

## **2007 BUDGET STATEMENT**

**“Investing today for a sustainable and equitable tomorrow.”**

1. Mr. Speaker, I rise to move the second reading of a Bill shortly entitled, the Appropriation Act 2007.

### **INTRODUCTION**

2. Mr. Speaker, it is indeed an honour to serve the people of Montserrat at this time when Montserrat requires its sons and daughters to provide yeoman’s service in restoring the island to its former glory. I recognise that we face an up hill struggle in this endeavour but with all of us acting together, in concert and speaking in one voice I believe we can and will achieve anything we put our minds to at this time.

3. Mr. Speaker, for this honour, I thank Almighty God, voters and my coalition colleagues. On behalf of the Government of Montserrat I wish to thank all the individuals, ministries, departments and other organisations that have contributed to this budget address. In particular to those who have worked tirelessly to produce the first set of business plans for the Government of Montserrat and which form the basis for our negotiation with Her Majesty’s Government and this budget address.

4. Mr. Speaker, Thomas L. Friedman, in his book ‘The World is Flat’ describes the impacts of globalisation nationally, regionally and internationally. He brought into focus the changing face of global competition and the changing fortunes of developed, developing and emerging economies. China and India are now emerging as global leaders in the international market as a result of investments made and market discipline imposed decades before. Also, the structure and location of many international companies have also been radically altered and key operations outsourced in order to gain the competitive edge or merely to remain in business. The monopolistic walls and trade barriers that dominate international trade in the past are being dismantled systematically. The lesson here is that economic fortunes are fluid - here today and gone tomorrow. We need to build an environment that will attract our share of the wealth and keep it.

5. Mr. Speaker, we cannot exist outside this new global phenomenon and to do nothing is not an option. Jared Diamond outlined in his book, ‘Collapse: How societies choose to fail or survive’ a number of factors for evaluating sustainable societies. The first set of factors involve how societies treat their environment; the second set is climate change that may render habitable areas unusable; the third set speaks to relations with neighbouring societies, as successful and friendly

neighbours may foster growth and hostile neighbours may result in negative growth. The final set of factors relate to the political, economic and social institutions, along with the cultural values present in a society which enables it to respond to problems.

6. Mr. Speaker, both authors' conclusions referred to above, were born out of real life experiences of countries which are thriving today, barely surviving or in some cases had to be abandoned. Confronting the challenges here in Montserrat will require new and bold initiatives – possibly a radical change from the past. We must be prepared to respond to this changing face of the international market place and our own emerging environment in a way that ensures our survival.

7. Montserrat is at a vulnerable stage in its development, and we must be careful how we manage the redevelopment agenda. An important strategic action must necessarily be to define the future vision of the business and social environment we want for Montserrat in the context of a dynamic international trading environment. After which, Mr. Speaker, we must **all** support that vision.

8. Mr. Speaker, with this budget, I invite the people of Montserrat to share a vision of a sustainable and equitable homeland, and invite all members of this Honourable House to support a budget which invests today in our people, infrastructure and the activities that will bring us prosperity.

9. Mr. Speaker, we have six strategic objectives:

- population growth,
- Economic growth and financial stability,
- social development and equity,
- good governance,
- strong external relationships, and
- sound environmental management.

10. In keeping with these objectives our government has embarked on:-

- Modernising the public service with the intention of divesting certain services to the private sector;
- Investing in stronger economic and fiscal management systems;
- Strengthening our external relationships internationally, but in particular with our neighbours in the OECS and CARICOM;
- Managing our environment for the sustained benefit of future generations;

- Promoting or establishing institutions that can generate the activities needed to drive our economy; and
- Deepening and strengthening our cultural heritage so that our culture may survive and emerge as an attractive and unique blend of its constituent parts.

11. Our focus therefore must be on sound national planning, greater communication of plans, and a diligent and coordinated approach to the implementation of projects and programmes.

## **ECONOMIC REVIEW**

12. Mr. Speaker, to know where we are going to, we must understand where we are coming from, so I will take a little time to discuss the global, regional and local economic experiences during the last year.

13. Until recently, the Organisation for Economic Co-operation and Development (OECD) area enjoyed a prolonged period of non-inflationary growth despite rising oil and commodity prices. In 2006, the level of growth achieved exceeded expectations; unfortunately, the growth in economic activity is not expected to continue into 2007, as a slow down of approximately 2 percent is anticipated in this region. The prognosis for the next two years is one of stable growth and mild inflation.

14. Mr. Speaker it is anticipated that the United States (US) economy will continue to be the engine of growth for the world economy, as the economic recovery in Japan and Europe is not anticipated to be strong enough to replace that of the US. Recently, the smooth performance of the US economy has been somewhat disturbed with signs of increasing inflationary pressures and labour market tensions. Investments in the housing market have fallen sharply, following a long period of low interest rates that resulted in a boom in residential construction. The cooling of the housing boom is expected to suppress consumer demand in this area but overall the economy will continue to grow.

15. Closer to home, the Eastern Caribbean Currency Union (ECCU) is faced with a number of challenges and opportunities. These include globalization, the Caribbean Single Market & Economy, ICC Cricket World Cup 2007 alongside rising deficits, public debt and unemployment.

16. Nevertheless, the year 2006 was one in which the Currency Union experienced one of its highest growth rates in recent times. The accelerated growth was mainly due to construction activity in both the public and private sector which was intensified in the run up to the ICC Cricket World Cup 2007. Public sector construction of infrastructure and sporting facilities increased significantly as a result of this event. The spurt in economic activity was generally facilitated by the favourable performance of the international economy and improved monetary and credit conditions. We missed out on the benefits of this opportunity.

17. Mr. Speaker, I am pleased to announce that, despite delay in the implementation of a number of projects for the first half of the year, preliminary data indicates that Montserrat's economy recovered in the last two quarters. Economic growth expanded by 3.21 percent in 2006 compared to the revised growth rate of 1.55 percent in 2005. The increased economic activity can mainly be attributed to increases in value added in Mining and Quarrying, Air Transport and Government Services. Mr. Speaker, it is also worthy to note that the Mining and Quarrying sector's contribution to Gross Domestic Product (GDP) was more than seven times that of 2005. The low levels of volcanic activity allowed excavation of sand and aggregate in Plymouth. Additionally there was some removal of sand from the Trants area. Our price for aggregate, despite the high cost of trucking, is sufficiently competitive to make it attractive enough to export to places such as Antigua & Barbuda, Anguilla, St Maarten, Trinidad & Tobago and United States Virgin Islands (USVI). This is indeed an area we must capitalize on to improve our balance of trade, as preliminary data revealed that balance of visible trade expanded from \$76.4m in 2005 to \$77.9m in 2006. This sector can be seen as a potential key private sector activity which provides Montserrat with valuable foreign exchange.

### ***Construction***

18. The construction sector, which is one of the major sectors of the economy, contracted by 5 percent during 2006. This slow down in activity in the construction sector was mainly caused by the delay in the start of the Public sector projects including the European Union funded housing development project in Look Out and the public market in Little Bay. Both projects have commenced and construction on the Look Out housing project is reported to be ahead of the schedule date of completion of August 2007. The GoM is fighting to avoid further delays in the start of the Little Bay infrastructure project and barring any unforeseen circumstances, the contribution of construction to GDP is expected to increase. Private sector construction was buoyant in 2006. I am pleased to report that the Cultural Centre in

Little Bay is now complete. Lending at the commercial banks for home construction and renovation showed a 12.3 percent increase in 2006.

### ***Tourism***

19. The tourism sector continued to perform poorly in 2006. Total visitor arrivals fell from 13,085 in 2005 to 9,500 in 2006. There was an overall decline in the tourism sector in terms of tourist arrivals and receipts. The number of stay-over visitors declined by 27.4 percent, resulting in an EC\$3.3 million decline in tourism receipts to EC\$20.9 million in 2006. The loss of the ferry service continued to affect the Tourism market as the Excursionists travelling to Montserrat by sea declined to 245 in 2006 from 2,451 in 2005. Total excursionist arrivals fell by 55 percent from 3,395 in 2005 to 1,509 in 2006.

### ***Prices***

20. The rate of inflation during 2006, as measured by the retail price index, increased slightly by 1.1 percent compared with 2.9 percent during the corresponding period of 2005. However, relatively large increase in the Gas, Electricity and Water sub index reflects upward adjustments to the retail price of fuel. Those increases were partially offset by declines in the sub-indices Household Goods and Services and Other.

### ***Domestic Credit***

21. Since 2004 there has been a steady increase in domestic credit, from 3 percent increase in 2004 to a 15.5 percent increase in 2005 and a 14.7 percent increase as at September 30, 2006. Most of this credit was for distributive retail trade. Last year it accounted for 14 percent of outstanding domestic loans & advances, and up to September 2006, it accounted for 12 percent credit. Credit to the productive sector decreased significantly. In fact credit to the tourism, agricultural & manufacturing sectors for the first nine months of 2006 was zero or less than EC\$50,000 in each case, while credit to construction remained below 5 percent of total loans & advances.

### ***Prospects for 2007***

22. The projection for economic growth is 2.78 percent in 2007 based on the ongoing and programmed projects for next three years. An increase in first quarter

(2007) economic activity is anticipated due to the ongoing construction of the public market and the housing development project at Look Out. The Montserrat Development Cooperation (MDC) and the Private Sector Development project (PSD) are expected to commence operations by the second quarter of 2007. Both of these projects are expected to stimulate private sector activity.

23. In addition, Mr. Speaker, this year presents a golden opportunity to use a major event, the ICC Cricket World Cup 2007, to revitalize our ailing tourism industry. The number of visitor arrivals is expected to increase as a result of the large number of cricket fans visiting the region. This is however contingent on the availability and affordability of external transportation and hotel and villa accommodation. A ferry service and the new air charter service, Air Montserrat, are considered viable options to improve substantially visitor arrivals in 2007.

### **THE CHALLENGE: ECONOMIC SUSTAINABILITY**

24. Mr. Speaker, there can be no doubt that achieving economic sustainability remains the key challenge for the government and people of Montserrat.

25. The ongoing volcanic activity in the south of the island has destroyed Montserrat's key economic infrastructure including our only town. Seventy percent of our homes were lost and recent evacuations of some ninety houses in the Isles Bay and Old Towne area have worsened the severe shortage of housing in the north. There are several private sector housing developments proposed, with the capacity for some 500 units of housing, but these will not happen unless government facilitates the implementation of roads and utilities so that the sites are affordable for the displaced residents who need them.

26. For many Montserradians, their largest and only investment was their homes. The fact that this was taken away in many cases with little or no compensation, plunged many persons who were normally independent into a state of dependency. Many have had no choice but to eventually take up residence in the United Kingdom where they depend on welfare handouts. Such is the dilemma of an independent and proud people.

27. Mr. Speaker, to make matters worse, much of the remaining economic infrastructure and resources are in or on the fringe of the volcano threatened area. This has left government in a quandary having to consider the safety of persons residing and doing business in these areas. To date the closure or restriction of

business activity in these areas has not been matched by the investment and business activity in the north.

28. There is an urgent need for emergency housing for both residents and businesses in the north of the island, especially given the increased threat to areas around the Belham Valley. In addition to housing needs, substantial resources will be required for roads and utilities, government administrative and social buildings. We will also require investment in the development of the ports infrastructure.

29. Mr. Speaker, the constitutional ties of Montserrat with the United Kingdom (UK) is not always consistent with our development goals. The passing of the European Union tax on savings legislation in respect of Montserrat, despite the issues of capital flight is an example of this. Also the delays in implementing private investment initiatives as we await UK's support have slowed the pace of the recovery process.

30. Notwithstanding the above, the contribution of Her Majesty's Government to the sustainability of the island is unquestionably the main stay of Montserrat's economy. We are grateful. The issue however, is whether it is timely, sufficiently targeted and of an appropriate size to take Montserrat to the point of 'maturity' or 'take off'.

31. Mr. Speaker, the Lord helps those who help themselves, so this Government has embarked, so far with reasonable success, on a programme of seeking additional financial support from our Caribbean neighbours, members of our diaspora, and other countries who are sympathetic to our plight. We are aware of the challenges before us and have pledged to utilise all the available resources in a manner that would encourage sustained growth.

## **2007 BUDGET PRIORITIES**

32. Mr Speaker, having outlined the challenges to our economic sustainability I will now like to draw attention to the key budget priorities from the various business plans (circulated) produced by key ministries and departments for the fiscal year. In the current circumstances investments in the areas outlined below will not only lead to economic growth but are consistent with the achievement of the strategic objectives that I have earlier invited you to support.

33. These priorities are as follows:

- 1) Infrastructure development;
- 2) Housing
- 3) Social Services and Community Development
- 4) Internal Security and Civil Defence;
- 5) Mining and Manufacturing;
- 6) Tourism;
- 7) Agricultural Development and Rehabilitation;
- 8) Public Service Modernisation and Management;
- 9) Private Sector Development;
- 10) Environmental Management;
- 11) Strengthening the economic planning and financial regulatory frameworks;
- 12) Regional Integration and External Relations;

## **MAJOR PROGRAMMES AND INITIATIVES**

### ***Infrastructure Development***

34. Mr. Speaker, the physical and economic infrastructure of the island includes :

1. The roads network;
2. Sea and Airport Development
3. Utilities Services and Management
4. Telecommunications and Information Technology

35. The volcano destroyed and continues to destroy over 80 percent of our infrastructure and especially roads, utilities, Sea Port, Airport and our telecommunication network. To rebuild our country it is important that these must be replaced. This requires money and my rough estimate is for EC\$250 million to \$300 million of capital aid over the next 5 years.

### ***Roads Network***

36. We remain steadfast in accomplishing our goal of providing a well-maintained highway network for the safe and effective movement of people and goods throughout the island. We invested over USD\$250,000 in acquiring a new asphalt paver in January 2006, and this facilitated the completion of rehabilitation works. The total spend on these activities was over \$3 million.

37. We also reintroduced the use of surface dressing for minor and estate roads. This allowed the PWD to extend the roads maintenance programme. Towards the end of last year another \$0.5 million was allocated to the maintenance budget and this enabled the Public Works Department to carry out much needed improvements to the road between Runaway Ghaut and the Montserrat Secondary School.

38. The recent increase in operators mining in the Belham Valley, and the lack of access to the jetty in Plymouth has caused a dramatic increase in heavy traffic on the main spine road. An inspection of the main A01 Road from Belham Valley to Little Bay Port indicates that at least 4,800 metres of road is classified as poor and is in urgent need of rehabilitation which can be attributed to increased activity on the roads. This is estimated at EC\$17 million with additional costs for land acquisition and relocation of utility service lines. Funds are being sought from DFID to facilitate this major road reinstatement project.

39. Mr. Speaker, in 2007 we will be placing greater emphasis on pedestrian safety. Government will initiate the process for the construction of a pavement along the Brades main road, commencing from the new Bank of Montserrat. It is expected that this project will be carried out in phases and will involve land acquisition in the areas involved. The junction to Manjack will also have its long over due improvement.

40. Mr. Speaker, our Emergency Resettlement Strategy requires the acquisition of more lands in the north for low and medium cost housing. We will also seek to re-zone areas for low density and high end housing and as such this will require more investments in the road infrastructure. GoM will work with developers in making road infrastructure available for these areas.

41. It is important to note that we have submitted a \$20 million roads development project to DFID for consideration over the next five (5) years. However, Mr Speaker, in 2007 we have allocated over \$5 million to road development. The implementation of these projects will depend on Department of Public Works access to engineering staff. Mr Speaker, there are now at least six persons pursuing degrees in civil engineering and architecture and hopefully this will improve delivery process in the medium term.

## *Air and Sea Ports*

42. Mr. Speaker, Gerald's Airport continues to develop to meet our people's needs. During the first year of operation, it provided international standard aviation services to citizens and visitors to Montserrat with an accident free record. The Airport is under constant scrutiny from the East Caribbean Civil Aviation Authority and the Air Safety Support International regulators, whose reports indicate that a high standard of operation is being maintained by our Airport personnel. The confidence in our small facility has been confirmed by the increased frequency of landings by both private and non-scheduled operators. In fact, we achieved a major milestone when our locally owned Air Montserrat began its charter services on 1 December 2006. Significant efforts were made to enhance and improve airport-related procedures, documentation and infrastructure. For example, the recommended fire-fighting practice facility which cost approximately \$300,000, and was designed and supervised by the PWD Engineering Division, was completed and handed over for use by the Fire Department during the year. Also, to bring the Airport in line with most International Airports, free wireless high-speed internet access was made available for use by persons wishing to use this facility.

43. The Air Services Agreement between Winair and GoM expires this year and the Tender Documents are being prepared for air services provision to the island. GoM will be looking for a proposal which will allow for a variety of routes into and out of Montserrat

44. In 2007, we intend to use a number of initiatives to promote and market the Gerald's Airport in collaboration with the Montserrat Tourist Board to encourage small private aircraft, aircraft clubs and other non-scheduled operators to utilize our airport facilities.

45. With respect to our seaport Mr. Speaker, work continued on the port landslide development project during 2006, and there are plans to upgrade equipment and complete further aspects of the port landside development project in 2007. These form part of the Authority's continued policy for efficient port operations while providing optimum service to all port users.

46. After much discussion and deliberation, I am pleased to report that the Terms of Reference for the development of a jetty, breakwater and potential marina facility is with a pre-qualified list of contractors. They are expected to present feasible

options, designs and tender documents for the development of the Port. The facility will be part funded by the European Union, Her Majesty's Government and the Government of Montserrat.

47. This Government believes that only through a partnership of all the primary stakeholders will true and meaningful results be achieved on any development plans for Little Bay. We are therefore playing our part by making provision for a consultancy to be undertaken in 2007 which will look at future seaside development. It is envisaged that this kind of development will ensure the future viability of the Authority and encourage the kind of economic vibrancy the country requires.

### *Utilities Services and Management*

#### **Montserrat Utilities Ltd**

48. Mr. Speaker, we have made much progress in 2006 towards the merger of the Montserrat Water Authority (MWA) and the Montserrat Electricity Services Ltd. (MONLEC) into Montserrat Utilities Ltd (MUL) and we expect that this will be finalized during 2007. In July 2006, the MUL Board ratified a summary concept paper setting out MUL's proposed organisational form, governance, business scope, regulatory oversight, organisational structure, pay and grade structure and accommodation plan. The plan is designed to absorb all the current employees into the new organisation on terms that are equal to or more favourable than currently exist. MUL has been given the go ahead to identify a site at Little Bay for their Headquarters building, a building which may also provide permanent accommodation for the Ministry of Communication & Works. As soon as the choice of site has been approved, work will begin on the design of a building which should be complete in 2009.

49. Mr. Speaker, we have a small population and limited capacity available to implement everything that is required. Initiatives such as MUL which, merges public utilities company provide the opportunity for skills to be shared across different organisations, allow for synergies to be gained from similar processes and provide for a structure that can lead to possibly ownership by employees and the Montserrat public in general. Clearly if Montserratians are allowed to invest in their own institutions, they will be more committed to provide quality service and benefit from sources of income when they become older.

#### **Water Management**

50. Mr. Speaker, in May 2006, the Montserrat Water Authority faced severe operational challenges when mud slides associated with major volcanic activity

swept away a large part of the main water line from Killikrankie spring. During that period the authority experienced substantial reduction in the water supply coupled with significant increase in demand caused by ash clearing activities in affected areas. Effective use was made of alternative sources such as the ground water reserves at Belham, and compulsory water restrictions were avoided. Congratulations are extended to the MWA staff who worked heroically under difficult and dangerous conditions to restore supply so quickly.

51. The long-awaited Water 3 project valuing \$10.9 million was approved in 2006, and the funds are being spent. The majority of materials for upgrading the distribution network in Woodlands and the Northern area were procured during 2006. So far, the Water Authority has upgraded and replaced water mains at Jones Hill and St John's resulting in improved water quality and more consistent supply and pressure. Similar work is currently ongoing in the Woodlands area. Work is also in progress to build a booster pump station to facilitate transfer of water from Dick Hill to Ginger Ground reservoir. Four new reservoirs were constructed in 2006, and the fifth is expected to be completed in early 2007. The total spends anticipated on this project for 2007 is \$1.5 million.

52. Currently, the Authority has rain gauges in Hope and Baker Hill, and these will be supplemented in 2007 by seven additional gauges across the island. This will assist in the monitoring of rainfall data across the island, in an effort to gain a better understanding of the long-term security and sustainability of local springs.

53. Looking to the future, the MWA staff has been directed to carry out work to secure access to water in the wells in the Belham River, even if the area is affected by pyroclastic flows. They have also been asked to start considering sites in the North of Montserrat for irrigation dams, and to prepare plans for a reservoir in the Silver Hills. Government will also take the lead in providing where possible inbuilt cisterns within new housing and commercial developments in the North.

54. Mr. Speaker, all of these activities are aimed at developing appropriate and adequate water infrastructure, and encourage the management of our watershed areas so as to ensure that future generations will be able to benefit from our actions.

### ***Power Generation and Management***

55. Mr. Speaker 2006 was a trying year for the Montserrat Electricity Services Ltd. Peak demand on the network increased by 35 percent since January 2001, and hit a new high when it reached 1.97 Megga Watts in September 2006. Since then, cooler weather moderated demand, but the overall trend is equivalent to an increase

of 5.4 percent . Work on the permanent generation facility at Brades is still ongoing, but in the interim it has become clear that additional capacity is required to meet demand. In December 2006, MONLEC ordered a fifth high-speed modular generation unit to supplement the existing four. This increase in capacity is expected to improve station reliability and increase security of supply.

56. There was an increase in consumer demand in spite of higher electricity prices, which hit an all-time high in June 2006. Happily, world fuel prices have abated somewhat recently, and this has been reflected in the price of electricity.

57. The construction of the new stores facility at Brades is expected to start in early 2007. We also expect that the final hurdles blocking the construction of the permanent generating facility at Brades will be addressed, and that work can begin on the new facility in earnest.

58. Mr. Speaker, our reliance on fossil fuel makes us extremely vulnerable to shifting prices. It is for this reason that we are developing a new energy policy aimed at exploring new sources of power generation. Mr. Speaker in 2007 we intend to invite tenders for the development of geothermal power on island. The tender will be designed in such a way that it will invite expressions of interest from donor institutions and governments as well as private groups. We will also seek to explore the use of wind and solar energy to reduce our reliance on the importation of fuel. If we are successful Mr. Speaker the investment in this area will no doubt be in harmony with our environment and will reduce the fuel cost significantly for our people.

### ***Telecommunication & Information Technology Development***

59. Mr. Speaker, in responding to global trends, Montserrat must ensure that policy and regulatory frameworks preserve national culture and content, develop local capacities to design and produce media information and services, and improve our ability to manage communication effectively.

60. Later this year, the Government of Montserrat is expecting to implement the recommendations of the Radio Montserrat and Government Information Communication Strategy. The Consultant on Telecommunications Strategy recommended the merging all areas of Government Information under one body, to provide greater efficiencies and synergies. The new framework will also examine ways in which Government of Montserrat can use Television and Radio to boost revenue, thereby limiting the dependence on the Government Budget. We have had

discussion with the owners of Caribbean Cable Communications and are preparing to take full use of a GIU dedicated local access channel for broadcasting. This can only be done if we effectively coordinate the activities in this sector.

61. Further Mr Speaker, Government of Montserrat has taken a decision to liberalise the Telecommunication Market on Montserrat. I am mindful of the role that Cable and Wireless has played throughout the years and especially during the on going crisis, however it is this Government's desire to see the technological benefits passed on to the public in the form of lower rates and tariffs. It is with this in mind that we are taking steps to set up a new framework and required legislation, within which Cable and Wireless or any other service provider can operate. Government of Montserrat wants an arrangement similar to that of Anguilla and the British Virgin Islands. We are therefore willing to negotiate with Cable and Wireless to achieve this outcome and the best deal for Montserrat.

62. Mr Speaker, in terms of Government's own use of technology in the way it does business, we will publish an e-Government Strategy paper that will set out the guidelines and principles of a more dynamic and citizen centred ICT enabled government. This government will also be putting forward legislation that will be required to govern business and data transactions in the new e-Government paradigm. To support these initiatives we will be seeking to recruit additional staff for Help Desk services and fill existing vacancies for Programmers and Web Developers.

### *Housing*

63. Mr. Speaker Government remains steadfast in its mission to develop policies and build partnerships that will create a sustainable housing market. Such a market will address the housing needs of all income groups, and provide a good mixture of high quality accommodation options.

64. In pursuit of its goal in the Housing sector, government in 2006 developed the Vision 2010 Strategy for Housing. A Housing Unit was established and a Housing and Land Allocation Committee was set up to make recommendations to Executive Council on the allocation of houses built under the Lookout, Drummonds and Shinnlands housing projects as well as any vacant units registered under the Government Housing stock.

65. Mr. Speaker, last year we constructed seven (7) two-bedroom Houses at Drummonds at an approximate cost of EC\$1 million. We allocated all available vacant units, relocated occupants of Family Units at Manjack, and closed two (2) temporary emergency shelters at Brades, both of which have been renovated and handed over for use as office space and light industry.

66. In response to the ongoing volcanic threat to areas south of Nantes River, we have developed a national Emergency Response Resettlement Strategy (ERRS). The ERRS is specifically geared to meeting the Housing Needs of Households relocated from Areas south of Nantes River in the event of an Emergency Order. The funding and implementation of this strategy is critical to our response to the volcanic threat to Belham.

67. Mr. Speaker, this year Government will develop strategies and incentive schemes and initiate new and innovative ways to increase housing construction and home ownership in the North. We will therefore be introducing the housing incentives programme which will offer financial assistance to persons to enable them to secure mortgage financing. This Government will also purchase seven (7) acres of land in Drummonds to provide more permanent housing solutions and increase the availability of residential serviced lots.

68. Additionally Mr. Speaker we will commence construction of one (1) apartment building to house some eight or more shelterees. This will be done in order to close at least one shelter in Sweeneys. We have just undertaken a detailed and comprehensive housing needs survey of households in areas south of the Nantes River to identify and inform policy on Housing needs in an emergency and to facilitate post emergency reconstruction.

69. We have also negotiated and received funding approval for the first phase of the Home Improvement Program to assist the elderly and other vulnerable households. Through the construction of warden-supported housing for the mentally challenged we expect to provide forty two (42) mentally challenged persons with adequate permanent housing.

### *Accommodation of the Public Services*

70. A full structural survey of Government Headquarters was commissioned during 2006, and confirmed that the buildings need to be replaced as a matter of urgency. The re-construction of Government Headquarters commenced with the

construction of a new building which was occupied from October 2006. The building houses the Department of Administration, Government Information Systems Unit and the Public Service Reform Unit.

71. A draft Strategy for Government Accommodation in the North has been developed by a multi-departmental team comprising Administration, Development Unit, Communications & Works and Physical Planning Unit. This will facilitate preparation of project documentation, so that more of the existing prefabricated buildings can be replaced by more spacious, appropriate and hurricane resistant accommodation for Public Officers. Some Government Accommodation will also be constructed at Little Bay. The plan is for at least one, and possibly two new buildings to be started during 2007 at Government Headquarters.

72. Mr Speaker, we recognise the need to invest in infrastructure for quality service to our customers and to provide the legally required space for employees.

### ***Social Services and Community Development***

73. Mr. Speaker, once our people have somewhere to live, work and play, our next propriety is to invest in our people to sustain and develop them through education, health care, national pride and productive existence.

### ***Education***

74. Mr. Speaker, education and training contribute to building confidence and self-esteem in youths and as such, can help to address the current upsurge in youth crime, violence and ill-discipline. This government therefore remains steadfast in improving the availability and quality of education which is considered key to the development of an innovative and efficient labour force.

75. Mr Speaker we continue to implement the Education Development Plan covering the period 2004 – 2009. Technical assistance for the implementation of the Plan is being provided by the Isle of Wight Education Authority and this technical assistance is in its third year. Thus far, the areas of focus have been Literacy, Numeracy, and Special Education Needs at the Primary level and Information Communication Technology at the Secondary level.

76. Mr Speaker, there are a number of critical activities necessary to improve the development and delivery of education on the island. The first activity is education infrastructure to accommodate the increased demand by nationals or as a result of immigration. We have secured approval from the Caribbean Development Bank (in

BNTF budget) to construct a Centre for the delivery of Early Childhood education in the Salem area. We have also sourced funding for an extension to the St John's Day Care for 2007. It is hoped that these two projects will meet the medium term needs of early childhood education programme. An expansion of the Look Out Primary School is required in 2007/8 to keep pace with the needs of that expanding community.

77. The second critical activity is training for teachers at all levels. As a result, the professional development of teachers continues to be a priority for Ministry of Education. To this end, in-service training was provided for both new and practicing teachers at all levels of the system

78. Mr Speaker, the third activity is improved interventions by special education teachers and expanded curriculum within schools. In the first case special education support is critical to a number of students who experience a variety of challenges trying to cope within the classroom setting. We will continue to support these measures in 2007 and look for opportunities to expand and improve this service. In the latter case efforts will be made to expand the curriculum to provide opportunities generally to all students to experience the expressive and creative arts such as dance, drama, music and physical education.

79. It would be remiss of me not to say that our students continue to do well despite the odds. Mr. Speaker, in the end of year examinations at Montserrat Secondary School, students from forms one to four produced an overall pass rate of 77%, a slight decrease over last year. There were commendable performances in CXC, CSEC examinations with an overall pass rate of 89 percent, a 5 percent increase over last year's performance. Mr Speaker, my Government congratulates the teaching community and hope that they will continue to support and nurture our children.

80. Since the inception of the Montserrat Community College, we have made steady progress in improving student enrolment by expanding its programmes to meet the training needs of this country. The programmes for the 2006/2007 academic year include the Advanced Level programmes, a Nursing Assistant training programme and there has been a significant increase from three to nine in the number of part-time programmes. There have also been corresponding increases in the number of students, from 32 last year to 106 this year. In addition to financing over 95 percent of the College operational budget this past year, Government has provided some EC\$ 512,639.00 to finance the development

programmes within the College. A similar amount has been provided for the 2007 academic year.

81. The College continues to derive income from full-time and part-time fees amounting to about 60 percent of estimated revenue. Additional revenue will be derived from rental of facilities fundraising activities and contributions. The College expects to generate income from the present use of the facilities by the Montserrat Tourist Board for its HOST training programme. The College is negotiating with the School for International Training for rental of its facilities for six weeks during the next summer.

82. It is critical however, that the college continues to look for business opportunities and self sustaining activities in the medium to long term. This will only be possible through partnerships with other institutions and business associations. With the state of the art emergency facilities and volcano monitoring and research capacity on island, greater effort must be made to provide training, research material and other related services to international students. During 2007, we will be looking for a business plan that will among other things, look at the strategic positioning of the College. We look forward to the signing of the agreement for the establishment of a School for the Performing Arts within the College. This is being facilitated by Professor Dr George Irish, a lecturer and Director of the Caribbean Research Centre at Medgar Evers College, City University in New York and a son of the soil.

83. I must record government's congratulations on the 61% pass rate in the CXC CAPE (Advance Level) examinations this year and hope that this number will increase in 2007 and beyond as the College establishes itself. Congratulations are also in order to the College and the Montserrat Debating Team for winning the Leeward Islands Debating Competition. You made us proud and good luck next year.

84. Mr Speaker, we must mention the work of the Public Library. The Montserrat Public Library's aim is to promote lifelong learning and national identity. The Library has therefore embarked on providing the public with greater access to informational, educational, cultural and recreational library materials and services in a variety of formats and technologies.

85. The Library has now acquired an information management system to assist in circulation, patron management and other administrative functions. This automated

system will largely reduce some of the manual processes currently employed, so that more staff can be redeployed to deal with other essential areas of service. Library automation will be extended to the public schools and work has begun at the Montserrat Secondary School library to facilitate this transition and to ensure its functionality in time for the CXC and CAPE examinations of May/June. Later this exercise will be rolled out to the primary schools. Apart from promoting literacy skills, students will be taught useful research and study skills to foster their competitiveness in the regional and international education arena.

86. The library hopes to provide a web-based service and this facility would expand the print collection to include electronic databases so that registered patrons can access this service from remote locations.

87. Mr Speaker, education and related services account for 8% of the recurrent budget and clearly we are receiving good value for monies spent. This is what we meant when this government said that we are investing in people.

### ***Health Care Delivery and Community Development***

88. Mr. Speaker, we view health as a fundamental human right and an essential component of our development strategy. It is vital to Montserrat's productivity and sustainability. Our mission is three fold and is articulated as follows:

1. To ensure the availability of high quality, accessible, affordable health services for the people of Montserrat to ensure that they lead productive lives;
2. To promote the health, well being and enhance the quality of life of persons on Montserrat through empowerment at the individual and community level; and
3. To develop and implement social policies that promote individual enterprise; social justice; cultural freedom, community action and problem solving.

89. This is why approximately 8% of the recurrent budget and 9% of the capital budget was allocated for this purpose. Numerous studies have shown that the healthier people are, the more productive they are. The principle of the "health of the nation is the wealth of the nation" was first articulated and adopted by CARICOM Heads of Government in the Nassau Declaration 2001. This has been eloquently captured in the Vision for Montserrat as "... the creation of a healthy and wholesome Montserrat..." as expressed in the Sustainable Development Plan (SDP) which outlines the national development strategy and priorities over the period 2003-2007.

90. Mr. Speaker, Government has invested heavily in preventive care because we do not have the facilities for complex care and we aim to keep our people out of hospital care for as long as possible. This places a tremendous burden on the community health care team. Efforts have been concentrated on the young and illnesses that can be managed through lifestyle changes such as Diabetes, Hypertension, HIV/AIDS and maternal and child health, family planning, dental care and reproductive health services.

91. Montserrat continues to lead the region in the area of Immunization and to protect the gains made in this area in 2007, the Immunization Manual will be reviewed and recommendations for amending the legislation put forward for consideration.

92. The annual school health programme which provides for complete medical assessment was expanded to include sexual health. The Cuban Eye Care programme was launched in 2006 and 150 persons were screened on island and 11 persons received further treatment in Cuba.

## **Secondary Health Services**

93. The conditions at the Glendon Hospital in Sweeneys remain unsatisfactory. The Ministry has experienced serious difficulties recruiting medical and nursing staff and the converted school room which houses the wards requires replacement or upgrading. The new health development plan will provide a high dependency area for critically ill persons, an area for children and babies, and separate areas for medical, surgical, and obstetric in patients. A suite of private rooms are also to be provided to facilitate private sector care by visiting specialists.

## **Tertiary Medical Care and overseas referrals**

94. Mr Speaker, the Government of Montserrat provides financial support for patients who require medical services that are not available in Montserrat. The United Kingdom National Health Service provides placement for 5 persons who require specialist medical care that is not available in the region. We have requested an increase in this number. Some tertiary care services are provided by visiting specialists. We are now exploring bilateral arrangements with countries that have

offered to assist our people. Considering that one (1) eye problem can cost up to USD\$10,000, we are achieving value for money through strong bilateral and multilateral relationships and by leveraging our limited resources.

## **Dental Health**

95. Mr. Speaker, Government provides both clinical and prophylactic dental health promotion programmes at primary schools as well as counselling services such as nutritional services. We continue to provide free dental clinical emergency services for school age children, the elderly 60 years and over, pregnant women and certain government staff. Government proposes to allow the general public to receive treatments for a fee at special sessions to be arranged at the Dental Clinic.

96. The annual School Health Programme took place during the month of May, 2006. Children from the Nursery, Primary and Secondary schools benefited from a comprehensive health check, which included a dental check at the Dental Unit.

97. Mr. Speaker, our relationship with health institutions and other governments has served to ensure that Government has leveraged the value of every dollar spent from the local budget.

## **Community Development Services**

98. Mr. Speaker, we place people first. The heightened volcanic threat and the ever increasing cost of living created social difficulties that could not be easily resolved. Consequently in 2006 we have embarked on a number of community development initiatives which include the following:-

1. An Apprenticeship Programme for school leavers;
2. A Skills Training Programme in Sewing for interested persons in the public;
3. A Pottery training Project;
4. A Guidance Programme, Career Fair and School Leavers Programme;
5. The provision of Grants to nine community groups to support targeted social programmes;
6. The Elderly Socials & Craft Programmes in Look Out and Salem.

99. Focus was placed on encouraging participation at all levels, with special emphasis on the empowering of youths to be actively contributing members of

society. Community based projects ranged from Steel Pan and Calypso to Basketball and Caring for the Family.

100. Social Welfare Financial Assistance was provided to an average of two hundred and sixty-eight (268) households and three hundred and three (303) individuals on and off island during 2006. Changes in clientele were due mainly to change in circumstances and death, resulting in an overall slight decline in numbers over the year. An average of ninety-five (95) households received rental assistance during 2006, mostly in Look Out. This programme cost approximately \$2.5 million.

101. The Shopping Basket and Utilities Survey reviews in August again revealed an increase in the cost of living and an ever widening gap between benefit levels and cost of living. This was addressed through an increase in the welfare payments to individuals and households. It should be noted that the allocation for this programme increased by 12 percent in 2007.

102. Foster Care allowance was issued on a monthly basis to an average of eleven (11) children during the year. This system was tied into the delivery of Social Welfare financial assistance to make delivery more user-friendly. In addition, one-off grants continued to be provided throughout the year for medicals, school supplies, food packages, funeral assistance, etc. and these were issued to a number of persons. The total expenditure in this area was approximately EC\$200,000.

103. The Warden Supported Apartments continued to operate mostly at full capacity with vacancies being speedily filled in most instances

104. The Home Care and Meals on Wheels Programmes, operated through the Old People Welfare Association and Meals on Wheels Foundation respectively, provided services to an ever increasing number of persons in the community. As with the Warden Supported Apartments the level of care required has increased markedly even though the number of clients has not necessarily shown any significant increase. As a result, the cost of service provision has escalated and it is evident that the subventions from Government are no longer adequate to ensure appropriate services.

105. The Subvention to Golden Years Home of over \$ 630,000 continued to cover the care costs of the remaining twenty (20) residents accepted as being the responsibility of the state. The possibility of having to place more elderly persons in the Home, should Salem be evacuated, is a very real possibility and necessitates

continued subvention at a level to ensure that this is an option for emergency evacuation.

### *Sports*

106. Mr Speaker, many of us have derived our national pride and vision from the challenges and thrills of sports.

107. Sport builds and develops the character of individuals and communities. Many people remember my colleague, the Hon Mr David S Brandt thundering away on the Cricket field and overpowering his opponents on the Karate mats. I take particular pride in knowing that my father the late Mr J D Lewis won the first Leeward Island inter-schools 100m championship and having a brother who currently holds the island's sprint records.

108. Our commitment to using sport as one of the vehicles to ensure that our young people rise from the ashes of our volcano and the past mismanagement of the crisis is unquestionable.

109. Sports is not only character building, it is a giant in the field of economic regeneration, as we have seen in all the Caribbean Islands during the ongoing Cricket World Cup 2007.

110. Mr Speaker, we may have missed out on the major benefits at this time, but we shall endeavour to be part of any regional leagues which arise out to the plethora of new sporting facilities in the region. Through this activity the spirit of friendly competition will grow, the healthy entertainment that exercises bodies will create a climate of achievement, that spurs our youth to higher levels of endurance, agility, coordination, flexibility and attainment.

111. Despite limited facilities and sparse human and capital resources the Sports Department continues to provide opportunities for sporting activities in Montserrat and facilitate teams engaging in regional and international competitions.

112. The Montserrat Cricket Team participated in the Annual Leeward Islands Cricket Tournament and three players were selected on the Leeward Islands Training Squad.

113. In Athletics the Sports Department continues to conduct an intense training programme to ensure that athletes can compete at regional and international levels. Mr Michael Henry gained an athletic scholarship and is now attending a high performance centre in Jamaica, training alongside the world's fastest sprinter Osafa Powell. This came about after he impressed a number of IAAF Coaches at meets in Australia and Santo Domingo. Mr Henry is currently running the 100m at 10.5 seconds and is aiming on improving this time over the next year.

114. Despite not having training facilities for Golf on Montserrat, the Montserrat Golf Veteran, Ivan Hixon represented the OECS in the regional Golf Tournament in Jamaica. We salute him and wish him well.

115. Our sports development program will focus on the provision of facilities, expert coaching and support of travelling opportunities for our sports men and sports women.

116. Sporting facilities to be developed in the short term include:

- The multipurpose recreational facility at Little Bay.
- A covered basket ball and gym complex at Brades school. We have allocated \$100,000 for the design and preliminary works.
- Fixing the access road to the FIFA football ground at Blakes.
- Improvements at the Look Out Village and School, to include provision of a gymnasium and additional outdoor sports facilities.
- Improvement of facilities at the Montserrat Secondary School. \$100,000 has been allocated to the provision of a gymnasium.
- In the long term, we will also consider improvement and expansion of the Salem Park and the construction of a golf course in the northern part of the island

### *Culture*

117. Mr. Speaker, in keeping with the recommendations of the Regional Cultural Policy of the Caribbean Community, the Montserrat National Policy Framework will comprise the following:-

- Cultural and Artistic Promotion and Development
- Cultural Heritage - Preservation and Protection
- Culture and Development
- Cultural Relations and
- Cultural Financing and Administration

118. Culture is our identity, our past, present and future. We are proud to share with Olaudah Equiano, an islander, one who created opportunity for freedom. Unlike him, when he bought his own manumission and freedom in 1766, we do not risk being taken back in to slavery by unscrupulous slave owners. He had to go to the United Kingdom to escape this fate. We must follow his example and not refuse to act and think for ourselves, and thus remain subject to external domination and dependence on British aid.

119. With the completion of the Cultural Centre, not only do we now have a venue to promote our artists, but we will be able to attract artists of regional and international repute to Montserrat. I especially at this juncture wish to place on record the appreciation of the Government of Montserrat to Sir George and Lady Martin for this important facility.

120. The Montserrat Cultural Centre provides us with the opportunity to have a unique cultural heritage tourism product. It has already served as the catalyst for a proposal for an internationally recognised School of Performing Arts and Film studies. On Saturday 30th March, we expect a site visit from an international film super star, who is considering being patron of this institution.

121. Our two major Festivals held during St. Patrick's Week and in December respectively, showcased the talent and culture of our people and drew both visitors and returning Montserratians to the island. The Calabash Festival held last summer was a useful addition to our cultural product. I wish to see a fourth annual festival, a Soca Festival, celebrating the achievements of the Mighty Arrow, Mr Alphonso Cassell and his brother Mr Justin "Hero" Cassell. We salute both brothers and all the other talented people that help to showcase culture in Montserrat and abroad.

122. Government's policy is to see these festivals well established and then become self sustaining corporate businesses that provide employment opportunities and revenues for our people.

123. Montserrat was represented at CARIFESTA 1X held in Trinidad. The Emerald Shamioles Masqueraders and the drama group Plenty, Plenty Yac Yac Ya gave impressive performances and samples of Montserrat's products were displayed. Montserrat was also represented in several regional shows including Calypso Shows, Queen Pageants and Steel Pan Competition.

124. During this year, it is expected that fruits will be born from a visit by a delegation to Cuba which took place in January. The Department will be working to ensure that an overall Cultural Policy is developed which would chart the direction for Cultural Development on island.

125. We continue to applaud the work of the National Trust. This budget provides direct assistance for their work and we will endeavour to have some of the Little Bay Project funds allocated to their Carr's Bay Plantation restoration project.

126. I wish to record this government's appreciation for the continued efforts of many volunteers who worked diligently to ensure that Festivals and other cultural activities continue throughout the year.

### *Internal Security and Civil Defence*

127. Mr Speaker, internal security and civil defence are essential to the orderly conduct in the affairs of a country and its ability to respond to crisis. The main players in this vital area are the Police, Fire, Disaster Management Agency and the Montserrat Volcano Observatory and I take this opportunity on behalf of the Government and people of Montserrat to compliment them for their hard work during this trying period of our development.

128. The work programme of the Police and Fire Department are outlined in their business plan. These activities involve actions aimed at reducing crime, monitoring and enforcing drug trafficking offences, detecting money laundering and financial fraud, reduction of illegal immigration and border control, enhanced road safety, continuation of community policing programmes and intelligence led police investigations. We are also experiencing a long period of drought and many areas are quite dry, the fire department alongside its other operational activities will be even more vigilant in ensuring that members of the public act in a manner that will not lead to a major fire hazard.

129. Mr Speaker, Government of Montserrat has invested in state of the art volcano and emergency management systems. We are therefore confident that the information required to manage continues to be available. However, the management remains difficult because of the slow pace at which the north of the island is being developed and appropriate accommodation constructed in that area. The track record is commendable as we have not had any loss of life since 1997 and the response to the impacts of volcanic activity has been quick and effective. You

will recall that volcanic activities of 20 May 2006 were addressed in less than two months including procurement of resources from external sources. In that event GoM/DFID made available approximately \$2 million to clear roads and public buildings, repair water lines, replace volcanic equipment and provide animal feed for animals kept in the ash affected areas.

130. My Government is intent on keeping Montserrat open for business but the safety of residents and visitors are of paramount importance. In this regard, the departments responsible for internal security and emergency services will be allocated over \$12 million dollars of the recurrent budget along with a call down arrangement for additional funding from DFID should that become necessary. Also, in approving the 2007 Appropriation Bill, Mr. Speaker this House will be increasing the overdraft facility from \$2.5 million to \$5 million which will allow the Government to respond promptly to the immediate needs of the island and cover any timing issues that may arise between DFID receiving our request and such funds deposited in the Consolidated Fund Account here on island.

131. Mr Speaker, we are duty bound to be prepared for all eventualities. We are told that the current probability for a pyroclastic flow affected the Lower Belham area is about 1 percent and the probability of a lateral blast affecting areas up to Nantes River is about 0.05 percent . But we know that the mountain is getting bigger, and that the probability of these events is also rising.

132. Our pre disaster plans include prevention through public education, and evacuations, of affected areas increasing housing shelter stock and mobilising of resources to assist displaced persons. During the disaster, there will hopefully be no casualties, as all persons should be out of harms way, and after the disaster, we will respond as we are now accustomed to restoring and maintaining our normal activities, conducting a clean up program, and eventually the return of people to their homes in the evacuated area that remains intact.

133. Mr Speaker, we understand the emotional issues and difficulties caused by the volcano but we will endeavour to do our best, trust God in our every undertaking and make the best use of every opportunity that presents itself.

### ***Mining and Manufacturing***

134. Mr. Speaker, it is ironic that the volcanic material that took life will give it back again. The volcano has produced millions of cubic meters of sand, ash, pumice

and aggregate that can be exported throughout the region. It is potentially Montserrat's gold mine.

135. The potential is evident as some six local companies have established businesses in this sector with contracts for the sale of sand and other volcanic material throughout the Caribbean. In fact several companies have been able to export shipments of sand and aggregate prior to the area being declared unsafe. Mr. Speaker, we are of the view that whereas this sector at this moment contributes less than 2 percent of GDP; it can contribute well in excess of 5 percent in the future.

136. Mr. Speaker, one of the companies has requested permission to construct a jetty either at Isles Bay or Foxes Bay to minimise disruptions of their exports from volcanic activity. I am pleased to report that my Government has approved this request subject to the planning regulations. This matter was discussed with officials from the Department for International Development (DFID) who have indicated their interest in and willingness to support it.

137. In addition, the Government of Trinidad and Tobago and the other CARICOM countries approved a grant of EC\$500,000 towards ensuring access by sea to that part of Montserrat to the South of Belham, which is always low risk, and not affected by the maritime exclusion zone.

138. Given the potential of this sector, Government of Montserrat will request a quick feasibility study to develop a jetty in the area. This will take some time to design and complete the project. In the meantime the Ministry of Agriculture, Lands, Housing and the Environment will continue to issue permits to allow materials to be mined from certain areas where the threat from volcanic activity is low.

139. Government is renovating a factory unit at Brades and provided a lease-purchase agreement to Montserrat Composites Limited for the purpose of manufacturing ash slates and other building materials including composite products for export. It is hoped that volcanic activity will subside and the financing arrangements will materialise in 2007 to enable the company to start its operations.

140. Mr. Speaker, we have granted generous duty concessions to businesses investing in relevant plant and machinery, and we have delayed the introduction of royalties to assist investors in recouping some of their investment cost and repay

loans. At an appropriate time we will introduce mining charge and export charges to among other things, pay for the repair of roads which are being heavily damaged.

141. It is clear Mr. Speaker, that this Government values the partnership that exists between Government and the private sector and it is for this reason that we continue to give support to the local private sector, so that they can eventually become major players in the future development of businesses on Montserrat. We are investing today in activities, mining and manufacturing of volcano material products, activities that will generate employment and foreign exchange and contribute to prosperity in the future.

### *Tourism Development*

142. Mr. Speaker, Tourism is a significant employment generator, foreign exchange earner, and an important contributor to GDP. In 2006, the Montserrat Tourist Board (MTB) continued its strong promotional and product development thrust that started in 2004, to rejuvenate the tourism sector. Through the efforts of the MTBs public relations and trade representation companies in the US, UK and Europe, Montserrat was able to obtain significant favourable media coverage in the international media.

143. Additionally , Mr. Speaker, attendance at major travel trade shows in Berlin, New York, St. Maarten and London, a new destination website and the production and distribution of new tourism brochures have also aided in raising Montserrat's profile in the international tourism marketplace. Last year has also seen the continuation and commencement of work on a number tourism development initiatives and projects on-island. These include an island-wide signage project, the MTB Host Training Programme, the MVO Interpretation Centre, enhancement of hiking trails, the establishment of a National Park for the Centre Hills area and the dive promotion initiative. There are now 3 companies providing diving activities for tourists.

144. As stated earlier, overall visitor arrivals declined by 27 percent as a direct consequence of the cessation of the ferry service and the operational challenges of the only scheduled fixed wing service.

145. Notwithstanding this, compared with 2005, stay-over visitors from the United States have increased by 6 percent. Leisure tourists in main markets are up by 20

percent. Guest house stays have increased by 21 percent. Villa stays have topped 300, which is an increase of 41 percent.

146. This year, we will continue our concerted promotional and product development initiatives. In particular, we will continue to promote Montserrat to persons coming to the Caribbean for the ICC World Cup Cricket and who need reasonable accommodation in an island close to hosting countries. We will also be updating our National Tourism Strategy and Business Plan in order to garner a new finance package from DFID for the next phase of its tourism development programme.

147. The MTB is highly optimistic about future tourism growth in Montserrat and plans to continue its heavy promotional and product development work to ensure that this occurs. Some of the key initiatives that will be undertaken are as follows:

- Facilitate the completion of a strategic review of the MTB to secure a second phase of funding from DFID
- Continue to focus its destination promotional efforts in the area of public relations. The MTB plans to host several press trips in 2007
- The MTB was able to get eight (8) tour operators in Europe to feature the island in 2006. It plans to double this number in 2007 by continuing to target niche tour operators by organising familiarisation trips to the island.
- The MTB will maintain a strong presence in the international marketplace by attending and promoting at key international trade shows. It also plans to exhibit at some eco-adventure shows and to undertake additional promotional work in the neighbouring islands.
- The MTB will continue to keep fresh and market the destination website [www.visitmontserrat.com](http://www.visitmontserrat.com). This site has grown into an immense promotional tool and currently receives over 40,000 hits per day
- Continue to lobby for the resumption of some kind of ferry service and also to work with the scheduled air carrier and Air Montserrat to promote day trips and stay-over vacations
- In term of product development the MTB will continue to:
  - Increase the number of destinations and viewing points for tour buses and enhance nature trails including adding amenities such as interpretation signs and rest stops
  - Improve yachting, fishing and beach facilities

- Create biking/horseback riding trails
- Execute customer service and other hospitality sector programmes for industry personnel

148. Mr. Speaker the odds are against Montserrat, but we will continue to create a variety of tourism products, we will also continue to improve all tourism infrastructure and I assure you Mr. Speaker that we will win. Again that is why Mr. Speaker we will continue to invest in and support private proposals for investment in this area.

149. Government has received a request from the Vue Pointe Hotel, for land at Little Bay for the construction of a Hotel. Government will support this request, and other requests to re-establish or to establish tourist oriented and leisure facilities in the North of Montserrat.

### ***Agricultural Development and Rehabilitation***

150. Mr. Speaker, there is no doubt that Agriculture is a very small but an economically and socially important sector. Agricultural production, once again suffered a major setback in May 2006 when volcanic activity devastated the agricultural sector and greatly impacted the livestock sector. It is estimated that there was close to 100 percent losses in the major farming areas of Duck Pond and Water Works. The estimated value of crop losses was EC\$ 600,000.00. It was also apparent that livestock in Salem and Cork Hill faced starvation with the total devastation of the ground cover in these areas. We, however, reacted quickly to the threat of starvation and a total of 2,550 bags of animal feed was imported and distributed to livestock owners in the affected areas. This Government also responded to the farmers' losses in income directly resulting from the destruction of arable farming, by providing approximately EC\$70,000.00 as cash relief to affected farmers and backyard gardeners.

151. Despite the effects of volcanic activity early in the year 2006, agricultural production has increased by approximately 50 percent from the 2005 level. In 2006 we introduced and commissioned two green houses which are now being used as training tools to expose farmers and staff to new technology. The greenhouse sited on a farmer's plot is presently producing a large variety of high quality produce, in the middle of an area, that has been seriously impacted by volcanic activity. A project was also approved for the purchase of six more similar greenhouses for the farmers association.

152. In 2007 the Department of Agriculture through the on-going public service review, will seek to strengthen its capacity to deliver its services to the public. The business plan also provides for training for key members of staff in a variety of areas.

153. Mr Speaker, the construction of the public market is at an advanced stage. When completed this market facility will provide some seventy (70) stalls for farmers, fishermen, butchers and craftsmen. This project is funded under the CDB Basic Needs Trust Fund Programme. The construction of the abattoir which would compliment the market will commence later this year. Both projects will cost in excess of \$3 million. The completion of these projects will be a great boost to the agricultural sector.

154. Mr Speaker, the Department of Agriculture intends to continue to maintain its plant nursery programme including the sourcing and introduction of a variety of vegetable, fruits and ornamental plants. Alongside this, we intend to strengthen the department's phytosanitary services, to ensure that there are no adverse effects experienced from imported products.

155. The area of livestock farming remains a critical component of the work delivered by the Department of Agriculture. The problems of managing loose livestock and providing veterinary services to Farmers persist. I am pleased to report that in 2007 increased efforts will be taken to reduce the livestock problem through culling, corralling and export of animals. A corral has been built for this purpose. The post of Veterinary Officer has been advertised and the post is expected to be filled by mid 2007. Government is currently engaged in discussions with a North American group who are considering establishing in Montserrat an off-shore veterinary school.

156. There is scope in the medium term for Agro-processing ventures. We do have an abundance of fruits and other items that are wasted and could be used for trading purposes. Government intends to take steps to construct a food technology laboratory. This will also serve as a bureau of standards and quality control unit here on island, as we seek to trade with our neighbours within the CARICOM Single Market and Economy.

157. Mr. Speaker, the Department of Agriculture will continue to provide a variety of incentives to both farmers and fishermen who demonstrate that they are serious about farming. The Business Plans reflects the Ministries emphasis on building capacity within the Departments in 2007. The plans show the Departments push to have in place the necessary infrastructure to support the farming community, including back yard farmers. We have embarked on \$750,000 improvement of the feeder roads to Duck Pond, Blakes Mountain and the Silver Hills, to improve agricultural production and animal husbandry. We also recognise that we live with an active volcano and that there will be a need to provide relief from time to time, in cases where farmers' livelihood is destroyed by severe ashing.

158. In 2007 Mr. Speaker we will participate fully in the regional programmes available both at the OECS and CARICOM level, including the new Jagdeo initiative. This will ensure that we set in motion our own strategy for obtaining the benefits from integration into the Caribbean community. We are investing in agriculture today, so that we can feed ourselves tomorrow.

### **Public Service Modernisation and Management**

159. Mr. Speaker, over the past year, Phase Two of the Public Service Reform Programme (PRSP) got underway. The aim of the Reform programme is to transform the public service, enabling it to deliver effective and high quality services that respond to the needs of its customers. The Public Service Reform Programme focuses on three interlinked strands of activities aimed at:

- Improving performance through strategic and output orientation
- Improving human resource management across government
- Ensuring that our organizational structures are efficient and effective.

160. A recent review of the Public Service Reform Programme by the funding agency has reported that “... *the project is locally owned, is producing tangible results, is responsive and flexible, and is supported by committed GOM Officials.*”

161. Mr Speaker, progress made in 2006 includes the following:

1. The establishment of the Public Service Reform Unit, this is a new government department. The staff is now in post and are energetically developing new initiatives and leading the implementation of the programme.
2. In improving our focus on performance, all Ministries and Departments were required to prepare and submit business plans for the 2007 budget

submissions. The business planning process was extremely useful in guiding the final budget allocation.

162. Mr. Speaker, the Ministry of Health has volunteered to be the pilot Ministry for a new approach to performance appraisal. The current system within the public service has largely fallen into disuse. The new approach will incorporate SMART objectives, creating a link between individual, work related objectives and departmental objectives as set out in the department's corporate and work plan.

163. Under Organizational development, the focus has been on the review of two ministries, the Ministry of Agriculture, Lands Housing and the Environment and the Ministry of Finance. We are taking forward some options for new structures for the Public Works Department and developing ways forward in the Revenue Departments. These reviews will provide recommendations for improvement of operations and efficiency.

164. Good Progress has been made in Customer Service Improvement. The initial pilot being Customs and Exercise Department. A range of customer service surveys were undertaken. The survey results have provided valuable information on the level of satisfaction of customers who use the services of customs department. An action plan has been developed based on the survey results. This plan will be implemented over the next twelve months and will focus on the development of appropriate information mechanisms, Customer Service Training, Public Education Programmes and the development of a Customer Service Charter and a follow up survey to monitor the success of the various actions.

165. Mr. Speaker, a pilot job evaluation process has been completed and is being rolled out across the Public Service under the human resource management work stream. All the processes have been established and the necessary working groups and committees were established. This will enable Government to accord the proper weighing to jobs across the service to support the salary review.

166. Other human resource initiatives are planned under the reform programme. They include the greater delegation of operational human resource management activities to line ministries. This will therefore demand a higher level of dedication, accountability and transparency. This will become enshrined in the revised constitution and a Civil Service Act which will provide the enabling legislation for a suite of new governance documents: a code of Ethics, new PSC regulations and General orders. General Orders would be supported by a detailed procedural manual

incorporating all of the newly developed procedures emerging from the public service reform process. This framework is being designed to ensure that public officers are held to account for the management of the business units they have been assigned.

167. Mr Speaker, Government of Montserrat values training as a vital component of empowering its people however, many persons who have benefited from such awards have not acted responsibly in helping Montserrat to achieve its strategic objectives. In 2007, Government of Montserrat will invest and work alongside financial institutions to provide affordable arrangements for student loans for long term training. We will focus on short term targeted training programmes aimed at skills development at the top, middle and operational levels of the service.

168. Notwithstanding we will continue to fund persons currently on long term training to whom we are already committed. We will also finance programmes that are essential to the achievement of the development plan and delivery of service in sectors areas in both the public and private sector. Finally, Mr Speaker, we intend to finance person(s) selected for the Montserrat Island Scholarship to pursue studies in regional or international training institutions.

### ***Private Sector Development***

169. Mr Speaker, we cannot achieve sustainable economic growth without a strong and vibrant private sector. It is for this reason that the Government of Montserrat is placing much emphasis on the development of an institution that can focus its attention on the needs of the local private sector, with financial and non financial support where necessary.

170. We have in place a number of concessions for private sector investors. In August 2006 the heavy equipment policy was renewed giving wide ranging concessions to heavy equipment operators on the acquisition of plant and machinery. Other concessions that are available and are widely used are tax holidays, and customs duty and consumption exemptions in key growth areas such as tourism, mining, manufacturing, construction.

171. In order to respond to particular hardship brought about by a deteriorating economy, at the end of last year, a small business grant of \$50,000 was distributed among 15 small businesses in the productive and service industries in an effort to alleviate a critical need for support among these businesses. This grant was designed

to improve the quality of services or products that those businesses offer. We hope to extend this programme in 2007.

172. Mr Speaker, later this year we will see the establishment of the Montserrat Development Corporation (MDC). The MDC has been tasked with implementation of the Private Sector Development project which includes the implementation of a venture capital fund supported by a credit guarantee fund. The implementation of these two elements of Private Sector Development project is expected to provide necessary investment financing to the private sector. The MDC is expected to be more flexible and readily respond to the needs of the business community.

173. We are mindful that a DFID sponsored Business Confidence and Outlook Survey 2006 designed to provide information on the private sector concluded that business confidence is tempered by the presence of an unquantifiable risk posed by the presence of an active volcano. Seventy percent (70 percent) of businesses experienced reduced sales in 2006 according to the findings of this survey.

174. In order to address the dwindling level of confidence, we have to look at those services in the public sector that can be delivered by the private sector independently or through some partnership arrangement. In 2007 this must become a reality and will provide the foundation on which to expand.

175. The Little Bay Development project starting later this year will enable some of the businesses near the Belham area to find a permanent home in the new Town centre. New businesses from overseas, are also expected to emerge in the area.

176. Mr Speaker, this is what we meant when we say that we are investing in our institutions and people, for a prosperous tomorrow.

### ***Environmental Management***

177. Mr Speaker, in 2006 this Government has shown its commitment to sound environmental management by providing the resources for setting up the Department of Environment (DOE). In this light, we also revised and officially approved the National Environmental Management Plan. Our intention is to address current environmental priorities, meet international environmental obligations and provide a supporting environmental framework to ensure the sustainable development of Montserrat.

178. Mr. Speaker, our successes to date include the creation of an Environmental Advisory Board, the revision of current environmental legislation, the revision of the current national system of protected areas, improved data collection and management to promote environmental decision making and the creation of a public education and community outreach programme.

179. During this year Government's primary goal will be to strengthen its position to deliver enhanced environmental management and to begin to address priority environmental issues. This will involve the promulgation of environmental legislation to give effect to DOE and revision of existing environmental legislation to reduce conflicts in institutional mandates caused by the initiation of DOE; the development of policy and operational guidelines to address priority environmental issues; and the development of a new national protected areas plan. Further activities that will be undertaken are working collaboratively to upgrade the programme of control for loose livestock and facilitate the development of sustainable livestock production systems; the development of community forestry; the implementation of a programme to enhance public attitudes to environmental issues; and the development of national climate change adaptation strategies and the initiation of implementation of these strategies.

### ***Strengthening the economic planning and financial regulatory frameworks***

180. Mr. Speaker, the current Sustainable Development Plan comes to an end this year and a new plan will be in place by the end of 2007. This will provide the basis for aid negotiations, project selection and for targeting public expenditure over the period of the plan. As I mentioned earlier, it is critical that all stakeholders and interested parties participate in this important process. The plan will also seek to outline GoM strategy to participate and maximise the benefits of its accession as a member of CARICOM and the OECS.

181. There are also a number of initiatives at the regional level that will need to be incorporated in our economic programmes – Jagdeo Initiative for Agriculture; Caribbean Tourism Organisation's initiatives in training, joint marketing etc; Caribbean Investment Fund initiatives and the use of the Regional Securities Exchange to encourage and provide access to investment capital.

182. Mr. Speaker, key to all of these initiatives is access to information and statistics. It is for this reason that the Monetary Council mandated the Eastern

Caribbean Central Bank to assist member territories in strengthening their statistical and data management systems. I am pleased to report that a model act has been submitted for the establishment of a Statistical Commission with the necessary structure to supply critical information to the public. This option will be considered under the Public Service Review.

183. Mr. Speaker in 2006, a fiduciary risk assessment was done of the Government of Montserrat Financial Management System. This was the first assessment and sought to compare the financial practices within Government to international standards established for public financial management. The assessment and the resulting report was welcomed and will be used as a benchmark to monitor future progress in this area.

184. The action plan envisages substantial changes to the financial regulations, restructuring of the Treasury Department and the expansion of the internal audit function within the Ministry of Finance. Mr. Speaker as you are aware, a chapter on Finance has been included in the proposed constitution and new public finance regulations is being drafted by the Office of the Attorney General. Other proposed changes will be developed further in Organisational Reviews submitted through the Public Sector Reform Project.

185. As you can see from these initiatives Mr. Speaker, this government is committed to good governance, accountability and transparency. Integrity in public office is based on transparency, equity and justice. A draft Integrity Bill is also in circulation for discussion, but government will demonstrate its commitment to open and fair governance by making available to the public in the Office of the Chief Minister and Public Library, a monthly summary of all the decisions of Executive Council, and all reports and documents approved by Executive Council.

### ***Regional Integration and External Relations***

186. Mr. Speaker, Montserrat maintains a special relationship with the people of the Caribbean. As a founding member of both the Caribbean Community (CARICOM) and the Organization of Eastern Caribbean States (OECS), Montserrat has to date participated actively in the establishment, deepening and widening of these regional integration processes and my Government wishes to maintain and improve these relationships as well as develop bilateral relations with these islands, the British Overseas Territories and other islands in the Caribbean.

187. In this regard my Government has approved the recommendation of the Patrick Antoine's Report: *Prospects for Integration with special reference to the CARICOM Single Market and Economy (CSME) and the European Union*. This month we will finalize the work programme which will take forward accession negotiations so that we can receive the Instrument of Entrustment to sign unto the Revised Treaty of Chaguaramas.

188. Mr. Speaker, Montserrat continues to receive tangible evidence of the importance of these relationships to our island. In January 2007 the Heads of the Caribbean Community allocated EC\$5.1M to the Government of Montserrat from the Petroleum Stabilization Fund to support Poverty Reduction Initiatives as well as Disaster Mitigation, Preparedness and Prevention projects. In February the OECS Secretariat confirmed that Montserrat will also benefit from the Petroleum Stabilization Fund – Special OECS Window which will support implementation of OECS projects. As a CARICOM designated disadvantaged country I am confident that Montserrat will continue to get the assistance, collaboration and support from the region leaders and people.

189. We expect to receive considerable financial assistance from the Regional Development Fund which becomes operational in July 2007. However, this will only happen if the United Kingdom gives us the entrustments to sign the Revised Treaty of Chaguaramas.

190. Mr. Speaker, my Government has indicated commitment to the CARIFORUM Financing Proposal for the Antigua-Montserrat Ferry Docking Facility in which the Little Bay Jetty will be rehabilitated and the existing access road upgraded as part of the Montserrat component of the project. This will cater to ferry service in the event of a volcanic emergency as well as enhance economic activities in services and goods.

191. To manage the servicing of these obligations and to cater for the range of issues which will develop from our relationships, a Regional Affairs Department will be established. We are considering proposals for such a department that would also deal with immigration, labour and consular matters. In the first instance, an institutional strengthening project financed by the OECS special window of the Petroleum Stabilization Fund will facilitate the required human resources capacity.

## **FINANCING CENTRAL GOVERNMENT ACTIVITIES**

192. Mr Speaker, while we remain committed to the six (6) strategic objectives outlined in the Sustainable Development Plan, in this budget we have sought to target specific projects and programmes that will lead to the achievement of these objectives. You will no doubt have noted that we have discussed these activities throughout the budget.

193. The total budget for the 2007 fiscal year is one hundred and thirty one million one hundred and forty seven thousand seven hundred and forty eight dollars (\$131,147,748), recurrent expenditure will account for ninety million and two thousand five hundred dollars (\$90,002,500) and the capital budget will account for a further forty one million one hundred and forty five thousand two hundred and forty eight dollars (\$41,145,248). The estimates have been revised upwards to take into consideration the effects of inflation, approved policies and programmes for 2007, and currently approved recommendations of the Public Service Review.

### ***Recurrent Revenue***

194. Mr. Speaker, the revenue required to fund last year's budget was eighty three million two hundred and thirteen thousand eight hundred and eighty seven dollars (\$83,213,877). This year the budget requirement is just over \$90 million. It is estimated that thirty eight million five hundred and fifty two thousand five hundred dollars (\$38,552,500) will be raised locally and fifty one million four hundred and fifty thousand dollars (\$51,450,000) will be funded by DFID through our Financial Aid Agreement.

195. Honourable Members will note that revenue raised locally shows an increase of approximately 8 percent over last year. This is not a result of further taxes but the result of a shift away from self-balancing votes to appropriately budgeting for both revenues and expenditure under these heads. Also, we anticipated increased revenues from international trade taxes and employment income on account of activities in the Tourism, Mining and Construction Sectors.

### ***Recurrent Expenditure***

196. Mr. Speaker, the recurrent expenditure has expanded from approximately \$83 million to \$90 million. This represents an increase of approximately 8 percent. The reasons for this were explained earlier.

197. It will be noted that there are substantial increases in the areas linked to public service management, internal security, infrastructure, education, health and social welfare. The estimates do not take account of expenses that are likely to occur later in the year as a result of the on-going public services review. It also does not take into account emergency expenditure relating to volcanic activity as this is an unknown factor and therefore a 'call down arrangement' has been agreed with DFID. Ministries and departments with responsibilities under the emergency plan are required to prepare operational plans and estimates based on the scenarios outlined by the Scientists so that the required funds can be called down quickly. Further, in light of the threat the island faces at this time, members will note the request in the Appropriation Act for the overdraft facility to be increased from \$2.5 million to \$5 million in the event that a rapid response is required to an emergency/event.

### ***Development Expenditure***

198. Mr Speaker, the total development fund estimates for 2007 will be forty one million one hundred and forty five thousand two hundred and forty eight dollars (\$41, 145,248) which is 26 percent more than the approved 2006 estimates. We also estimate over \$12 million in receipts from the sale of Government houses. The proceeds will be re-invested in public houses in the north of the island. The major allocation of twenty four million six hundred and twelve thousand four hundred and thirty eight dollars (\$24,612,438) will be managed by the Ministry of Finance and Economic Development even though the implementation and supervising of the projects will fall to ministries and departments across the public service, the Department of Administration will be responsible for one million four hundred and seventy thousand (\$1,470,000) and MAHLE has been allocated five million four hundred and twenty three thousand five hundred and eighty dollars (\$5,423,580). The other major programmes on the development side will be handled by the Ministry of Communication and Works through an allocation of nine million three hundred and fifty three thousand and ninety nine dollars (\$9,353,099) and the Ministry of Health and Community Services through an allocation of three million nine hundred and fifty seven thousand eight hundred and nine dollars (\$3,957,809).

### ***DFID/GoM Aid Framework***

199. Mr. Speaker, the three-year planning period for Sustainable Development Plan expires this year. This means that GoM will, with contributions from the private sector and other development partners prepare a new development plan which will form the basis for negotiations on future aid.

200. Notwithstanding this, the current arrangement is for UK budgetary support of £10.5 million ((EC\$51.4m) support for the recurrent budget for 2007 and an indicative figure of £10.3 million (EC\$50.3m) for 2008. In addition, for the 2007 fiscal year the sum of £0.75 million (EC\$3.7 million) was provided for capital asset replacement and implementing small development projects that are consistent with our development goals. A similar allocation is anticipated in 2008.

201. The total DFID budget support for 2007 is £17 million (EC\$83.3m) and this means that the funding available for allocation to development projects over the 2007/8 UK financial year is £5.75 million (EC\$28.2m).

### ***Additional Funding Arrangements***

202. In addition to EC\$83.3 in financing available from DFID and EC\$ 38.6 in local revenues, an amount of EC\$8.6 has been provided by the European Union. The EU funds will be used mainly towards the Little Bay Port Expansion, Infrastructure Development for the Little Bay Town Centre and the Tourism Development Project. Government of Montserrat from local resources has also allocated EC\$4.5 million towards its development programme. A further EC\$5.1 million has been apportioned from funds received from the Trinidad & Tobago Government under the Petroleum Stabilization Fund.

### ***Public Debt***

203. Mr. Speaker, Government of Montserrat's total debt obligation for 2006 stood at just over EC\$12.7 million. However only EC\$4.0 million of this amount is Central Government's debt, the remainder is Public Guaranteed debt on behalf of the Montserrat Port Authority. It is anticipated that MONLEC will borrow some EC\$12.0 million from the Caribbean Development Bank (CDB) for its capital expansion programme. This loan from the CDB will have to be guaranteed by the

Government of Montserrat and will therefore have a significant impact on Government's debt obligations.

204. Government's debt to GDP ratio is currently at 10.7 percent which is well below the fiscal benchmark target of 60 percent set by ECCB and the 80 percent limit established by DFID and IMF.

## **ECONOMIC AND FINANCIAL POLICIES AND TARGETS**

### ***New Macro Economic and Fiscal framework***

205. Mr Speaker, this year the planning period for Sustainable Development Plan comes to an end and it will give us a golden opportunity to comprehensively review our economic, social and financial policies, to determine the best way forward and to present a combination of policies and targets that will cover the next three to five years.

206. We want this to be a participative approach in which every stakeholder has the opportunity to ensure that their issues as they relate to national policies are taken into account.

207. It should be noted that in the new financial legislation there will be a requirement for a three to five year macro economic and fiscal policy framework to be laid in this Honourable House so that members can participate and monitor progress on key policy issues. Also, Ministers will be able to monitor progress on policies within their own departments and the sectors which are influenced by these policies.

### ***Transfer of Services to the Private Sector***

208. Mr Speaker, the economy continues to be government led and we intend through the public service review process to reverse this situation. In 2007, those services approved for transfer to the private sector will be so transferred after giving first preference to the officers who are currently employed in these services. A commercial Adviser will be engaged to develop the proposals to facilitate the tendering of these services. While this may not reduce the cost to government in the

short term, it will form the foundation for developing larger business ventures which can supply the relevant service to the public sector as well as the private sector.

### ***Removal of the Foreign Exchange Levy***

209. All the countries of the Governments of OECS gave their commitment to the Monetary Council to remove all barriers to the free movement of internal and foreign capital. In particular, a decision was made for the removal of the foreign exchange levy. Montserrat is now the only OECS country that has not implemented this decision after the Governments of Anguilla and Antigua recently made the necessary legislative changes. This position is untenable since the tax is increasingly being avoided as a result of these transactions being completed in other jurisdictions rather than locally. Mr. Speaker, with effect from 1 July 2007, the one and three-quarter (1  $\frac{3}{4}$  percent ) percent tax will be removed from foreign exchange transactions.

### ***Taxation Policies***

210. Mr Speaker, the trend in taxation is for governments' to reduce tariffs on internationally traded goods. Given that one of our major sources of revenue comes from import duties, this will be a difficult but unavoidable adjustment for Montserrat. Clearly, as more of our neighbours move to the value added tax, we will become increasingly uncompetitive and unattractive; and when this is combined with the special problems resulting from volcanic activity, the economy will deteriorate and lose its current momentum.

211. In 2007 GoM will begin to analyse its current tax structure with a view of systematically reducing its reliance on international trade taxes by shifting to more direct taxes and user charges. Hopefully, the transition can be made with the receipts from royalties and income from other property rights.

212. Notwithstanding this, my Government wishes to put forward the following policies:

## Property Taxes

213. There have been many representations and complaints raised with respect to property taxes. Mr. Speaker this Government proposes to address these issues by introducing the following measures:-

- a. Having regard to our peculiar circumstances and our need to provide incentives and encouragement to owners of properties on Montserrat, land on island will be reclassified and expanded in the legislation to provide for agricultural, residential, commercial, industrial, hotel, cultural, historical and recreational use classes (similar to that of Barbados);
- b. In the case of residential property, the cost of a low income single family residence is approximately \$150,000. My Government is proposing that the deduction on the value of the dwelling house for property tax purposes be increased from \$50,000 to \$150,000.
- c. In the case of business properties constructed within the last three (3) years and all new commercial buildings, GoM will grant a moratorium on property tax for a period of five (5) years and thereafter 25 percent reduction in taxes due for a further five (5) years. All other commercial properties will benefit from a 25 percent reduction in property tax due until 2012. Given the prevailing economic situation in Montserrat and the resulting poor performance of private businesses that this will provide some measure of relief to them.
- d. Mr. Speaker, the Property Tax Legislation provides that property tax rates for the ensuing year must be approved by 15<sup>th</sup> December for the ensuing year. We note from a recent study that our property tax rates are in some cases between 100 percent and 600 percent higher than countries like Grenada, Barbados and Antigua. We are proposing that the following the property tax rates to be applied with effect from 1 January 2008. The following rates will be more comparable by regional standards and relate more closely to our economic circumstances:

Property Description %	Current Rate %	Revised Rate %
Agricultural land	0.4	0.20
Residential land	0.8	0.50
Residential Building	0.25	0.25
Other lands		1.00
Other buildings		0.50

## **Income Taxes**

214. Mr Speaker, currently income derived from savings of individuals and businesses on Montserrat but who are resident for tax purposes in a European member state are liable to withholding taxes in that member state. The following policy will therefore only relate to persons – corporate and otherwise who are resident for tax purposes on Montserrat. With effect from 1 January 2007, the Income Tax Act will be revised to reflect that interest derived from deposits/savings will be exempt but other types of interest – mortgage, loans and so on is liable to tax.

## **Tax Management**

215. Mr Speaker, we have just approved the organisational review including a new structure for the Inland Revenue Department. Emphasis has been placed on taxpayer services including public education and customer service. Further work is being done with the intention of merging the Inland Revenue and the Customs Department into a Revenue Authority. Mr Speaker, we hope that this will not only lead to greater efficiencies but significant improvement in both departments' relationship with the public.

## ***Targets***

216. There are a number of targets and assumptions that have been made in this budget. These include economic growth of at least 3 percent; population will continue to grow at a rate of 5 percent (population grew from 4785 to 5027 in 2006) and inflation should not exceed 2 percent. If inflation increases beyond 4 percent, GoM will consider relevant measures to cushion the shock to the areas affected. With the exception of an emergency event, the budget presented will be able to cover the operations of Government for 2007 albeit there may be need to rearrange priorities.

## **ACKNOWLEDGEMENTS**

217. Mr. Speaker, on behalf of the Government I wish to thank all the individuals and organisations, in the public and private sectors, as well as the civil society organisations who have contributed to the formulation of this Budget. I must pay tribute to the hard working and dedicated officers in the public sector who continue to provide exceptional service to all citizens. The quality of their work is evident in

the accompanying documents which form part of the national budget process. These public officers must be commended for their professionalism.

218. Mr. Speaker, we have inherited several traditions which must be changed. The annual budget should be presented no later than the 1<sup>st</sup> week of December, and the cloud of secrecy which surrounds the preparation of the budget encourages a one man show and deters the active participation of staff and political colleagues. I will endeavour to make these changes in the future.

219. I must express gratitude to Her Excellency the Governor, my Cabinet colleagues and other members of the Government for their contribution and invaluable input. I take this opportunity to wish Her Excellency, Deborah Barnes-Jones farewell as she leaves later this year.

220. Mr. Speaker, our progress would not be possible without the very generous support of a number of international and regional institutions including the HMG and in particular DFID and FCO, the European Union, CDB, ECCB, OECS and CARICOM.

## **CONCLUSION**

221. Mr. Speaker, theme for this budget is ‘...investing today for a sustainable and equitable tomorrow.’ This Government is saying to you therefore, and you would have noted from my presentation that we are investing in our infrastructure and our institutions. We are investing in appropriate systems and frameworks. We are investing in making our economy, including the private sector work for us. We are investing in our internal and external relationships. We are investing in our environment, and most importantly we are investing in our people and our children.

222. You will also note that within our limited resources, our fiscal policies have sought to ease the burden on those who choose to continue to live on island. This, Mr. Speaker is the thrust of the 2007 budget. A budget when approved and implemented will transform Montserrat and be just reward for our people’s perseverance and resilience.

223. Next week, we debate this budget. It will be a landmark event for our legislators, as we prepare for a new phase of volcanic activity.

224. I would love to see the seats in the public gallery filled by those who care about how this country is run, and wish to support their parliamentary representatives.

225. Dr. Davis Wright, the leader of the Cuba delegation that visited Montserrat last week said he was impressed by what has been done in the last 10 years and most importantly, that he could see that we are “good” people. I agree with him.

226. Let us strive to keep that reputation, as we serve God and our fellowmen.

227. Thank you, colleagues. Thank you, Mr. Speaker.