

# 2008 BUDGET STATEMENT

## *“Rebuilding the Private Sector as the Engine of Growth”*

Mr Speaker, I rise to move the second reading of a Bill shortly entitled, the Appropriation Bill 2008.

### **INTRODUCTION**

1. As I deliver my second budget speech, I feel honoured to be able to do so at a time when the economy is on the brink of sustained development.

2. Mr. Speaker let me first thank Almighty God for his continued guidance and protection over the past year. It is also an opportune time to thank all those persons including well wishers for their unwavering support and encouragement to the people of Montserrat. We continue to face immense challenges but we continue to focus on the task of rebuilding this island to its former glory. We are determined to make a difference that will make us all proud.

3. Mr Speaker, in our quest for sustained development, we are mindful that we are a small part of a larger regional and global community. This reality creates inescapable obligations on our small and fragile economy but it also offers us certain opportunities. It is these opportunities that drive our philosophy and plans to carve out a unique space in the global economy.

4. This is a daunting task. We are, after all, a small open economy and the perceived threat of an active volcano that actually poses little or no risk to the inhabited northern safe areas, continues to cast shadows on our development. We also lack the resources necessary to meet and treat the multitude of challenges that confront us. Further, we have watched our population fall by over fifty percent in the last decade and felt the frustration of a significantly diminished private sector, struggling to survive in the aftermath of persistent volcanic activity. Yet, we must hold high the vision of the new Montserrat and continue to find within ourselves the strength to fulfil our dreams.

5. Mr Speaker, a significant portion of the budget is financed by our benefactors and friends abroad. We are both grateful and hopeful that this support, kindness and our own resilience and sacrifices will continue to take us to the point of maturity and long term prosperity for our children.

6. In taking forward our development agenda, we have identified, discussed and agreed a number of strategic areas for action over the next three to five years. In regard to our development agenda:

- We will deliver a robust and targeted economic management plan aimed at improving access to the island, developing a town centre in Little Bay, rebuilding the private sector, developing alternative energy sources and actively targeting key foreign investments that are consistent with our development goals.
- We will pursue an inclusive and appropriate social development programme to deliver improved education and healthcare infrastructure, advance measures that seek to relieve the plight of the poor in line with the millennium development goals; and rationalise and improve immigration legislation and related initiatives that reflect our own national circumstances and regional obligations.
- We will provide leadership in implementing measures that will lead to good governance including revisions to our financial regulations, introduction of appropriate legislation to promote integrity in public life, support public service reform initiatives and increase the use of technology as a means of optimising efficiency.
- We will take steps to mitigate the volcanic and environmental risks that threaten our island to ensure that investors operate within the areas that pose least threat to their operations. It is also essential that any investment undertaken preserve the unique attributes of our island for future generations. Finally
- We will promote population growth through a variety of means that are appropriate and in harmony with Montserrat's development agenda.

7. Mr Speaker, this is a tremendous undertaking but these strategic intentions reflect extensive discussions across the island. Clearly, with this expressed mandate from the people and hard work, we expect to succeed with these endeavours.

## **ECONOMIC ENVIRONMENT**

8. Mr Speaker, I will now provide a brief overview of the economic environment over the period of this budget so that we can assess the environment and the assumptions that underlie our philosophy and strategic motivations.

9. The United Nations, Mr Speaker, in its summary of the World Economic Situation and Prospects for 2008 noted that after several years of robust growth, the world economy is now facing some serious challenges in sustaining its brisk pace of growth.

**10.** The end of the housing bubble in the United States of America, as well as the unfolding credit crisis, the decline of the United States dollar vis-à-vis other major currencies, the persistence of large global imbalances, and high oil prices, will all threaten the sustainability of global economic growth in the coming years.

**11.** Notwithstanding this, the expansion of the world economy continues to show positive growth although down from 3.9 per cent in 2006 to a still fairly robust 3.7 per cent during 2007. The baseline forecast of the United Nations for 2008 is for growth of the world economy to slow even further to 3.4 per cent. The fact that the world economy is still growing presents Mr Speaker, a number of opportunities, but I have to admit that these opportunities will be more difficult to attract to the island so greater preparation and effort must be made in our contact with the investor community.

**12.** Economic growth in developing countries remained robust at 6.9 per cent in 2007. Growth accelerated among the economies in transition, such as China and India to 8.0 per cent as a result of buoyant commodity prices and a strong domestic demand. Remarkably, economic growth in Africa strengthened in 2007, and that momentum is expected to be maintained in 2008 at a pace above 6.0 per cent. The good performance of the least developed countries (LDCs) as a group, obscures important differences across countries, as several countries performing poorly as a result of adverse weather conditions, terms-of-trade shocks and/or continued civil strife. We must look at all these experiences and see what lessons can be learnt and applied.

**13.** Mr. Speaker, despite upward pressures from higher energy and food prices, world inflation remains low and is expected to recede from the peak levels recorded in 2006. Inflation in developed countries decelerated in the second half of 2007 to an estimated 1.9 per cent for the year with a further deceleration to 1.7 per cent expected in 2008. In the developing economies, however, inflation accelerated in 2007 to 5.6 per cent from 5.0 per cent in 2006. The differences in weight applied to fuel/energy and the type of foods in the consumer baskets explain, to a large extent, the divergences in inflationary trends among developing countries. It is essential over the next year for us to review the basic items necessary for the survival of the poor and vulnerable and seek to lower the cost of these commodities.

**14.** In 2007, the local economy declined as the island suffered another setback caused by activity at the Soufriere Hills volcano. The volcanic eruption of February 2007 severely affected the mining and tourism sectors as access to Belham and surrounding areas was prohibited. These activities also caused an escalation in public expenditure as government sought to manage the emergency situation.

**15.** The effects of rising oil prices have reverberated throughout the economy. There has been a substantial rise in the price of building materials, utilities, foods, and other commodities. Generally the cost of providing services increased in line with inflation. The result of this is an erosion of the disposable incomes of households that ultimately led to a decline in activity within the local economy.

**16.** The impact of this was similarly felt as public revenues declined. On the other hand, the level of Government expenditure increased to reflect the upward trend in the prices of public goods and services. This situation presented a serious challenge to government in restricting costs to the levels budgeted. The continuous fall in the strength of the US dollar (to which the Eastern Caribbean dollar is pegged) against other major trading currencies have also had an impact on the cost of commodities sourced from outside the region and the United States.

**17.** Mr Speaker, this overall trend is reflected in the preliminary GDP data for 2007 which indicates that the Montserrat economy contracted by 2.72 per cent in real terms. However, a significant number of large projects will be advanced this year creating the environment for the much needed economic growth in 2008.

## **INSTITUTIONAL ARRANGEMENTS & POLICY CONTEXT**

**18.** Mr Speaker, as I have outlined, my Government's strategic intentions are far reaching and challenging. The global economy is growing but at a reducing rate except in countries like China and India which are experiencing high levels of growth. The overall trend in prices in the commodities market is increasing and worrisome – for instance fuel, steel, cement, wheat and related products are showing significant increases. This type of environment is expected to reduce the level of investment capital available and requires a special effort to encourage interest in our local market.

**19.** In the context of Government's economic management programme, it is essential that the economic infrastructure development programme is implemented in the timeframe, and with the maximum benefit accruing to the local economy. This programme is valued at over forty million dollars (\$40m). In light of its significance, Government of Montserrat (GoM) will introduce a project implementation unit or such other mechanisms as needed to ensure that these projects are fast tracked.

**20.** It is believed that capacity gaps can be resolved by hiring firms in the private sector to speed up the design and supervision of projects where necessary and these costs should be included in the projects. The professional staff at Public Works Department will then have more time to ensure that the relevant standards are maintained and that GoM gets good value for monies spent.

**21.** A key assumption in this process is that the public service will be responsive and do everything it can to advance the policies and programmes outlined in the Sustainable Development Plan. This means that where the public service is unresponsive that adjustments will have to be made to ensure that the bottlenecks are addressed with a sense of urgency and dispatch. It may also require the increased scrutiny of programmes by select committees of Legislative Council to inculcate the level of reporting, discussion and follow up required at this time.

**22.** Mr Speaker, the Sustainable Development Plan was discussed and agreed and business plans have been tabled in this Honourable House and both these documents outline the details of the programmes which each unit of Government will deliver. This practice is now institutionalised and will be used to inform the process of governance at this level.

**23.** The final consideration is the ability of key personnel to use technology to provide information efficiently and submit it in a timely manner to facilitate early detection of problems and timely redress. This may require an audit of skills necessary especially in terms of developing spread sheets, data base management, word processing, accounting training and so on to ensure that current technologies are used to maximum effect. Moving forward training in these skills will be seen as a priority.

## **SPECIFIC PROGRAMMES AND TARGETS FOR 2008**

**24.** Mr Speaker, having looked at the institutional arrangements and possible issues in delivering the 2008 public expenditure programme, it is appropriate that I speak in a brief manner about the various areas of support across ministries and departments and allow the ministers latitude in amplifying the detailed programmes that will be undertaken and achieved.

**25.** These are also included in the business plans that have been tabled in this Honourable House and which were issued to every member present. A copy of the estimates of revenue and expenditure including the list of projects was also circulated and tabled in this Honourable House for public scrutiny.

**26.** Mr. Speaker, let us now look at the activities that underpin Government of Montserrat's development strategy.

### ***Advancing the Economic Management Agenda***

**27.** Mr Speaker, the first strategy is to create an environment that promotes private sector led development initiatives on island. Consequently, the focus of this strategy will be, as far as possible, aimed at reducing public sector activities and leaving the delivery of these public goods and services to private sector businesses.

**28.** The Ministry of Finance & Economic Development in collaboration with the Montserrat Development Corporation (MDC) and the Public Service Reform Unit has been tasked with developing a private sector development action plan which is expected to be implemented by September 2008 and throughout this year arrangements will be put in place to encourage Public/Private partnerships.

**29.** Mr. Speaker, in this regard a firm has been engaged by the Department for International Development (DFID) and GoM and is already in the process of developing outsourcing policies and procedures with a view of putting approved services in the private sector by January 2009 and this will continue over the next three to five years. The consultancy will provide training to interested persons in preparing and presenting tenders for such services. The idea is that Montserratians will be exposed to the knowledge necessary to submit bids. These bids can be done individually or jointly. This will hopefully create new businesses in the private sector.

**30.** The Montserrat Development Corporation (MDC) is now fully established and is positioned to drive a number of these private sector development activities including those arising from the outsourcing programme or other initiatives. In 2007, we had expected over one million dollars (\$1m) to be spent on private sector development and had hoped for a speedy implementation of the Little Bay Phase 1 project and completion of the plans for Phase 2. The delay in progressing work in Little Bay is disappointing given that government's plans were at an advance stage before the creation of the MDC.

**31.** Nevertheless, over the next few months arrangements will be made to provide the organisation with the resources and tools to manage the development of the lands in Little Bay. However, this is not a general approval for the institution to make decisions that are not consistent with the physical and economic development plans proffered by the Government and people of Montserrat.

**32.** The current policy intention is to strengthen the Montserrat Development Corporation to the level where it can provide a one-stop shop for investment to the island and provide business facilitation services. This will ensure that large foreign direct investments are dealt with expeditiously. This process is expected to begin in the second quarter of 2008 and be ready by January 2009.

**33.** A significant part of the economic management programme for 2008 through to 2010 is our public expenditure programme.

**34.** The first part of this strategy will be to contain the recurrent or the operating expenses of government so as not to require increasing levels of tax revenues to fund growing operating costs.

## Infrastructure

**35.** The second aspect is to aggressively implement several key infrastructure projects – Little Bay Development project, including development of infrastructure for the town Centre, design and tendering for the new Port at Little Bay and the rehabilitation of main roads from Belham in the south to Look Out community in the north. The tender for the development of the infrastructure in Little Bay was awarded in December 2007, the design for the port development in Little Bay is being discussed and should move to the detailed design phase within the next three months. I am pleased to say that the project memorandum for the road rehabilitation programme has been approved and would commence in the second half of the year.

**36.** These projects alone will release over sixty millions dollars (\$60m) to the economy over the next three years.

**37.** In order to distribute the benefits across the working population, GoM intends to institute policies and transparent processes that would spread the benefits of these investments across relevant businesses in the private sector.

**38.** Mr Speaker, the volcano has been a thorn in our flesh but it has brought with it blessings in abundance. I speak, Mr Speaker of the millions of tonnes of exportable volcanic material and sand generated by volcanic activity. The mining industry is steadily growing and its estimated contribution to GDP has doubled since 2006. We intend to support and encourage this industry to grow further over the medium to long term.

**39.** Mr Speaker, the whole area of telecommunications in today's environment is critical for the development of the island. It is the platform from which Montserrat can interact with the world without physically being present in distant countries and environments. We are getting there but we are late in making the advancements needed at competitive rates. A new Telecommunications Bill has been drafted and will be presented to this Honourable House within the next few months that will set out the rules governing the businesses involved in telecommunications services on island.

**40.** The Bill will establish a telecommunications regulatory authority within a public utilities commission and sets out the protocols for license and spectrum management. The overall strategy will consider how government encourages and supports the development of businesses involved in this sector to enable cutting edge technologies to be introduced here in Montserrat.

**41.** We have already stated that the telecommunications sector will be liberalised. Government of Montserrat has already held meetings with Cable & Wireless and has had expressions of interest and proposals from other providers involved in the business.

**42.** Clearly, we respect and value the service provided by the incumbent provider Cable & Wireless over the years and we look forward to them being a key player in the future.

**43.** A major programme under economic management will be the extension of GoM's housing assistance programme to remove persons from emergency shelters, house vulnerable persons within the community and assist persons to qualify for mortgages from financial institutions.

**44.** As this budget address is being made, one million dollars (\$1m) has been allocated to ensure that these programmes get on the way. The economic value of this programme is several times the investment value as this money will provide grants to persons who will be able to qualify for loans. The effect will be to leverage funds held in our financial institutions for use in the critical housing solutions. These funds of course would otherwise remain unused in overseas investments.

**45.** My Government cannot emphasise enough, the major constraint to our development created by the lack of appropriate and affordable access to the island. In trying to resolve this matter, GoM invited tenders for ferry services to the island and discussions are being held with DFID officials and advisers to see how this can be used to improve the number of tourist arrivals to the island.

**46.** In terms of air access, we are mindful of our membership in CARICOM and CARICOM's commitment in the medium term to improve transportation between member states. We need to have an airline that can be integrated into any regional arrangement. Therefore, we will support an arrangement that will provide through fares to international destinations and has appropriate interline agreements for passenger and baggage check-in and transfer. This is necessary to obtain a better fare structure and also to ensure that airline travel to Montserrat is hassle-free and customer-focused.

**47.** In addition we must take the opportunity to benefit from the marketing programs of LIAT and other airlines that operate in Antigua. A number of private sector initiatives have also been tabled for consideration and a suitable arrangement will be in place by July.

**48.** Again, Mr Speaker, everyone living on Montserrat has experienced the effect energy prices have had on the island. As a means of lowering the cost of living in the medium to long term, GoM will aggressively pursue the development of alternative sources of energy including geothermal, wind and solar.



**49.** In this matter, GoM has had positive responses from DFID and the European Union. This will be discussed further under our energy policy and with our development partners.

#### Agriculture

**50.** Mr Speaker, food security is important to us and as far as possible arrangements will be made within the Ministry of Agriculture to advance an import substitution programme to reduce our reliance on imported agricultural products. The agriculture feeder roads and the small business grants to young farmers during 2007, financed by CARICOM Petroleum Stabilization Fund has significantly increased the areas cultivated and the productivity of farmers working in Duck Pond, Dick Hill and Blakes mountain. These activities will help us to make better use of the new Public Market and provide the foundation for the establishment of a food processing laboratory that will improve the shelf life of products produced locally.

#### Tourism

**51.** Finally, Tourism is the sector where Government of Montserrat feels that it has a unique competitive advantage. Mr Speaker, I am pleased to recognise the efforts of participants and sponsors of the HOST training programme which has trained over four hundred (400) persons in various aspects of life on island and in the salient features of the hospitality industry.

**52.** We are continually developing our tourism products for instance, improvements to Jack Boy Hill facility, improvements to beaches and dive sites and the production of guides to these dive sites.

**53.** A key part of the tourism product is linked to how the Little Bay town centre is developed. It is anticipated that when all the projects are completed, a marina basin with landing piers for tenders from cruise ships carrying up to five hundred (500) passengers and berths for twenty (20) charter yachts, dive and sports fishing boats, Marina side restaurants, shops and businesses will adorne the waterfront. A 1650 Irish Sugar Plantation House and Mill will be restored on the very land on which it was built some 350 years ago, serving as a unique World Heritage and Pilgrimage Site.

**54.** Mr Speaker, we also see a sporting complex of international standards with seating capacity of at least five thousand (5000) persons in Little Bay and the Montserrat Cultural Centre as the nucleus of a proposed Performing Arts and Film Studies Institute for the Caribbean. Sports and culture will have major roles to play in our tourism product and economic recovery.

**55.** This year we make the transition from volunteer based cultural festival and sporting activities, to a properly managed and financed sector, by the introduction of a Sports and Culture Business Promotion Unit within the Office of the Chief Minister. This unit begins with a Development Fund budget of \$100,000.00 but will also have access to funds from the promotions, sports, culture and tourism recurrent budgets.

**56.** The artist's impression of parts of the new town on the cover of this budget statement by Kelvin 'Tabu' Duberry of the new town along with those impressions created by the MDC captures the layout of the streets for modern businesses and the panoramic and majestic view from a five star hotel and condominium constructed on Potato Hill overlooking the harbour and the town.

**57.** The very special and unique Public Market at Little Bay that was recently opened by HRH, Prince Charles, will buzz with economic activity as people pick up their supply of fresh vegetables, meats and craft items. Surely, it demonstrates that our rebirth is inevitable and our tourism sector assured as these projects and plans are completed and are integrated into the product.

**58.** If this happens, my colleague, the Hon John Osborne will see his vision and dream come true. In fact the fruits of these investments may allow him to see Montserrat graduate from budgetary aid twice in a lifetime, the first being in 1979.

**59.** In addition to the features at Little Bay, Montserrat expects to be a special destination for day tour and long term visitor arrivals. The idea is to develop and offer a series of World Class Tourism sites, which will include Fort St George, overlooking the destroyed Plymouth, The Montserrat Volcano Observatory, Water Works Plantation House and Factory, The Montserrat National Trust Exhibitions, Jack Boy Hill gardens overlooking the Trants area, a proposed OECS Climate Change Centre on the top of The Silver Hills and 9 special ecological trails through the Centre Hills National Park and Silver Hills of Montserrat.

**60.** We also intend to review our representation in key tourist capitals in the world with a view to improving our visibility in the market and reduce the challenges visitors face in coming to the island. Mr Speaker, we are in the process of employing a new marketing manager and have approved investments totalling over five million dollars (\$5m) in tourism related projects.

**61.** It is important to note that the arrivals by yachts including passengers and crew members increased by 22 per cent to one thousand four hundred and eighty one (1,481) at December 2007. We intend to take steps to improve this market substantially over the next three to five years.

## ***Promoting Social Integration & Development***

**62.** Broadly speaking, Mr Speaker, the Government of Montserrat is keen to ensure that its policies are consistent with its commitment to the Millennium Development Goals. In an overarching policy context, Government's ultimate goal is to improve the quality of life for Montserratians and for all those who have decided to make this island their home.

**63.** There are a number of areas and programmes which this Government feels that if it were to succeed in these activities that its social policy objectives will be significantly strengthened and greater clarity will be achieved. These areas have been amplified in the business plans of ministries and departments but are discussed briefly below.

### Health

**64.** Mr Speaker, the health of our people features prominently in Government's social development programme. There are several areas of concern that will need to be addressed going forward over the next three (3) years. The first is the planning and health care delivery framework. In 2008, a comprehensive review of our health care policies, programmes and services will be developed after consultation with stakeholders. The components of this review include the development of health information systems and changes in the delivery and promotion of health services.

**65.** Currently, a strategic health development project involving a variety of stakeholders is on the way to advance work in this area. Over the year, GoM will explore the whole area of health financing to include national health insurance and a medical benefits scheme within the overall health care strategy.

**66.** In rethinking the levels of health care infrastructure required, priority will be given to the construction of a new purpose built medical block, for medical, obstetric, and paediatric patients, on-call staff accommodation, private rooms and kitchens. The next phase will see the refurbishment of the surgical ward and the relocation of the casualty department alongside the refurbishment of the laboratory and ancillary services area and the construction of a new Administration Block. It is expected that work will soon start on a minor operating theatre which will also serve as a high dependency nursing unit when necessary.

**67.** Finally, the contract for the warden assisted accommodation for the Mentally Challenged is ready to be awarded and construction is expected to start within the next month. This project is scheduled to be completed in 2009.

**68.** Mr Speaker, we have received about five million dollars (\$5m) worth of hospital and medical equipment from the Government of Gibraltar. We are truly grateful to the Chief Minister and Government and people of Gibraltar for their generosity and for indicating their willingness to assist us in other areas such as provision of IT equipment and sport facilities.

**69.** We are also anxiously awaiting the start of a Cuban eye care programme which will be a part of a programme of collaboration between the Government of Cuba and the Government of Montserrat in health, culture and agriculture.

**70.** We will also consider options for the development and sustainable use of the current garbage disposal sites and review the garbage collection contracts with a view to re-tendering the service. We are also looking positively at the management of the liquid and solid waste sites as one of the areas that can be operated through the private sector.

#### Education

**71.** Education also is a key part of GoM's strategy for sustainable development. We are convinced that education provides a path for individuals especially persons in the poorest families to achieve personal development and realise their dreams. GoM will take steps to increase the school facilities to respond to the increasing number of students enrolling into our schools. Also such actions will take account of changes and the expansion of the curriculum in line with our development needs outlined in the Sustainable development Plan. We will continue our efforts to support students who have difficulties and focus attention on strengthening the management of our education system. In 2009, GoM will develop a master plan to include an alternate site for the Montserrat Secondary School in the north of the island.

**72.** At the tertiary level, Mr Speaker, the Montserrat Community College will increase its programmes to reflect national needs and capacity gaps as outlined in the sustainable development plan. We will also review the management structure and the composition of membership of the governing board of the college. This will reflect GoM's intentions to build business relationships with external educational institutions which hopefully will enable world class education in a variety of forms to be delivered on island using technology among other things.

**73.** In early 2007, the College signed an Agreement to become an Affiliate Member of UNIPOP (Universidad Popular de Desarrollo Sostenible de Las Americas), an international Consortium of Research Centers, Universities and Tertiary Institutions for Sustainable Development of the Americas) headed by Montserrat's own Professor JA George Irish. This link has the potential to provide the College access to the following services:

- Collaboration in the implementation of education oriented projects and programs;
- Collaboration in joint academic programs (including distance education programmes);
- Cooperation in specific programs of consultancy;
- Exchange of students and technical personnel;

**74.** Serious consideration is being given by Government, to implementing aspects of this Agreement through the establishment of the Performing Arts and Film Studies Institute of the Caribbean (PAFSIC), which would be linked to City University of New York, a founding member of UNIPOP. This initiative will not only expand the programmes of the College and its revenue base, but has the potential to impact on Montserrat's economic and socio-cultural development through a proposed cultural tourism programme.

**75.** Mr Speaker, starting in 2008 efforts will be made to construct a National Library and Archives with the intention of completing the facilities by 2010. We commend the staff for providing high quality services in such cramped accommodation. The creativeness of the staff not only provided access to an increased volume of reading and reference material but also to increased on-line access to international libraries.

**76.** Again notwithstanding the numerous challenges that face our beautiful island, we have in place a 24 hour book return system and an outreach service using a bookmobile to bring the library to persons who are unable to visit the main library facilities. We are about to implement a project namely, "DIGIMONT" that would digitise the Montserrat Archives collection.

**77.** The library also hosted several exhibitions including Joseph Sturge VI: The Birmingham Connection and the Mashramani Exhibition entitled, "A cultural Invasion" in 2007 showcasing the culture of our new immigrant population. These efforts will continue and improve as we seek to develop the intellectual, creative, and cultural aspects of Montserrat.

## Housing

**78.** Mr Speaker, as part of GoM's social policy, the ministry with responsibility for housing will focus on programmes that will empty the emergency shelters opened just after the volcanic eruptions of 1995, provide initial funding to assist low income families to qualify for loans from financial institutions to complete their homes and to provide warden assisted housing for the elderly and other such groups that are unable to totally care for themselves. This will ensure that a steady supply of social housing is available for those who need this form of assistance.

**79.** Mr. Speaker, we expect approximately ten million dollars (\$10 m) from the sale of EU houses in Look Out and a further two million dollars (\$2 m) from the sale of other government built houses as individuals exercise their right to purchase these homes. This money will be re-invested in housing programmes in the north.

#### Youth Development

**80.** As a former teacher and Commissioner of the Boy Scout movement, you will agree, Mr Speaker, we cannot move forward meaningfully if no provision is made for the development and advancement of the young people of this island. Starting in 2008, GoM will advance a youth policy and action plan for tabling in this Honourable House. Further, GoM understands how sports and culture is critical to the development of young people, and as we speak, arrangements to build new sporting, entertainment and cultural facilities to create a better environment in which our young people can grow and develop have begun. The design of a new sporting complex in Brades is on the way and we hope to complete this by 2010.

**81.** Mr Speaker, we will seek to ensure that none of our young children are left out of the development process. Last year, we sponsored a summer workshop exposing children to a variety of skills and creative art forms in which ninety one (91) children participated. We provide allowances to foster children ensuring that their basic needs are being met. This, Mr Speaker is the depth of our social policy.

#### Social Welfare

**82.** Finally, Mr Speaker, we have operated an expanded welfare assistance programme for approximately ten (10) years. It is time for a comprehensive review of the level of benefits, the scope of the programmes and impact of the benefits on those who receive them. We will assess among other things whether there are other vulnerable groups that have been left behind and to evaluate the overall policy and approach to these programmes. A significant portion of this information will hopefully be produced by the Poverty Assessment Project now getting on the way. This is a significant investment to gain information to justify the provision of budgetary support for programmes similar to what our compatriots who migrated to the United Kingdom receive.

## ***Strengthening the Governance Environment***

**83.** Mr. Speaker, it is essential that the governance framework and systems in which we formulate and implement development policies and programmes are sufficiently robust to minimise risks associated with the relevant activities undertaken by Government. As a country operating in the 21<sup>st</sup> Century, it is necessary for us to have systems that reflect modern trends and circumstances and good enough to interface with internationally accepted systems.

**84.** It is for this reason that we will pursue a number of initiatives aimed at providing a structure and set of guidelines that will ensure that we meet international standards but reflect our resources and capacity to implement.

**85.** Mr Speaker, I am pleased to report that a number of legislation are being drafted that will provide higher levels of transparency and accountability. These we see as being necessary for an effective parliamentary system of governance. These changes will be reflected in bills that will improve the legislative processes, the role, responsibilities and reporting lines of the Auditor General, the adoption of a Code of Ethics and the introduction of integrity legislation for elected and non elected public officials.

**86.** The current finance act and regulations will be substantially modified to ensure that the legislature has the tools necessary to ensure that proper account is provided to the people of Montserrat on resources allocated for public purposes. We will also see revisions to the Legislative Council Act and standing orders to facilitate greater transparency in government.

**87.** A key achievement in our governance programme will be the successful negotiations of a new Constitution with Her Majesty's Government that will allow more autonomy to the local government and establish new and improved institutions and processes that would enhance governance on island. Mr Speaker, the new constitution is expected to provide greater clarity in the relationship between the Government and people of Montserrat and the Government of the United Kingdom.

**88.** We cannot emphasise sufficiently the importance of this document as it will lay the foundation for our future and relationship with the United Kingdom and by extension the wider European Community. This constitution will retain the right of the people of Montserrat to advance to self determination, and be regarded as a pre-independence Constitution, to serve us until our people wish to take the next step.

**89.** A good governance agenda, Mr Speaker, involves the freedom with which information is shared and communication is integrated into the overall development strategy. It is for this reason that we are committed to the implementation of a comprehensive public information and communications strategy. This will recognise the right of members of the public to know what is happening in government and for public officials to provide information and respond to the concerns of the taxpayers and the wider public.

**90.** The strategy will also take into account of the management of the departments and units involved in this process. The intention will be to create a vehicle for education and promoting Montserrat at home and abroad through the use of all forms of the media.

**91.** Mr Speaker, we remain committed to our participation as a full member of both CARICOM and the Organization for Eastern Caribbean States (OECS). Consequently, we will continue our efforts to negotiate the terms under which we will receive the necessary entrustments to sign unto the revised Treaties. We have strong historical, cultural and family ties throughout the region by virtue of immigration and marriage and these bonds cannot be broken.

**92.** We recognise our constitutional and other relationships with the European Community as an Overseas Territory and the consequential expressed and implied rights and obligations that comes with this relationship. We are mindful of the number of our citizens that reside and legally have unrestricted access to member states of the European Community.

**93.** These have both intrinsic and economic value to our economy. Clearly, we recognise that moving forward we will require greater capacity to examine and respond to the opportunities and challenges arising from these complex relationships and a stronger external affairs unit will be a credible start. This we intend to put in place in 2008.

**94.** In taking forward our good governance agenda, Mr Speaker, the reshaping and retooling of the public service is critical and urgent if we are to achieve the level of excellence to which we aspire. Efforts will be made to strengthen the leadership and cultivate a performance culture across ministries, departments and statutory authorities evolving from an integrated planning process. This will involve the increased use of technology to provide solutions that are efficient, effective and economical, if not immediately, over time.



**95.** A number of initiatives are on the way under the Public Service Reform Programme which will be reviewed over the next few months to look at the recommendations and options and how they will help to advance Montserrat development plans. During the coming months, my government will be reviewing the assignment of Ministerial portfolios, and will consider reconfigurations to improve efficiency of services. One proposal is the formation of a Department of Immigration, linked with the Departments of Labour and Consular Affairs.

**96.** In addition, we feel that public servants have been accommodated in sub-standard facilities for too long, the project concept for the construction of buildings to accommodate public offices in Brades and Little Bay has been submitted for approval and detail designs are expected to start within the year. We intend to fast track this project so that optimal working conditions are available for public servants.

**97.** Mr Speaker, governance is an activity that pervades all aspects of our development and given that tourism is considered the pillar on which economic development will be built, it is important that strategies aimed at reducing crime and delinquent behaviour be aggressively pursued.

**98.** The systems of justice along with institutions aimed at supporting individuals to make the right moral choices and those that seek to correct deviant behaviour will have to be strengthened and integrated in a manner that helps our overall development strategy. We welcome the initiatives of the OECS Supreme Court to strengthen the Magistracy and we look forward to initiatives to improve the effectiveness of the Police and Prison Departments. We also look forward to participating in the OECS Halls of Justice Project, through which funding will be provided for our new Court House and Legal Services complex at Little Bay.

### ***Sustaining Development through effective environmental and Disaster Management***

**99.** Mr Speaker, every Government has a responsibility to preserve and protect the physical environment in a manner that is sustainable for the benefit of future generations. This responsibility requires us to consider and prescribe how natural resources are used for development and how we respond to natural disasters. We recognise the efforts made by relevant officers at the 15<sup>th</sup> Annual Tree Planting Day where one thousand five hundred (1,500) plants were distributed and over 80 per cent of these are doing well.

**100.** The risks associated with physical aspects of development can be crippling and can cost more than 20 per cent of GDP per event. Mr Speaker, it is for this reason that the Department of the Environment, the Disaster Management Co-ordination Agency and other environmental management agencies are supported and given the tools to function effectively. We therefore intend to review the institutional arrangements for delivering these services. This will mean a review of the organisational structures, the legislation and policies to enhance the effectiveness these units.

**101.** The programmes will seek to encourage and involve the community to participate in the preservation of the environment and to take steps to mitigate loss resulting from natural and manmade hazards. Clearly, regulations aimed at improving our construction practices, preserving historical and heritage sites, provide guidance on maintaining our forests, flora and fauna and how we mine our natural resources are relevant and necessary.

**102.** It is envisaged that by 2010, a revised system of protected areas will be ready and implemented. Plans are in place and are being strengthened to identify and document the variety of habitats and species available on island. Mr Speaker, we have made these sites accessible by maintaining over one hundred thousand (100,000) running feet of trails over the last year. It is our hope that this will inform and add value to our tourism product.

**103.** To this end, action plans have been developed to monitor and preserve three (3) species in 2008, the Mountain Chicken, the Montserrat orchid and Pribby. We also intend to preserve the rich resource of our fish nurseries and birds at Little Bay. In 1955 a research team identified 63 fish species, 22 coral species, 83 other invertebrate species and 16 plant species in the area. There also 20 bird species, four of which are rare.

**104.** The yellow crowned Night Heron, The spotted Sandpiper, the Ringed Kingfisher and the Mangrove Cockoo. In addition, like the Oriole, Montserrat is the only place in the world where the bat species *Brachyphyllum Cavernum* is an endemic species. They live in the caves at Rendezvous Bluff. Our children will not forgive us, if we loose these gifts that God has given us, and as The Mighty Arrow sings, we, individuals and government, must "Hold on to our property and will it for our Children".

**105.** We intend to aggressively pursue programmes to harness and manage water and energy resources over the next three years in light of predictions for climate change and record breaking increases in energy costs. We intend to finalise the national energy policy during this fiscal year and a Geothermal Energy Implementation task force has been convened to advise GoM on the way forward and is intended to include in the process the views of all stakeholders.

The group is being assisted by experts from UN-ECLAC and the University of Newcastle. Initial funding will be provided by DFID.

**106.** You will note that the development of energy is also a key feature in the Economic Management programme, this is a means of underscoring its importance for growth and development. I understand that initial findings suggest that a 10 Mega Watt plant will be possible in the short term, but real benefit to our people will come if we confirm the predicted potential of over 500 Megawatts of power, which would make it possible for Montserrat to participate in the Dominica-French Territories proposed project to provide electricity by submarine cable to the 600,000 people who live on Guadeloupe and Martinique.

**107.** Mr Speaker, the major threat facing the southern portion of our island is the activities of the volcano. While the activity has reduced substantially, it must be monitored and plans put in place to respond to related activities. We have invested in a state of the art facility, we have 24 hour monitoring by international scientists and a series of early warning systems that to date have kept residents and visitors safe. We are aggressively rebuilding the level of accommodation in the north of the island to ensure that temporary relocations are not chaotic but become nothing more than a routine, smooth and comfortable experience (vacation) in the northern unaffected areas.

**108.** Mr Speaker, we have much more to research and many lessons learnt to teach others in the area of disaster management. It is for this reason that we will continue to explore the establishment of an Institute of Disaster Research Education and Management (IDREM) within the Montserrat Community College and in partnership with an internationally recognised university.

**109.** Here in Montserrat, we recognise our natural enemies. They are firstly, the volcano. We now know how to stay out of reach of its effects. Secondly, there are hazards from hurricanes and flooding. After Hurricane Hugo, we have learnt to build on high ground and to stay away from swamps and the seashore. Thirdly, our small population and shortage of money. We have no choice but to choose affordable options and to grow our own food.

**110.** We are pleased with the decision by the OECS Authority to support the establishment of an OECS Climate Change Centre in Montserrat at the top of the Silver Hills. This site which has a direct view of the volcanic dome, is at an altitude of 2500 feet, and 10 miles distance from the Soufriere Hills volcano, in an area at negligible risk from volcanic activity, compared with the Montserrat Volcano Observatory which is only 2 miles from the volcano. The seismology room at the centre will be expected to monitor seismic signals from all of the OECS territories, hence the importance of a location in an area of negligible risk.

**111.** From this site, there are also direct views of both the Caribbean and Atlantic coast lines and surrounding islands. It is ideal for microwave and satellite up-link facilities. From this site, research and monitoring of atmospheric levels of gas and particles around the Gerald's Airport and it is the best location on island for radar monitor of ash clouds and pyroclastic flows.

**112.** We propose a two story building set into the hillside in such a way as to preserve the outline of the mountain, with a total of about 3000 sq ft. It is also proposed that the centre will have perimeter patios for tourist panoramic viewing, a reception room, and 4 scientific rooms for (i) weather monitor , (ii) sea level monitor and tsunami warning , (iii) Atmospheric gas and particulate matter monitoring and (iv) seismology).

**113.** In addition there would be a 2 bedroom suite for resident scientists. The Government of Venezuela has been approached by the Chairman of the OECS Authority for financing the construction of this facility. The beautiful panoramic views from the centre will make it an ideal tourist attraction, at the same time capturing an audience for the educational programs on Climate Change phenomenon.

### ***Towards a Viable Population***

**114.** The final pillar of our development is population. Mr Speaker, our population relies on a two pronged approach – both approaches are not mutually exclusive. The first assumes a small population as we currently have but a high transient population that tourism and medical schools and such investments can provide. The second is to rebuild the resident population to levels that will increase our productive capacity and stimulate sufficient domestic demand to support local businesses in the private sector.

**115.** The first objective of this government will be to seek to retain current population levels. Most important of all is the retention of our young people. Those between the ages of 18 and 40, without whom, Montserrat as we know it, has no future. This will be linked to our private sector development policy which is both critical and urgent to provide training and employment opportunities, and which would ultimately increase disposable incomes and savings. It is expected that this will encourage reinvestment of savings and stimulate consumer credit.

**116.** The other planning considerations will include access to secondary and tertiary medical care facilities, improved educational facilities and scope for professional development on island. The development of sporting and recreational facilities will be critical for the achievement of this strategy.

**117.** The issue of adequate housing accommodation in the north of the island remains a troubling and thorny subject. GoM will tackle this issue through a variety of housing solutions and incentives which are expressed in the housing development vision and strategy document. The development of education, health, and sporting facilities are on the way.

**118.** The second approach is to attract Montserratians and descendents of Montserratians who live abroad, to return home. Again this will require special programs for provision of employment and housing opportunities.

**119.** The third approach will be to revisit population, labour and immigration policies which will encourage growth in the population. These policies while protecting the rights and benefits of citizens must be sufficiently flexible to allow persons from other countries who wish to work, reside and abide by the laws of Montserrat to live in peace, comfort and enjoy any benefit to which they are entitled. The approach outlined above require a redrafting of sections of the immigration act, draft population and labour policies and an adjustment to the definition of a national, citizenship entitlement framework and the flexibility of the process for encouraging the people we need to remain on island.

**120.** We intend to introduce a series of immigration policy changes which will include the following:-

- Immigration permits of 4 weeks for all persons visiting Montserrat who provide evidence of self maintenance for the period.
- Work and Immigration Permits for a duration of 6 months for persons with evidence of regular employment.
- Work and Immigration permits of 1 year for persons who have had previous consecutive permits for 2 years and provide evidence of regular employment.
- Immigration permit of 1 year for persons registered in an educational institution and can provide evidence that they will be able to maintain themselves.
- Eligibility to apply for permanent residence after 10 years of continuous domicile

In addition, the elections ordinance will be amended to permit only persons qualifying for “Montserratian” status to be candidates for election to the Legislative Council.

**121.** The third and final objective seeks to exploit any economic, regulatory and fiscal advantage Montserrat has to attract investors; self reliant individuals and families to reside in Montserrat. This will require an action plan to actively engage in double taxation treaties with countries willing to do so and to negotiate terms that will preserve the value of pensions for persons who wish to reside in Montserrat as opposed to the country in which they earned their pension. This will require such pensions to be indexed to inflation or be subject to such increases that would apply if the individual remained in the country of his pension entitlement.

**122.** In addition, GoM intends to revisit the Physical Development Plan to create new uses for lands in the north of the island. This will be an attempt to encourage developers to re-create low density, high value homes in the north of the island to replicate areas such as Richmond Hill, Foxes Bay, Weekes and so on, as a means of retaining the high-end residential tourism market.

**123.** This approach also anticipates the revision and establishing of a more transparent and discrete set of incentives that can be marketed and granted to those who fit the criteria. It is anticipated that there may be revenue losses in the short term for GoM but will increase the tax base in the medium to long term.

## **FINANCING CENTRAL GOVERNMENT PROGRAMMES**

**124.** Mr Speaker, the funds available have been allocated based on the consistency of the submissions of ministries and departments to the broad areas of priority and strategies outlined in the Sustainable Development Plan. The business plans reflect those aspects of the public programme that can be implemented in the 2008 fiscal year. However it is recognised that because of the dynamic nature of the local economy, a reasonable level of flexibility between programmes is needed to switch programming should more funds become available during the year or where some programmes are not implemented as planned.

**125.** The total budget for 2008 for all programmes is one hundred and forty-two million two hundred and forty five thousand six hundred and twenty eight dollars (\$142,245,628) which represents an 8 per cent increase over 2007. The recurrent budget will account for ninety six million one hundred and forty two thousand five hundred dollars (\$96,142,500), a 6 per cent increase over the 2007 budget and the development budget is forty six million one hundred and three thousand one hundred and twenty eight dollars (\$46,103,128), an increase of 12 per cent over 2007.

**126.** The budget reflects the estimated revenues and grants approved but like all budgets, there is never enough money for the number of programmes that we feel needed to be funded. Consequently, several of the programmes submitted for consideration had to be deferred or reduced to fit the funds available. Many of these, however, are still included in the business plans because where additional funds become available it would be possible to adjust programmes accordingly.

### ***Recurrent Revenue and Grants***

**127.** Mr Speaker, we estimate local revenues to increase from thirty eight million five hundred thousand dollars (\$38.5 m) to forty one million five hundred thousand (\$41.5 m) as a result of employment generated through the Roads Improvement projects, Little Bay Development Project, Housing Programme and the other projects that are schedule to begin in 2008. We expect a boost in revenue from the partial amnesty arrangement on tax arrears for tax owing in 2005 and the years preceding the fiscal year 2005. This will be outlined later in this presentation.

**128.** The balance of the funding necessary to finance the recurrent budget came as a result of Government's aid negotiation with Her Majesty's Government (HMG). The commitment for budgetary support for 2008 is fifty four million six hundred thousand dollars (\$54.6 m) or ten million four hundred thousand pounds (£10.4m) and this excludes any extraordinary expenditure arising from volcanic or other emergencies, public sector reform initiatives and support for strengthening the Social Security Fund.

### ***Recurrent Expenditure***

**129.** In terms of recurrent expenditure, Mr Speaker, the allocation of the 2008 budget is ninety six million one hundred and forty two thousand five hundred dollars (\$96,142,500) as detailed in the Estimates of Expenditure has been done in the following way: Approximately 25 per cent of the recurrent budget has been used to fund Social Services (Education and Health); 12 per cent towards the maintenance of infrastructure (Ministry of communication & Works); 13 per cent has been allocated to agriculture, natural resources, environment & disaster preparedness and mitigation (MAHLE and DMCA); 12.5 per cent has been allocated for statutory payments including loan repayments, pensions, social security and tax refunds (CFS); 11 per cent has been allocated to fund the Judiciary and internal security (Police, Legal, Magistracy, Supreme Court) and 26 per cent relates to programmes related to policy coordination, governance and civil service administration (Chief Ministers Office, Finance, Audit, Legislature, Administration).

## ***Developments Expenditure***

**130.** Mr Speaker, I mentioned earlier that the total amount available for the development purposes in the 2008 financial year is forty six million one hundred and three thousand one hundred and twenty-eight dollars (\$46,103,128). These include thirty one million four hundred and fifty eight thousand five hundred and sixteen dollars (\$31,458,516) from British Development Aid, ten million eight hundred and sixty-even thousand one hundred and seventy five dollars (\$10,867,175) from European Union sources; a minimum of eighty thousand dollars (\$80,000) is expected to be spent from the Petroleum Stabilisation Fund and approximately three million seven hundred thousand dollars (\$3.7 m) will be funded through local sources out of budget surpluses from past years.

**131.** The projects are detailed in the Estimates under Development Fund Expenditure and reflect projects that are consistent with the objectives outlined in the Sustainable Development Plan and as agreed and reflected in the ministries and departments business plans.

**132.** Mr Speaker, my colleagues will note that thirty one million six hundred and fifteen thousand six hundred dollars (\$31,615,600) have been allocated to the development of infrastructure (mainly for Little Bay development, housing and road rehabilitation); two million three hundred and thirty-three thousand three hundred dollars (\$2,333,300) will relate to expenditure on developing natural resources; seven million two hundred and fifty four thousand six hundred and thirty-eight dollars (\$7,254,638) will be used to advance GoM's social service programmes and four million eight hundred and ninety-nine thousand five hundred and ninety-one dollars (\$4,899,591) will be used for miscellaneous small projects, asset replacement, capacity strengthening among other things.

## ***Public Debt***

**133.** Mr Speaker, our public debt is well within the corridors of normality established by the Monetary Council which requires public debt to be kept at a maximum of 60 per cent of GDP and its also well within the levels required by HMG. Our public debt in absolute terms is nine million sixty hundred and fifty thousand dollars (\$9.65 m) or approximately 8.7 per cent of GDP.

**134.** As stated in last years budget, an application for a loan to fund power generation was made the Caribbean Development Bank (CDB) however, with the steady increase in the price of oil, a new surge is being made for the development of alternative sources of energy. As a consequence, we will revise this loan application to allow a more flexible use in the replacement of our electricity generating systems.



## **2008 ECONOMIC AND FISCAL POLICIES**

**135.** In discussing the economic and fiscal policies, it is important that we look at them in light of the issues that face us at this time.

**136.** Mr Speaker, the first issue is the difficult economic circumstances on island and the need for GoM to improve economic activity. Given the programmes and projects planned for 2008 (outlined in the estimates), we project a growth rate of 3.43 per cent. This also takes into account the economic impact of greater access and transportation to the island. We expect an improvement in economic activity mainly in the second half of this year extending into 2009 and beyond when the construction of the new harbour, breakwater and jetty begins.

**137.** The second issue is the lack of a vibrant private sector. It is evident that several small businesses and self employed persons are experiencing difficulties at this time. This will require bold initiatives by government and willingness by the private sector to engage in some of these programmes.

**138.** Last year, Government of Montserrat increased property tax threshold by 200 percent and introduced property tax rebates and write offs to encourage residents to invest in the construction of new homes and commercial buildings. We also continued a program of negotiated settlement of Tax arrears, in which taxpayers were invited for interviews, and given an opportunity to clear their debts with partial write-offs of their tax arrears. In 2008:

- We will declare a partial amnesty on all income tax arrears outstanding in 2005 or before. This policy recognises that many businesses are having a difficult time putting their records together but would like to resolve their tax liability. This policy will seek to:
  - 1) Waive all penalties on taxes owing on tax liabilities assessed or due for 2005 or before;
  - 2) Remit 25 per cent of the principal tax if paid on or before 31 December 2008.
  - 3) All businesses benefiting from this incentive will be closely monitored in the future.
- We will prepare business cases for outsourcing selected public services for discussion and approval. This will be accompanied by a clear set of policies and procedures, training of current staff and others to prepare tenders and compensation packages which will provide initial capital for those who are interested. This will ensure that new businesses are created in the private sector especially those that have the greatest capacity for further growth as the economy expands.

- We will vest government lands in the Little Bay area to the Montserrat Development Corporation for developments within the town centre. Such developments must be consistent with GoM's policy intentions. Lands will only be divested or leased to key foreign businesses that fit the development profile agreed by the Government of Montserrat. Parcels exceeding 2 acres in size, and divestment of lands exceeding 25% of the available lands will require further approval from GoM. A clear policy promoting local ownership of lands and businesses in this area will be established.
- We will provide tax concessions, both import duties and income taxes, to local and foreign individuals and businesses engaged in building residential accommodation or engaged in a housing development programme on island. The property or properties must be for resale and must be built before 2012. The overriding aim of this policy is to encourage the private sector to become involved in the provision of residential homes and reduce the extent of government's involvement in this activity.

If this programme is successful, GoM may be able to channel some of the funds from the sale of government owned houses to other critical areas such as agriculture, fishing and small business development.

**139.** Housing remains a major problem for persons on island and in particular for persons who have lost their homes or have no access to properties in Plymouth and its environs. These persons have been paying rent or in some cases paying mortgage for the home in the evacuated area alongside a mortgage for a home in the north of the island while others have abandoned the mortgage and left the island.

**140.** This is unfair and inhumane and cannot continue. Mr Speaker, notwithstanding the difficulties face in balancing the budget, Government of Montserrat has agreed to write off the equivalent of two million nine hundred thousand dollars (\$2.9 m) owed by these persons, the Bank of Montserrat has been notified of this decision. Government has also undertaken to meet the loan with CDB from general revenues.

**141.** Mr Speaker, the fourth issue that must be addressed is the liberalisation of the telecommunications market. The enabling legislation is going through its final review and will be introduced in the second quarter of 2008. This will provide a transparent and accountable framework for telecommunication companies operating on island. It will also provide certainty and predictability for the companies who wish to invest and develop the range of telecommunication services on island. In saying this, we value the services which Cable and Wireless has provided us over the years and look forward to working with the company in the future in a more competitive environment.

**142.** Another major policy shift, Mr Speaker relates to the strengthening of the Social Security Fund. The immediate action is the payment of liabilities due to the Fund by GoM. On this matter, the Government of Montserrat has had positive discussions with the Department for International Development and arrangements are being made to pay the twenty one million dollars (\$21 m) due to the fund. The second aspect of this arrangement relates to the actions that will be necessary to secure the sustainability of the fund in the future. This will require GoM to:

- 1) Introduce a phased increase of the pensionable age to 65 years;
- 2) Establish a medical benefits scheme that in the future will cope with the rising cost of health care to individuals/families, and whose reserves can be used to finance infrastructure for specialised care where it is cost effective and affordable to do so;
- 3) Streamline the benefits available to avoid duplication and to ensure that insured persons do not earn greater remuneration when they are sick rather than when they are at work;
- 4) Increase the levels of some of the benefits so that they are fair and reflect the rising cost of services;
- 5) Review the GoM pension scheme to reflect a fair, sustainable and affordable scheme for public officers.

A consultant has already been retained through Caribbean Regional and Technical Assistance Committee (CARTAC) to conduct this review.

**143.** Finally, Mr Speaker, to date we have treated investments as if was left to the investors to come to us and determine how when and where they will invest on island. We intend to take a more proactive approach by determining what investments are desired and in what sectors and aggressively target and market ourselves in these areas. Further, we intend to work along with our development partners to put together prepare a strategy and appropriate brochures for the investment community. We will also put together a team with the appropriate mix of skills to meet and discuss investments with potential investors.

## **ACKNOWLEDGEMENTS**

**144.** Mr Speaker, there are many governments, institutions, companies, civil society organisations and individuals that have played a major role in our achievements over the past year. It is appropriate that I use this opportunity on behalf of the Government to express our sincere gratitude for their assistance and support.

**145.** I would like firstly to thank His Royal Highness, Prince Charles and his wife, the Duchess of Cornwall for visiting our island and for his kind words of encouragement and support.

**146.** We would like to express thanks to Her Majesty's Government through its various agencies, in particular, DFID and Foreign and Commonwealth Office for their continued support for our budgetary needs and in providing technical expertise when required. Without this level of annual financial commitment and support our quest for economic development would have been extremely difficult.

**147.** It would also be impossible to make the progress we have made without the financial commitments made by the European Union. We have had issues around the timely disbursement of funds under this programme, substantial improvements have now been made by the officials that have made this process much simpler and efficient.

**148.** We would like to offer special thanks to the Government of Trinidad and Tobago for providing funds for under the Petroleum Stabilisation Fund to Montserrat and the efforts of the CARICOM Secretariat to process these funds and make it available in a timely manner. Also, I express sincere thanks to our other regional partners, Eastern Caribbean Central Bank, Organisation of Eastern Caribbean States, Caribbean Development Bank and the Caribbean Regional Technical Assistance Committee for all the tangible and intangible support we received throughout the last budget period and even now as I present this budget.

**149.** Mr Speaker, I must say a special thank you to the British Geological Survey for the monitoring and advising the Government of Montserrat on the volcanic emergency over the last decade. We have developed under your contract a state of the art volcano monitoring system and we wish you well. We also wish to welcome on board the Seismic Research Unit of the University of the West Indies and their partner Institut de Physique du Globe de Paris a french based scientific organisation who have won the contract for the monitoring the volcano and manage the Montserrat Volcano Observatory. We look forward to working with this new team of internationally scientists.

**150.** I wish to specially thank Standford Group of Companies for the contributions and support provided in enabling Montserrat to participate in the 2008 20/20 cricket series. This has created an excellent opportunity for many of our young people to participate and develop their skills in the game and we look forward to increased investments in related areas on island.

**151.** Mr Speaker, unfortunately the Honourable Attorney General has come to the end of his contract and will not be staying on further. On behalf of my Government I wish to say sincere thanks to him for his hard work in restructuring the Office of the Attorney General and the sound advice that he has rendered over his tour of duty here. We wish him well in all his future endeavours.

**152.** Finally, Mr Speaker, I wish to thank all the public servants especially those who have gone beyond the call of duty to ensure that public services are delivered on time and in the most efficient manner. Special thanks are in order for those who work tirelessly to prepare the Sustainable Development Plan, the Business Plans and the Budget.

## **CONCLUSION**

**153.** In conclusion, Mr Speaker, this budget is about how we enable and empower the private sector to become the engine of this economy. It is not an easy thing to do and many of the comments made during the discussions on outsourcing are relevant but to do nothing is to say that 'Government is not willing to take some chances on our own business men and women'.

**154.** Throughout the world, the economies that have had strong local participation in their development have been prepared to place time, effort and resources in building the capacities of their citizens. On the other hand, citizens must have the commitment and interest necessary to serve Montserrat well.

**155.** Our approach will be to front load public expenditure in key development areas, to include and spread the work to as many businesses as possible, to outsource technical work and approved services to competent local firms, to ease the burden of tax arrears for individuals and businesses, to reward individuals and businesses who make substantial investments in the economy, to improve the facilitation of investments to the island and to have clear policies and programmes for the development of the private sector.

**156.** Mr Speaker, a World Bank Policy Research Report, "Finance For All – Policies and pitfalls of expanding access," states that, "...in the long run economic growth reduce poverty and can be expected to life the welfare of households." We can continue to give our people handouts and keep them poor or invest in way that is participatory and encourage economic growth and in so doing allow our citizens through enterprise lift themselves up with dignity – after all that is our vision.

**157.** As I have said at the end of my budget presentation last year, Let us strive to keep that reputation, as we serve God and our fellowmen.

**158.** I thank you colleagues for the honour of presenting a second budget.

**159.** I Thank you Mr Speaker

**ANNEX 1**  
**Allocation by Ministries and Departments**  
**SUMMARY OF RECCURENT EXPENDITURE 2008 & 2007**

Heads	Description of Heads	Estimates 2008	Revised Estimates 2007
01	CONSOLIDATED FUND SERVICES	12,306,600	12,422,900
02	GOVERNOR'S OFFICE	363,500	356,400
03	ADMINISTRATION	6,086,300	6,074,400
05	POLICE	7,304,000	6,471,600
06	DISASTER MANAGEMENT CO-ORDINATION AGENCY	5,688,800	7,034,300
07	LEGAL	1,597,000	1,203,400
08	MAGISTRATE'S COURT	154,500	163,500
09	SUPREME COURT	836,000	824,700
10	LEGISLATURE	949,500	972,700
11	AUDIT	894,500	849,400
15	CHIEF MINISTER'S OFFICE	4,118,700	4,002,000
20	MINISTRY OF FINANCE	4,927,500	5,010,500
21	DEVELOPMENT UNIT	2,717,500	2,865,000
22	TREASURY	1,043,000	981,800
23	CUSTOMS & EXCISE	1,175,600	1,143,800
24	INLAND REVENUE	1,041,300	744,900
25	GENERAL POST OFFICE	514,000	470,500
30	AGRICULTURE	7,015,600	5,837,900
35	COMMUNICATIONS & WORKS	12,012,900	12,654,000
40	EDUCATION	8,303,500	8,005,500
45	HEALTH	15,729,600	15,881,200
	<b>Total Recurrent Expenditure</b>	<b>96,142,500</b>	<b>94,802,500</b>

**SUMMARY OF DEVELOPMENT FUND EXPENDITURE 2008 & 2007**

Heads	Description of Heads	Estimates 2008	Revised Estimates 2007
03/030	ADMINISTRATION	1,470,000	1,470,000
21/210	MIN OF FIN & ECON DEV.	20,141,596	18,330,373
30/300	M. A. L. H. & E	3,142,026	5,473,580
35/350	MIN. OF COMMS AND WORKS	6,199,500	6,381,050
35/354	MCW ON BEHALF OF OTHER MIN.	7,100,000	3,646,743
40/400	MIN. OF EDUCATION	2,409,808	150,000
45/450	MIN. OF HLTH & COM. SERV	5,640,199	3,372,172
	<b>TOTAL DEVELOPMENT FUND</b>	<b>46,103,128</b>	<b>38,823,918</b>