

GOVERNMENT of MONTSERRAT



2006 BUDGET STATEMENT

“Building Strong, Efficient and Sustainable Institutions for Development”

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2006 BUDGET STATEMENT

“Building Strong, Efficient and Sustainable Institutions for Development”

Mr. Speaker, I rise to move a motion for the second reading of a Bill shortly entitled the Appropriation Act 2006.

INTRODUCTION

1. Mr. Speaker, Colleague Ministers, other Members of Legislative Council, listening audiences including those listening online via the internet – good afternoon. Five years have now passed since my government was elected to office and I offer thanks to the Almighty God for his guidance throughout these daunting years.

2. As I present my twentieth budget address and fifth since being elected to office in 2001, I reflect on the challenges that have confronted us since 2001 – the steady outflow of talented Montserratians from the island and a deteriorating economic environment. This was made worse by sharp increases in prices of fuel and steel, the global impact of the tragedy of 9/11 and the volcanic event in 2003 that left much of the island covered in ash. We saw many of our people move to the brink of poverty. We also saw a disenchanting public service and encountered an external environment that was becoming increasingly complex.

3. Mr. Speaker, my Government has fought relentlessly to reduce the effects of these challenges. We have made steady progress in housing and this area still remains a priority, we have improved the health and educational infrastructure on island, we have supported investments in sports and entertainment. We have done this so that our people may remain on island or return to participate in Montserrat’s development.

4. My government has worked tirelessly to secure the necessary economic infrastructure such as the airport, hospital, community college and water distribution systems in the liveable areas in order to build the foundation for attracting sound investments. We have sacrificed public revenues to ensure that local and foreign investors see Montserrat as the place to invest. As far as possible, we have reduced taxes and provided relief to ailing businesses to assist them in overcoming the inflationary effects of fuel and problems associated with the size of the local market. We also continue to maintain high levels of public expenditure to keep economic activity buoyant. Clearly, Mr. Speaker, this has been a long agonising journey for my Government considering that so many major decisions relied on the commitment and actions of others.

5. In the aftermath of the tragedy of September 2001, the regulatory environment changed considerably and international financial and security arrangements have

become more demanding. Montserrat did not escape the effects of this, as Ports Security in particular, had to be significantly enhanced to comply with international regulations at substantial costs to the public budget.

6. The volcanic event of 2003 that left over five (5) inches of ash deposits in the central part of the island was not only depressing but threatened the entire tourism industry and the health of persons living in the main ash covered areas. My Government negotiated an additional EC\$20 million budget supplement to clear the ash from these areas to revitalise the sector.

7. Mr. Speaker, over the last five years, we have not failed the poor. We continue to spend over EC\$5 million to provide assistance to the poor and elderly. This has been used to provide financial assistance to the less fortunate, housing assistance to those who are in need of shelter including the elderly and we have supported a range of social programmes ensuring that even though the economy continues to struggle, Montserratians are able to sustain themselves as the economy recovers.

8. Further, this Government has sought to build relationships both regionally and internationally. We recognised from the onset of our election to office that a single voice is lost in the intricate web of international diplomacy and foreign relations. We have sought to collaborate with our colleagues from other overseas territories and CARICOM to further Montserrat's interests. At our last Overseas Territories Partnership Meeting with the European Commission (EU), we saw the benefits of this collaborative approach when the Governments' of France, Netherlands, Denmark and the United Kingdom (UK) joined our struggle to demand greater efficiency from the Commission. We are now more confident that we will be able to access the eleven million euros (€11m) available to us by the last quarter of 2006.

9. Mr. Speaker, the business of Government is a complex and well regulated one. The composition and smallness of our economy requires special considerations and variations to standard policy prescriptions and programmes. It is for this reason, that we engage the Department for International Development (DFID) in debates about the wisdom of a declining Aid-Framework in the context of a stagnant or declining economy of four thousand eight hundred (4,800) persons of which more than 50% are senior citizens and children. I am pleased to say that under my leadership, we have been able to negotiate amounts above those initially stated in the framework projections.

10. I dare say, Mr. Speaker that Montserrat looks more poised for development than when we took office in 2001. In this budget, we took note of the comments and suggestions made by members of this Honourable House regarding greater efficiencies and effectiveness in delivering both public and private investments and have embarked on the process of **"...building strong, efficient and sustainable institutions to implement and manage our development"**.

ECONOMIC ENVIRONMENT

11. The world economy experienced significant growth in 2005 and by all accounts will continue to do so in 2006. The economy of the United States has continued to grow at an average rate of four (4%) percent despite significant trade and fiscal imbalances; the Canadian economy is experiencing a boom due to the thriving commodities sector; the United Kingdom and European Union (EU) economies are experiencing moderate growth and Japan has experienced a major upsurge of growth after a decade of stagnation. We are all aware of the exceptional growth performances of both China and India which are estimated at rates in excess of eight (8%) percent.

12. At the regional level the member of the Organization of Eastern Caribbean States (OECS) will also experience substantial growth in 2006 ranging from thirteen percent (13%) in Anguilla to three (3%) percent in Dominica.

13. This year, 2006, is being championed as 'one of the most defining periods in the lives of the people of the OECS and the wider English-speaking Caribbean.¹' This year sees the launch of the Caribbean Single Market and Economy (CSME), an initiative that aims to promote deeper economic integration amongst Caribbean states. This initiative is being viewed as an important step towards integration into the international economy and a more secured future for our small developing states.

14. This is good news for Montserrat's economy given that much of it is driven by external factors such as aid and availability of external investment capital. Indications are that real growth for 2005 was around 1% down from original projections of 4.48%.

Output

15. Preliminary estimates show that output increased in the Mining and Quarrying sector by 91.5%, Government Services sector by 9.9% and the Electricity and Water sectors by 8%. There were however noticeable decreases in the Construction sector by 13.5%, the Wholesale & Retail by 10% and the Transport sector by 9.2%.

16. One of the main projects completed last year was the Gerald's airstrip. The completion of this project will allow the realization of benefits from improved external transport links to the island. Preliminary figures for the latter half of 2005 have shown a slight increase in visitor arrivals and it is estimated that this trend will continue into 2006. The tourism development project is going strong; the increased media coverage worldwide is expected to increase tourist arrivals significantly this year.

17. The economic outlook for 2006 is therefore encouraging. Growth for this period is projected in excess of 5% and is related to the anticipated increase in economic activity in both the public sector and private sector.

¹Extract from the ECCU Economic Review 2005

Fiscal Context

18. Mr. Speaker, we remain committed to supporting and funding programmes closely aligned to our six (6) strategic objectives. We still believe that they reflect the areas that require close attention and that if we can achieve them Montserrat would return to normalcy.

19. The total budget for 2006 is one hundred and fifteen million eight hundred and thirteen thousand eight hundred and seventy seven dollars (\$115,813,877) with recurrent expenditure of EC\$83.2 million and capital expenditure totalling EC\$32.6 million (Annex 1). This is 9.4% below the 2005 Estimates. The estimates have been revised to reflect the removal of subsidies associated with external transportation (Ferry & Helicopter services) but this is offset by the general increase in prices, expansion of essential public services and a provision of EC\$3.7 million for a modest increase in salary and to ameliorate issues related to recruitment and retention.

Recurrent Revenue

20. The total revenue required to fund the 2006 budget is eighty three million two hundred and thirteen thousand four hundred dollars (\$83,213,400). It is estimated that thirty five million three hundred and thirteen thousand four hundred dollars (\$35,313,400) will be raised locally and forty seven million nine hundred thousand dollars (\$47,900,000) will be financed by the United Kingdom through budgetary support.

21. The major contributors to local revenue will be taxes on income and profits and taxes on international trade transactions (import taxes) which will account for fourteen million one hundred and fifty thousand dollars (\$14,150,000) and fourteen million six hundred and seventy six thousand dollars (\$14,676,000) respectively. Taxes on profits are likely to fall from the levels seen in 2005. This is due to the fact that collections in 2005 would have benefited from the Ash Clearing programme which finished in 2004. Unfortunately, 2005 saw general increases in the cost of sales due to hikes in fuel and other prices and which will affect the disposable incomes and profits of businesses and individuals. In 2006, international trade taxes are likely to remain at the 2005 levels as construction will be dominated by Government housing programme which attracts no taxes.

Recurrent Expenditure

22. Mr. Speaker, it is estimated that the 2006 levels of recurrent expenditure will increase by 2% from eighty one million three hundred and twenty eight thousand four hundred dollars (\$81,328,400) to eight three million two hundred and thirteen thousand four hundred dollars (\$83,213,400) over the revised 2005. This will reflect general increases in the price of goods and services purchased by government, replacement of various assets, the inclusion of the Office of the Chief Secretary, improved security arrangements and an adjustment for improvements to salaries and wages in line with

inflation and address issues of recruitment and retention. Health and education will also benefit from approximately 5% increase in their supply votes.

23. Consolidated Fund Services have increased to eleven million seven hundred and twelve thousand nine hundred dollars (\$11,712,900) from nine million five hundred and forty nine thousand three hundred dollars (\$9,549,300) to include those pensions and gratuities normally paid directly from Treasury's vote. Generally, expenditure levels have been curtailed to eliminate the need for new revenue measures.

24. It is also anticipated that Government of Montserrat's (GoM's) policy to move certain public services to the private sector will lead to greater activity in this sector and a reduced role for Government. We look forward to seeing the proposals of the Financial Adviser.

Development Expenditure

25. This year, development expenditure will fall from forty seven million seven hundred and twenty three thousand dollars (\$47,723,000) to thirty two million six hundred thousand four hundred and seventy seven dollars (\$32,600,477). This reflects the completion of the Gerald's airport project and the community college.

26. In 2006 the major expenditures will include the Montserrat Housing and Resettlement project that will see approximately ten million eight hundred and thirty thousand dollars (\$10,830,000) spent within the economy. Tourism development project will provide another one million seven hundred and eight six thousand dollars (\$1,786,000). The Ministry of Communications will have at its disposal eleven million forty five thousand four hundred dollars (\$11,045,400) for infrastructure development while the Ministry of Agriculture, lands and housing will have another five million six hundred and one thousand seven hundred and thirty eight dollars (\$5,601,738) for housing and other projects. The Ministry of Education & Health has been allocated four million three hundred and forty three thousand one hundred and thirty nine dollars (\$4,343,139) to improve facilities for the elderly, the mentally challenged and for general improvements to the health and education systems.

DFID/GoM Aid Framework

27. Mr Speaker, this is the final year of the DFID/GoM Aid Framework. The Aid programme for 2006 is valued at £14 million or EC\$65 million of which £10.2 million or EC\$47.9 million is a grant to cover the recurrent budget deficit.

28. We look forward to negotiating a new tranche of aid which we hope will not be in a rigid, declining framework. It is important that programmes that are necessary to maintain essential services and those which are needed to help us achieve a greater level of self sufficiency will be supported. We therefore, look for an indicative aid programme that is more closely related to current service levels, key development programmes and growth targets agreed. We have continually stated that local revenues

will not improve significantly without growth in the economy and in particular the private sector. We are of the view that future aid must take this into account.

Public Debt

29. The public debt remains well within the standards established regionally and internationally. This debt now stands at eleven million eighteen thousand three hundred and nine dollars (\$11,018,309). This includes one million dollars (1m) owed to holders of local development bond. This is however, secured by a sinking fund valuing approximately eight hundred and eighty eight thousand dollars (\$888,000).

30. Mr. Speaker, the level of public debt is likely to be increased by approximately EC\$7 million to purchase and install new engines for power generation. Nevertheless, even with this new loan the public debt will still be within acceptable limits.

ECONOMIC AND FINANCIAL POLICIES

31. Mr. Speaker, the question that must be answered is what will be the outputs and results from the allocations of this EC\$115.8 million budget.

32. While we have not changed our strategic intentions we have again listened to the comments raised by the members of this Honourable House and other interested groups. This year our focus will be on improving economic activity and the effectiveness and efficiency of service delivery in the various institutions within government. You will therefore note our continuing emphasis on building institutional capacity.

Investing In Economic Growth and Financial Stability

33. Mr. Speaker, the primary goal of government is to develop the economy to the point where it grows at a rate of 3% or more and where the financial returns are sufficiently high to support the businesses on island. There are several key policy objectives that must be satisfied:

- i. continued visionary leadership that will provide and maintain an environment that is conducive to individual enterprise and private sector business development initiatives;
- ii. innovative and strong institutional arrangements that will provide a variety of support services and facilitate the efficient and effective establishment of both local and foreign investments;

- iii. enactment of appropriate business legislation and the establishment of improved incentive regimes that will guide and encourage interested parties to invest on Montserrat; and
- iv. the development of the necessary management capacity and skills necessary to support the 21st Century business structures that will emerge in the future.

34. Government's expenditure programme is also critical to this process. The more Government spends, the more revenues must be generated to finance these programmes. We are therefore committed to:

- i. The containment of expenditure to reasonable and sustainable levels;
- ii. the reduction of the recurrent budget deficit in line with sustained economic growth and expansion of the private sector;
- iii. a revenue generation regime that does not stifle local and foreign investments but is adequate for financing public goods and services; and
- iv. the withdrawal of government from providing services that could be efficiently and effectively provided by the private sector.

35. Mr Speaker, it is in this context that the following programmes and activities for achieving **economic growth and financial stability** are included in the 2006 budget:

Private Sector Development Programme

36. My Government has stated throughout the past five (5) years that private sector development is critical to our sustainable development. We have provided substantial incentives; we have promoted Montserrat in a variety of publications, met with investors and used the current civil service structure to deliver these proposals. Alongside DFID's interventions, layers of management, bureaucratic processes and conflicting points of view have all contributed to the poor implementation of projects over the last few years.

37. Mr. Speaker, bearing this in mind we have decided to establish a development corporation to implement and manage the Little Bay Development project. The corporation will be a **one-stop** investment facilitation unit as will be outlined later.

38. This programme will receive an allocation of over EC\$6 million but will have access to more funding as the projects and programmes become more clearly defined and are agreed.

39. We intend also to review existing incentives and business legislation to ensure that they are fair and are consistent with our development objectives. As I speak, work is being done by the Ministry of Finance and the Honourable Attorney General's office to put these improvements in place.

40. Mr. Speaker, we look forward to the economic benefit to be arrived from the sand mining operations of the four companies now engaged in export of materials from the Plymouth area. We also anticipate the commencement of ash slates manufacturing by Montserrat Composites Limited. Renovations to the factory in Brades are ongoing and it is hoped that production will start in early 2007.

41. We are also considering a proposal before us for the development of geothermal energy. We are however, listening to all the stakeholders in this process before taking the project forward. This will provide tremendous benefits to the island when the resource is proven and developed.

42. Finally, we are considering a number of proposals for the establishment of offshore medical schools on island. The necessary legislative and policy framework are being developed to ensure that these schools are properly regulated and are encouraged to attain the highest standards possible.

43. So you see Mr. Speaker, much work has gone into developing the private sector and we are now on the verge of seeing the fruits of our labour.

Infrastructure Development Programme

44. The Government of Montserrat is cognisant of the need for proper economic infrastructure in the north of the island. It is critical that we address this issue in a systematic and orderly manner. The essential infrastructure programmes for our development at this point are as follows:-

- i. Roads network & Building Improvements
- ii. Utilities improvements
- iii. Sea & Airport improvements
- iv. Telecommunications Licensing & Development
- v. Little Bay Development

45. Mr. Speaker, we are convinced that for any meaningful development to occur in the north, that the development of these facilities must be given priority.

Roads Network

46. Mr. Speaker, the quality of the road infrastructure is the most visible indicator of the level of the island's development and maintaining it to a high standard continues to be one of this Government's main objectives. In 2005 my government spent one million

nine hundred thousand dollars (EC\$1,900,000) on routine and recurrent highway maintenance such as patching, drain cleaning and grass cutting.

47. Additionally Mr. Speaker, new drainage and road surfacing were provided to the Lime Kiln Bay access road and similar works were undertaken in Palm Loop. The first phase of drainage works have started in Mahogany Hill and essential culvert repair works have been carried out to one of the Carr's Bay Culverts. The balance of the EC\$3.5 million budget provided by DIFD in 2004 for reinstatement of roads was spent on finalizing Bishop's View and drainage works in Old Towne.

48. A schedule of essential backlog maintenance, north of the Belham, has been compiled and it is hoped that this work will be carried out over a five (5) year period. These essential works include improvements to the main 'A' roads and many 'C' roads leading to new housing developments. Considering that poor drainage of the existing road network contributed to a range of problems, drainage improvements will form a significant part in all of the new road projects. To facilitate these essential improvements the GoM has already submitted a project to DIFD for provision of funds totalling EC\$20 million to be spent over a five year period and it is hoped that the first tranche of funding will become available in 2006.

49. One of the major challenges which impacted the implementation of our road programme in 2005 was the lack of or constant break downs of critical plant and equipment. The paver was one such piece of equipment and I am pleased to announce that a new paver has been purchased and was commissioned a month ago. Our hope is that the hot mix plant will continue to function effectively to advance the road improvement programme.

50. In 2005 EC\$3 million was made available by DFID for a new all weather crossing of the Belham River Valley. A feasibility study was carried out and this revealed adverse geological conditions that would affect the foundations in the river. The study concluded that the bridge should be considerably longer than initially envisaged and with piled foundations for the piers in the river bed. A further EC\$3 million will be required to complete the bridge and a request for additional funding has been made to DFID.

Building Maintenance and Improvements

51. In 2005 four hundred and twenty thousand dollars (EC\$420,000) was spent on government building maintenance. Works have included rehabilitation of clinics and hospital, schools and Government offices. The Government of Montserrat is mindful that with an increase in the building stock in the north of the island, extra demands will be placed on its maintenance services vote and it is envisaged that this preventative maintenance practice will continue.

52. Mr. Speaker, we have designed and commissioned several new projects in 2005. These included the new Media Centre in St John's, the Community College in Salem a

new Visitors Centre at the MVO and the Fire Training Building at Gerald's Airport. There are several on-going projects such as the new Government Headquarters in Brades, Factory Shell Conversion in Shinnlands for the new tile making factory, Hillview Homes at St John's and a Minor Operating Theatre at the Hospital. Other projects being planned and which are in design stages include the new Ministry of Health Headquarters at St. John's, ZJB Radio Station in St Peter's and the new Ministry of Communications and Works Headquarters at Little Bay.

53. During 2005 we have employed in excess of thirty (30) petty contractors on both the road and building programmes. We will continue along these lines as this practice ensures the employment of many persons within the labour market.

Utilities Development

54. Mr. Speaker a country's development thrust cannot be advanced without the existence of highly developed utilities infrastructure. Montserrat Electricity Services Limited (MONLEC) continues to satisfy the electricity needs of the community, in spite of the many challenges it has faced since the commencement of volcanic activity. Notwithstanding this, the company has cautioned that the seemingly tranquil situation cannot be sustained, unless major investments are urgently made in a generating plant.

55. After abandoning its permanent power station in Plymouth ten years ago, the utility operated an emergency facility in Salem, which was subsequently relocated to Brades. This has served the island well, in terms of system capacity and reliability, but the Management of the utility has confirmed that the stage has been reached for this temporary facility to be granted a well-deserved retirement, and replaced by a new permanent electricity generating station.

56. At this point, I must express my Government's sincere appreciation to the employees of MONLEC, who despite the challenges, continue to ensure that the island's electricity needs are adequately satisfied.

57. A power system study and technical planning for the new station were completed in early 2005, and subsequently, Government has been assisting the utility with arrangements for financing approximately EC\$7 million of the EC\$16 million project. Disappointingly however, delays have occurred because of the need for further studies by DFID, regarding any possible grant, and subsequent British government guarantees for a loan portion.

58. The Government hopes that the financing arrangements will soon be completed, so that the company will be in a position to award a contract for the supply of a medium speed diesel engine and construction of the power station building.

59. Basic electricity tariffs which are intended to cover the operating and maintenance costs, as well as provide a margin for future investments in plant and machinery, do not adequately satisfy the current and future requirements of MONLEC. Consequently, the government has received an application from the company for increases in Basic Domestic and Commercial tariffs. In expressing the need for a new tariff, the utility has drawn attention to the fact that Basic Commercial rates have not been increased during the last eleven years, and therefore have not kept pace with inflation.

60. Government is actively exploring options for developing the island's indigenous energy resources, in an effort to cushion the impact of future energy prices. However, let us not be under any illusion that quick solutions are around the corner. In addition to the arduous task of exploration, renewable energy sources carry various risks and these must be carefully evaluated and minimized, to ensure that our country receives the maximum benefit.

61. While high energy prices remain a global phenomenon, and are uncontrollable at the local level, the Government advises all residents and businesses on Montserrat to ensure that their appliances are operating as efficiently as possible, and that they exercise thrift in the use of energy.

62. Mr. Speaker with respect to our water resources, in 2005 the Montserrat Water Authority facilitated the completion of the following projects:- construction of new distribution networks at Lookout and Little Bay, new reservoirs at Dick Hill and Olveston, and further development of the settling ponds at Lookout. We have worked closely with consultants from DFID to progress the much-delayed Water III Project and brought it to a successful conclusion and it is envisaged that DFID will approve this project shortly.

63. Implementation of the remaining elements under this project in 2006 will see the supply network finally reaching a sustainable state, in which all ongoing costs of maintenance and refurbishment can be met through our normal income from our customers without requiring external funding from DFID. This effort will be helped by the implementation of the Water Bottling project proposed by a German company.

64. Government is also considering the transfer for sewerage services, that is the collection and disposal of sludge from PWD to the Water Authority. This transfer will better place the operation alongside the other core services of the Water Authority. Work will therefore continue on the drafting of appropriate legislation and the development of tariffs for sewerage services.

65. In 1998, Executive Council agreed that Montserrat Electricity Services and the Montserrat Water Authority (MWA) should be merged to form a new integrated utility, Montserrat Utilities Ltd (MUL). In June 2005, an internationally experienced utility consultant and change manager was appointed to be the new head of MUL, and he has brought added impetus and momentum to the process. Five key areas to be worked on have been identified and the New Manager has been working with staff throughout the

organisation on these. We are working towards having the enabling legislation ready for Executive Council by March, so that formal merger can take place later this year.

66. We thank Mr. Hilton Howson who performed the role of interim Managing Director of MUL for the last four years and for the sterling service he has given to MONLEC as employee and manager over the last 31 years.

Sea & Airport Facilities

67. Mr. Speaker the Montserrat Port Authority continues to demonstrate a commitment to supporting the economy of Montserrat by enhancing staff development, and maintaining security and facilities essential to the safe and efficient transportation needs of the population of Montserrat.

68. One of the major activities that will be pursued next year is the undertaking of a consultancy for the seaside development of the Port. Already, the Terms of Reference for this exercise are being completed and it is hoped that this activity will commence early in the year. This consultancy exercise among other items will consider improvements to the jetty and also the construction of a breakwater to allow continued port operations in any type of weather conditions.

69. The Slipway was completed during 2004 and despite all the issues surrounding this facility, both fishermen and other boat users continued to utilise this facility successfully to launch and retrieve their boats on a regular basis.

70. We have also instructed the Montserrat Port Authority to construct a building in the Little Bay area to provide adequate accommodation for a number of departments associated with the operations of the Port. The necessary background work has been undertaken and it is anticipated that the lands will be made available this year to allow implementation of the project.

71. Mr. Speaker practical completion of the Gerald's Airport Project was achieved on July 09, 2005 and on July 11 the new airport was opened for commercial fixed wing aircraft operations.

72. The St Maarten-based Windward Island Airways International NV (WinAir), which was selected from a GoM public tender process as the preferred carrier, operates the scheduled services under the contractual terms of a Public Service Obligation (PSO). The PSO was imposed on the Antigua-Montserrat-Antigua (ANU-MNI-ANU) route by the Government to underpin the lifeline support of the service, which includes medivac, business tour and travel airlift services. The airport is open for general charter service operations from neighbouring islands including Antigua, Guadeloupe, St Kitts, Puerto Rico and St Maarten.

73. Earlier in the year, on 22 February 2005 the airport's new terminal building was commissioned into service by Her Royal Highness, the Princess Royal, Princess Anne. We were grateful for her presence on island knowing how busy her schedule may have been.

74. The airport facility has enhanced Montserrat as a tourist destination with the provision of a reliable, safe, efficient and effective air-transportation service that is also encouraging businesses to come to Montserrat. Our intense promotional activities will, over time, assist in bringing about the anticipated economic spin-offs in tourism related areas of food production, taxi and tour services and a range of hospitality services as was the Montserrat experience in the pre-volcano period.

75. During 2005, the Eastern Caribbean Central Bank, (ECCB) reported the airport construction activities as fuelling economic activity as the project also spawned an impressive re-housing programme and employed scores of skilled and professional workers. The airport project also created a number of permanent employment positions in airport security and travel services at the New Gerald's Airport.

76. As at the end of September 2005, a total of EC\$51.95 million was expended/committed on the Gerald's Airport Project. This amount is slightly over the approved budget. The Airport Project has a maintenance period of one year ending around July 09, 2006 by which time final accounts settlement are to be completed.

Telecommunications Licensing & Development

77. Mr. Speaker, full liberalization of the telecommunication market remains one of this Government's main goals, but there are major constraints to be overcome before liberalization can become a reality. These include, securing the co-operation of the incumbent national operators, and funding for telecommunications-related functions such as staffing and training. Also, a very strong regulatory framework and easily understood and transparent policies are extremely critical. We are pleased to announce that during the past year significant advances have been made towards these key telecommunications matters.

78. Given this policy intention, it is important to note that our licence agreement with cable and Wireless ends in 2007. We are currently in the process of preparing for these negotiations. It is timely, that we thank Cable & Wireless for providing reliable services over the years. We should also, take the opportunity to state that Government of Montserrat has received a proposal from Digicel which will be considered in the context of the negotiations and in relation to emerging telecommunication policy.

79. During the current year, we have sought approval of funding from FCO to obtain the services of an international expert to assist the Government of Montserrat in pursuing its key telecoms objectives. Approval has been granted and it is anticipated

that the expert, who has worked with Montserrat previously, would be available to provide technical assistance within the first quarter of 2006.

80. Developing countries face many infrastructure challenges. While roads, water, and electricity are obvious fundamental requirements, development of a strong communications and information system is vital for the country to survive and thrive. As global developments increasingly push for competition and its benefits, developing countries can realize these benefits in part through encouraging the establishment of an indigenous telecommunications sector. One highly effective way of achieving this is to promote and nurture the growth of small and entrepreneurial entities within the sector.

Little Bay Developments

81. The installation of infrastructure in Little Bay will commence early in the second quarter of 2006. The Consultant for Little Bay has been instructed to proceed with the detailed design for Phase 1 Infrastructure of the project. The activities related to this project will be further developed and implemented through the Development Corporation. This will be a major step forward for the local economy and therefore has been given priority within our development plans.

Sector-wide Development Programmes

Agriculture

82. Mr. Speaker, we are well aware that after the volcanic crisis, the majority of the fertile agricultural lands, pasture and fishing areas are in the Day Time Entry Zone (DTEZ) with restricted with no access to them. We recognise the importance of food security and every effort will be made to make this possible. Our intention is therefore to:

- i. Continue to provide incentives to farmers to increase the acreage of lands under production;
- ii. Establish a food processing laboratory to assist farmers in improving the shelf-life of products. This we hope will lead to small scale industries using local produce;
- iii. Continue to encourage backyard gardening through various schemes. We have so far provided water tanks for this purpose;
- iv. Construct a public market in 2006 to improve the facilities available to farmers for trading their products;

- v. Construct an abattoir on lands which have already being purchased by the Ministry for use by 2007/8.
- 83.** The Ministry has been allocated approximately EC\$12 million to enable it to deliver these programmes.

Construction

84. The construction sector is one of the lead sectors of the Montserrat economy contributing around 25% of GDP. This is generally dominated by public sector construction, however private construction activities are increasing and this is a good sign. In 2005, there were one hundred and twenty eight (128) planning applications, compared to ninety (90) in 2004. Of the one hundred and twenty eight (128) applications received, eighty nine (89) were approved, and work commenced on fifty six (56) buildings. The combined value of these applications was fourteen million one hundred and four thousand four hundred sixty four dollars (EC\$14,104,464).

85. In 2006, government is expected to continue to play a significant role in this sector. Some one hundred and twenty (120) serviced lots at Lookout are near completion. In addition, the Look Out housing schemes when completed will ensure the construction of sixty (60) two and three bed room houses. This project will start in the first half of 2006. We have already received the green light from the European Union to begin the project.

86. Mr. Speaker, based on the estimates provided in the Housing Strategy, EC\$43 million will become available as a result of selling the service lots and the EU funded houses when completed, existing housing units and DFID funded public houses.

87. We intend to construct over the next three (3) years one hundred and forty (140) public assistance housing units, create a challenge fund for infrastructure development for these housing development areas and to provide housing assistance not exceeding thirty thousand dollars (\$30,000) to five hundred and thirty (530) families to meet the equity requirements of the banks so that they can own their own homes. This, Mr. Speaker, will serve to leverage private construction and to further increase the contribution of the construction sector to GDP. As the consequence, the next 3-5 years should be good for tradesmen and other workers in the construction sector.

Mining & Quarrying

88. Mr. Speaker, many people thought and many still do, consider the volcano as a curse. The millions of tonnes of ash, sand and pumice are finding its place in the construction industry. In fact, Mr Speaker over four (4) initiatives are in progress to mine and export the volcanic materials or to process the ash into a variety of materials for export. Many are now saying that if the volcano does not do any worst than it has

done, that we will have a self-replenishing resource that could earn millions for the island.

89. The Montserrat Port Authority has now produced a security and operational plan for the use of Port Plymouth for this purpose. Some five shipments of sand in 2005 and two shipments so far in 2006 were taken to St. Marten and Anguilla from the Plymouth jetty. These exports were undertaken by Selsi Ltd. My Government remains confident that our greatest benefits lie ahead in spite of our present challenges.

90. Clearly, the mining and quarrying sector is likely to become a major contributor to GDP over the next two to three years.

Tourism

91. The Montserrat Tourist Board is well on the way to implementing some of the projects outlined in the Tourism Development Plan and strategy document.

92. In early 2005 Montserrat launched its new image, The Charm...the adventure and a new tag line –“A Caribbean Treasure, Spectacular by Nature” was introduced and new products including volcano adventure, nature adventure and villa vacations promotional material were developed.

93. Montserrat was featured in a big way at World Travel Market (WTM) last year, which took place in London, England from November 14 – 18. The island’s new image was showcased with the launching of several new brochures and the new and improved website, additionally, soca superstar Alphonsus ‘Arrow’ Cassell performed live to various business persons such as the travel agents, investors and the media who were present in great numbers at the show.

94. A number of radio interviews, press releases, and advertising campaigns were done locally, regionally and internationally. Montserrat was featured prominently in various magazines including *American Way (American In-flight magazine)*, *Sport Diver Magazine*, *SAGA Magazine*, *Sunday Times Travel Magazine*, *Fordor’s Guide* and the *Men’s Journal*. We were also featured in several newspapers such as *The Boston Herald*, *The Mail on Sunday*, *The Independent Online edition*, *Travel Trade Gazette* and *Daily Telegraph* among others.

95. The development of walking trails program has begun. Six trails have so far been completed. Completion of the walking trails program is anticipated during the second quarter of 2006.

96. A bidder was awarded the contract for the Dive Promotion project which started late November 2005. Completion of this project is expected in the next couple of weeks.

97. A Project Coordinator has been recruited to undertake the signage programme. A number of signs have been erected to give greater prominence to our villages and roads. Completion of this assignment is likely during the first quarter of 2006.

98. A feasibility study was completed for a Golf Course. The project is now in the hands of the private sector for them to proceed with the development as outlined by the noted PGA consultant.

99. The Tourism Development Plan part-funded an Interpretation Centre at the Montserrat Volcano Observatory, which is now nearing completion. The Centre when complete will feature the volcanic eruptions and devastations in a dramatic video presentation, supported by scientific models, technology and explanations. A Customer Service Host Programme held from April 11, 2005 to September 7, 2005 provided training for one hundred and eighteen (118) participants. A graduation Ceremony was held during Tourism Week on October 8, 2005 for the participants. Funds will be put into Montserrat Tourist Board's fiscal 2005/2006 budget for the programme to be continued by the Montserrat Community College.

100. From November 14 – December 3 2005, the Montserrat Tourist Board provided certification training to approximately eighty (80) persons in the tourism industry in the areas of housekeeping, bartending, food hygiene, restaurant server and front desk and operations. Successful candidates who completed the exams were awarded American Hotel and Lodging Association Certificates and certificates were also awarded to the participants who undertook Food Hygiene Training.

Strengthening Public Institutions and Services

101. Mr. Speaker, over the last five (5) years, we have had many discussions about government institutions and government provided a forum for every interested person to make suggestions for the improvement of public service delivery.

102. We remain committed to re-engineering and improving the quality and responsiveness of all of our public institutions on island. We believe that this is essential if we are to exist and effectively compete in a regionalised market place.

103. There are several key areas of focus:

- i. Constitutional Reforms
- ii. Public Service Structure and Service Delivery mechanisms
- iii. Private and Public Investment Facilitation
- iv. E-Government improvements

104. Therefore, commencing this year and over the next three (3) years, we will give priority to issues around institutional development and reform and this year's budget theme gives a clear message of government's intentions in this area.

Constitutional Reforms

105. As you are aware, Government is in the process of negotiating a new constitution with Her Majesty's Government. It is our intention to make improvements to the present constitution that will:

- i. preserve our ability to move towards greater self determination when the circumstances permit
- ii. define more clearly the responsibilities and relationships between the institutions and parties named in the constitution
- iii. take account of international norms and practices as they relate to Montserrat
- iv. generally modernise the current constitution.

106. Members of Legislative Council made submissions for inclusion and a preliminary draft constitution has been submitted by Her Majesty's Government for consideration and discussion. All members of Legislative Council are now in possession of the draft. It is Government's intention to publish and discuss the constitution publicly when a final draft is ready.

Public Service Structure and Service Delivery mechanisms

107. Mr. Speaker, the level of accommodation for government of offices that was provided by DFID was meant to be temporary. The public services are expanding and adequate facilities are necessary to ensure that public documents are secured and safeguarded. This matter must be addressed as a matter of priority as the combination of rents paid and maintenance cost on the current stock of buildings can only contribute to the already high uncontrollable budget costs.

108. Government of Montserrat has started to address this matter. In May, the Department of Administration and the Government Information Systems unit will move into permanent accommodation. The project is partially financed by DFID and Government of Montserrat. We also have a joint proposal from British American Insurance and the Montserrat Building Society to fund an office block on the Brades Compound. The schedule of accommodation is now with the financiers and we are awaiting a document outlining the terms and conditions for consideration. We have raised the issue of appropriate accommodation with officials in DFID and we hope that this will be taken into account in 2007 aid discussions.

109. Mr. Speaker, we have stated our commitment to public service reform. A project was approved in 2005 and the first phase completed. This was to identify the key issues facing the public service and to agree a phased, practical and consensus building approach to reform over the next three years. The key elements have now been agreed and the consultants, Atos Consulting, have begun the analysis.

110. In order to ensure that the reform process is taken forward as a matter of priority, we have established an office of the Chief Secretary and this has been included in the 2006 estimates of expenditure. The entire programme will cost over EC\$5 million including training, consultancies, and implementation and personnel recruitment costs.

111. It is our desire that at the end of this process we will have an efficient, effective and customer focused public service. Mr Speaker, this is an essential element in our quest **to build strong, efficient and sustainable institutions for the future.**

112. Again, Mr Speaker, we have suffered from the lack of continuity and efficiency resulting from recruiting high cost personnel from overseas. In an effort to reverse this situation, we have introduced the concept of training posts so that nationals can be appointed to understudy professionals recruited from abroad.

113. We have created eight (8) such training posts, two (2) in the Ministry of Health, two (2) in Legal Department and four (4) in the Ministry of Communication and Works. It is our hope that over the next five (5) years that nationals will occupy several of the positions now held by non-nationals.

Private and Public Investment Facilitation

114. Mr. Speaker, my Government is determined to overcome the bottlenecks in the implementation of key investment projects both in the public and private sector. We have sought to address this matter through public service means and the results have been less than we had anticipated. Clearly, there is a need to move away from the bureaucratic operations of the public service to a more responsive, output focused institutional arrangement.

115. The aim is to establish a company, called the Montserrat Development Corporation to deliver among other things:

- Business counselling and consultancy services;
- Skills and management training programmes;
- Export promotion and inward investment units;
- A credit guarantee fund supported by banking institutions;
- A venture capital fund mechanism;
- Assist with developing and implementing GoM's outsourcing plans;
- Construct and rent industrial/business premises;
- Promote the development of the financial services sector.

116. We anticipate that this organisation will be operational by October 2006. It is our intention to use this corporate vehicle to expedite access to the EC\$33 million allocated to Montserrat by the European Union for Little Bay Development including appropriate port facilities. We hope to access these funds by the last quarter of 2006.

117. Mr Speaker, we cannot afford to miss investment opportunities because it places great pressure on the public budget and on everyone who wish to live and contribute to the development of the island. It is for this reason that we are **establishing the Montserrat Development Corporation as the institution that would enhance and strengthen the delivery of our private sector programme.**

E-Government improvements

118. The Government Information Systems Unit (GIS) is continuing to build the network infrastructure and services that are necessary to enable the public service to be transformed into a more accessible organization.

119. Mr. Speaker, in 2005 work was completed on the expansion of the main government Intranet. This allows for essential services such as the Financial Management system, SmartStream and the Corporate Email system to be rolled out to every government department.

120. In 2006 we will be focusing on the delivery of targeted training courses to assist officers throughout the organization in leveraging the technology further to improve the delivery of timely services to their internal and external clients.

121. Further Mr. Speaker in 2006 we will be assisting the schools in the setting up of network infrastructure which will form the basic foundation for the deeper integration of Information and Communications Technology into the teaching and learning processes.

122. The GIS is currently finalizing an e-Government Strategy paper that will set out the guidelines and principles of a more dynamic and citizen centered government. This Government will then put forward the legislation that will be required to govern business and data transactions in the new e-Government paradigm.

123. Currently, the Government Network Infrastructure comprise twenty eight (28) servers, over twenty five (25) switches, routers, firewalls, over twenty (20) wireless radios and antennae, three hundred and twenty five (325) client PC's and laptops, over eight (80) printers and forty (40) scanners. The network offers service to thirty five (35) departments or three hundred and fifty (350) users. The Government Accounting system (SmartStream) is accessed by approximately one hundred and fifty (150) users throughout ministries and departments. We are at the stage Mr. Speaker, that if we were to communicate and file documents by electronic means, it is conceivable that we can cut our printing and stationary costs by more than 50%.

124. My Government wishes to thank the Director of Government Information Systems department and his team for developing and managing this complex 21st Century technology in such a short time. It has now become one of GoM's most valuable assets.

Promoting Population Growth

125. Mr. Speaker, I am pleased to report that our population continues to grow at a rate of approximately 4.5% from 2002 – 2005. The absolute numbers are quite small when we consider a population of just under five thousand (5,000). However, this is significant in terms of the traumatic experiences we have had over the last ten years causing us to lose 75% of our population. We have to therefore, celebrate our successes however small they may be.

126. In my last Budget presentation, I promised that we would develop a population policy. Mr. Speaker, I am happy to announce that the first step in this process has been achieved with the completion of a demographic study which was undertaken by a noted demographer from the University of the West Indies. This study concludes that tangible population growth will not be achieved by natural means only. A positive net migration flow will be a key factor in increasing the population in the short term.

127. In this regard, we will continue policies that will lend themselves to the return of Montserratians from abroad. This is not an easy process but we will systematically address the barriers to the resolution of this problem. The critical issues are those of housing, employment, sporting and entertainment, health care and education. It is our hope that the vision 2010 housing programme and the housing project aimed at building sixty (60) houses will assist this objective. The Water Bottling, mining and quarrying, geothermal, medical schools and composite manufacturing proposed investments will create the employment envisaged. We will by the end of this year have a brand new cultural centre to show case our local talent and host entertainers from all over the world, our health care systems are undergoing continual upgrade and we now have a community college. Our policies and programmes, Mr. Speaker have borne fruit, it's up to the managers who lead in these areas to ensure that the economy and the island obtains maximum benefit from the investment.

128. Last year, we said that we were committed to two strategies to encourage population growth. The first is to encourage migrant workers to settle on island with their families and to encourage Montserratians to return home. In fact, we said that we should encourage at least five (5) Montserratians to return home to fill vacancies on island in 2005. I am pleased to report that we have successfully recruited eight (8) Montserratians to vacant posts in the public services. We have also issued four hundred and sixty seven (467) work permits (including first time applicants and renewals) in 2005 and thirty three (33) permanent residencies for the same period to non nationals who work and have lived on island for over six years.

129. As we study the demographic report in greater detail, we will be able to develop a more proactive population policy to achieve our desired targets in terms of population growth.

Labour Market Efficiency

130. We will continue to have a flexible work permit policy in line with employment needs on island and where persons are law abiding and contribute positively to the economic development of Montserrat they will be accommodated.

131. This means, Mr. Speaker, that where there are vacancies in skilled and unskilled jobs and no national is available to fill them, then work permits should be issued to non nationals preferably citizens of other CARICOM countries. These persons should be of good character, have no previous criminal record and/or meet the criteria agreed to by Montserrat under any treaty arrangements.

132. Further, Mr. Speaker, where individuals have worked on island for more than three (3) years they should be issued work permits for themselves and their immediate family for periods of one (1) year at a time provided they have a job or demonstrate they can support themselves.

133. Mr. Speaker, I am clarifying this policy to ensure that persons who come to Montserrat to assist us with the rebuilding of the island are treated with respect and the dignity they deserve as a human being.

134. Good labour relations are vital to the stability and economic prosperity of every country. In this regard, this Government will continue in its efforts to combat illegal employment, and under-employment, protect employees' rights and privileges and enhance occupational health and safety regulations. This administration will continue to provide sound economic development so that more employment opportunities could be created. A number of planned projects coming on stream would greatly assist in reducing unemployment levels. Unemployed persons in the labour force are encouraged to prepare themselves by participating in ongoing training programmes which will make them more marketable.

135. One of our goals is to establish a Labour Market Information System (LMIS). This system will allow for the collection, collating and analyzing relevant data on wages, hours of work, work permits and employment placements. This information will provide indicators of change taking place within the local labour market. Information generated from the LMIS will facilitate the decision making process. For example, it would assist in developing and formulating policies with respect to the Department's plans and programmes as well as inform National Development Plans. It is anticipated that a full Labour Market Survey would be undertaken in early 2006 and would provide an accurate picture of the existing Labour Market.

Promoting Social Development

136. Mr. Speaker, my Government's social development policy is underpinned by four (4) programme areas. These are:

- i. Protection of the vulnerable
- ii. Individual, family and community (social cohesion) development
- iii. Access to effective and efficient health services
- iv. Access to responsive and targeted education

Protection of the Vulnerable

137. Mr. Speaker, we were happy to have provided Social Welfare Financial Assistance to an average of two hundred and eighty-four (284) households, three hundred and twenty-eight (328) individuals on and off island during 2005. An average of ninety-six (96) households received rental assistance during 2005; most of these are occupying government housing in Lookout.

138. This Government continue to issue Foster Care allowance on a fortnightly basis to an average of twelve (12) children during the year. Some fifty-two (52) persons were assisted with medical expenses totalling approximately one hundred and three thousand dollars (EC\$103,000). Other one-off grants ranging from food packages to funeral assistance were issued to over sixty (60) persons and another forty-seven (47) families were assisted with school supplies for children. The total cost being in the vicinity of two hundred and seventy five thousand dollars (EC\$275,000).

139. The Warden Supported Apartments continued to operate at full capacity with occasional changes in residents due to death and relocation to Residential Care. Home Care and Meals on Wheels Programmes operated through the Old Peoples Welfare Association and Meals on Wheels Foundation respectively, provided services to over fifty (50) elderly persons in the community. These Programmes are largely facilitated by the provision of sizable subventions from the Government of Montserrat along with funds from external sources.

140. The Subvention to Golden Years Home continued to cover the care costs of the twenty-seven (27) residents accepted as being the responsibility of the Government of Montserrat. Other care services rendered to the public included occupational therapy.

Individual, family and community development

141. Mr. Speaker, I must pay some attention to this area in this budget. It is said that good individuals make good families and good families make good communities and good communities make for good country. At this stage of our development when many

of our own people are unable to or don't wish to return to the island, we must attract and welcome law abiding and hardworking citizens of other countries to our shores. **We must not frustrate them.** In the past our people for economic reasons have had to leave our shores to find a livelihood in countries such as Dominica, Curacao, Cuba, Panama, Santo Domingo and many of the other islands around us – let us not make it difficult for others to share in what we have to offer.

142. Our work permit policy must therefore be administered in a flexible and accommodating way and revised where it does not appropriately support our population development strategy. They are to be encouraged to participate in community life including sports, cultural and other aspects of life on island. It is important that the Community Services Department and the Department of Labour monitor this and recommend programmes for consideration that would ensure that we develop as a cohesive island community, notwithstanding our different backgrounds, we are **one people.**

Access to effective and efficient Health Services

143. Mr. Speaker, in 2005 this Government continued to work towards its goal of providing high quality affordable health care to all Montserratians.

144. We are constantly working to enhance the lives of the elderly residents on the Hospital compound. To this end the Hill View Home was renovated in 2005 and construction of the New Margetson Memorial Home has commenced. It is expected that the safety of both staff and residents will increase with the construction of this new home.

145. In 2005 Health promotion continued to be critical to the Ministry of Health's strategy of providing adequate education to the public which will enable them to live better quality lives. "This Week with the Nurses" and "Talking Health" are two radio programmes hosted by the Ministry of Health. They complement each other in providing the public with valuable health information that should lead to improved lifestyles and healthy living.

146. Government has been successful in securing funding through a Basic Needs Trust Fund (BNTF) initiative for the construction of a water tank with sufficient capacity to supply the hospital and residential homes with potable water in an emergency or disaster situation. The water tank will enhance the Ministry's ability to store water safely under normal circumstances, as well as, ensuring that there is a safe supply of water in emergencies. This project will to commence shortly.

147. Funding has also been secured for construction of a Hospital therapy Unit in 2006, again, through partnership with BNTF. The Unit will provide both Occupational Therapy and Physiotherapy services for the population. This will greatly improve the

health status of all and would reduce the need for travel or extended stay overseas for such medical attention.

148. Phase 1 of the Health Information System has been implemented and staff has been trained to operate it. It is expected that implementation of other phases will continue in 2006. This will improve our reporting capabilities and contribute to improved decision making processes both for clinical and non-clinical aspects of local health care. The billing systems will also be improved and this will provide a more efficient way of updating the customer on their accounts and improve our revenue collection efforts.

149. Plans are underway to extend the Main theatre through the construction of a Minor Operating Theatre Room with additional equipment. This will ensure that the spread of infection is minimized and would provide a room to conduct minor cases. This room will also provide a second option if there is a malfunction in the main theatre room.

150. Further in 2006 we will attempt to secure funding for a much needed Paediatric Ward, as well as, an upgraded Casualty facility.

151. Increased numbers of persons have responded to the call to be tested for HIV/AIDS, cervical and prostate cancer. In 2005, government provided free testing and treatment for persons with HIV/AIDS. We have continued to collaborate with the private sector and in so doing we were able to ensure that the people of Montserrat have access to cholesterol drugs at a more affordable price. In fact the cost was cut by 50% in 2005.

152. Mr. Speaker, this Government has collaborated with regional partners such as Pan American Health Organisation, Caribbean Epidemiology Centre and Caribbean Food and Nutrition Institute in providing training in breastfeeding, immunization, HIV/AIDS, chronic non-communicable and communicable disease surveillance and management, resuscitation and care of the diabetic foot.

153. Mr. Speaker in 2005 we made more concerted efforts to focus on community development rather than welfare. A number of initiatives were undertaken aimed at empowering persons to play a more active role in society and to be self-reliant.

Access to responsive and targeted education

154. Mr Speaker, this Government continues to focus on the implementation of the plans outlined in the 2002-2007 Five Year Education Development Plan.

155. We are actively seeking to provide increased access in the area of Early Childhood Education. Based on demand, a Nursery School was opened in Salem in September 2005 and it is being temporarily housed in the Salem Primary School. In the

meanwhile, we have submitted a project proposal to the Basic Needs Trust Fund for the construction of an Early Childhood Centre in Salem.

156. Early childhood education is the foundation of any education system. Research indicates that children who are exposed to early childhood education perform better in primary and secondary schools. As Early Childhood Education expands, there is need to ensure that there is adequate staffing to implement the plans and programmes for this all important area of the education system. There is need for a cadre of trained teachers and an Education Officer with responsibility for Early Childhood. The two teachers, who were on training at SERVOL in Trinidad, have been successful and they are presently in the classroom here in Montserrat doing their internship. The Ministry plans to have other teachers trained annually at SERVOL, thus ensuring the provision of appropriate stimulation, care and education at this vital level.

157. The School Lunch Programme continues to operate at the Nursery School level and plans are to improve this programme both in frequency and quality.

158. Enrolment at the primary level continues to increase and further increases are projected over the coming years. There is therefore the need to provide the most appropriate learning environment for these students. It is envisaged that this expansion will necessitate an increase in the number of teachers at this level over the next few years and hence increased financial support.

159. Teachers at the Secondary School were introduced to Key Stage Three Literacy Strategy and Literacy across the Curriculum Strategy. It is hoped that the implementation of these strategies will result in students being better able to participate in the teaching/learning process and produce improved achievement. One of the fundamental aims of education is to promote and improve student learning across the curriculum in order to equip them with the personal and social amenities for lives outside school, and life-long learning.

160. Students' performance in the Caribbean Examination Council and the Caribbean Secondary Education Council examinations continues to be commendable with an (84.4%) pass rate an increase from last year. In the End of Year examinations, students from Forms One to Four produced an overall pass rate of 77.6%, also an improvement over last year.

161. The Montserrat Community College has completed a year of operation and has now moved to its new premises. In the CXC and CAPE examinations, the students passed ninety (90) of the ninety six (96) subjects for which they were entered representing a ninety four percent 94% pass rate. It is envisaged that the programme offered at the College will expand to meet the demands of the society.

162. The Montserrat Public Library continues to strive to promote reading as a gateway to knowledge, hence providing a basic condition for lifelong learning, independent decision making and cultural development of individuals and social groups.

163. Library services to the public include lending, reference and research service. Bookmobile services are also provided to the primary schools, homes for the elderly and to the prison. Saturday morning story telling was also re-introduced and this service has become quite popular with the target audience of twelve years and under. Government takes this opportunity to thank all volunteers to the library for giving so willingly of their time and resources.

164. This year, the library hopes to expand its bookmobile services to target the day care and nursery schools on island, thereby giving them an early appreciation for reading. The library will also seek to strengthen ties within the community.

Building External Relationships

165. Mr. Speaker, the integration movement among small Caribbean States must be seen in the context of globalisation. Montserrat cannot make it on its own. Hence the Government of Montserrat is proud of its membership in the regional institutions, such as CARICOM and OECS. We therefore intend to pursue entrustment from HMG to sign the revised Treaty of Chaguaramas.

166. As an Overseas Territory we also intend to explore ways to build stronger links with members of the European Union especially in areas of trade, investment and tourism but without detriment to our regional ties.

167. We also recognise that our status as an Overseas Territory sometimes limits our participation in a number of regional projects funded by multilateral agencies. We have been making a consistent effort to get the British Government to make interventions on our behalf but this has not always been done to our satisfaction. In saying this, we are not unmindful of the great strides that have been made in terms of budgetary and development support from HMG through DFID. Also, the appointment of an official to assist with tackling our issues in Brussels is welcomed but there is a long way to go yet.

168. As you aware Mr. Speaker, the full committee of the Legislative Council have examined the recommendations of the Constitution Review Committee. During this sitting the final recommendations will be tabled in this Honourable House and will then be forwarded to the Foreign and Commonwealth Office for consideration.

169. We will be signalling in the review that Montserrat wants to pursue and improve its external relationships and in fact aim for better partnership arrangements with our key donors, multilateral agencies and fellow member states. To this end we have allocated three million three hundred and seventy-one thousand six hundred dollars (\$3,371,600).

Encouraging Environmental Sustainability And Risk Management

170. Mr. Speaker, in 2006 we will continue to face risks associated with the Soufriere Hills volcano and hurricanes. I must admit that for those who listen and watch the international media, that what we have experienced in Montserrat and are likely to experience from these hazards are less life threatening than those experienced on a daily basis in many parts of the world. We must therefore see our problems in context and make the necessary adjustment as we would elsewhere.

171. I wish to reassure all that the volcano will continue to be monitored by world class scientists using first class equipment. Also, our construction standards are such that once our structures are built to the prescribed specifications that they are likely to withstand any major hurricane with minimal or no damage.

172. The recently established Department of the Environment has begun its work to ensure that environmental matters are included in national development policy. We also welcome the work of our partners the National Trust, the Royal Society for the Protection of Birds, Durrell Wildlife Conservation Trust and those persons associated with the Darwin Project. The overall environmental strategies are to ensure that we protect the various fauna and flora for present and future generations; to obtain a biological assessment of plant and animal life on island and to facilitate discussions and decisions about the sustainable utilisation of natural resources in areas such as handicraft, ecotourism and agro-processing.

173. In this regard I want to place on record special commendations to the forestry division for their work in facilitating these efforts.

ACKNOWLEDGEMENT

174. Mr. Speaker, I wish to thank the Almighty Father for sparing Montserrat from the disasters that have ravaged some of our neighbouring Islands and parts of the United States last year. I pray that this year we may again be spared from both natural and man-made disasters.

175. We also want to thank the people of Montserrat and all the other residents who have chosen Montserrat as their home. We are grateful for the investment and the commitment you have all made to keep this beloved country afloat.

176. We must make special mention of the important part played by our major finance partners, HMG especially FCO and DFID and the European Union. Our development would not have progressed as well as it has without the major investment of both Donors.

177. Thanks also to our regional organisations such as CDB, ECCB, OECS and CARICOM and the many local organizations who have continued to work closely with

us to improve the social and economic environment on Montserrat. We are also grateful for their contributions to the development of our systems as we move towards greater regional harmony.

178. I would once again wish to say special thanks to Sir George Martin and his wife for their outstanding effort in raising funds to build the new cultural centre in Little Bay which is near completion. We know they did not do it alone and therefore our thanks are extended to all those who have contributed in any way.

179. Finally, I wish to thank Her Excellency the Governor, Mrs. Deborah Barnes Jones for her continued efforts in supporting our development efforts and her commitment to good governance. We look forward to continued collaboration for the remainder of her term in office.

CONCLUSION

180. In conclusion, Mr Speaker, this last five (5) years have come and gone so quickly. There is still much work to be done as we seek to shape the future of Montserrat and its people. We have over the last five (5) years sought to do the following:

- Take those decisions that would give us the greatest chance of supporting ourselves;
- Support the concept of a sustainable economy bearing in mind the constraints of small size, volcanic risks, inadequate infrastructure and respond to international issues in a responsible manner. We are now further ahead than when we took office.
- Enact legislation aimed at improving the legal framework on Montserrat that would support 21st Century businesses. And
- We have promoted Montserrat internationally so that the world recognises that we are ready for business. To date, Mr Speaker, we have had several proposals for investments on island.

181. This budget seeks to maintain economic stability by maintaining high levels of public expenditure while the ailing private sector re-establishes itself. However, Mr Speaker, we are also addressing some these issues through improved institutional arrangements such as:

- Improving the operation of the Public Service;

- Creating a Development Corporation to provide support to small businesses and to facilitate a more focussed and coordinated approach to private sector development;
- Establishing and developing the Montserrat Community College in a manner that responds to our development needs; and
- Finally creating synergies by merging government operations especially in areas where capacity is limited.

182. These activities are necessary if we are to successfully confront the complex and ever changing environment that lies ahead. There are no quick fixes available to us but rather we must take a planned and deliberate approach to solving our problems, and key to this strategy is the **development of strong, efficient and sustainable institutions for both the present and the future.**

Mr. Speaker, I so move.