Government has taken steps to provide critical assistance to farmers to help in their recovery. This year we expect that the Agriculture sector will rebound because of these efforts and due to our continued emphasis on developing resilience. We will also enhance the availability of and access to fresh commodities and value added products for local consumption.

The Construction sector is expected to experience growth this year too, due to much of the project spending rolling forward and new EU project funding becoming available during this fiscal year.

Looking specifically at the Hotel and Restaurant segments of the Tourism sector; we see that those segments are set to experience growth in 2018/19. We are also expecting increases in our tourists' arrivals in 2018/19 as our festivals continue to grow and expand.

Madame Speaker, it is this Government's intention to implement policies that place Montserrat's economy on a path to inclusive, sound, resilient, transformational and sustainable economic growth where jobs will be continually created; opportunities will arise for our youths and economic challenges will be overcome by the efforts of both Government and the private sector working together.

## **Fiscal Review 2017-18**

Madam Speaker, we now examine in more detail the Government's fiscal performance for 2017-18. 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 2017-18.

Government has continued to focus on good Governance, especially in the area of financial management, and 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 encourage them to continue investing in our island.

## **Recurrent Revenue 2017/18**

Madam Speaker the overall recurrent revenue for 2017 - 2018 was budgeted at \$128.4 million. However the outturn recurrent revenue for 2017-18 is \$124.2 million. This still represents an increase of around \$0.3 million over Government's collection on the previous year, 2016-17; when \$123.9 million was collected.

Madam Speaker, Budget Support from the UK remains the highest contributor to our revenues. HMG actually provided \$76.5 million in 2017-18; \$1.5 million below the estimate of \$78 million.

Local taxation and collection for 2017-18 by the Montserrat Customs and Revenue Service (MCRS) was \$47.7 million against a budget of \$50.4 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 \$13.7 million compared to \$12.4 million in 2016-17. This is an increase of \$1.3 million.

### **Recurrent Expenditure 2017/18**

Recurrent expenditure totalled \$123.5 million in 2017-18 and shows a continued improvement in the spending of budgeted monies. This Government continues to maintain a fiscally responsible approach to government expenditure and understands the need to spend in line with budget commitments.

Significant improvements were implemented in budgetary management for 2017/18 to tighten budget spend in line with income collection resulting in less than \$700 thousand underspend in 2017-18, actual income against actual expenditure – it stood at \$6.47 million in 2015/16, this is a significant achievement and again shows the improvements we are making in our management of Government funds.

### **Capital Expenditure 2017/18**

Madame Speaker, I feel privileged that despite challenges my Government has still managed to see the completion of many projects and progressed well on others.

Similarly, Madame Speaker, despite the many perils we faced, we still managed a total spend of \$14.95 million, which represented a 45.4% spend of the budget. This indicates how determined my Government has been in ensuring that we managed to expend a reasonable percentage of the budget even though all odds were against us.

During the year Madame Speaker, we have seen the completion of works, under the Power Station Project ensuring the continuous supply of electricity to the residents of the island. Under this project a budget of \$4.71 million was approved for 2017/18 and all spent according to plan. Although this project took a bit longer than anticipated, I am pleased to announce that we came in within the overall approved allocation.

Another project that we saw come to a successful close last fiscal year is the National Information Communication Technology (ICT) project which has led to a revised National ICT strategy, 2017 - 2021. Implementation highlighted the E-LAVA model -- Environment, Learning, Adoption, Virtual environment and Access. Throughout the year, our youth and various groupings in the community benefitted through training programmes, improved IT infrastructure and services to include archiving and driving licence theory test( what we know as the written test is now being done through an IT interface). This project also assisted the residents of Montserrat to become more technologically minded while ensuring that Montserrat had a seat at the table in the international and regional forum of ICT. This project reported 100% expenditure.

I am confident that had we not experienced such an active hurricane season, which resulted in implementation delays, we would have seen the completion of more projects. We must also continue to build programme and project management capability.

The expenditure of EC\$14.95 million achieved last year is an indication of the extent to which this government has gone, to ensure that we spent wisely what was budgeted including being able to secure the required funding for moving forward.

Despite the challenges encountered, we will see an increase on this figure in 2018/19. We forge ahead even more confidently than last year and remain committed to improving and expanding on the necessary infrastructure needs of our island.

## **Performance of Key Polices and Programmes for 2017-2018**

### **Our Vision**

Madam Speaker, our vision as laid out in our first budget has always been to ensure that Montserrat returns to self-sustainability. Our vision has 3 components: **Revive, Rebuild, Restore.**

Firstly, **revive** our economy by diversification and revive the public sector so that it can support private sector-led, inclusive, growth;

Secondly, **re-build** our infrastructure; including enhancing our focus on disaster management and climate change so that we are more resilient and can 'build back better'.

Thirdly, **restore** our people by ensuring we invest in and empower them to achieve their full human potential, and restore our communities.

We have made significant strides in these areas. However, there is more to be done. It is a work in progress.

### **Significant Economic and Fiscal Policies**

Madam Speaker, the Montserrat Statistics Department has now completed a number of work streams and surveys. This includes the National Accounts and the Balance of Payments survey and the International Comparison Programme – ICP Price Survey and the CPI Price Survey. Work continues on the inter-Censual Count and Concise Labour Force Surveys and preparatory work has commenced for the full Labour Force Survey, and the Survey of Living Conditions/Household Budgetary Survey. Such surveys provide needed economic and social statistics which help us to understand and better manage our economy. They also help us to formulate better proposals for development aid projects.

In August 2017, the Montserrat Customs and Revenue Service (MCRS) became regularised with the passing of the Customs and Revenue Service Enabling Act #6 of 2017. This department is a merger of the former Inland Revenue Department and Customs Department.

Madam Speaker, within this last year we have introduced some concession/ incentive programmes in an effort to reduce hardship for the people of Montserrat and assist in creating economic activity.

## **Concessions and Incentives**

### **Reduction in Customs Duties Order (Barrel Programme) SR&O 61 of 2017**

The 2017 programme was again approved by our Government and operated from 1st of November and was eventually expended to the end of January 2018. We saw over 850 barrels being cleared under this programme. This concession ensures that we preserve the tradition of receiving barrels of food and clothing from family and friends abroad at Christmas and adds to the solidarity of our people.

### **Disaster Preparedness Exemption Order SR&O 66 of 2017**

GoM is on a drive to get persons and businesses to be prepared and start thinking of ways to protect their properties by making them more resilient. Under this Order which expires on the 31st of May 2018, persons and entities can apply and be granted exemption from Customs Duties and Consumption Tax on the importation of Generators, Purpose built Hurricane Shutters, Chain saws and Wood chippers.

### **Returning Montserrat Exemption Order 29 of 2017**

We have extended the Returning Montserratian home build programme through this Order. It continues the programme of allowing Returning Montserratians to import items to build their home free of Customs Duty and Consumption Tax. Persons approved under this programme can import building materials and Furnishing free of customs Duty and Consumption tax for the sole use of constructing and occupying their homes.

### **Customs Duties and Consumption Tax (Reduction of Customs Duties) Order 35 Of 2017**

This exemption order was necessary to provide a mechanism to alleviate financial hardship for persons who wished to upgrade their Home appliances including those who had new built homes to assist them in furnishing such homes with furniture and appliances. This Order will remain in place until July 2019. It grants exemption from Customs Duties only on the importation of household Furniture and Appliances to include stoves, refrigerators and televisions.

### **Customs Duties and Consumption Tax (Zone C) (Exemption) Order 45 of 2017**

The Government of Montserrat recognises the work that was done by the Cork Hill Reunion committee and shares their passion and zeal to see that area become reoccupied in the near future. GoM stands 100% behind this initiative. We introduced the order which provides for the exemption from Customs Duties and Consumption Tax on all material imported for the sole use of building or repairing any structure in the following areas Zone C: Cork Hill, Weekes, Foxes Bay, Richmond Hill and Delvins.

While this programme is already in place GoM continues to monitor the uptake to further enable development programmes to assist in the regeneration of these villages with a view to eventual reoccupation. We encourage property owners in those areas to take advantage of the

programme while it is in operation. We have just made some adjustments to the qualifying amount under the Home Built for Sale or Rental programme by reducing the qualifying value for properties from \$300,000 US to \$180,000 US so that more persons can qualify and get into the business of building homes for sale or rental.

I also wish to highlight some of the progress we have made on international tax matters. In 2016 it was widely reported that Montserrat was on a list published by the European Union as a non-cooperative country on tax matters. I am proud to announce that since then we have worked hard on becoming compliant and Montserrat is no longer “black-listed” as a non-cooperative jurisdiction and subject to punitive measures. However, we accept that we have more work to do to ensure we maintain this position and to enable us meet the various deadlines as required. In order to do this GoM is in the process of filling the vacant post of Tax Information Exchange Officer within the MCRS, and closing any gaps in our legislation and regulations. We are also investing in the development of our human resources to deal with the requirements of this international obligation.

Montserrat continues to actively show interest in signing Tax Information Exchange Agreements (TIEA's). To date, we have fourteen (14) signed agreements in place and negotiations with other jurisdictions are ongoing. In addition to agreements with specific countries, it is worth mentioning that since the end of December 2017, Montserrat has been able to exchange information with about one hundred and sixteen (116) countries given that we are party to the Convention on Mutual Administrative Assistance in Tax Matters. While our numbers of exchange partners are increasing we are still working to ensure we meet the required standards in data security and confidentiality.

Montserrat has undergone two phases of Peer Reviews conducted by the Global Forum. In 2014 Montserrat received a ‘Largely Compliant’ rating following a site visit to the island and we have defended our position at subsequent Global Forum Meetings. This rating is comparable to the rating received by some OECD member countries. Phase three (3) reviews of our Exchange of Information on Request have been commissioned and Montserrat is expected to be reviewed in the first half of 2019 and we are preparing for this.

## **Delivering Key Economic Infrastructure**

### **Energy**

This Government continued the implementation of its Energy Strategy and we are still on the path to 100% Renewable Energy capacity. This improves our chances of gaining external capital funding from Europe, the UK and other international donor funders.

There are plans to purchase Montserrat's first Electric Vehicle and associated Charging Stations to begin the benchmarking process of transitioning Montserrat's transportation sector away from our 100% dependency on fossil fuel.

### **Solar Project**

Madam Speaker as part of the 250 Kilo Watt Solar PV project, we have successfully completed the tendering process for a Client Engineer who came on board and designed a 250 Kilo Watt utility scale solar plant. The procurement process for the construction of the plant is ongoing. The intention is to have a contract awarded in the coming months and completion six (6) months thereafter.

We expect to develop a further 750 Kilo Watt capacity of solar photovoltaic plant (with battery storage) after the implementation of the utility scale power plant. This will then realize a 1 Mega Watt, utility-scale solar power plant project with battery storage.

### **Utilities & Power Station Project**

Madam Speaker, over the past year work was completed on a number of projects aimed at strengthening and improving the resilience of the water and electricity networks.

On the water distribution network, a new 200,000 gallon storage tank was commissioned at Hope Salem, the refurbishment of the water mains in Isles Bay was completed and a new booster pump was procured for the St. Peters pump station to improve redundancy.

The physical works component of the Second Power Project, involving the construction of a new power plant, was completed at the end of November 2017. All the technical issues relating to the relocation of the high-speed generators were resolved and all of the remaining take over certificates were issued to the contractor Angelique International Limited. The new 1.5 Mega Watt medium speed generator which began operating in March of 2017 has now accumulated over 6000 operational hours.

### **Geothermal Energy Exploration**

Madam Speaker DFID continues to handle the procurement and management of geothermal exploration drilling for Well 3 and the negotiations between DFID and IDC.

Government has completed the maintenance of the geothermal sites, water holding tank, and the drainage systems. An Early Market Engagement for the surface plant development was undertaken and seven companies responded with two participating in actual site visits.

Over the next six (6) months cleaning and stimulation and short and long term testing of Well 3 will be done. Monitoring of Well 1 and 2 and reinjection testing of Wells 1 will also be undertaken.

### **Port Development**

Delivering economic transformation of Montserrat requires a step change in productivity. This means that Montserrat must pull all its levers for growth and that includes exploiting the potential of its port to deliver more direct and efficient transport which supports Montserrat becoming, not only an attractive place to visit but one that is attractive to invest in, trade with and do business generally. As we all know, access is perhaps our single biggest challenge to growth. Thankfully, funds have been secured through the UK Caribbean Infrastructure

Partnership Fund (UKCIF), and Caribbean Development Bank (CDB) totaling GBP£14.4 million or USD\$20.3 million. This will go towards the building of a safe area for docking and mooring as part of phase 1 of the Little Bay Port Development initiative with an expected start date in early 2018.

### **Road Networks and Bridges**

Government of Montserrat has prioritised the physical infrastructure that will contribute to economic growth and resilience against natural disasters as result of climate change conditions. The objective is to improve the Island's infrastructure to a state that will foster sustainable development. This also involves bringing the road and drainage network to an acceptable standard and continuing thereafter to maintain it. We also at the same time seek to provide continuous and safe access to essential services and facilities on island.

A number of improvements and initiatives were accomplished. Under the Infrastructure Priority Project, which is now in its third year, works are on-going with the Barzey's Road improvement project. This entails the re-alignment of the road with the construction of retaining walls, concrete drains, concrete roads and the bridge with reinforced concrete wing walls and head walls. Other accomplishments include the following:

- Palm Loop reinforced concrete "U" Drain construction that spans 90m.
- Road and drainage improvement works – Pump Ghaut, Cat Ghaut and Judy Piece
- The construction of 53m of road and drainage works in Look-Out.
- The installation of the Look-Out Guardrails and safety barriers.
- Verge maintenance works on the Geothermal Sites 1& 2.
- Verge & drain maintenance on the entire road network, some of which had to be outsourced to private contractors to supplement the PWD road maintenance team. These include the Look-Out main road, Manjack, Barzey's Baker Hill, Little Bay, Drummonds, Firths and Flemmings.
- Road patching works on the road network in Palm Loop, Olveston, Hibiscus drive, Old Town, Look-Out, Judy Piece, Banks and Firths.
- PWD Workshop -Construction of a generator shed and repairs to the roof and roller doors.
- Repairs to driveway in Nixon's.
- Clearing of roads after the passage of Hurricane Maria; and
- Construction of the Carr's Bay Bridge by-pass road.

### **Information Technology and E-Government Services (Network Infrastructure)**

The fragility of the existing Montserratian telecommunications network has been identified as the island's single biggest weakness in the event of regional hurricane activity. The goal of Montserrat's undersea and terrestrial network development should be to eliminate uncertainty surrounding the country's ICT development and provide future proof broadband capacity as a cornerstone of growth and access. Accordingly Government has worked with DFID to move this vital project forward, cognizant also of major potential economic benefits such as:

- Facilitating the growth of the ICT Sector
- Allowing local businesses to compete globally



- Allowing our businesses to have access to the next generation of Broadband to facilitate e-Commerce
- Fostering innovation and Entrepreneurship
- Twinning geothermal energy with affordable high-speed broadband access

The Government of Montserrat through the Department for Information Technology and E-Government Services (DITES) has also started the implementation of a terrestrial fibre project. The goal of the project is to connect all of the off-campus government departments to the main Data Center at Government Headquarters via a combination of underground and overhead fibre optic cables. The fibre optic links will replace the current point to point wireless and microwave radio network and provide increased capacity and while at the same time using more weather resilient infrastructure.

The resultant ultra-high capacity and more robust links will allow GOM to roll out more data reliant and technologically advanced e-government applications which will allow for web-based communications between government, businesses and the citizens of Montserrat leading to more efficient and effective service delivery. The terrestrial fibre network will provide the last mile connectivity that compliments the soon-to-be introduced high speed subsea fibre connection to the Internet.

The backbone network infrastructure will use some of the installed fibre assets of local telecommunications companies, as well as new cabling and equipment owned by the government. As far as possible, the cables will be installed underground in the ducting that was laid during the A01 Road Project. Additional underground ducting will also be laid in the Brades area to complete at least one major loop that was omitted during the A01 Road project. While some of the cable will of necessity have to take the aerial route; the resultant network will be far superior to the existing one.

The budget for this project is approximately EC\$3 million dollars and roughly EC\$2 million will be spent in 2018 on the first phases of the project.

### **Airport Improvement**

A new Security Check Point was constructed. Also friction testing and maintenance of friction testing equipment was done by experts to assure Montserrat of safety friction requirements on the runway. In addition, significant investment was also made in the procurement of a new Grip tester.

Government plans to work with the airline operators in establishing facilities to include aircraft hangars and aviation fuel facilities. Further we will explore the possibility of having regular night operations at the airport.

### **Sea Port Operations**

During the past year, Government allocated \$1.1 million towards a Ferry Terminal and Port Improvement Project. This project which was expected to commence in April 2018 will provide

an additional covered floor space at the Ferry Terminal and replace the roof of the Administrative and Warehouse Building.

The Embankment Protection Project valued at EC\$265,000 was successfully completed and now provides protection from erosion from the water course along the eastern boundary of the Montserrat Port Authority.

### **Air and Sea Connectivity**

Efficient access links (connectivity) is an essential component of Montserrat's Development Agenda. We have undertaken a number of actions to upgrade the current access infrastructure.

Madame Speaker, the online ferry booking system was upgraded to better facilitate both internal and external customers, this gave way to increase customer facilitation. The main introduction was that of a passport swipe system, which has improved overall passenger processing times.

### **Agricultural Sector**

The hardest-hit sector as a result of the storms last September was Agriculture and Fisheries. Government has taken steps to provide critical assistance to farmers to help in their recovery. This year we expect that the Agriculture sector will rebound because of these efforts and due to our continued emphasis on developing resilience. We will also enhance the availability of and access to fresh commodities and value added products for local consumption.

During the last period we were able to maintain self-sufficiency in a variety of local products, to include eggs, green leafy vegetables such as patchoi, lettuce and spinach. We will continue our thrust to increase production of and access to targeted products (crops, livestock, poultry and fish), through research and education, outreach services, training and incentives and the implementation of specialized programmes and projects. We will increase production with a view towards extending the availability of selected products. We will continue to focus on varieties of bananas. Emphasis will be placed on increased production of our traditional crops as well as encouraging the local production of fruit trees.

The future development of our agricultural sector hinges on our ability to increase the number of young farmers actively engaged in food production through the development of a modern and well-equipped agricultural field station and other targeted investments in agricultural infrastructure and species development. We will provide targeted incentives to qualified persons who demonstrate their interest and commitment to increasing the supply of local produce. We will also encourage and support the production of high quality processed and semi-processed food products for local use and export, through the operations of the abattoir and other food processing facilities as well as cottage industries.

### **Social Infrastructure**

#### **Social Housing**

Government was able to gain financial commitment to replace seven (7) houses in need of critical repair within the Government housing stock where persons were living in deplorable conditions and had to be re-housed. To this end, we recently awarded a contract to construct four (4) - 2 bedroom houses. In addition, a number of qualified vulnerable households received a one-off

home improvement grant that will improve their standard of living through the construction /completion of at least one bedroom, indoor toilet and shower and kitchenette facilities

In 2018/19 Government plans to introduce a Housing Incentive Programme or an Affordable Social Housing Programme. This seeks to increase the supply of affordable and hurricane resilient houses through the following schemes:

- Residential Serviced Lots
- Standard Financial Assistance Grants
- Material Grants
- Housing Regeneration
- Home Improvement Grants
- Home Finishing Grants
- H.O.M.E Programme - Reduced Interest Rate Loans Rates (3% and 5%)

This Government will also be rolling out a Public Assistance Housing or Sanitary Support Project. This is a welfare project that will provide 10 direct build Public assistance houses for award to qualifying HLAC assessed persons on the Housing Waiting List.

### **Sanctuary Homes/Transition Housing Project**

Madam Speaker, this Government is fully cognizant of the challenges experienced by some of the vulnerable persons within our community. We have therefore designed a project to be implemented later this year which seeks to provide sanctuary home facilities or safe houses for persons subjected to or fleeing violence and/or domestic abuse; accommodation for the safeguarding of children and young people; support and transition housing units for ex-offenders including deportees who are released from prison and have no place to stay.

### **Housing Investment Programme**

Madam Speaker, we are pleased to announce that we were able to assist forty-six (46) persons as part of the Housing Investment Programme. A budget of EC\$1.3 million was allocated to provide grants to qualified households. Eight (8) persons were awarded EC\$25,000 for Home Finishing, sixteen (16) persons received EC\$10,000 for Home Improvements, nine (9) persons were awarded EC\$40,000 as Material Grants and a further thirteen (13) persons awarded EC\$40,000 as Financial Assistance Grants.

Through this initiative Government will facilitate the construction of 22 New Build homes using a budget of EC\$0.880 million to lever over EC\$4 million dollars from the private sector. A budget of EC\$0.360 million was used to improve the living conditions of 24 households in need of upgrading works to bring homes to a decent standard.

### **HOME Programme**

Three (3) new direct build houses were constructed under Government's low interest loan scheme, the HOME Programme. This scheme provides support to qualified low-income households by offering loans at 3% interest rate for incomes below \$2500 after tax and Social

Security and 5% for incomes, which do not exceed \$5000. One (1) of the houses is almost completed and the other two are at different stages of construction.

### **Serviced Residential Lots**

During the 2017/18 financial year we have made provisions for 10 new dwellings to be built under the serviced residential lots project. Construction on one is at an advanced stage and four (4) others are due to commence construction shortly.

### **Home Improvement for the Vulnerable**

Under the Home Improvement for the Vulnerable -Toilets Project three (3) homes were upgraded to a decent standard with bathroom and toilet amenities.

### **Hurricane Maria Relief**

A Total of EC\$100,000 was allocated to assist households who were affected by the passage of hurricane Maria in September 2017. Some twenty (20) households have benefited from the allocations to assist with minor repairs up to a maximum of EC\$5000 in materials and labour.

### **Emergency Shelters**

Madam Speaker, in 2015, GoM and DFID approved the shelter rehabilitation project designed to effect remedial works to eleven buildings, designated as emergency shelters, to meet the required health and safety standards for use as a place of respite during disasters. The primary outputs of this project are: (1) improved access; (2) the provision of sheltered bathing facilities; (3) emergency power and water supply; (4) construction of retaining wall to reduce landslide near shelter building; and (5) equipment of buildings with storm shutters. Under this project Generator Rooms were constructed at five (5) designated Hurricane Shelters. The Salem Pentecostal Church, which is used as a hurricane shelter, was also renovated, to include additions to the existing building, decking and construction of roof, construction of stairs and hand rails, installation of new windows, doors and bathroom.

### **Flow Equalization system - the Davy Hill Waste Water Treatment Plant**

We will also be constructing a Flow Equalization System in Davy Hill. This will allow the current Davy Hill Waste Water Treatment System to accommodate an expansion of the Davy Hill Community. Additional Housing units to include both market and social solutions will be added to this system.

## **Strengthening Social and Health Services**

### **Social Protection**

Government continued interventions to benefit the marginalised, disadvantaged sectors of our population. A Social Protection budget of EC\$3.721 million was used to support those in need of this type of assistance. Through a well-coordinated mechanism, the Social Services department administered a number of financial assistance programmes, including purchase of food packages, payment of utility bills, purchase of appliances, school supplies, school lunches, funeral assistance, payment of medical bills and rental assistance.

The Elderly and other vulnerable adults continue to benefit from the social services programmes to improve the socio-economic living conditions and include incentives to work programme,

Breakfast Club, and support of the Meals on Wheels programme. A number of care-plans for the elderly and vulnerable persons have been developed catering to the specific needs of each individual.

### **Health Care**

This Government continues to work towards one of its stated objectives to “promote health and well-being by empowering individuals and communities and assuring access to quality preventative, curative and rehabilitative health and social care services in partnership with other stakeholders”. Throughout the year in review, initiatives were focused on building human capacity and addressing our most pressing health challenges while maintaining the gains we have achieved over the years.

The re-commencement of training for Nurses on Montserrat is another major achievement during this year. In collaboration with the Montserrat Community College, in January of this year eight (8) students commenced the course of study to become Enrolled Nursing Assistants. It is expected that upon successful completion of this course, most of the trainees will advance to become Registered Nurses.

### **Education Infrastructure**

Madam Speaker some EC\$0.785 million was made available to rehabilitate the Brades Primary School. Works being undertaken include repairs to a termite-infested ceiling; erection of a retaining wall; replacement of all windows in a Block which had become inoperable; levelling of the playfield and repairs to a leaking roof. In addition, \$465,000 was allocated to carry out major repair works at the Salem Primary School to make it as a hurricane shelter, community centre and examinations centre.

A notable achievement was the investment in the ICT infrastructure which will allow more reliable network connectivity to advance the leveraging of ICT in the schools.

Lockers at the Montserrat Secondary School have been purchased and are being installed. Over 300 students will now have access to locker facilities to remove the strain of carrying all of their school supplies from block to block.

The first phase of the ‘Text Book’ project has been introduced and both government primary and secondary schools were able to benefit from this initiative.

Madam Speaker, improving literacy was a major focus for the education system last year. The first ever Reading across Montserrat was introduced. This activity involved parliamentarians, authors and members in the community to read to students across all the primary and secondary schools.

### **Youth and Sports**

The Youth and Sports Development programme featured prominently over the last year. This provided opportunities for young people to be positively engaged in learning skills and provide support to the private sector through the apprenticeship component of the programme. This programme was focused among other targets at increasing the employability of youths and also

reducing youth unemployment. The programme was initially introduced as a pilot for 30 youths. However, we managed to increase that number to accommodate 37 apprentices. A youth database was developed and populated as well as a website which is operational.

## **Tourism**

Madam Speaker, Tourism is a key pillar of Montserrat's redevelopment. This Government is pleased to indicate that continued promotional efforts by the Tourism Division have been paying dividends.

Plymouth continues to be the star attraction for visitors. The majority of cruise passengers have been going to Plymouth as part of their Itinerary. In keeping with the increased visits to Plymouth, Tour and Taxi Drivers were given the opportunity to participate in a new round of certified training, resulting in 15 new certified Tour and Taxi Drivers. Visitors can only enter Plymouth with a certified Driver and Tour Guide.

The island has been featured in the Winter Edition of Business Destinations magazine with an editorial article promoting Montserrat both on-line and in print. This magazine targets over 100,000 corporate planners, buyers, as well as, business travellers. Additionally, a one-page advert was inserted in the Antigua and Barbuda Marine Guide with a readership of 12,500, to promote the island to yachts owners.

Madame Speaker, in an effort to further boost the excursion market, a number of promotional activities were undertaken including adventure-focused videos, interviews, presentation at Caribbean Week Trade event in New York, posters, familiarization trips with Antigua and Canadian tour operators and travel agents, travel bloggers and adverts specifically targeting the Festivals and other holiday trips to Montserrat.

## **Culture**

Montserrat's cycle of Festivals and celebrations are now a significant part of our Tourism product, as we can see from the impact of the Christmas, St Patrick's, Calabash festivals, the Allioukana Festival of the Word, the Montserrat Idol and Cudjoe's Head celebrations. This means that as a Government, we must ensure that the Montserrat Arts Council (MAC) plays a strategic role in advancing one of our most promising high growth economic sectors. This will be reflected as we continue to put measures in place to support the concept of the six festivals and a volcano, executed through approved cultural building programmes of the Montserrat Arts Council.

We can no longer dispute the increase in visitor arrivals during our festive periods, especially the influx of Montserratians and people from all parts of the world who visit Montserrat to be a part of the Caribbean experience of St Patrick's Day. The St. Patrick's Festival, continues to grow and must be nurtured to ensure that our product remains authentic, that our cultural heritage is highlighted and that the festivities surrounding St Patrick's continue to attract large, diversified numbers to our shores.

GoM will provide funding for the further development of our cultural product in schools, in the arts community and private sector, from masquerades to string bands to theatre productions to calypso to arts and artistic crafts as well as multimedia productions. Thanks to the Caribbean Development Bank, through the Basic Needs Trust Fund, a project will be implemented to improve the steel pan art form amongst our youth and develop and preserve a very important part of our cultural heritage. Similarly, through consultancies, training and mentoring, technical experts will help us to develop our arts, crafts and artistic products so that they can be part of a more enhanced package, fitting in with targeted tourist market segments.

An important aspect of culture is knowing where we come from and so as a part of our memory initiative, our ICT community is also developing innovative economic products. The 4th Dymension team has been developing a virtual reality tour of the now buried former capital called the Plymouth Recreation Project. There are also archiving and digitising initiatives, there are ongoing historical and archaeological investigations and we have national heritage and museum initiatives. The Interpretation Centre at the Volcano Observatory and Plymouth as a "modern Pompeii" are also important.

## **Information and Broadcasting**

### **Strengthening the Resilience of the Information and Broadcasting Services**

Madame Speaker, September 2017 saw two category five Hurricanes - Hurricanes Irma and Maria. The latter, although not impacting Montserrat directly affected broadcasting services in a significant way. Communications were knocked out for several days and Radio Montserrat, which is our only national broadcasting system, was severely affected. Its main tower at Silver Hills was destroyed limiting the ability of the emergency agencies to convey messages to the population at critical times during and after the hurricane. Following this period, ZJB relocated its transmitters to the Police Tower at Silver Hills, which proved in the past that it can withstand significant hurricane strength winds.

Efforts will continue in 2018 to strengthen the resilience of Radio Montserrat transmission system. There are plans to develop a new transmission site at Garibaldi Hill. This would increase the reliability of transmission by having the two transmitting frequencies; 99.5 and 88.3 at different locations at both ends of the inhabited part of the island. This project would also increase penetration in so-called "black areas" especially in Woodlands Mountain and Friths, and provide better coverage in Plymouth where sand mining and other activities are taking place. This would improve the capability of the emergency services to relay messages to the miners.

Madame Speaker, our Government also plans to finally complete the new Radio Montserrat and Multimedia Centre Project in Davy Hill, by installing broadcasting equipment and commissioning the building, thereby giving the staff a more secure building in which to work, along with state-of-the-art equipment and re-branded programming.

## **Improving Information & Communications within Local and Diaspora Communities**

The Government recently appointed a Director of Information and Communication to lead the Government Information Unit. The GIU, with the Director's guidance, is the communications arm of Government. Its main purpose is to develop and disseminate news and information for and about the Government of Montserrat, its Ministries and Departments.

The information and communication needs of the Government are undertaken using various communication platforms including radio, television, online, print and social media). In November 2017, a 'Government Information Unit Montserrat' Facebook page was launched, along with a 'GOM Information Unit' YouTube Channel. The government's website [www.gov.ms](http://www.gov.ms) has also been regularly updated with news on developments and activities of the Government of Montserrat and packaged video productions on Government projects are becoming a regular feature on social media.

These initiatives are all the early phases of greater plans to inform and create awareness within the local and diaspora communities. The development and implementation of some key strategic initiatives are currently being finalized to include the creation of a Communication Plan; the implementation of radio and television programmes; plans to improve the online image and presence of Government of Montserrat and increase the presence of Government news in the print media among others.

Recognising transparency as one of the key areas of good governance, it is essential that the public is provided with timely and accurate information on government's policies, programmes and activities and that this information is accessible on as many communication platforms as possible.

Through regular and focused communication, the people of Montserrat are able to participate and be involved in the work and initiatives undertaken by the government. This is critical in a democracy and is necessary to build and sustain public trust.

## **Promoting Public Administration and Governance**

### **Empowering Excellence Programme**

The Empowering Excellence Programme was introduced by Cabinet. The public Sector Task force and Private Sector Advisory Committees were installed. We thank these groups for continued awareness aimed at improving public services through empowered employees. A number of surveys and establishment of sign posts to services as well as name badges were prominent features of this exercise. This programme also progressed work on the Public Administration Act, collective bargaining agreement and a number of consultancies in developing a workforce strategy.



## **Safeguarding Public Order, Safety and Security**

Madame Speaker, in securing our borders and maintaining the peace and tranquillity of this island, significant sums were expended in improving the capacity and capabilities of the Marine Unit in preparation of the arrival of the police launch, the MV Heliconia Star.

MV Heliconia Star will arrive late May /early June. The vessel at almost 23 meters in length will accommodate four crews on extended patrols over 24 hours. For the first time, there will be marine patrols of the exclusion zone on a 24/7 basis.

The vessel has been funded by the UK Government's Conflict, Stability and Security Fund (CSSF), which runs from 2016 – 2020. The RMPS Marine Unit is currently undergoing the required training and certification to enable it to operate the vessel to international standards and to meet Montserrat's international safety at sea and security obligations.

The Police unit also was provided with 4 new vehicles to add to its fleet.

## **Moving Forward – 2018-2019**

Madam Speaker, the achievements outlined, 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.

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.

## **Economic Growth Strategy**

The Economic Growth Strategy (EGS) envisions the development of Montserrat over the next generation and providing a fully worked-through strategy for the next 10 years. As well as taking on and enriching work already underway in key sectors, notably energy, infrastructure and tourism, the EGS articulates how Montserrat can achieve sustainable growth.

The fundamental purpose of the EGS is to assist Montserrat to develop its own unique local economy and build on its assets while gradually reducing dependence on the UK government. This will not be an overnight process. The strategy is a starting point for the next phase of the island's development. The Growth Strategy acts as a clarion call for a renewed focus on the island's economic development and importantly signals to private sector investors that Montserrat is open for business.

The EGS has identified key industries such as tourism which are vitally important to the Montserrat economy. Opportunities exist to grow the tourism industry and the wider private sector through better marketing and diversification. 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 Montserradians and residents have the opportunity to develop and prosper.

## **Private Sector Development Strategy (PSDS)**

Development of a strong and dynamic private sector is crucial to long-term, rapid economic growth and a necessary condition for sustained poverty reduction. A key policy outcome is that of encouraging private investment to the island and to support local entrepreneurs in business development. We will therefore develop a Private Sector Development Strategy (PSDS) and that strategy will be completed within the Office of the Premier through an initiative led by the new Chief Executive Officer. The resulting document will lay out a strategic framework to take concrete steps to make sure that the Private sector has a regulatory environment where it uses all of its potential to grow and generate economic growth for Montserrat.

We will carry out public consultations and will engage the private sector to gain their views and ideas before embarking on developing a framework. During the development of the document, there will be updates to the general public and the meetings with different sectors of the economy will continue. Once the draft is completed, it will be shared and online input will be sought. Once approved, the GoM will communicate the strategy to its internal and external stakeholders by various means. External seminars and a media campaign will be organized to promote awareness of the strategy among government officials, international investors, local entrepreneurs, and the public.

## **European Union's Commitment to the development budget**

Madam Speaker, GoM successfully renegotiated a new programming document with the European Union under EDF 11 funding. The successful completion and agreement of the programming document provides Montserrat with access to funding of €18.4 million over four years. The first tranche of monies will be released to Montserrat in the next couple of months and will be used for technical support to implement the capital projects. The majority of funding will be allocated to energy, port development and tourism projects. This is a sign of the confidence which our development partners have in the current administration. We are thankful for these blessings. We can say that we have delivered a key commitment for financing the economic infrastructure vital for growth and development.

## **Port Development - Little Bay (Phase 1)**

Madam Speaker, work is scheduled to commence this year on Phase I of the Little Bay Port Development Project. This Port Development Project will not only provide Montserrat with a much-needed breakwater & docking facility but will also acquire essential equipment for the Montserrat Port Authority operations.

For the first time in any regional project a Climate Resilience Study will also be done in tandem with the Environmental and Social Impact Assessment (ESIA). This will ensure that the development is designed and constructed in such a manner so as to minimize impacts caused by more severe weather systems, similar to the hurricanes we had in August of last year.

The Tender process is expected to conclude by the 3<sup>rd</sup> or 4<sup>th</sup> quarter of the financial year (2018/2019). Mobilization and commencement of construction through the "Design Build" contractor should begin during the 1<sup>st</sup> or 2<sup>nd</sup> quarter of the financial year (2019/2020).

## **Subsea Fibre Project**

The Government of Montserrat has advanced discussions with DFID with regard to the modalities for the execution of the Subsea Fibre Project. Both GOM and DFID are keen to progress this project as soon as possible so as to increase the resiliency of the island with regard to the threat from hurricanes. We are also cognizant of the many other benefits that will accrue from the much anticipated implementation of a robust high speed connection to the Internet.

## **Roads & Bridges Infrastructure**

Madame Speaker for the year ahead we will further progress the development and maintenance of the island's infrastructure. The major activities planned for 2018/19 include the following:

- The construction of the Carr's Bay Bridge at an estimated cost of \$1.0 million.
- The re-construction of the Collin's Ghaut retaining wall and road repairs.
- Completion of the Upper Cat Ghaut/ Judy Piece road and drainage improvement.
- Road and drainage improvement works in Cedar Park Loop, Jones Hill, Virgin Islands, Mongo Hill, Baker Hill, Manjack, Nixon's and Glebe Salem.
- Continuation of the verge maintenance contracts.
- In collaboration with the BNTF programme, the Barzey's/ Cavala Hill road section would be improved along with the Mars Hill road.

## **Licensing Division**

Madam Speaker in 2018/19 this Government will roll out of the Vehicle Licensing and registration System software. We expect to fully utilize the driver's automated licensing systems, particularly the use of multi-functional and machine readable drivers' license as well as on-line renewal and payment of drivers' licenses. These will enhance service delivery, safety for motorists and improve revenue generation for the country.

## **Utilities**

In the period ahead, the major capital works planned for the water distribution network are the replacement of the water storage tank at Dick Hill and the upgrading of distribution mains at Lookout. Also planned is the purchase of new Water Quality Lab equipment, rehabilitation/restorative work to the catchment boxes at the Lawyers and Hope springs and the upgrading of the Hydrology network.

On the electricity distribution network, the planned capital works include the placement underground of the 11,000V lines at the phase I area of the village of Lookout. Additional ducting will be laid at the same time to facilitate the future placement underground of the low voltage distribution network on the Lookout Phase I area.

## **Airport Improvement**

Madam Speaker, the first phase of this project will see the construction of a New Air Traffic Control Tower, which will provide improved 360 degree visibility for the Controllers and remove all of the obstacles which were present with the existing Tower. It will also allow the

John A. Osborne Airport to fall in line with international aeronautical standards and improve the Health & Safety elements for the Air Traffic Control operations in Montserrat.

### **Environmental Management**

Madam Speaker we will strengthen public awareness in environmental, natural resources and conservation matters through the use of lectures, public discussion, radio, print and other forms of media. This will build stronger partnerships across a wide range of stakeholders; facilitate greater engagement in environmental activities and foster a deeper understanding of environmental issues. We understand that careful management of our natural resources will not only preserve our pristine environment but help to build sustainable livelihoods. It is against this background that we will explore partnerships that will help us to properly utilize our natural resources.

A key strategy for the upcoming financial year is to conserve and sustainably manage environmentally-sensitive marine resources through improved data gathering and monitoring systems. We will build on the achievements made in 2017/18. We were able to undertake extensive training in data management. Both fisher folks and technicians were exposed to training and practical sessions. Several fishing vessels were equipped with monitoring devices that will capture useful information to improve the management of our marine resources. We continue to benefit from management arrangement with several regional and international partners. We will collaborate with these stakeholders to advance sustainable development and use of our ocean resources.

### **Promoting Social Development; Health, Sports, Learning and Community**

Madam Speaker, sustainable development for any economy cannot be realised without considering the health and well-being of its people; its most valuable asset.

GoM in 2018/19 will continue to work towards the achievement of inclusive and quality education for all and promoting lifelong learning. Among other planned programmes, we will complete the phased implementation of the text books for secondary school students and review the overall education development plan to better align the needs with the OECS sector and the UN Sustainable Development Goals. It is anticipated that the OECS Eastern Caribbean Institute for Tourism headquarters located at the Montserrat Community College will be established. Community development will play a greater role with the establishment of the National Management Committee for the operation of the community centres in providing opportunities for programmes for recreation and lifelong learning as well as the establishment of a national parental commission.

A new phase of the Youth development programme will be introduced to merge the HYPE and the apprenticeship programmes to better provide a continuum for youths. This is to ensure that our youth are positively engaged in developing knowledge, skills and the right attitudes to prepare them to be positive contributors to Montserrat's redevelopment.

The Sports Department will be enhanced with the introduction a Sports Officer and Sports Therapist to refocus the development of sports on Montserrat. In re-establishing our regional presence, in June of this year Montserrat will be represented at the FIBA Caribbean Tournament

in Suriname and is continuing negotiations to re-establish a cricket presence through the hosting a few Leeward Island tournaments. We are also working with the Montserrat Football Association for the anticipated CONCAF games in September and October 2018. This will see a convergence of several teams and their supporters. This demonstrates faith in the future of our youth and our beloved Montserrat.

Healthcare continues to be a grave concern for my administration. Government is expected to confirm its position on the hospital infrastructure and healthcare services with the support of regional expertise. It is hoped that this will complete the negotiations for a new built hospital and a revised package of care necessary for supporting healthcare on-island. It is also anticipated that the shortages in health manpower that challenged the department over the past year will be rectified to allow for optimum services in meeting the needs of the population.

Social protection legal framework will advance in 2018/19 among other policies to protect the vulnerable. It is anticipated that the Domestic Violence Bill and the Convention Eliminating all forms of Discrimination against women will become part of the legal machinery to improve protection, security and opportunities for women in contributing to national development.

### **Promoting Public Administration and Governance**

During 2018 we will seek to complete the implementation of recommendations from the Employee Engagement Survey Report and with the support of the Pay Review Consultant complete the comprehensive job evaluation process and pay review. Further work will be implemented to take forward GoM Workforce Strategy and the Customer Service Survey. We will continue to promote learning and development activities across the Public Service for officers. GOM will take forward and finalise the Buildings Maintenance and Accommodation Policy and Strategy. Further we will be implementing a Health and Safety Strategy for GoM.

### **Promoting local engagement, regional integration and internal cooperation**

This administration recognises the importance of External Affairs (regional integration and international cooperation) in Montserrat's sustainable development. The External Affairs Unit therefore addresses a number of functions that are critical to the economic growth and prosperity of Montserrat. With the recruitment of its new Director, the main focus is on developing stronger and more influential relationships with Regional and International Partners; stronger and more productive partnerships with the Montserrat Diaspora; and stronger and more proactive engagements with the local community.

Interconnected issues facing Small Island Developing States – climate change, natural disasters, global financial shocks, rising sea levels, border security, renewable energy and unemployment – must be addressed regionally and in the context of international stability. They are the collective responsibility of local governments and the regional and international communities including the Organisation of Eastern Caribbean States (OECS), the Caribbean Community (CARICOM), the Eastern Caribbean Central Bank (ECCB), Caribbean Development Bank (CDB), United Nations, European Union Commission, Department for International Development, and Overseas Countries and Territories Association (OCTA) to name a few.

This is why, as Premier, I went to the CARICOM-UN High Level Pledging Conference last October at the United Nations following the devastation wreaked on Caribbean Islands by hurricanes Irma and Maria - because our collective voices need to be heard, our collective challenges need to be addressed and our collective views deserve to be considered. In the Montserrat context, we have been confronted by many challenges, including an active volcano and devastating hurricanes, which have impeded our social and economic development. However, I am very optimistic that through the new External Affairs Unit and its coordinated policies of Immigration, Cooperation, Diaspora Affairs, Trade, Protocol and Business Development, we can deepen and broaden our external relationships and local engagements to establish increasing opportunities that Montserrat can benefit from.

It is worth mentioning here that the Diaspora Policy will seek to provide a framework for harnessing and maximizing the skills and contributions of Montserratians who live overseas while at the same time addressing the concerns that they have. The principal feature of the Policy is partnership; a stronger and more productive partnership that will enable the active participation and contributions of the Diaspora in Montserrat's growth, economic development and prosperity.

### **Small Capital Asset Fund**

Madam Speaker, the Small Capital Asset Fund (SCAF) continues to be critical in filling the gap between the bigger capital equipment and infrastructure projects and the smaller but necessary assets required for the full functioning of each Ministry as well as development overall. Last year, this Government provided \$1.6 million dollars to the fund, which was aligned to the Policy Agenda. The majority of the SCAF funds were allocated towards equipment for Health including assets to improve the comfort of the elderly in Margetson and long-needed equipment for the Hospital. Education was the seconded biggest beneficiary of the SCAF resources with funding being supplied for ICT equipment for the schools and new furniture and other equipment necessary for the education of our students.

This year the budget for the SCAF will be increased to \$1.8 million with funding again being aligned with our priorities as this Government remains committed to not only the larger, visible projects but the critical small projects that are just as important to our overall development.

### **Capital Expenditure Programme 2018/19**

Madame Speaker, my Government is proposing to allocate some EC\$33.62 million to its capital programme in the upcoming fiscal year. This includes EC\$7.14 million (21.24%) of the budget for DFID Funded Projects, EC\$24.58 million (73.11%) of the budget for EU funded projects, EC\$1.90 million (5.65%) of the budget from other funding partners including local funded projects.

During the last year, our country and consequently our government faced the passage and threat of several major storms during the summer. The effects of this were both immediate and long term, with the immediate damage more visible than longer term implications. One of these implications was the impact it had on this government and its ability to fully deliver on its planned capital programme, which had focused on key priority infrastructure across the Island.

The storms caused delays in most of the larger sub projects under the Infrastructure Priority umbrella including Roads, Airport Improvement and Port & Ferry Terminal expansion projects. All of these projects were mandated to be completed and funding ceased by the end of last year but this Government worked with DFID to enable the continuation of these critical projects into the next fiscal year to ensure their completion.

This Government, just like our partner Governments in the region had to take a critical look at the issue of resilience in our countries when faced with unexpected and devastating natural disasters. This Government had to immediately shift gears in the midst of this financial year in order to reallocate funds to projects dealing with not only rehabilitation and recovery efforts such as those focused on Agriculture and Housing but to resilience efforts as well. This effort to build the resilience across the island will continue in 2018/19.

Not only will this government be focused on resilience in the face of disaster and emergency but the overall resilience, conservation and sustainable utilisation of our natural resources. This Government has always promoted and encouraged the utilisation of renewable sources of energy and will focus capital resources in these areas in 2018/19. Such projects as the Solar Energy PV and Storage Project and the Solar Lighting Projects will focus on this goal.

The conservation and protection of our natural environment is a worthy goal on its own, but this Government has decided to couple it with the enhancement of our tourism product on the Island. We will be funding during the upcoming year a Protect and Enhance the Natural Environment Project that will seek to improve Montserrat's image and reputation as a natural resource park. This project will include establishment of a Plymouth Volcano Reserve and Geo Park as some of the first initiatives.

It would be remiss of me, not to publicly thank the European Commissioner and the European Union for providing the necessary resources that my Government and I are able to draw from. Five million Euros is incorporated into this budget and it is because of them that we will be able to see advancement in the energy sector and also improvement to our tourism products moving forward. This is not all Madame Speaker, this is only a drop in the bucket of our entire allocation of €18.4 million and we are also entitled to tap into other envelopes.

## **Recurrent Expenditure 2018/19**

Madam Speaker, I will now present the estimates of Recurrent Expenditure for the 2018/19 financial year. The 2018/19 Estimates of Revenue and Expenditure provide for total expenditure (including principal and interest repayments) of one hundred and thirty-one million one hundred and fifty-one thousand three hundred dollars (\$131, 151, 300). This is a 2.16% increase over \$128.38 million for fiscal year 2017/18.

Budgetary Allocations by economic classifications are as follows:

- Compensation of Employees \$49m, 37.4%
- Use of Goods and Services \$40.14m, 30.6%
- Interest payments \$.38m, 0.3%
- Subsidies \$16.09m, 12.3%
- Grants \$6.45m, 4.9%
- Social Benefits \$15.67m, 11.9%
- Other Expenses \$3.42m, 2.6%

There are varying degrees of change across the various budget economic classifications for 2018/19 budgets when compared to 2017/18 revised budget estimates.

- Salaries has been increased by \$2.5million, 6.6%;
- International Travel & Subsistence has reduced by \$0.239million, 21.3%;
- Rental of Assets has reduced by \$0.309million, 20%;
- Insurance increased by \$0.4million, 48.3%;
- Advertising increased by \$73 thousand, 26.8%;
- Grants & Contributions increased by \$0.761million, 13.4%;
- Health Care Promotion increased by \$51 thousand, 22.2%;
- MALHE Activities reduced by \$0.5million, 52.3%;
- Emergency Expenditure increased by \$37 thousand, 26.3%;
- Culture increased by \$10 thousand, 100%;
- Minor Works increased by \$45 thousand, 19.4%; and
- Debt Servicing – Interest increased by \$0.135million, 55.2%.

## **New Spend Areas in 2018/19**

Madam Speaker, new spends include:

- Police - Recruitment of a Constable in the Financial Crime Analysis Unit, Staff Operation, Maintenance for the Marine Unit;
- Deputy Governor - resourcing of new post for Prison Cook;
- Office of the Premier - Resourcing Director of Information and Communication;
- Agriculture, Trade, Lands, Housing and the Environment – Resourcing Director of Land, and Resourcing Database Officer;
- Ministry Communication, Works and Labour - Airport Maintenance; and
- Education, Youth Affairs and Sports - Textbooks for Schools, recruitment of Sports Therapist, introduction of the Nursing Program at Montserrat Community College and Electronics, Communications and Information Technology ECIT at Montserrat Community College.



## Recurrent Revenue 2018/19

Madam Speaker, the revenue estimate for 2018/19 is EC\$131.15 million. This represents a 2.16% increase over the 2017/18 estimates of EC\$128.38 million and 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 EC\$52.6 million (2017/18 EC\$50.38 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 EC\$78.4 million, 60%.

Small Capital Assets Fund (SCAF) GBPE0.51 million, Access Subsidy GBPE1.59 million, Technical Cooperation and Capacity Building GBPE2.6 million and recurrent GBPE17.7 million, Caribbean Catastrophic Risk Insurance Fund (CCRIF), GBPE100 thousand. DfID have used an average exchange rate based on the last year's average of 3.50 to arrive at EC\$78.4 million.

## Overall Budget – Recurrent and Capital

Madam Speaker, the total budget allocation for the fiscal year 2018-19 is EC\$164.8 million.

The total recurrent expenditure is budgeted at EC\$131.1 million which requires budgetary aid from DfID of EC\$78.4 million for this fiscal year.

Total planned development expenditure for financial year 2018/19 amounts to EC\$33.62 million. This comprises Economic Infrastructure development of EC\$16.52 million, 49.14%, Social Infrastructure development of EC\$14.65 million, 43.58%; Public Administration of \$1.65 million, 4.91%; Education of EC\$0.01 million, 0.03%, Agriculture of EC\$0.15 million, 0.45%, Statistical Research and Miscellaneous Projects of EC\$0.64 million, 1.9%.

The Capital budget will be funded by the UK Government through DFID EC\$7.14 million, 21.24%; the European Union EC\$24.58 million, 73.11% and the remaining EC\$1.90 million, 5.65% by other funding partners such as GWG and RSPB.

## 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 breakdown of the allocation for the 2018/19 recurrent budget is as follows:

- The Office of the Deputy Governor receives EC\$29.03 million or 22.14% of the overall budget;
- The Ministry of Finance and Economic Development EC\$21.14 million or 16.12%;
- The Ministry of Health and Social Services' allocation is EC\$19.76million or 15.07%;
- Office of the Premier EC\$17.21 million or 13.12%;
- The Ministry of Communication and Works EC\$13.59million or 10.36%;
- The Ministry of Education, Youth Affairs and Sport EC\$10.92 million or 8.32 %;
- The Ministry of Agriculture, Lands, Housing and the Environment is allocated EC\$6.08 million or 4.64%; and 10.23% 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 35.7%
- Defence 1.4%
- Public order and safety 7.9%
- Economic affairs 29.7%
- Environmental protection 0.7%
- Housing and community amenities 0.4%
- Health 10.5%
- Recreation, culture, and religion 2.0%
- Education 7.1%
- Social protection 4.6%

### **Acknowledgements**

Madam Speaker, let me first acknowledge Almighty God for bringing us through the 2017/18 fiscal year, and then 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 His 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 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.

Madam Speaker I would also like to recognise the ongoing contribution of the Montserrat UK Office in coordinating events, and continued support on international, especially EU matters and diaspora engagements.

Finally, I would like to give special thanks and praise for the efforts of my staff within the Ministry of Finance in supporting me in preparing the budget, the staff in the Office of the Premier and the wider public service for the support they provide throughout the year.

## Conclusion

Madam Speaker, last year I concluded the budget speech by stating that Budget 2017/18 marks a crossroad; it is about making choices. **The only intelligent choice is strategic investment in catalytic projects.** Madam Speaker, I am happy to report that Budget 2018-2019 is delivering a number of sound, economy-transforming investments but there is much more work to be done as redevelopment and the hoped for economic self-sufficiency will clearly not happen overnight. This is why our overarching theme for this budget is *Advancing in our journey to self-sustainability through strategic investments*. Yes, our mission today remains the same - to revive, rebuild and restore our nation to self-sustainability.

As we advance, we must stand shoulder to shoulder as a united people determined to rebuild and redevelop our homeland until we can stand on our own two feet once more. None of this is new; our challenge has long been how to move forward without further undue delays, road-blocks, and inadequate projects. As key infrastructure are put in place, as jobs are created and as our economy recovers, hundreds of Montserratians who have been forced to leave Montserrat can begin to come home. This, too, will further boost our economy, as they will need to build or buy houses, make a living and will have skills that build up our capacity.

**Madam Speaker, I thank you.  
May God bless Montserrat and May God bless us all!**