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ABBREVIATIONS

CAPE	-	Caribbean Advanced Proficiency Exam
CARICOM	-	Caribbean Community
CARTAC	-	Caribbean Regional Technical Assistance Centre
CEBO	-	Creativity for Employment & Business Opportunity
CPEA	-	Caribbean Primary Exit Assess
CVQ	-	Caribbean Vocational Qualification
DOE	-	Department of Environment
EDP	-	Education Development Plan
EHRS	-	Electronic Health Records System
EIA	-	Environmental Impact Assessment
GDP	-	Gross Domestic Product
GDP	-	Gross Domestic Product
HMG	-	Her Majesty's Government
ICAI	-	Independent Commission for Aid Impact
ICT	-	Information and Communication Technology
IDC	-	International Development Committee
IP	-	Intellectual Property
IS	-	Integrated Science
LIAT	-	Leeward Island Air Transport
LIME	-	Landline Internet Mobile Entertainment
MCC	-	Montserrat Community College
MCRS	-	Montserrat Customs and Revenue Service
MCWL	-	Ministry of Communications, Works & Labour
MNT	-	Montserrat National Trust
MOFEM	-	Ministry of Finance & Economic Management
MoU	-	Memorandum of Understanding
MW	-	Mega Watts
NAO	-	National Audit Office
OECS	-	Organisation of the Eastern Caribbean States
OT	-	Overseas Territories
PFM	-	Public Finance Management
PSIP	-	Public Sector Investment Program
SDP	-	Sustainable Development Plan
SS	-	Social Studies
UN	-	United Nations
UNICEF	-	United Nation International Children Education Fund
WICB	-	West Indies Cricket Board

2015/16 BUDGET STATEMENT

REVIVE, REBUILD, RESTORE: DESTINY CALLS, LET US ARISE

Madam Speaker, I rise to move a motion for the second reading of the Bill shortly entitled the Appropriation Bill 2015/16.

OPENING REMARKS

I have the honour this afternoon to present to the Legislative Assembly the budget for the financial year 2015/16.

Madam Speaker, since this is the first Budget presentation after the election of a new Parliament, I wish to draw the attention of the Honourable Members to Section 3(1) of the Public Finance (Management and Accountability) Act of 2008. This legal undertaking defines Montserrat's budgeting process and forms the basis for consideration of the annual budget and related policies and strategies by the Legislative Assembly.

Madam Speaker, our country stands at a critical point in history. This year will mark 20 years since the eruption of the Soufriere Hills' Volcano which led to the subsequent exclusion of more than half of our land mass and the exodus of two thirds of our population. As I reflect on this part of our history, I am reminded of a famous quote by Winston Churchill, which states "A nation that forgets its past has no future."

However, Madam Speaker, we also have a very accomplished history of enjoying a thriving economy and being a regional leader.

- We led in aviation with the establishment of LIAT
- We led in Financial Services with Offshore Banking
- We led in international radio communications with Radio Antilles
- We led in villa tourism with our developments in Richmond Hill, Foxes Bay, Isles Bay Hill, Old Town, Woodsville and Woodlands

- We led in the development of one of the most successful Offshore Medical Schools with the establishment of the American University of the Caribbean.

Therefore, Madam Speaker, the 2015/16 budget will encourage us as a nation to be regional leaders again. It will encourage strong fiscal policies, it will encourage hard work, and it will encourage our resilient nature as a people.

The government's pledge is to ensure that hard work and sacrifice are rewarded and our resilience has not been in vain.

So, Madam Speaker, with the national song in our hearts: "*Rise up and make our Country great, with Art and Skill and Sacrifice.*" It is time for us – Montserratians: by birth, by heritage, or by choice – to "*Rise Up . . . with Art and Skill and Sacrifice*". That is why this budget is not just for economists and accountants – it is for the benefit of the people of "*this great land*" – the ordinary man, woman, girl and boy. For, all of us.

Madam Speaker, this 2015/16 budget that is being presented today rests on the belief that we must understand our past and act wisely in our present to build a good and sound future. Therefore, this budget will not be filled with spin or sweet talk; it will encourage us to face the challenges and the truth head on.

INTRODUCTION

1. Madam Speaker, the budget negotiations with DFID for fiscal year 2015/16 revealed a broad consensus of the challenges we continue to face, but budgetary constraints remain. We are presenting a recurrent budget in the sum of EC\$ 127,368,300 which is for salaries and other operating costs. The Capital budget, which covers development projects and specified buildings maintenance, was approved in the sum of EC\$ 43,421,800. This presents a total of EC\$ 170,790,100 which excludes new DFID capital projects which are still to be agreed.

2. Government has achieved some new spends as you will hear, however, this is not sufficient. I am reminded of the messages that Montserratians have had to endure over the years:
 - In 1997 we were told “they will be asking for Golden elephants next”.
 - In 2001 we were told that government must raise more revenue through their own efforts by raising taxes, as DFID was seeking to reduce the budgetary aid to Montserrat.
 - In 2011 we were told “Montserrat must live within its means ” and now
 - In 2015 – we are being told that the budget ceilings are constrained but HMG is open to continuing discussions, and we need to improve our local revenue generation.

3. Madam Speaker, to put this budget into context, it is no secret that Montserrat has been on UK Grant-in-Aid for the past 20 years, since the volcanic crisis. Policy paper after policy paper says the reasonable assistance needs of the Overseas Territories are a first call on HMG's aid budget, reflecting the 1998 IDC concern that due to historic ties and continued links, the UK's commitment to the OTs is of a higher and different order than that to typical developing

countries across the world. Therefore, being “open to continuing discussions” is not an adequate response. It remains the case that being British, Montserrat and other British Overseas Territories, should be a priority. We have the potential to become DFID’s success story for sustainable development and good government – which would showcase to the world a U.K. model for global transformation through partnership with one’s Overseas Territories.

4. Madam Speaker, HMG knows that at present levels the majority of our re-current budget and locally generated revenue is already accounted for by the following:

- We raise 40% of the total recurrent budget in revenue. Less than two dollars out of every five and that sum alone cannot cover the direct staff costs. Therefore,
- 36% of the re-current budget is used for direct staff costs, over a third of the budget.
- 74% (just less than three-quarters) is pre-set, including 10% for pensions and related retirement costs, while
- The remaining 26% of the recurrent budget is what is available to fund Government services in flexible response to the needs of our people, such as, welfare payments and overseas medical referrals, school and hospital supplies, maintenance of government plant and equipment, and operation of vehicles and purchase of equipment.

5. Madam Speaker, Montserrat’s budget aid discussions have always focused on the re-current budget, with little time and diligence being placed on the capital budget and new projects. This approach is one this Government intends to address since the re-current budget simply keeps us at what my ministerial colleagues refer to as “low level equilibrium”, that is, it keeps us trapped in a constant state of the same. This cannot continue – destiny calls and it is time for us to arise.

6. Therefore, Madam Speaker our approach will be to present to this house later in the year a supplementary budget that focuses on critical capital projects that are needed to stimulate the growth of our economy, return people to work and ensure the sustainable development of the Montserrat.
7. It has been clearly stated Madam Speaker, both at home and abroad, and most notably in the ICAI Report 26 entitled “DFID’s support to Capital Projects in Montserrat” dated July 2013, that, **“...DFID would benefit from adopting a strategic approach - modelled more closely on long-term development planning and co-ordination with other development partners”**.
8. Madam Speaker, the report goes on to say that DFID focused on providing basic resources after hurricane Hugo and the subsequent volcanic eruptions. I also agree with the report when it says that **“DFID has not adequately thought through its approach to helping Montserrat improve self-sufficiency”** since in the Montserrat context continuing to increase taxes to generate revenue is not sustainable. Therefore, this Government is committed to developing a new way to work with DFID. This will require a new Memorandum of Understanding (MoU), one that speaks to a different kind of partnership. We will revive the true spirit of partnership as we move forward to re-build our country.
9. Additionally Madam Speaker, this Government has taken the decision to review projects; we will re-organise and review them to develop coherent priorities that will form a comprehensive Public Sector Investment Programme (PSIP). Already, this Government has been seeking to ensure that priority is given to getting key projects funded and implemented. This will revive our economy, restore our communities and re-build our country.

10. This Government intends to implement the initial stages of key infrastructural and social projects during the upcoming fiscal year, 2015/16. These will act as stepping stones to the larger projects under consideration for the medium term, as the Government seeks to support the further implementation of the Sustainable Development Plan.
11. Madam Speaker, I now turn to the global and regional economic environment but permit me, first, to say – I have heard the cry of our people; ordinary people who are suffering. Over the past six months since coming into office I am even more aware of the challenges we face. This budget is a first step to bringing hope to our people and a fresh start in how we engage DFID in the future.

GLOBAL AND REGIONAL ECONOMIC REVIEW AND OUTLOOK

12. Madam Speaker, although the global outlook has somewhat improved, the performance of the economy continues to be uneven, with recovery remaining fragile in 2014. ‘Slow but steady’ continues to be the tag line for global Gross Domestic Product (GDP) growth, with recovery accelerating in some countries and decelerating in others.
13. The US budget deficit dropped in Fiscal Year 2015/16 to \$483 billion, the lowest it has been since 2008. GDP rose by 2.6percent in real terms.
14. The U.K.’s GDP rose strongly for the period 2014/15 and is projected at between 2 to 2.5 percent for 2015/16. This was mainly the result of lax monetary policy and low interest rates which led to a boost in consumer confidence. Despite this, the UK is grappling with a significant budget deficit which has resulted in more proposed spending cuts across government.
15. Madam Speaker, the remnants of the debt crisis and severe austerity measures have hampered the growth in the Euro zone and most countries have remained stagnant or have continued to see

growth figures fall, as is reflected in their 0.8 percent growth during 2014.

16. Madam Speaker, growth continues in the emerging economies and developing markets and is projected to be 5.1 percent for 2014/15 increasing to 5.4 percent in 2015/16.
17. Increased consumer spending in our traditional tourist markets in the UK, US and Canada should lead to increased tourism activity in the Caribbean. However, if the troubles in the Euro currency zone continue, it may slow the growth rate of the UK's economy.
18. Turning to the Caribbean region, the countries in the Eastern Caribbean, like most developing nations, should see a slight economic boost from falling fuel prices and the acceleration of the UK and US economies. However, the opening up of Cuba is likely to have a major impact on Caribbean Tourism in particular.

DOMESTIC ECONOMIC PERFORMANCE AND OUTLOOK

19. Madam Speaker, having reviewed the outlook for the global and regional economic environment, I now turn to the Montserrat situation.
20. Despite the poor performance of the economy over the last 20 years, Montserrat enjoyed a thriving economy in the 1970s ,1980s and early 1990s to the envy of our Caribbean neighbours. One of the smallest Caribbean islands, we were notably the destination of choice for discerning families, residential expatriates and international music icons, due in large part to Beatles Producer, George Martin's Air Studios being based on island.
21. Montserrat's economy experienced very little growth during 2014. Prior to the volcanic crisis in 1995, the main contributors to our GDP were Agriculture and Tourism. Today, these account in total for less than 3 percent of our GDP.

22. Madam Speaker, Montserrat's economy continues to be dominated by Public Sector spending. To a lesser extent, we have seen some economic activity in the areas of Financial Intermediation, Real Estate & Housing, Transport, Storage and Communication. Therefore, with the goal of rebalancing the economy, the Government of Montserrat will invest in key sectorial initiatives that will diversify the economy and put the private Sector back in the driving seat.
23. Additionally, Madam Speaker, Montserrat imports 90 percent of its goods. This means rising costs in the global and regional markets make us susceptible to external shocks which are beyond our control. This has had its most significant impact on Montserrat's inflation. For the period December 2006 – December 2013, the cumulative inflation rate increased to approximately 23.87 percent. So that, to achieve the same purchasing power for the sum of EC\$1,000 in 2006 we would now need EC\$1,239.
24. Madam Speaker, to reduce our reliance on imports and control inflation, this Administration will implement a number of cross-cutting initiatives around Energy, Food, Water and Access, which in turn will stimulate private sector production of goods and services. This is of principle importance as Montserrat work towards becoming a net export Emerging Economy.
25. Madam Speaker, as mentioned our economy is dominated by Public Sector spending and therefore the contributions and performance of our public service is important. My Ministerial colleagues will speak to the performance of the public sector in their presentations.

POLICY PRIORITIES

26. Madam speaker, to achieve our development mission, we must have a clear vision, underpinned by realistic fiscal and economic policies and strategy. Our National vision has been crafted in consultation with our people and is clearly set out in **The Sustainable Development Plan, 2008 – 2020 (SDP)**:

“A healthy and wholesome Montserrat, founded upon a thriving modern economy with a friendly, vibrant community, in which all our people through enterprise and initiative, can fulfill their hopes in a truly democratic and God-fearing society”

27. Madam Speaker, this Government will continue to adopt the broad policy goals set out in The Sustainable Development Plan, 2008 – 2020 (SDP). These are still relevant and we thank the former Government for the work they did to bring that document to completion through consultation with the people.

- 1) Madam Speaker, this government will build on that work and bring it to fruition by
- 2) Encouraging a diversified economy which is private sector driven;
- 3) Developing an education system that delivers skills needed for the 21st century and ensures our people have sustainable livelihoods and can fulfil their destiny;
- 4) Delivering a cost effective healthcare system that improves the health and well-being of our people.

28. Therefore, our policy priorities over the next 3 years will be addressed in relation to the 5 goals of the SDP.

SDP Goal 1: Economic Management

29. Madam Speaker, this new government's economic objective is to revive our economy and put Montserrat back on a path for sustainable re-development and future growth. This will be achieved through a new approach to Economic Management and Development. This new approach has 3 policy components, which are:

- 1) the creation of a modern and diversified economy, where the active promotion of inward investment and targeted foreign direct investment is the foundation. Additionally, we will leverage Montserrat's particular mix of natural resources setting a clear path for sustainable re-development that will not be reliant on any one sector
- 2) the development of strong fiscal, economic and environmental policies and processes needed to under-pin the development of a sustainable economy
- 3) Government's role will be to facilitate a conducive business environment that encourages the efficient working of the private sector.

Diversified Economy

30. Madam Speaker, I can't repeat too often, the need to create a modern and diversified economy that utilizes and adds value to our current resources, and therefore, is not reliant on any one sector. Therefore, I will now outline the seven key sectors Government shall focus on:

- (1) Financial and Professional Services

Madam Speaker, the intent is to establish a new globally compliant international Financial Services Centre, the first

of its kind in the Caribbean, which will enable us to attract business.

We aim to revive the economy with a particular focus on new industries and services, such as digital and media companies. Therefore, we will develop new legislation that will make Montserrat an ideal jurisdiction for these companies ensuring strong Intellectual Property (IP) protection.

We will also be able to capitalize on our time zone, which is ideal for doing business in the North American, South American and European professional services market.

(2) Luxury Tourism

Madam Speaker, we will revive our Tourism market through niche product development, such as Villa Tourism, Adventure and Sports Tourism and Volcanic Tourism.

The Tourism agenda will be focused on recapturing our ultra, high net worth clientele of earlier decades through Eco-tourism, Sports Tourism, Festival Tourism and Villa/Residential Tourism.

Our aim, Madam Speaker, is obtain World Heritage status for the capital, Plymouth, further adding value to our tourism product.

The tragedy of the volcanic crisis gives our island a modern and unique twist that allows us to turn Ash into Cash. Tourists can compare the old, now abandoned, capital Plymouth to the current 'must see' Pompeii. This is the only such attraction of its kind in the region. Visitors will be amazed to see on one side, a town frozen in time and on the other, the newest, most energy-efficient town in the Caribbean!

We will restore Montserrat as the Emerald Isle of the Caribbean; Montserrat has the charm of the 'way the Caribbean used to be'. A place where visitors can simply relax and disconnect from it all if they choose to.

(3) Light Manufacturing

Madam Speaker, readily available is billions of cubic metres of volcanic material that can be used for manufacturing tiles and other associate composite products, again we can turn Ash into Cash.

We will develop industries that complement our location and resources, such as the development of a Montserrat brand of Natural Spring Water where Bottling and the Bottle Making Plant is on island. We will also target for export, hot pepper sauce by assisting with expanded plant to increase production to a sustainable level. We anticipate utilizing a wider destination and national product branding strategy as part of this initiative to build a single export brand, which also recognizes and include our small businesses as producers.

Madam Speaker, Montserrat has an overabundance of natural resources, some of the more obvious being our Water, Geothermal and Solar Energy, Volcanic Ash and Aggregate. We propose to pursue further studies in eco-traction as a value-added export of components of our volcanic ash material.

We will provide an attractive package of incentives and concessions to allow the aggregate and sand export industry to develop and mature so that Montserrat can gain and hold market share in this growing area of regional development.

(4) Renewable Energy

Madam Speaker, the aim is to develop a renewable energy-based sector, positioning the island as a regional leader in this sector through diversified energy sources, these would include (i) Geothermal, (ii) Solar and (iii) Biomass, which would also reduce our landfill to comply with our green ethos.

As a regional leader we will export our local consultants to other islands whom are seeking to become independent of more costly fossil fuels; and governmental level we will work with other Caribbean island states to reduce their dependency on fossil fuels

(5) Agriculture

The objective, Madam Speaker for Agriculture is to create net exports in vegetables and ground provisions by:

- i. Increasing investment in agriculture and farming to produce an increased output not only to satisfy the local market but also for export and/or manufacture. We recognise the current cost of exports via the ferry is prohibitive. Therefore, we will target export to neighbouring islands to reduce the handling charges and overall cost of exporting products made or grown in Montserrat.
- ii. Encouraging organized production and farming of specific crops that meet the food demands of local institutions for example hospital and care institutions, such as the Golden Years Home and the Margetson Memorial. Additionally, we seek to provide for the food demands of hotels and other institutions in our neighbouring countries of Antigua and Barbuda and St. Kitts and Nevis. This will require increasing outputs in crops like lettuce and pakchoy. We are grateful to our

two-man team of French Agriculturalists who are helping us in this work on Montserrat, and we will support such stakeholders in leading research to expand their export potential.

- iii. Promoting new farming technologies and strategies including high density farming such as hydroponics and hoop-houses to produce higher yields of production utilizing smaller plots of land areas.
- iv. We also propose to rationalize some landholdings in the Nantes river area to include space for an additional water bottling plant.
- v. The Department of Agriculture has already been charged with increasing consultations with local farmers to see what seeds we can import to assist the production of white potatoes and to increase our stock in bananas.

(6) Arts & Media

Madam Speaker, Montserrat has a strong history and heritage in the Arts, Entertainment & Media sectors –Air Studios, the Mighty Arrow, Sir Howard Fergus, Dr. George Irish, the Calabash, Literary and Christmas festivals and the St. Patrick’s Week of Activities to name a few. The aim is to leverage this heritage for the benefit of our Tourism product and economy.

(7) Construction

Madam Speaker, when you consider the need to deliver the number of housing units that will be required to meet demand over the coming years, this will stimulate the construction industry. Coupled with other wide ranging projects such as the planned delivery of additional Government offices, enhanced

and new road infrastructure to open new lands for development (both commercial and residential), school, hospital, seaport, marina and other capital projects in the public sector, the Construction industry is very well poised to become a key driver of the Montserrat economy over the next few years.

Based also on the investment proposals already indicated to government for the development of private sector projects in Rendezvous and Blakes Estate, the benefits are enormous and include the creation of employment and increase in government's tax revenue.

Consequently, this Administration is keen to introduce fiscal incentives which offer duty and tax concessions to investors in construction of real estate for sale as a means to reinvigorate sustained re-development and economic growth in the Construction Sector and Villa/Residential Tourism. We propose to offer several tiers for the build to rent or houses built for sale scheme ranging up to US\$300,000 per house or units of housing.

Madam Speaker, I will now speak to the strengthening of fiscal and economic policies and processes.

Fiscal and Economic policies and processes

31. Madam Speaker, to be attractive to investors we must ensure that our financial sector is regulated in a way that protects their investment, minimizes the threat of financial crime, and provides confidence in the financial system. We must also seek to harmonise our regulations with that of our trading partners. HMG must also be assured that we will not have a repeat of the situation we found ourselves in 1992 with the closure of the offshore banks that were operating here in Montserrat. This will require strengthening of the National Audit Office, the Government's own systems of Financial Management and

Accountability; and procurement procedures, and of the Financial Services Commission.

32. In 2015/16 we will look at the National Audit Office (NAO). DFID has agreed to provide Government with assistance to engage an Audit Advisor. They will assist the NAO in building capability, and, they will support the review being conducted by the Public Sector Reform Programme looking at the Draft NAO Bill and appropriate models for independent Audit Offices, given the limitations we face as a Small Island Developing State.

33. We will also continue to strengthen our Public Financial Management (PFM) within Government in 2015/16. The Ministry of Finance and Economic Management (MoFEM) will shortly commence work on developing an action plan to improve PFM. This will be supported by the Caribbean Regional Technical Assistance Centre (CARTAC). Once the action plan is completed with DFID support under the Public Sector Reform Programme, we will be engaging a PFM specialist advisor to support implementation of the action plan. We will also strengthen our fiscal planning by ensuring we increase technical competence in economics within the MoFEM.

34. As regards to the Financial Services Commission, we will make specific provisions for strengthening this in the fiscal year 2016/17.

35. Madam Speaker, we accept that we must do our best to become self-sustaining, and DFID has made it plain that we must increase locally generated revenues. For some time Montserrat has focused on increasing efficiency in tax collection and that will continue. However, the real issue is there are few tax revenue options that can be applied without causing even greater

hardship amongst the local population. Therefore, we will seek to safeguard our tax revenue by introducing mechanisms to better assess the benefits with respect to specific tax incentives and other concessions, with the potential revenue that an individual business/investment opportunity will generate. We will also seek to make the process more efficient.

36. With God's help, Madam Speaker, this Administration will exceed our glory days as we embark on this new approach to our Economic Management and Development.

SDP Goal 2: Human Development

37. Madam Speaker, this budget is about much more than economic growth. By investing in people, we empower people to pursue different life paths, encouraging the development of their human potential. To summarise the United Nations (UN) statement on basic capabilities for human development- these are: to lead long and healthy lives, to be knowledgeable (e.g., to be educated), to have access to the resources and social services needed for a decent standard of living, and to be able to participate in the life of the community. Without these, many choices are simply not available, and many opportunities in life remain inaccessible.

38. To this end we will focus on Healthcare reform, Educational transformation, Modernising Social Care, and Housing for all.

Healthcare Reform

39. Madam Speaker, Government's policy commitment is to deliver basic healthcare efficiently and effectively with emphasis on the most vulnerable in society. A healthy population is an engine for economic growth.

40. Madam Speaker, the broad policy objective is to emphasise preventative healthcare. We will increase investment in preventative healthcare programmes targeted at reducing both communicable and non-communicable diseases, coupled with cost effective nutrition intervention and healthy environment programmes. Preventative care and treatment within the community – including focusing on lifestyle changes such as diet, nutrition and exercise – is used as a means to empower people to make better lifestyle choices and minimizing hospitalization and the associated costs of medical care.
41. Madam Speaker, the Government seeks to improve the outcomes for people with mental health problems or challenges, as well as their families and other supporters. The priority is to adopt a more person centred approach in terms of the care or support they receive to help them manage their mental health condition whilst living productively within the community (i.e. not in hospital). This approach includes enhanced treatment options and working towards full recovery.
42. Madam Speaker, in support of these and other health care needs, we will develop multi-disciplinary teams between Health, Social Care and Housing to ensure an integrated approach as these three areas have significant impact on each other.
43. Madam Speaker, access to emergency and specialist care continues to pose significant challenges for us in Montserrat. We know that seeing the right specialist in an emergency can greatly improve one's chance of survival and making a better recovery. Additionally, the Government also recognizes that patients accessing urgent or emergency care are usually doing so at their most frightened and vulnerable point. Therefore, we have a duty of care to ensure that we address the challenges and deficits that exists. Madam Speaker, we will review the current arrangements for medical evacuation, and also make a better case for greater access to care in the UK.

44. Madam Speaker, to promote more efficient and effective care, the Government supports the adoption of Electronic Health Records (EHRs) currently in the research and development phase. With more complete patient information, healthcare professionals will improve their ability to make well-informed treatment decisions quickly and safely.
45. Madam Speaker, the Government remain absolutely committed to continued improvement to our healthcare system. That is why, despite great challenges and some setbacks, the construction of a new hospital remains a top priority for the Government so that we can fulfill this vision.

Education transformation

46. Madam Speaker, investment in education is a pre-requisite for a productive workforce, which is necessary for sustainable economic growth. This 2015/16 Budget has one overarching Education goal, which is to create opportunities for our youth to acquire education and skills that will lead to jobs or self-employment in this technology driven age.
47. In an effort to achieve and promote education standards, the Ministry of Education will continue to advance the implementation of its Education Development Plan (EDP) 2009 to 2020, which provides the overall policy and strategic framework for education and training.
48. Madam Speaker, if we are to realize meaningful improvements in the quality and relevance of education, we must improve the curriculum to ensure our children are equipped with the skills and training needed for the 21st century, and further, makes the human resources of Montserrat attractive to investors. The Government will continue to support and invest in the Montserrat Community College (MCC) to enhance quality and to offer more diverse pathways for Montserratians to choose to advance themselves.

49. Additionally, Madam Speaker, the Government is committed to reviewing the current curriculum at MSS to incorporate skills based learning which would align with the Caribbean Vocational Qualification (CVQ) framework.
50. In the near future we shall be engaging our educators, teachers, students, parents and the general public to discuss specific proposals for upgrading education in Montserrat. Discussions are also being held with BNTF towards developing a program to teach crop production at MSS, since the youth are the next generation of farmers and producers.
51. Madam Speaker, the Government also seeks to empower more young people to acquire key skills and competencies that enable them to participate in economic activity through employment or entrepreneurship; in this way they will become responsible and productive citizens of Montserrat. The recent series of workshops facilitated by CARICOM's Creativity for Employment and Business Opportunity (CEBO) unit was the start of a series of initiatives designed to encourage a culture of entrepreneurship.
52. Madam Speaker, there is unequivocal academic evidence to state that the building in which students spend a good deal of their time learning does in fact influence how well they learn. Madam Speaker, the MSS campus is almost 45 years old and continues to deteriorate; this budget includes a substantial investment in the building and refurbishment of the school to address critical renovation needs and ensure that adequate teaching and learning spaces are provided. However, this is temporary. Government recognizes that there is an urgent need for a new generation of facilities to cater for 21st century teaching and learning. The Government is currently engaged in discussions with DFID over the construction of a new secondary school campus in the north of the island.
53. The construction of the temporary buildings is expected to commence in April 2015. Madam Speaker, we will put our

children in better schools and we will put construction crews to work.

Modernising Social Care

Welfare

54. Madam Speaker, the Government's policy is to develop a social safety net that supports the most vulnerable – men, women, youth, boys and girls alike – but with an emphasis on getting people back on their feet so they can be self-sufficient and retain their dignity through employment where that is possible. Madam Speaker, individual responsibility will be a driving force for building a stronger and more prosperous Montserrat. While the Government will continue to support the most vulnerable, it will do for people only what they cannot do for themselves.

55. Madam Speaker, we will provide social safety net works in conjunction with a number of other poverty reduction programs with the primary goal of reducing and preventing poverty. The Government will focus on alleviating poverty through a more favourable tax regime for the working poor including civil servants. Also, a family centred approach to welfare benefits that looks at each member of the family and their eligibility for social welfare consistent with the report on “Situational analysis of social welfare in Montserrat”, commissioned by DFID in 2013.

Affordable Housing Development

Social Housing

56. Madam Speaker, there are over 418 people on the waiting list for social housing. This level of demand for a basic need requires a substantial investment in housing, and, in this regard, Budget 2015/16 is a significant first step. We will promote housing expansion policies for the vulnerable and working poor to include:

- Expanding social housing for the elderly
- Renovating unsanitary homes of vulnerable people to bring them up to an acceptable living standard
- Resettlement of all evacuees on island those to be repatriated from overseas
- Enact the Housing Allocation Policy

Home Ownership

57. Madam Speaker, we will support the Montserratian culture of aspiring to home ownership and:

- Continue to expand private sector partnerships through the Affordable Home Buy Scheme and Serviced Residential Lots Projects;
- Facilitate the development of middle income housing for returning Montserratians, including addressing the mortgage dilemma for those who have homes in the exclusion Zone, but were unable to return to them yet still expected to pay mortgage;
- Develop a land use policy that supports public/private partnerships for housing developments;
- Seek to facilitate private housing solutions by supporting our local financial institutions in the provision of affordable mortgages.

Children, Youth & Sports

58. Madam Speaker, every child is entitled to a safe home. While we may never entirely prevent people from committing horrible crimes against those they should love and protect, the Government must do everything it can to help our vulnerable children. Madam Speaker, the Social Services Department will present proposals this

year to strengthen communication, transparency, enforcement, and protection in child safety work - an often hidden but important challenge – our children are our future.

59. Madam Speaker, I want to thank the Department and its hard-working staff for the improvements they have already made in safeguarding children, with the help of HMG, UNICEF and the Lucy Faithful Foundation. Also for the further work they will do in developing a more robust child protection framework with clear powers of enforcement for the relevant authorities – ensuring adequate training of key practitioners to better protect our children.
60. Madam Speaker, the Government will fully implement the Draft National Youth policy and establish the Youth Parliament.
61. Additionally, the Government will ensure sports programmes are explicitly linked to youth development and providing alternatives to deviant behaviour among our young people.

SDP Goal 3: Environmental Management and Disaster Mitigation

62. Madam Speaker, as previously mentioned strengthening our environmental policies and processes is key not only to sustainable development, but our economic growth.
63. In 1989, the well-known Hurricane Hugo hit Montserrat destroying our Air Studios and other key infrastructure. Just as we were rebuilding, the eruption of the Montserrat Soufriere Hills' Volcano swiftly followed in 1995. Subsequent eruptions in 1997 closed the country's airport and seaports, and buried almost one-half of our island, including the capital, Plymouth. This Government will make wise environmental policy decisions that will reverse some of the errors that occurred post volcanic crisis and those taken to the detriment of ecological zones, such as the mangroves swamps at Piper's Pond.
64. Madam Speaker, I am saying all of that to say that the impact of disasters in terms of human, economic and environmental loss has been and continues to be greatly felt in Montserrat. Consequently, the need to better manage our environmental assets and ecological zones, reduce

our risk to natural disasters and mitigate against the impacts of these disasters, is now more than ever, very urgent.

65. This new Administration, Madam Speaker, recognizes the fact that disasters pose a clear and present danger to the achievement of our SDP goals. That is why, in the implementation of our mandate to protect the environment for present and future generations, the Government of Montserrat will continue to invest in environmental and disaster management whilst forging regional and global partnerships that will improve the effectiveness and efficiency of our ability to reduce our risk to both natural and man-made disasters.

66. Madam Speaker, this 2015/16 Budget therefore presents a key opportunity for this administration to highlight and reinforce the following key policy messages:

1) Sustainable natural resource management - we will bring the conservation and sustainable use of our natural resources (water, land, volcanic sand, sand, aggregate and geothermal and solar energy) into the heart of decision-making.

2) Disaster mitigation – we will focus on implementing robust disaster management strategies as we continue to partner with HMG, CDEMA and other regional and international partners to properly monitor, mitigate and manage the risks associated with the volcano, hurricanes and other natural disasters.

3) Environmental management – we will improve the monitoring and management of our environmental assets, ecological zones and key species such as the Mountain Chicken, Oriole, Mangroves, fish and other wild life “from ridge to reef”.

- 4) Building partnerships** – we will continue to build partnerships with our development partners, environmental bodies and regional agencies to build capability in our Public Service that will support a more integrated approach to sustainability in development.

SDP Goal 4: Governance

67. Madam Speaker, as part of the strategy to reform the Public Service, the Government of Montserrat will develop and adopt a Good Governance Charter. As I have indicated many times since coming to office six months ago, there is a need to more closely monitor the operations of Government, the Public Service and Parastatal Organizations, with a view to better ensuring that they contribute to the real goal of the sustainable re-development and future growth of our country.
68. To facilitate this, Madam Speaker, this Administration will be working assiduously with Her Majesty's Government, the different Ministries and Offices and the Legal Department to develop and implement Policies and Standard Operating Procedures which strengthen the governance and oversight of the Public Sector.
69. Madam Speaker, you can well imagine that principles of Good Governance are both complex and controversial. Moreover, this Administration recognizes that Governance operates in a field in which one size does not fit all. That notwithstanding, there is strong evidence to suggest that by applying the following 5 guiding principles, we put ourselves on a sustainable path to Good Governance and Integrity in Public Life:
- (1) Public Interest and Participation** - all men and women, boys and girls, should have a voice in decision making. Such broad participation is built on freedom of association and

speech. Madam Speaker, this Administration promises to provide opportunities for the public to participate and their interests to be represented constructively.

(2)Strategic Vision and Direction - This Administration will continue to consult the people in the development of National Plans that is due to be revised in 2018. We also commit to presenting transparent and coherent policy objectives and strategies for the leadership and direction of the country.

(3)Performance Management - Madam Speaker, Government will commit to reporting on performance across government and as such is currently developing a monitoring and performance framework. Additionally, through the Statistics Department, Financial Services Commission, Registrar of Companies and the Office of the Auditor General, provide the public with data and information concerning the Government's performance.

(4)Accountability and Transparency - Madam Speaker, I do not mince my words when I say that decision makers in government, the private sector and civil society organizations are accountable to the people. As a new Government, we are committing, through our Charter of Good Governance – soon to be presented for consultation, to deliver just, sound, legitimate and accountable democratic government.

(5)Fairness and the Rule of Law - Madam Speaker, this government will continue to promote a society where people have equal access and opportunities to improve their livelihoods and maintain their well-being through a sound constitutional framework and the protection of judicial independence. We are also committed to working with HMG to secure our borders and keep Montserrat free from crime.

SDP Goal 5: Population

70. Madam Speaker, we are all well aware that through the volcanic eruption and subsequent mismanagement of the ensuing evacuation, Montserrat lost two-thirds of its population by 1998. Almost 20 years on, our population is approximately 5000 people. Madam Speaker, it is time to refocus our efforts on restoring our communities - not simply on growing the population to sustainable numbers. Government will do this by creating an enabling environment to support the repatriation of the Montserratian diaspora, and, to welcome non-nationals with an appreciation of our history, a commitment to our vision and who share our values.

71. Madam Speaker, to this end we have commenced work on the development of a targeted diaspora engagement policy and framework. This incorporates previous work done in this area, namely the Handbook and Guide for Returning nationals and nationals in the Diaspora, and, the recommendations outlined in the 2012 “DMA Investment Survey: Montserratian Diaspora”.

72. Madam Speaker, the Government will implement a number of other initiatives aimed at restoring our communities including:

- Strengthening the Montserrat U.K. Office to focus on investment, tourism and employment creation.
- Attracting persons from other jurisdictions with the skills and qualifications that Montserrat needs to rebuild, including teachers.
- Leveraging our educational transformation to deliver a level of success that makes schooling children here in Montserrat a deciding factor for parents continued residency.

Overall budget recurrent and capital

73. Madam Speaker the total budget allocation for the fiscal year 2015/16 is \$170.8 million. This Appropriation Bill excludes new DFID funded capital projects since negotiations are still ongoing. Madam Speaker, once the process is concluded we will return to this Honourable House to have these approved through a Supplementary Appropriation Bill.
74. The estimated revenue from local sources, Madam Speaker, is \$47.7 million. Tax revenues are expected to account for approximately 81 percent of revenue generated locally. Fees, fines, permits, rents, interests and licenses will be expected to generate 14 percent of the total revenue.
75. Grants for funding the recurrent budget are \$79.7 million for a total recurrent expenditure of \$127.4 million. This represents a 5.2 percent increase from 2014-15. Madam Speaker, this government is determined to see strong growth in private sector contribution to GDP while decreasing the footprint of government. We will be working in partnership with Her Majesty's Government and DFID to ensure that we can fully implement their policy of "spending now to save later".
76. Madam Speaker, 74 percent of the recurrent budget is fixed, including 10 percent for pensions and related retirement costs, while 36 percent is used for direct staff costs. We raised less than 40 percent of the total recurrent revenue. In fact, Madam Speaker, staff costs amount to 123 percent of the locally generated revenues. This is a situation which we must reverse through the creation of a vibrant private sector lead economy. The remaining 26 percent or \$33 million of the budget is what is available to fund services. This includes the cost of welfare payments to include overseas medical referrals, school supplies, hospital supplies, maintenance of

government plant and equipment, roads, operation of vehicles, purchase of equipment – basic operational and overhead costs.

77. Madam Speaker, some of the major new spend items incorporated into this budget include:-

Reinstatement of Increments	488,400
Maintenance of GOM Housing Stock	120,000
Agriculture Food Strategy and other Activities	60,000
Marketing and Education for Agriculture	20,000
Repairs to Vulnerable	100,000
Social Protection (Work Incentives, Foster Care, etc.)	421,800
Labour Market Survey	185,000
Maintenance of Schools	340,500
Additional Scholarships	200,000

78. Madam Speaker, the 2015/16 capital programme continues to focus on the rebuilding of Montserrat's economy after the devastating volcanic destruction in 1995. Strategic interventions will support economic growth and the needs of the growing population. This Government, Madam Speaker, plans to implement a number of critical infrastructure projects which will stimulate some much needed private and public sector activity for long term sustainability with a budget of \$43.4 million in the Development Fund. Madam Speaker, some of the key projects included in the overall allocation are:-

- Port Development \$1.5m
- Housing Programme \$5m
- MUL Genset-\$10m
- Geothermal Exploration-\$4.1m
- Energy-\$3m
- Government Accommodation \$2.2m

Port Development

79. Madam Speaker, the Government is considering a number of options to enable the efficient and safe handling of goods and items of trade. This Administration will propose a design which enhances the area available for a marina, thereby improving the business case for the town-centre. This will also provide simultaneous berthing for a cruise ship or cargo vessel, the ferry and a Ro-Ro vessel. It will also cater for the Police Launch.

Government Accommodation Project

80. Madam Speaker, Phase I of the Government accommodation project provides critical Government accommodation for the replacement of offices and other facilities. This project will eliminate health and safety issues associated with the current stock of government buildings. Two buildings have been completed and are now providing a working environment that is conducive to the delivery of high quality government services. The final two buildings are near completion and are expected to be handed over to the client ministry by the end of this calendar year. The programme is funded in the sum of EC\$50m.

Housing Programme

81. Madam Speaker, as articulated earlier we are cognizant of the fact that housing is still a major issue. Montserratians between the ages of 25 -45 years are leaving the island because of the unavailability of affordable housing solutions. A number of housing programmes will be introduced this fiscal year that are necessary to retain persons within the productive age range on Montserrat.

82. In addition, support will be provided to land owners who would be unable to construct their dwelling house without financial assistance, or to access a mortgage from the local financial institutions

Energy

83. Madam Speaker, the Government holds the development of energy as a high priority in our ambitions for economic growth and development. We are exploring both geothermal and solar energy opportunities available to generate electric power and reduce the extremely high current costs of diesel electricity generation on Montserrat.

84. Madam Speaker, the long term testing phase for the geothermal project has been completed and the contractor submitted the final report on the 15th October 2014. The report indicated that two wells have been completed successfully. Each well has the capacity to generate approximately 2MW. The sustainability of these wells equates to a minimum of twenty (20) years. The report also recommends the drilling of a third well which was approved by DFID approved the drilling of the third well and drilling is expected to commence this calendar year.

85. In addition, a Power Station project is being implemented that will provide an adequate power station to meet current and future demand for power. The main components of the project are the procurement of a generator set and the construction of facilities to house the generators and other equipment.

86. Madam Speaker, in addition to the projects mentioned previously, a number of major capital projects have been proposed to DFID and are likely to be implemented at various intervals

during this fiscal year. These include but are not limited to the following:

- Liquid and Solid Waste project
- Ferry
- Fibre Optic
- Hospital Development Infrastructure
- A quarry to support the AO1 Roads project
- B Roads project
- Backlog Maintenance

87. Madam Speaker, we are mindful of the financial constraint that we face; therefore, we will target key sectors such as energy, construction and tourism that will provide greater return on our investment. My government is thankful for the support that we have received from our development partners. Madam Speaker, we intend to capitalize on the funds provided by our development partners; DFID, EU, and others to ensure that we achieve value for money and maximum benefits to stakeholders. The capital budget for this fiscal year comprises of roughly 60 percent DFID funding and 35 percent EU funds.

Allocation by Ministries and Programmes

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

89. The Office of the Deputy Governor will receive an allocation of \$31.7 million or 24.9 percent of the recurrent budget. This includes provision for the Disaster Management Coordination

Agency and the MVO – \$ 6.4 million (5percent) and provision for Pensions of \$13.4 million (10 percent) and gratuities for contract workers.

- The Ministry of Health and Social Services’ allocation is \$21 million (16.5 percent)
- The Ministry of Education, Youth Affairs and Sport \$10 million (7.8 percent)
- The Ministry of Communication, Works & Labour \$20.7 million (16.3 percent)
- The Ministry of Agriculture, Trade, Lands, Housing and the Environment is allocated \$6 million (4.7 percent)
- The Police and Fire Services will receive \$6 million (4.8 percent)

90. The other agencies of government will receive \$32 million (25.1 percent) among them. These include the Ministry of Finance and Economic Management along with those responsible for the Executive, Legislative and Judicial services of the government. For ease of reference, the full set of allocations is detailed in the Estimates of Revenue and Expenditure tabled in this Honourable House.

91. The public budget forecast remains positive with expenditure on projects such as the Hospital Redevelopment, Little Bay and Port development together with targeted investments in tourism, exploitation of geothermal energy, road infrastructure, government accommodation and housing projects. Several of these major infrastructure works will extend over the next two to three years.

Allocation by Functional Classification

92. We have improved our budget reporting capabilities significantly and as a result the budget has been classified according to the ten Functions of Government developed by the Organisation for Economic Co-operation and Development. The budget resources are allocated as follows: General Public services 28.1 percent; Defence 6.5 percent; Public Order and Safety 6.9percent; Economic

Affairs 32.1 percent; Environmental Protection 0.7 percent; Housing and Community Amenities 0.5 percent; Health 12.3 percent; Recreation, Culture, and Religion 2 percent; Education 6.7 percent; Social Protection 4.1 percent.

Public Debt

93. Government of Montserrat's total debt obligation stands at just over \$6.2 million. The bulk of this debt is public guaranteed debt on behalf of the Montserrat Port Authority. The debt levels will be increased when the implementation of the MUL Power project is completed.

94. Even though Montserrat may be incurring additional debt, our debt to GDP ratio will continue to be less than 10 percent. This is well below the fiscal benchmark of 60 percent set by the Eastern Caribbean Central Bank and by other international institutions. We want to keep it that way and therefore on the occasions when government deems it necessary to borrow, it will be done within an overall strategy with clear goals, outcomes and repayment plan.

Budget Summary

95. Government of Montserrat in partnership with DFID intends to move the budgetary process to a three year medium term framework. That way, we take a somewhat longer view than working from one year to the next. The summary of the 2015 budget is :-

2015 - 16 (rounded, in EC\$ millions):

EXPENDITURE:	Recurrent: \$ 127.37	Capital: \$ 43.42
	Total: \$ 170.79	

REVENUES:	Local: \$ 47.69
	<u>Aid: \$ 79.68</u>
	Total: \$ 127.37
	Total: \$ 125.69

And, for a baseline, the budgets for 2013 - 14 and 2014 – 15 are:

2013 – 14 (actual, rounded, in EC\$ millions):

EXPENDITURE: Recurrent: \$ 114.55 Capital: \$ 68.29

REVENUES: Local: \$ 43.58
 Aid: \$ 71.92
 Total: \$ 115.52

TOTAL: \$ 182.84

96. **2014 – 15** (revised, rounded, in EC\$ millions):

EXPENDITURE: Recurrent: \$ 122.53 Capital: \$ 75.73

REVENUES: Local: \$ 44.65
 Aid: \$ 76.46
 Total: \$ 121.12

TOTAL: \$ 198.26

97. The recurrent budget has grown slightly, though that has to be seen in light of inflation that (as a rough estimate) may run between 3 – 5percent per year.

98. As a new government, we have already put on the table the principle that our future budgets need to be more realistic relative to identified or credible needs and to the long term commitment to lay the basis for a self-sustaining economy. We will therefore make reference to the St Helena yardstick, as DFID has in effect advised us to use.

99. It is our intent, therefore to put forward the compelling business cases that will help to do that. However, it is also clear that we as a

nation must stand together as one, to make our case and build our future. And those of us in our diaspora will have a particularly important role as a lobby for Montserrat.

ACKNOWLEDGEMENTS

100. Madam Speaker, before I conclude, I would first like to acknowledge the efforts of not only my Ministerial Colleagues and the Ministry of Finance but of all Ministries, Departments and Offices across our Public Service, as well as Her Majesty's Government – in particular DFID and the Foreign and Commonwealth Office – in providing budgetary and technical support in taking forward our programmes.
101. Madam Speaker, we also recognise the continued budgetary support received from the European Union; and we further acknowledge the efforts of the Commission to facilitate our needs and capacity issues. We look forward to working with the Delegation in progressing the much needed support.
102. Madam Speaker, we also want to express our appreciation for the support of our regional organisations in providing a sense of stability and enabling greater policy coordination. In this regard, we thank the CARICOM and OECS Secretariats and the OECS Authority for their continued support. We applaud the continued work and support of CDB and CARTAC in the provision of technical and policy support. We want to commend the work of the Eastern Caribbean Central Bank through its Governor and staff in maintaining financial stability and fiscal policy support to the OECS region.

CONCLUSION

103. Madam Speaker, we face a great challenge, and it will require courage, diligence, and a determined effort on the part of us all. Our predecessors, past and present public servants, our private sector and our National Heroes have paved the way

for this very moment. This moment in our history will be remembered as the moment where our beacon of hope was re-lit, and a legacy secured for us and future generations.

104. Most importantly as a people, let us use our coming successes as a nation to share the good news of the blessings God has bestowed on us, and be the embodiment of the Christian message to our nation, our region and the world.

105. Madam Speaker, again I say “*Rise Up . . . with Art and Skill and Sacrifice*” to fulfill our destiny and rebuild “*this great land*”.

Thank you.

May God Bless Montserrat

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