

BUDGET STATEMENT

2019-2020



A NEW ERA OF TRANSFORMATION A PLATFORM FOR PROGRESS

**Presented by the Hon. Premier Donaldson Romeo
Minister of Finance & Economic Management**

*Delivered in the Legislative Assembly
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ABBREVIATION

| | |
|----------------|---|
| CARICOM | Caribbean Community |
| CARTAC | Caribbean Regional Technical Assistance Centre |
| CDB | Caribbean Development Bank |
| CIPREG | Capital Investment Programme for Resilient Economic Growth |
| DFID | Department for International Development |
| ECCB | Eastern Caribbean Central Bank |
| ECCU | Eastern Caribbean Central Union |
| OECS | Organisation of Eastern Caribbean States |
| PAHO | Pan American Health Organisation |
| PMO | Project Management Office |
| SCAF | Small Capital Asset Fund |
| UNECLAC | United Nations Economic Commission for Latin America and the Caribbean |
| UNESCO | United Nations Educational Scientific and Cultural Organisation |
| UNICEF | United Nation Children’s Fund |

2019 BUDGET STATEMENT

A New Era of Transformation: A Platform for Progress

Madam Speaker, I rise to move a motion for the second reading of the Bill entitled the Appropriation Bill 2019/20.

OPENING REMARKS

1. I begin by thanking Almighty God, from whom all blessings flow.
2. I am humbled and honoured this afternoon to present to the Legislative Assembly the budget for the financial year 2019/20.
3. Today, we will consider an historic budget. A budget which marks a milestone in the long journey to build strong and sustainable foundations for a better Montserrat, and in our development partnership with the UK. Given the significance of the transformational projects in the budget, we now stand on the threshold of an era of growth and progress towards a robust future. We have strengthened our governance framework, with financial management systems and controls that improve the trust and confidence in public spending. In that context, we are now seeing key infrastructure investments and interest by local and international investors that could open up further opportunities for a new Montserrat economy.
4. Yes, despite what naysayers may say, through a hard, inch by inch struggle over the past four years, we have taken Montserrat forward, moving from lacking a base for growth, from damaging governance challenges and from consequent lack of room for jobs growth to one of optimism.
5. For example, the upcoming Little Bay breakwater and berth will bring better tourism and trade opportunities. The upcoming Fibre Optic Cable Project opens up room for a digitally based sector. The new 250 kiloWatt Solar PV power plant points to a greener energy future. The new tourism strategy and economic growth strategy lay out a ten-year road-map to take advantage of these opportunities. That's why projected growth in our economy for the year ahead is 3.2 – 3.5%. We are on the way to the growth targets outlined in our economic strategy.
6. We have moved to a much more credible budget which was critical to implementing the programs you the people have charged us to deliver. Estimates of recurrent Revenue and Expenditure for 2019/20 provide for *a total of \$137.77 million dollars*. This is a 4.81% increase over EC\$132.73 million for fiscal year 2018/19. On the *capital side there is EC\$ 64.40 million to finance several key infrastructure projects*

that will open the doorway for faster, self-sustaining growth of our economy in years to come.

Yes, the recurrent budget on the table before us today is,

one hundred and thirty-seven million, seven hundred and seventy-two thousand, two hundred Eastern Caribbean dollars (EC\$ 137,772,200)

the Development budget is,

sixty-four million, three hundred and ninety-nine thousand, four hundred dollars (EC\$ 64,399,400)

and the total is therefore,

two hundred and two million, one hundred and seventy-one thousand six hundred dollars (EC\$ 202,171,600).

7. Let us pause to reflect on our journey over the past thirty years. For, 2019 marks the **thirtieth** anniversary of Hurricane Hugo, which brought devastation to our shores on September 17, 1989. The storm raged over our island for 14 hours, causing damage to more than 90% of our buildings. Our hospital was destroyed, our electricity supply was cut off, our water supplies were compromised, our petroleum was rationed, and our communication channels with the outside world were extinguished. Added to that we also faced a financial, offshore banking scandal. Nonetheless, we set out on rebuilding and that we did. Then, just six years later, the Soufriere Hills volcano eruptions further compounded our tragedy with natural forces far beyond our control. The fabric of our economy was torn up and our people were displaced, many being forced to leave our shores. We lost a lot of our capability. But whilst these forces may have changed our path, such disasters did not change our destiny.
8. Our destiny **is** to become self-sufficient. Our destiny **is** to grow and thrive as a united people. Our destiny is to transform our economy for all who have the grace to live, work, visit and invest here.
9. That is why today, I present a budget that is both the last budget of this Session, and the first budget of a new era. A budget that takes account of our years-long effort to strengthen our economic foundations, whilst setting out a sound platform for the next phase: **economic transformation**. Inch by inch uphill over the past several years, we have created a base for sustaining growth that will bring opportunities for our people.
10. As we meet in the house today, we are looking to award a contract to install a sea-borne fibre optics cable. This will open up better access for digital information and digital productivity in the emerging 5G and HTML5, Artificial Intelligence world. Likewise, over the next few weeks, the contractors for our new breakwater and berth will be holding public presentations and consultations on the design. And even

though we have had a challenge with the third geothermal well, we are moving forward with partners to develop Geothermal electricity. As the local news has reported, we have just commissioned a 250 kW solar PV power plant, which is 10 % of our peak load. Also, a new Director of Tourism is in place to drive forward our new Tourism Strategy. Similarly, a new Director for the Programme Management Office is in place. The PMO will help us to build capacity and it will help us to move forward the priority strategic projects in our development programme.

11. I am pleased to also announce in this budget today that **the £30 million Capital Investment Programme for Resilient Economic Growth (CIPREG)** has not only been agreed with Her Majesty's Government, but that funding streams are already active for a range of new project investments as I will outline. Further still, significant investments are included in this package including significant multi-million pound commitments to build Montserrat's long awaited hospital facility. We are about to launch the next phase of our social housing developments and the A1 road project.
12. In addition, early in the 2018/19 fiscal year we signed off on the European Union Budget Support Programme which provides capital funding to the tune of €17.4million, almost EC\$52.2 million and a further €1.0 million or EC\$3.0 million to fund our technical assistance requirements to support this capital programme. These funds are provided under the EDF 11th Programme and will be used to finance projects over the next three years.
13. Yes, the financial year 2018/19 has been a year for breakthroughs. Through those breakthroughs, we were able to secure finances to fund the long-needed key transformational projects and programmes that will build a platform for progress.
14. These transformational investments will open up opportunities for our people. That transformation is already on the way – at sea, on land, and in the skies; signaling a renewed confidence from our development partners:
 - a. At *sea*, our Port Development Project continues to make significant progress as a keystone initiative for access, for trade and for tourism. The Environmental Social Impact Assessment for this project is now complete, enabling the team to move forward with finalizing the design, on track to break ground next year. On Friday this week, initial designs by Stantec will be presented to stakeholders for input.
 - b. *Also at sea*, the Subsea fibre optic project will knit Montserrat into the international fibre optic grid and provide a **multitude** of economic and **societal** benefits. The procurement process for the installation, operation and maintenance of the fibre optic link is nearly complete, based on the four bids that were received. This will open up the digital sector, enabling private sector led growth through government investment.

- c. ***On land***, we have implemented a number of key infrastructure projects this year, including road improvements, social housing, and the completion of the ZJB Building. We are approaching agreement to embark upon Phase 2 of the A01 Road Project, which will make our transport network more resilient and accessible. Our LED public lighting project will improve our street lighting and area coverage.
- d. We have also begun ***a new phase of our tourism development*** to bring new and returning visitors to our shores. This is supported by newly secured EU funding, 18.4 million Euros. These funds will initiate development of the new Volcano Interpretive Centre, improvements to our hiking trails and beach amenities, and the creation of new and improved visitor products.
- e. And ***in the skies***, we have begun to harness the energy of the sun with our newly operational 250KW Solar Photovoltaic power project, providing a capacity of 10% of peak electricity load. We now plan to increase our solar capacity to 1MW, with battery storage capability. This is to be done by the end of this financial year. We are on our journey to transition from fossil fuel reliance to 100% renewable energy. These projects also build up our capability to work with green energy technologies, which are the wave of the future.
- f. When it comes to ***the skies***, we will also be embarking upon a new phase of our Airport Improvement Project, as well as moving forward with the installation of the new airport control tower. We will be proceeding with the runway resurfacing initiative, ensuring that we meet the highest standards of safety and compliance, and ensuring that our access arrangements are able to support growth in our visitor economy. Also, we have agreed with ASSI to provide night time medical evacuation flights and similar emergencies.
- g. Today, each and every member of the Montserrat family is called upon to ***join our transformation***, to overcome the recent past, to embrace change and, with God's grace and guidance, step forward together into the new era of our destiny.
- h. We did not get here overnight. Inch by inch we have been putting in place the foundation for Montserrat's future in a tough, uphill struggle.

ECONOMIC CONTEXT

GLOBAL TRENDS

- 15.** Madam Speaker, trends in leading economies such as the UK, Europe, the USA, and China as well as the outlook for the EC Dollar zone and the wider Caribbean are all very relevant to Montserrat; especially through trade, tourism, investment and the cost of energy. We therefore need to monitor such trends carefully if we are to plan effectively as a community, firms and families.
- 16.** The slowing of world's major economies as suggested by many global analysts could rapidly affect Montserrat and other economies of the ECCU (Eastern Caribbean Currency Union) due to our tourism and trade relations. Also, DFID's aid budget is directly tied to the UK's GDP, so an economic slowdown there would put pressure on the UK Government budget that supports 60% of our own recurrent budget and an even bigger proportion of our capital budget.
- 17.** That is one reason why it is always important for us to recognise that, under the legal force of the UN Charter, Article 73, the UK's own Policies and Laws oblige HMG to make Montserrat a priority on the UK's Aid budget. From 2013, the UK has spent 0.7% of GDP on development aid, and in 2017, it spent £14.06 billion. That's also part of why it was so important that, as a start, CIPREG – a £30 million long term development project funding arrangement – is being put in place.
- 18.** Since the major global recession of 2008 to 2009, economic growth in advanced countries has been sluggish including the major European economies. The UK – which has the world's seventh largest economy – is currently expected to grow at 1.2% and the Euro zone at 1.3%.
- 19.** China, the world's second largest economy is also slowing down. Its economy grew 6.6% in 2018 and is now expected to grow 6.3% this year. The economic growth story in the US- although growing-the current expansion in the US has already been one of its longest since World War II. So, as the typical “boom-bust business cycle” is 8 – 11 years, a recession may be coming sooner or later.
- 20.** Madame Speaker- as the global economic centre of gravity shifts towards Asia, the western economies are struggling to support their social and economic order. As the global GDP contribution by the western economies decline and grows in the Asian economies that will have an ongoing implication for our region. That is a huge change that could directly affect our future tourism possibilities. Chinese and Indian tourists will find it far more convenient to go to Thailand, or to Australia or even to Hawaii, than to fly half way around the world to us here in the Caribbean.
- 21.** Madam Speaker, global trends help us to understand the signs of our times, so that we may know what Montserrat should do. Then, we must always act with accurate

vision, courage and confidence in God's protection, provision and blessing. That is already obvious as we and other OT's contemplate the recent FAC Report and its points of "divergence and friction.

- 22.** Obviously, we must not put all our economic eggs in the tourism basket. That's also a good reason why the Fibre Optic Cable and a linked vibrant digital sector are vital for Montserrat's future economy. As the digital & technology sectors become more global, having a digital connectivity is a must. Hence, we must help our youth prepare for an ever more digital world economy. The Fibre Optic Cable is a first key step in that direction.
- 23.** Similarly, we must aim to feed ourselves from our own land and seas as much as we can. *And, we need a greener, more local energy base for our economy: solar, wind and geothermal.*
- 24.** Madam Speaker, the political uncertainty that surrounds Brexit poses further risks for Montserrat's economic growth and stability. Thankfully, as we already mentioned, such risks will be cushioned by the binding nature of the UK's obligations to Montserrat and other Overseas Territories under the UN Charter, Article 73.
- 25.** The UK's economic picture remains murky and uncertain as it departs from the EU. While the UK has taken some steps to offset economic challenges (such as the announcement of a fiscal stimulus package in 2019), the UK economy is on fragile grounds.
- 26.** For example, while the markets have to some extent built in the risk of a no-deal Brexit, the sterling may stumble as the UK and the world adjust to a post-EU Britain. The fluctuation of the pound Sterling would have a direct impact on the budget of Montserrat. However, in the past the UK has helped to cushion such impacts. We are working on strategies to reduce the impact of this type of risk.
- 27.** We are also working with our sister OT's, on the way forward in regards to our post-Brexit relationship with the European Union. Brexit should not affect the current agreement between Montserrat and the European Union that extends to 2020. If Montserrat does lose access to the balance of the EU funds post-Brexit, we have already received a guarantee from the UK that they will match any lost allocation.
- 28.** On a more positive note, we rejoice with our sister CARICOM country, Guyana, as more and more oil is discovered there. We also recognise that modern economies are driven by energy. So, it is good news that crude oil prices are expected to return to some level of stability during 2019 and in future years, compared to what we saw in 2018. Over the past twelve months, the yardstick Brent crude oil has fluctuated between about US \$ 50 to \$ 90 per barrel; currently it is about US \$ 70 - 75.

Fuel price is important to Montserrat, as *stable and moderate oil prices help to stabilise our economy, reduce inflation and increase predictability in revenue and expenditure forecasts.*

REGIONAL TRENDS

29. Madam Speaker, Montserrat is part of the EC Dollar zone; we are part of the ECCB, the CDB, the OECS, CARICOM and the wider Caribbean. Economic, social and policy trends in our region will directly affect us. We need to understand our region even as we help to shape its future by building a better Montserrat and through being a part of regional institutions and bodies. So, it is heartening to see that even while facing spiralling public debt, high unemployment, fiscal deficits and climate change related challenges the Caribbean's economies are defying the odds, and are predicted to yield a 2.1% rate of growth in 2019.
30. The Construction and Tourism sectors are the main contributors to the growth achieved in the EC Dollar zone, and those industries and sectors are expected to expand. Dominica will be the regional leader with a 9% growth as they continue to rebuild after the devastating storms that ravished the island, then Antigua and Barbuda and Guyana with 4.7% and 4.6% respectively.
31. Regional governments face many of the same challenge we have here in Montserrat. We all have to build sources of growth that are robust enough to withstand uncertainties of the global economies. It is also clear that while tourism is our region's most competitive economic sector, we will have to find a way to ride the world's growing digital wave. That will require further education transformation here in Montserrat and across the region in coming years. As a yardstick, we can already see that in 2014, the UK replaced "ICT" with Computing as a new subject for 5 to 14 year old students; with an emphasis on developing ability to write computer programs.¹ Looking ahead, we too will soon have to come together as a region, to create a programming-based "Computing for All" curriculum for our primary and secondary schools.
32. As a region, we must not neglect agriculture (which allows us to feed ourselves in a healthy manner), we will always need construction, we must have a strong banking and financial services sector and we must find a way to achieve sustainable, inclusive, "green" economic growth while adequately protecting our environment from ridge to reef.
33. Our own move towards a greener energy sector is part of a regional push. Our sea port improvement, installation of a new fibre optic cable and tourism strategy are all connected to Antigua and to other sister Caribbean territories.

¹ See <https://www.gov.uk/government/publications/national-curriculum-in-england-computing-programmes-of-study/national-curriculum-in-england-computing-programmes-of-study>

34. Similarly, our money (the EC Dollar) is a regional currency, managed by a regional Central Bank, the ECCB. We have already begun to work with the ECCB and with the Barbados-based firm, BITT, to create a digital dollar. Yes, the Government of Montserrat (GOM) is launching a pilot project to test the use of the Digital EC Dollar; right here, on island.²
35. We must continue to build our regional partnerships and we must continue to support our regional bodies as we share and shape a common economic space.

THE LOCAL ECONOMY

36. Madam Speaker, one year on from the passage of Hurricane Maria and Irma, Montserrat has regained some momentum in terms of growth, and the CIPREG £ 30 million capital programme is now on the table as a basis for future growth. Onward momentum will mainly be due to the continued implementation of our capital programme, especially the already highlighted catalytic infrastructure projects such as the breakwater and berth, airport upgrades, fibre optic cable and green power.
37. We are also promoting greater ownership and improvement of air and sea access and the like. We have put on the table, options including the proposal that we should own our own Ferry, one that is well-suited to our needs and to our seas. We are working towards putting in place a Twin Otter aircraft, which will improve air access.
38. It is positive news that growth ranging from 3.2% to 3.5% is expected for Montserrat during this financial year. This is a step towards our long-term vision that Montserrat is to achieve self-sustaining, inclusive growth. That way, we will gradually move beyond dependence on budgetary aid over 10 to 20 years. Also, as our economy grows and creates opportunities, our people will be able to save, invest, start new businesses and enjoy a better standard of living. This requires catalytic public investments: the sea port, the airport, the fibre optic cable, the hospital, socially provided housing, greener and more resilient electrical power supply. Such public investments will then set a stage for the local and international investments that will open up private sector led growth.
39. A self-sustaining, robust, growing local economy will pay its own way through its tax base, providing adequate Government revenue without over-taxing the economy. At the same time, such growth is not truly effective unless it benefits the people of Montserrat at large, that's why growth must be inclusive and it is why we need to reach out to the vulnerable.
40. Growth is expected to increase during this financial year with even greater predicted future growth, as this year will be a bridging year between the end of the DFID funded Infrastructure Priority Programme and implementation of the new £30 million

2 See TMR article: <https://www.themontserratreporter.com/montserrat-makes-first-moves-to-digital-payments/>

CIPREG five-year capital programme. Other projects will help to spur growth. These projects will include the EU-funded projects across Tourism, Infrastructure and Energy sectors.

41. The Economic Growth Strategy and Delivery Plan which were put in place last year by my Government details the strides that Montserrat needs to take in order to achieve sustained economic growth of around 5% per annum over the next 10 years.

SECTORAL ANALYSIS

42. Madam Speaker, the growth already experienced during 2018/19's financial year is driven by the performance of the key economic driving sectors, namely, Construction, Financial Intermediation, Mining and Quarry and Agriculture. Despite Public Administration being, without a doubt, the largest sector contributing to the overall economic growth of Montserrat it cannot carry our economy in the long-term. That's why we have to move to private sector led growth.
43. Our Mining and Quarrying sector is a small industry but it is a very crucial sector for the economy of Montserrat. The aggregate we produce is Montserrat's main exporting product to the neighbouring Caribbean Islands. Although the sector is susceptible to natural disaster and equipment loss and failure, growth is expected to be robust for the year ahead.
44. The Construction sector is another key sector for Montserrat. This will benefit from our capital investment programme, and this will benefit at large a number of persons in the economy who are dependent on it as their main source of income. Forecasts show substantial levels of growth over the upcoming years due to the size of the capital investment programme. And, we will always need somewhere to work and to live; so with a sea port, a hospital and housing to be built, this sector contributes to our long-term development.
45. The Agricultural sector is vital to Montserrat's future: we must strive to move towards locally grown foods as far as possible. The Government of Montserrat will continue to provide assistance to local farmers and fishermen; this will provide incentives to stay in this vital sector.
46. The Hotels and Restaurant sector is a proxy to judge the level of Tourism activity. It saw growth particularly in the St. Patrick's festival season as a large influx of Montserratians and visitors arrived on island to patronize and partake in the festive events. We estimate that there were 4,300 visitors for the festival.
47. Onward, the EU Investment in Tourism is expected to have a positive impact on the economy as a Tourism strategy was recently completed, new eco-tourism products will be developed and e-marketing will commence this financial year. Tourism only

accounts for 3% of our current GDP, but it has a huge scope for growth. For example, several neighbouring islands have hundreds of thousands to over a million visitors each year, we have the new Pompeii and we will be building up cultural and natural heritage attractions.

48. Montserrat is therefore poised for a year of growth in 2019/20.
49. Over the years beyond, the task for Government will be to help spark, stimulate and accelerate economic growth given our market opportunities and global trends. We propose to do this by increasing our tourist numbers, improving physical and digital access to Montserrat, rolling out a new capital programme, promoting local food production, supporting and developing the mining sector through engagement with the private sector and improving the business environment to promote enterprise culture.

Small Capital Asset Fund (SCAF)

50. The Small Capital Asset Fund (SCAF) provides an avenue for procuring Ministries and Departments' critical operational assets under \$250,000. It is a key way to finance Government of Montserrat's assets.
51. During the financial year 2018/19, \$1.8 million dollars was allocated towards meeting the GOM's small capital needs. A fair allocation was made so that each Ministry benefited from the funding. Assets bought through the SCAF range from Vehicles to Machines and Equipment and were directly aligned to the GOM's Policy Agenda. The Ministry of Education was the prime beneficiary this year as they received equipment necessary to uphold the Effective Schools Framework to which Montserrat subscribes.
52. This financial year the fund will have another \$1.8M available. Through this allocation, Government remains committed to supporting the various Ministries and Departments so that the productivity of government operations and services is not compromised.

BUDGET OVERVIEW & HIGHLIGHTS

- 53.** Madam Speaker, the budget is a main policy tool of government, but it must be guided by our national policy priorities; my administration set these out in 2015 as a policy agenda. These priorities lead to policies and plans under the Economic Growth Strategy, Food Security Strategy, Energy Policy, National ICT Policy, Education Development Plan and Youth and Sport Development Programme action plan.
- 54.** I now wish to highlight a few strategic facets of our budget:

TRANSPORT INFRASTRUCTURE AND ACCESS DEVELOPMENT

Roads and Bridges

- 55.** Madam Speaker, our transport and access network is the lifeblood of our economic growth and resilience. That is why physical infrastructure has been, and continues to be, a cornerstone of this administration's strategic focus. Our aim is to ensure that our physical infrastructure is resilient against natural disaster and climate change, that we can foster sustainable development and tourist growth, whilst improving safe access to essential services.
- 56.** With a recurrent budget of EC\$2.84M in 2018/19, we have made significant improvements to our network, including the reconstruction of the Carr's Bay Bridge, improvements to the Virgin Island road, and verge and drain maintenance across the entire road network. With EC\$1.4M capital investment from the Infrastructure Priority Programme, we have successfully completed the Barzeys Road realignment, improvement and bridge construction. This provides an alternative access route to the north of the Island and its facilities (including the hospital, sea port and airport) in the event that the main road is blocked.
- 57.** This year, the Government will continue to invest over \$3 million in our road development. With support from the new DFID capital programme (CIPREG)– we will commence Phase 2 of the A01 Road Improvement Project. This will improve the condition, width and safety of key sections of our road network for those who live, work and holiday in Montserrat, whilst also delivering the new ducting required for our fibre optic development.
- 58.** We are also committed to the modernisation of our vehicle licensing and registration system in the upcoming year, with machine-readable licenses, and greater automation enabling online licence renewal and payments. And in line with our commitment to a Green Montserrat, Madam Speaker, we plan to amend the Road Traffic Cap (7.06) to pave the way for the licencing of electric powered motor vehicles. We have already installed our first charging station.

Port Development

59. The Port Development initiative has begun to move forward over the last 12 months. Through working with our Management Agent, Stantec, we have completed the Environmental Social Impact Assessment. An ESIA is now a critical first step to the design and construction phases. The preliminary design for the new port and breakwater are in progress, so that tendering for the Design and Build Contractor can start in August, yes three months from now. This Project is a breakthrough for trade and for tourism. It will also stimulate our local economy through the injection of £21M or EC\$71M over the course of its construction, but more importantly it will open up entirely new markets and possibilities for access, trade, and tourism, thus for sustainable jobs. The Port Development Project will be nothing short of transformative in creating a stronger Montserrat.

Airport Development and Operations

60. Our Government continues to invest in airport development and operational improvement. This year, we have procured the new control tower cab, which will be raised into position on a concrete tower to be constructed later this year. This, together with newly secured air traffic technology equipment, will provide enhanced capabilities within Air Traffic Control. We have also installed additional wildlife measures to mitigate interruption to aircraft operations, and have enhanced the arrivals experience through the installation of air conditioning units within the terminal building.

61. In the coming year, we will undertake a new phase of capital investment through the Airport Improvement Project. This will enable the full resurfacing of our runway, ensuring we meet the highest standards, whilst improving our passenger experience. We will also be liaising with our airline operators to allow them to establish aircraft hangars and aviation fuel facilities, as well as continuing our expansion works on the Parking Apron. These will provide safer aircraft parking. As I already noted, we have agreed with ASSI to provide night time medical evacuation flights and similar emergencies.

The Ferry

62. During the past year, the online ferry booking system was improved to respond to customer requirements, including the reporting capability. We are also developing a ferry fare pricing & concessions policy. We intend to introduce discounted fares early in the second quarter. These special fares will apply to weekend travel, concessions on group travel for bookings made through a recognised tour operator or

from any recognised sports, cultural or religious organization. There will also be other discounts for the physically challenged.

Access and Tourism Development

- 63.** We are entering a bold new phase of Montserrat’s tourism development programme. Montserrat must grow as a viable, sought after tourism destination. Accordingly, the approved Tourism Master Plan and National Tourism Policy place the focus on re-establishing Tourism as a major driver of the economy. The Master Plan therefore calls for investment in product development and marketing.
- 64.** A **Tourism Strategy** has been developed and it was approved by Cabinet in March. It is the roadmap that guides us in implementing the Master Plan. This document was also helped us to attract EC\$6.5 million of funding under the 11th European Development Fund (EDF11). This money will be used to implement short to medium term projects for the period 2019 through 2022.
- 65.** During the development of the Strategy, there were consultations with tourism stakeholders, community organizations, members of the diaspora, tourism staff and government ministries, all with a view to ensuring that needs, industry gaps and feasible opportunities were taken into consideration. The focus of the strategy centres on:
- i. Conservation of the Natural Environment
 - ii. Visitor Attractions and Amenities
 - iii. Expansion and diversification of the Tourism Product
 - iv. Focused and Cost Effective Destination Marketing
 - v. Upgraded Quality and Service Standards
- 66.** A new vision for tourism has been formulated: “*Sustainable Development Through Quality Tourism*” and this would be supported by key strategic pillars, namely: the customer, the environment, technology, and the people of Montserrat, all built on a solid foundation of quality products and services.
- 67.** The complete set of statistics for 2018 is not yet available. However, the performance has been relatively flat for the period **January to June**, with moderate increases in **stayover visitors** (5895 passengers, compared to 5501 for the same period in 2017) and **excursionists** (1238 visitors versus 1056 in 2017). Despite a decrease in the number of **yacht calls** for the January to June 2018 period, there was a marked increase of 133% in the numbers of passengers and crew over the same period in 2017. Twenty-four (24) **cruise ship calls** were recorded for the period November 2018 to February 2019 with an estimated total of 3273 passengers. **Visitor**

expenditure for the period January to June 2018 increased to \$16.6 million, compared to \$15.6 million for the same period in 2017.

- 68.** This year's St Patrick's festival demonstrated Montserratian culture and hospitality at its best, with an estimated 4,300 visitor arrivals. This included more than 400 guests from Guadeloupe, 200 from St Kitts and Nevis, and almost 500 visitors from Antigua and Barbuda – providing a strong regional vibrancy to proceedings. This Government is committed to ensuring that Montserrat becomes a go-to destination for visitors within the region and across the globe, not only in March, but during other key events and festivals throughout the year.
- 69.** We have strengthened our already close ties with one of our nearest neighbours, by signing the Memorandum of Understanding with Antigua for eco-excursion tours to Montserrat. This has been supported by a successful roadshow in July 2018 and through enhanced media exposure to appeal to the Antiguan visitor market.
- 70.** Last year the government successfully secured a one-year ferry service from October 2018, and – in line with the Access Strategy that is being developed – we are already planning for a new procurement to better guarantee long-term ferry services between Antigua and Montserrat. This is supported by recent enhancements to the online ferry booking system, which significantly improves visitor experience, and the scheduling capability of the Access function.
- 71.** With our Tourism Strategy now fully approved, supported by our Master Plan, Madam Speaker, I am pleased to announce the activation of the EU funding stream of EC\$6.5M for implementation of a range of new tourism projects. Such projects include the development of the Volcano Interpretive Centre, improvements to our hiking trails and beach amenities, and development of new and improved visitor products and marketing.

ENERGY AND UTILITIES

- 72.** Madam Speaker, one of my Government's long term energy goals is to transition from the use of fossil fuels to 100% renewable energy in both the electricity and transport sectors. For this, we need to build up capacity to operate such sources of energy. Our newly commissioned 250KW Solar Photovoltaic power plant provides about 10% of our peak electricity demand. A new project is now in progress, to provide a further 750KW of capacity, with a new solar farm with battery storage. This will provide a total of 1MW of electricity generation or 40% of our peak load demand. This will be funded through EDF Programme 11.
- 73.** We are undertaking the LED Public Lighting replacement project, which will improve street lighting, will increase area coverage, and will lower operational costs to the Government of Montserrat. Similarly, we have now put in place Montserrat's

first electric vehicle charging station, and we are also in the process of procuring our first electric vehicle; with a view to investment in an electric vehicle fleet. We must build up our capability to support the emerging global trend to electric vehicles.

74. No conversation on renewable energy, can overlook the potential for geothermal on Montserrat. Following the successful execution of the first and second active geothermal wells, exploratory drilling for a third injection well was conducted by DFID this year. As is not uncommon, technical issues were experienced during the drilling phase, which unfortunately meant, as DfID claims, that the rig was no longer fit for purpose. The equipment has been demobilised, and an inspection has provided guidance on how the third well can be rehabilitated. Notwithstanding, I am delighted to announce that technical assistance funding has been made available through the £30 million CIPREG programme. These funds will be used to work with the private sector towards developing a framework to guide building the geothermal surface plant which will generate electricity from Wells 1 and 2.
75. In terms of our local utilities investments, Madam Speaker, we have ordered a replacement for our No.3 Generator, with funding of EC\$835,000 in order to reduce the risk of service outages.
76. This year, further capital investments will enhance the resilience of our electrical distribution network. We will implement phase 1 of underground ducting for the village of Lookout. MUL also secured funding this year in the amount of EC\$260,000 under the BNTF Programme for the replacement of 1.23km of water mains in the Salem area. The new piping will use high density polyethylene pipes. We will replace the water storage tank at Dick Hill and will upgrade the distribution mains at Lookout, improving our water system resiliency and efficiency.

DIGITAL ADVANCES

77. Given our digital age, we must take steps to deliver a 21st century information and technology foundation for Montserrat's economy. One of these, as was already noted, is that that our Subsea Fibre Optic Project is now funded through the £30 million CIPREG programme.
78. Last year, through working together with Terabit Consulting, the Government published Request for Proposals for the installation, operation and maintenance of a new subsea fibre link that will connect Montserrat back to the regional and international fibre optic grid. Four bids were received and are now under formal procurement consideration. We will hopefully move forward with a recommended contractor in the upcoming month. In the following months, we will carry out a sub-sea survey, obtain fibre optic cable and the service of a ship. Then, the fibre will be laid and connected to our local networks and to regional networks that are already tied in with the global fibre optic cable grid.

- 79.** The new cable will deliver far greater resilience to our communications networks, it will improve internet access, it will give better broadband services, it will expand our household reach, and most importantly it will support new broadband-dependent digital sector businesses. That will open up many ICT-related employment and training opportunities. We also expect to derive savings in other sectors from this investment, such as reduced medical referral and diagnostic costs, as we will be able to easily, reliably and rapidly transfer x-ray and other diagnostic data for consultant advice anywhere in the world, or could conduct high quality, colour-accurate teleconference based medical consultations, etc. Since the Internet is global, we can expect to see greater communication with and participation in every respect of Montserrat's development by our Diaspora and by other interested friends of Montserrat.
- 80.** Because of the economic potential, this administration is investing in ICT skills and education engagement. For example, for the 7th year running, the Government participated in the International Girls in ICT Day. This year more than 20 girls from each primary school were engaged in practical, skills based sessions to open up avenues for aspiration. We also hosted a three-week ICT summer camp, facilitated by a local ICT enterprise, 4thDymension, providing classes in 3D modelling, computer programming and design to more than 20 of our young people.
- 81.** We have also implemented an ICT After School Programme, geared towards teaching primary aged students the basics of computer programming, to create a knowledge foundation for secondary and tertiary education. And, through our support to the digitisation project for Montserrat Customs and Revenue Services, 15 of our young people were engaged as cadets to become skilled in this area.
- 82.** Given the strategic importance of the digital sector (and as has been in the news over the past year) we are partnering with groups of potential investors to build new digitally based businesses and open up room for growth.

EDUCATION, COMMUNITY AND YOUTH INVESTMENT

- 83.** I am pleased to announce that this government has made good on its commitment to improve access to educational material for all students in government schools with our new textbook programme. With increasing expansion of the curriculum, as well as increasing costs for textbooks, the government has determined that the life chances of our children should not be adversely affected due to no fault of their own. We have therefore taken the bold step to fund all textbooks, removing the burden from parents and students alike.
- 84.** Furthermore, we have continued to invest in our educational environment. Over the last year we have upgraded the ICT infrastructure at our primary schools; enabling us

to bring our interactive white boards online. At the secondary school level, we have moved forward to ensure that all CXC exams can be taken online, supported by power supply back-ups, an investment that places us at the leading edge of this regional educational approach. This is vital, as CXC has moved towards doing its exams online.

- 85.** This year Montserrat Secondary School celebrates its 80th year as a comprehensive secondary learning institution. Yet in the midst of our celebration, we were forced to decommission two of the school buildings on the current Salem site due to discovering structural building faults. Despite this, our teachers have shown grace and fortitude to deliver for the young minds of our future. I want to assure them, along with parents and children, that we are working tirelessly to find a funded solution for the medium and long term that will provide the greater capacity that our secondary school environment deserves.
- 86.** In the meantime, we have forged ahead making repairs and upgrades to the physical school plant at all schools, including the MSS. This includes painting, fencing, plumbing and other critical upgrades to improve the safety and resilience of our school environments for staff and students alike.

Community Youth and Sports

- 87.** We have restructured the Department of Youth Affairs and Sports to become the Department of Community, Youth and Sports Services. This emphasises the government's focus on both our youth and our communities, whilst enabling the department to foster stronger relationships with youth groups and sports associations. It also gives a home to ecclesiastical affairs for a more holistic approach to the well-being of our communities.
- 88.** Through the efforts of our committed staff, we have successfully delivered on a range of initiatives, including the ESCAPE Programme, which caters for students to have experiences in the arts, craft and sports, the School Leavers Programme, and a youth recognition programme.
- 89.** In sports, the last year has been another significant one for Montserrat. Through investment in the playing fields, we were able to successfully host three regional cricket tournaments. I am pleased to say that Montserrat emerged victorious at the Under 17 Leeward Island Tournament, and that we received four selections to the Leeward Islands Under 19 team. Our very own Zewandi White has been named to the West Indies Under-19 training squad, and Quinton Boatswain has earned a recall to the Leeward Islands team.
- 90.** Madam speaker, permit me to recognise the accomplishments of the Montserrat Football Association over the past year. Their recent victories have done Montserrat and themselves proud. It is my hope that this type of transformation translates to the youth and private sector in this budget year and beyond.

- 91.** We have also competed well in other international venues, both in basketball, and the commonwealth games, and we look forward to even greater achievements in the coming year.
- 92.** This is supported by our continued investment in our youth and sports development programme. Over the course of the last fiscal year, fifty-two apprentices undertook placements across a range of professions including fisheries, farming, mechanics, teaching, sports, and other trades. The programme has also assisted several of its youth to gain direct employment by serving as a “job centre” for the promotion of opportunities.
- 93.** Entrepreneurial development is fundamental to driving future growth and productivity. Through sponsorship of the Business Pitch Competition, participants have gone on to receive additional opportunities through regional incubators and development programmes. Our support for the Young Entrepreneur Association’s hosting of the first Young Entrepreneur Week has energised a community of 75 active members with a range of services and products already in development. And the piloting of two youth engagement events in farming and food heritage, have revitalised understanding of community identity.
- 94.** In the next year, the National Youth Policy will be revised to address the development and motivation of our young people in an ever-changing global landscape. A new Sports and Recreation policy will also further support future investment in sports development and integration.

AGRICULTURE

- 95.** On our journey to improved food self-sufficiency, over the past year we have seen the restart of onion production in Montserrat with support to the farming community, as well as increased local production of cabbages, carrots, lettuce and eggs. We have also constructed a new aquaponics demonstration system which, upon commissioning, will hold 80 tilapia and produce hundreds of leafy green vegetable plants in each production batch. The ultimate goal of this pilot is to demonstrate the benefits and capability of such backyard systems for alternative sources of fish protein and the ready supply of pak-choi, spinach and lettuce. The Department of Agriculture has also established a programme to reintroduce the public to the benefits of the pawpaw fruit, with the cultivation of four varieties for promotion to customers.
- 96.** Our Veterinary Division has also identified an artificial insemination programme for the improved genetic composition of local ruminants and pigs, with the aim to improve livestock productivity.

97. We continue to partner with local, regional and international bodies to improve our natural resource sector; our draft Montserrat Ocean Bill is proposed as subsidiary legislation for stakeholder review, and we have made notable progress with the drafting of a new Fisheries and ocean Governance Act, using the model OECS harmonised legislation.

HOUSING

98. Over the last year, some 44 households have received housing support from the government with an overall value of around EC\$2.0M. With DFID support, we were able to build four new 2-bedroom homes, enabling four families to finally have the opportunity to live in decent accommodation after more than 20 years since the volcanic disaster. We have also provided support to improve the living conditions of at least 10 vulnerable households under the Home Improvement Project.

99. Additionally, two (2) homes were constructed under the Home Programme at a total cost of \$580,626, and three homes received upgrades to their bathroom facilities. Four serviced lots were sold in the Lookout area, with survey work underway to enable the release of additional lands in the first and second quarter of this year.

100. Our priority concern, remains the construction of new social housing units to accommodate the most vulnerable individuals and families on the Housing waiting list. This will eradicate the risk posed by temporary and degraded wooden structures that were not constructed for long-term use in an environment within the Hurricane Belt. The Government's proposal for the funding of the construction of more than 30 social housing units under the CIPREG programme remains in the final stages of discussion with DFID, and I look forward to providing a substantive update at a future session.

HEALTHCARE, SOCIAL SERVICES

- 101.** We all agree that the health of our people is the foundation for our society's prosperity and economic development. I am sure that the entire Assembly would join me in thanking our healthcare community for their sheer hard work and resilience despite significant funding and staff challenges.
- 102.** Notwithstanding such challenges, government has invested in the procurement of critical equipment that improves diagnostic capacity and care. This includes:
- i. a new digital X-ray machine,
 - ii. a laboratory chemistry analyser,
 - iii. a haematology analyser,
 - iv. an operating theatre ventilation system,
 - v. a central sterilizer; and,
 - vi. a portable ventilator.
- 103.** Funding has also been secured for a new ultrasound machine and – for the first time in our post volcanic history – for the establishment of a High Dependency Unit for critically ill patients.
- 104.** For more than two decades, Montserrat has valiantly provided its healthcare services within a 30,000 square foot temporary hospital facility housed in an old school building. I am pleased to announce today, that we are finalising with DFID the functional content of our new fit- for- purpose hospital in line with Pan American Health Organisation (PAHO) Smart Hospital standards. We will now move on to the preliminary design of the new Glendon Hospital and then its construction and commissioning.
- 105.** In terms of primary healthcare, the Ministry's community nursing team has produced excellent coverage of Vaccine-preventable Childhood Diseases, resulting in zero reported cases. This is noteworthy, as declining vaccination rates have led to regional and international re-emergence of such diseases. For example, Measles.
- 106.** We also commend the various healthcare workers in ensuring that systems and protocols are adhered to, ensuring Montserrat's success in its revalidation for the elimination of Mother to child transmission of HIV and syphilis. Again, another remarkable achievement.
- 107.** Turning to secondary care, the team has markedly improved the management of persons living with non-communicable diseases, through the development of individualised Care and Educational Plans, together with ensuring the continuous availability of supplies and diagnostic tests. Further work to engage the full range of stakeholders in an individual's treatment has led to a more integrated approach to such patients within the hospital setting. This individualised system has also been

rolled out for all residents of Margeston Memorial Home, supported by ongoing staff training.

- 108.** We have continued to invest in our social services for the most vulnerable persons on Montserrat, through effective partnerships and targeted programmes. These include Child and family Services, child protective services, Adult Services, Probation and Parole; Gender Affairs and Counselling.
- 109.** We have also invested to improve our physical infrastructure, with maintenance work to facilities housing those suffering from mental illness, as well as improvements to the Golden Years Home, Salem Clinic, the Dental Clinic, and Environmental Health. Environmental Health has also been provided new Waste Management facilities to support staff health and safety, and progress has been made on improvements for the water treatment plant.
- 110.** We have also invested in our people. This, includes training in Basic Life Support and Advance Cardiac Life Support(ACLS) for four of our nurses. I would also like to thank neighbouring stakeholders, such as Antigua's Ministry of Health, who assisted with the provision of clinical staff during peak times of the year.
- 111.** As is true all over the world, our health care system has been under strain from the increasing costs of and demands for health care. Health statistics show that costs for medical referrals and requests for medical assistance from citizens have been increasing year on year; leading to an unsustainable projection. Therefore, Government will develop a sustainable health financing system as part of reforms to create a sustainable health care system which ensures that the barriers that prevent citizens of Montserrat from accessing affordable quality health care are eliminated. To do that we are determining, what is the most sustainable package of care for the citizens of Montserrat and how it will be financed. Given the complexity of determining a health benefits package and its financing, we are securing the services of a health economist to enable us to achieve this and the resultant steps.
- 112.** We are also in the process of acquiring an electronic health information system for Montserrat which will lead to a radical step-change in how health care is delivered and managed.

FISCAL POLICY MEASURES

Concessions and Incentives

113. Madam Speaker, since taking office we have implemented a mix of domestic policies to improve the lives of our people, especially to improve the lives of the most vulnerable of our population. Despite the challenges with funding, we will continue to put our people first and ensure that every citizen and resident experience an improved quality of life that is sustainable.

114. Over the years, as part of this we have offered a number of concessions. These programmes benefit a wide cross section of the community and are also intended to promote commercial activities that can create employment and generate revenue for our people. We plan to continue offering many of these during the 2019/20 period. We seek to do this without jeopardizing our needed revenue collection streams. Some of the main programmes that operated during the past year were:

- i. *Customs Duties and Consumption Tax (Alteration of Customs Duties and Consumption Tax) (Christmas Barrel) Order, 2018*

115. The traditional Christmas barrel programme was again approved by our Government and operated from 15th November 2018 to 31 January 2019. There were 803 barrels cleared under this programme with 584 recipients. We intend to again make this programme effective for the period November 15, 2019 to January 31, 2020.

- ii. *Customs Duties and Consumption Tax (Christmas Decorations) (Exemption) Order, 2018 S. R.O. 39 of 2018*

116. We also introduced a programme that exempted from the payment of Customs Duties and Consumption Tax on the importation of Christmas trees and other Christmas Decorations. This programme was well received and gave rise to the 2018 Christmas lighting competition. Again this will be continued in 2019/20

- iii. *Disaster Preparedness Exemption Order SR&O 66 of 2017 which expired 31st May 2018 was further extended by the Customs Duties and Consumption Tax (Disaster Preparedness) (Exemption) Order S.R.O. 21 of 2018*

117. We continued the drive to get persons and businesses to protect their properties by making them more resilient and be able to be better prepared for storms and to be up and operating after the passing of a storm. The extended order continued to grant exemption from Customs Duties and Consumption Tax on the importation of

Generators, Purpose built Hurricane Shutters, Chain saws and Wood chippers. The extension expired on 31st December 2018.

iv. ***Returning Montserrat Exemption Order 29 of 2017***

118. This order continues the programme of allowing Returning Montserratians to import items to build their home free of Customs Duty and Consumption Tax. Persons approved under this programme can import building materials and Furnishing free of customs Duty and Consumption tax for the sole use of constructing and occupying their homes. Key to this is that they prove that they have returned to Montserrat to stay.

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

119. This exemption order continues to be in place and is due to expire at the end of July this year. It will be extended for another year. We brought in this order back in 2017 to provide a mechanism to alleviate financial hardship for persons who wished to upgrade their Home appliances including those who had new built homes to assist them in furnishing such homes with furniture and appliances. This order continues to grant exemption from Customs Duties only on the importation of household Furniture and Appliances to include stoves, refrigerators and televisions.

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

120. Last year we demonstrated its support for the work that was done by the Cork Hill Reunion committee and we stated that we shared their passion and zeal to see that area become reoccupied in the near future. GoM continues to stand 100% behind this community initiative. The programme which was introduced to exempt from Customs Duties and Consumption Tax on all material imported for the sole use of building or repairing any structure in Zone C: Cork Hill, Weekes, Foxes Bay, Richmond Hill and Delvins is still in place. Apart from those who have repaired properties we are now seeing interest from Commercial entities wanting to set up operation in the area. Discussions are ongoing and as things progress, we will have more to report.

vii. ***Customs Duties and Consumption Tax (Property Developers) (Homes built for sale or rental) (Exemption) Order S. R.O. 15 of 2018***

121. Realizing the shortage of housing on island, particularly during the festival period, in 2018, we lowered the qualifying threshold for this programme from US\$300,000 to US\$180,000 so that more persons can qualify and get into the business of building homes for sale or rental. We continue to encourage locals,

members of the diaspora and property developers to take full advantage of the programme while it is in operation. Currently there are a number of development projects that have been approved under this programme with a view to see more homes being brought on to the property market.

viii. ***Customs Duties and Consumption Tax (Charitable Organisations) (Exemption) Order S.R.O. 19 of 2018***

- 122.** During the last year we also introduced a Programme whereby registered charitable organisations that are in the business of providing care to sick, indigent or disabled individuals can import vehicles for that purpose Duty Free.

Tax Administration

- a. **Income and Corporation Tax**- At the start of the 2018 financial year, with the assistance of DFID and Her Majesty's Revenue and Customs (HMRC), MCRS acquired a Tax Administration Computer System for use in the Administration for Income and Company Tax. The system has been put into use and will become fully operational for all Income and Company Tax assessments in three years as the MCRs goes through the tedious process of migrating the information for all Taxpayers from paper-based files to the new computer system.
- b. **Property Tax** - This year the MCRS will replace the current antiquated and un-upgradable property tax database. It will soon publish an Invitation to Tender (ITT) for developers to bid to build a new database for use in the administration of property tax and keeping property and valuation records.

Recurrent Revenue and Expenditures 2018/19

- 123.** Madam Speaker, overall recurrent revenue for 2018/19 was budgeted at \$132.7 million. However, the outturn recurrent revenue for 2018/19 was \$129.30 million. This represents an increase of around \$5 million over Government's collection on the previous year, 2017/18 of \$124.2 million.
- 124.** Budget Support from the UK remains the highest contributor to our revenues with a provision \$77.9 million in 2018-19.
- 125.** Local revenue collection for 2018/19 was \$51.31 million against a budget of \$52.68 million. The majority of which came from an increased collection in Personal Income Tax. Consumption Tax, which was the second largest revenue item, was \$12.4 million compared to \$10.6 million in 2017/18, an increase of \$1.7 million.

126. Our approved, estimated expenditure for 2018/19 was \$131.15 millions, and the revised figure is \$137.77 millions.

Recurrent Expenditure 2019/20

127. Madam Speaker, I will now present the estimates of Recurrent Expenditure for the 2019/20 financial year. As we noted already, the 2019/20 Estimates of Revenue and Expenditure provide for total expenditure (including debt servicing) of \$137.77 million.

128. Budgetary Allocations by economic classifications are as follows:

- Compensation of Employees \$50.07m or 36.3%
- Goods and Services \$50.12m or 36.4%
- Interest payments \$.38m or 0.3%
- Subsidies \$11.1 or 8.1%
- Grants \$6.8m or 5.0%
- Social Benefits \$15.69m or 11.4%
- Other Expenses \$3.53m or 2.6%

129. There are varying degrees of change across the various budget economic classifications for 2019/20 budgets when compared to the 2018/19 revised budget estimates.

- Salaries have been increased by \$2.71million or 7%;
- Allowances have been increased by \$0.69 million or 9%;
- Pensions & Gratuities reduced by \$0.16 million or 1%
- International Travel & Subsistence reduced by \$0.21 million or 23%
- Utilities reduced by \$0.18million or 7%;
- Furniture Equipment & Resources reduced by \$0.42 million or 12%
- Uniform/Protective Clothing reduced by \$0.13million or 35%
- Maintenance Services has been increased by \$0.86 million or 10%
- Rental of Assets reduced by \$0.159 million or 12%;
- Grants & Contributions increased by \$0.56 million or 8%;
- Social Protection reduced by \$1.04 million or 27%;
- Revenue Refunds reduced by \$0.22million or 15%;

- Claims against Government reduced by \$260 thousand or 66%;
- Sundry Expenses reduce by \$0.15 million or 24%;
- Programme Production & Promotion has been increased by \$0.53 million or 56%; and
- Debt Servicing – Interest increased by \$0.09 million or 24%.

New Spend Areas in 2019/20

130. Madam Speaker, new spends include:

- Deputy Governor - Uniform and Protective Clothing for Prison Officers;
- Ministry Communication, Works and Labour - Introduction of ICT Programmes;
- Education, Youth Affairs and Sports – Grants and contribution for the Merger of Youth and Sports Development Programme, Community Organization and Sport Associations, and Introduction of Montserrat Island Scholarship; and
- Health and Social Services - Increase in Pharmaceutical Supplies, and Maintenance of units for Social Housing Stock.

Recurrent Revenue 2019/20

131. Madam Speaker, the revenue estimate for 2019/20 is EC\$137.77 million. This represents a 4.81% increase over the 2018/19 approved estimates of EC\$131.15 million. The projected increase is based on a combination of improvements in revenue collection and modest economic growth expectations. The estimated revenue from local sources is EC\$58.17 million compare to EC\$52.68 million in 201/19. Total local revenues will be generated from two main areas: tax revenue and non-tax revenue (fees, fines, permits, rents, interests and licenses).

132. Budget support from DfID will contribute £23.18 million or EC\$79.60 million or 57.8% to the recurrent budget. Of this support £1.57 million or EC\$5.4 million will go towards Access Subsidy and £2.6 million or EC\$9.23 million will go towards Technical Cooperation and Capacity Building. An exchange rate of EC\$3.43 to £1.0 is used in the conversion.

Capital Items

133. The capital expenditure for 2019/20 is estimated to be EC\$64.40 million. The classifications are as follows:

- Economic Infrastructure development of EC\$53.23 million, 82.66%;
- Social Infrastructure development of EC\$8.21 million, 12.76%;
- Public Administration of \$2.56 million 3.99%;
- Agriculture of EC\$0.08 million, 0.13%;
- Statistical Research and Miscellaneous Projects of EC\$0.29 million 0.46%.

134. This Capital budget will be funded with the UK Government/DFID providing EC\$30.19 million or 47%; the European Union support amounting to EC\$25.56 million or 40%, UKCIF providing EC\$8.34 million, 13% and the remaining EC\$0.29 million, 0.46% from our local budget and other funding partners.

Overall Budget – Recurrent and Capital

- The total recurrent expenditure for 2019/20 is budgeted at EC\$137.77 million
- Capital expenditure for the 2019/20 is estimated to amount to EC\$64.40 million.
- Therefore, the total budget allocation for the fiscal year 2019/20 is EC\$202.17 million.

Allocation by Ministries and Programmes

135. 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.

136. The breakdown of the allocation for the 2019/20 recurrent budget by Ministry is as follows:

- a. The Office of the Deputy Governor receives EC\$29.11 million or 21.14% of the overall budget;

- b. The Ministry of Finance and Economic Development EC\$21.38 million or 15.52%;
 - c. The Ministry of Health and Social Services' allocation is EC\$20.39million or 14.80%;
 - d. Office of the Premier EC\$21.78 million or 15.81%;
 - e. The Ministry of Communication and Works EC\$13.73 million or 9.97%;
 - f. The Ministry of Education, Youth Affairs and Sport EC\$11.69 million or 8.48 %;
 - g. The Ministry of Agriculture, Lands, Housing and the Environment is allocated EC\$6.13 million or 4.45%
 - h. The Royal Montserrat Police Force EC\$7.13 or 5.17%; and
 - i. The balance \$6.43 million 4.6% of the budget is allocated among the other services of government which include Legislative and Judicial services, as well as the Office of the Auditor General.
- 137.** For ease of reference, the full set of allocations is detailed in the Estimates of Revenue and Expenditure tabled in this Honourable House.

Allocation by Functional Classification

138. Madam Speaker, the budget has been classified according to the ten Functions of Government developed by the Organisation for Economic Co-operation and Development (OECD) to allow for global comparisons. The recurrent budget resources are allocated as follows:

| | |
|-------------------------------------|-------|
| • General public services | 30.5% |
| • Defence | 1.3% |
| • Public order and safety | 7.4% |
| • Economic affairs | 35.7% |
| • Environmental protection | 0.7% |
| • Housing and community amenities | 0.4% |
| • Health | 10.4% |
| • Recreation, culture, and religion | 2.4% |
| • Education | 6.8% |
| • Social protection | 4.4% |

ACKNOWLEDGEMENTS AND THANKSGIVING

139. Madam Speaker, as I reflect on the past four and a half years, I am both humbled and encouraged by the sacrifices made and the support received from so many people, institutions, and other Governments in advancing the operations of Government and Montserrat.

140. I would first like to acknowledge the contribution of Her Majesty's Government and in particular DFID and the FCO in providing budgetary support and technical assistance in taking forward our programmes. We want to recognize the contribution of the Governor as we continue to work together in a manner that places the development of Montserrat and its people at the forefront.

141. We want to also recognize the substantial budgetary support received from the European Union. We applaud the efforts of the Commission to facilitate our development needs.

142. We also want to express our sincere appreciation for the support of our other international and regional organisations in providing a sense of stability enabling greater policy coordination. In this regard, we thank UNICEF, UNESCO, UNECLAC, Carbon War Room, Waitt Institute, PAHO CARICOM and the OECS Secretariat for their continued support. We applaud the continued work and support of CDB and CARTAC in the provision of technical assistance and policy advice. Last but more importantly, we want to publicly acknowledge, endorse and commend the work of the Eastern Caribbean Central Bank through its insightful Governor and staff in maintaining financial stability and providing fiscal policy support to the OECS region.
143. Very importantly the public officials at the various Ministries and Departments have worked beyond the call of duty. We all owe them a huge debt of gratitude. I cannot overemphasize the value of the work done by the small team of public officials at the Ministry of Finance. I wish to express my appreciation to them all.
144. Finally, I would like to thank the PDM team and the public for their support as we try to progress Montserrat's development.

CLOSING REMARKS

145. A journey of a thousand miles begins with a single step.
146. The journey to today was not without many rough patches in the form of distractions, Brexit, fall-outs, sometimes tense relationships with our funding agents, administrative and political changes, lack of capacity in critical posts and more. But with the help of Almighty God we progressed. First, we laid the foundations in 2015/16 to REVIVE, REBUILD, RESTORE: responding to a call of our DESTINY to let us arise as a people.
147. We progressed up the ladder, recognizing the season to lead, serve and move to change in 2016/17. We progressed, in 2017/18: advancing the towards Self-Sustainability and Inclusive Economic Growth, and in 2018/19, in the just concluded financial year, we were Advancing in Our Journey to Self-Sustainability through Strategic Investments.
148. These have laid the foundation, and a stable platform that today, this administration was able to present a budget of over EC\$200M dollars. This fresh budget marks the point where we stand on the threshold of an era of growth and of progress towards a robust future.

- 149.** Let us now come together as a united nation under God, as we continue our journey to fulfill our destiny: a thriving, wholesome, healthy, prosperous, God blessed Montserrat. For, the continuous and active participation of all our people and all our friends will be vital if we are to achieve a better tomorrow.
- 150. Thank you and may God continue to bless Montserrat.**

END