

# **Economic Growth Strategy and Delivery Plan for Montserrat**

Final

February 2018



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# 1 Introduction

This report presents the Draft for Consultation of the Economic and Growth Strategy and Delivery Plan (the Plan) for Montserrat. Our approach to creating this Economic Growth Strategy and Delivery Plan for Montserrat is to build a 'foundational economy' - creating and sustaining good jobs, and encouraging people to live and work on the island through policies that work for all.

## 1.1 Introduction

Mott MacDonald has been appointed by the Government of Montserrat (GoM) to produce an Economic Growth Strategy and Delivery Plan (the Plan) before the end of 2017. The work has been conducted through a combination of desk-based research, consultation (on-island and via telephone) and drawing on best practice. This report is our draft strategy and delivery plan, developed through this process.

The European Development Fund (EDF) Medium Term Economic Policy (MTEP) 2017-2021 for Montserrat, notes the need for an Economic Growth Strategy that will *"foster 'sustainable growth with benefits for all'"*<sup>1</sup>. The GoM have shown clear alignment with this policy by commissioning this Economic Growth Strategy and Delivery Plan, with its focus on producing a phased strategy that can achieve wide-ranging buy-in from across Montserrat society and be successfully delivered.

To achieve economic development that is sustainable, equitable and delivered for all citizens of Montserrat, we integrate inclusivity principles and actions in the Growth Strategy and Delivery Plan. Deliverability is aligned to the resources that may potentially be available, including skilled staff, capital expenditure, third party funding and in-kind contributions.

The fundamental purpose of the Plan is to assist Montserrat to develop its own unique local economy and build on its assets while simultaneously, albeit gradually, reducing its dependence on the UK government for recurrent expenditure. This will not be an overnight process: the Plan is a starting point for the next phase of the island's development. At the same time, the Plan must be a document that GoM (elected members and officers), other public agencies, private businesses and residents can get behind and support. It will act as a clarion call for a renewed focus on the island's economic development and, importantly, signal to private sector investors that Montserrat is open for business.

## 1.2 Context for the strategy

Montserrat is a small island economy, where the usual difficulties of such economies have been compounded by the aftermath of volcanic eruptions that devastated half of the island's territory including its former capital. Offsetting these (severe) difficulties are the underlying attractions of a beautiful Caribbean environment, and the scientific interest and geothermal potential of the volcanoes that have proved so destructive.

The graphic in Figure 1 illustrates the scale and progress of volcanic activity between 1995/97<sup>2</sup> which has had a major impact on the island. There is no doubt it has been devastating and although two decades ago, it is still very prominent in the lives of Montserratians. Prior to this in 1989, Montserrat and neighbouring islands also suffered widespread damage from a Category 5 hurricane, Hurricane Hugo. Likewise, Montserrat and neighbouring Caribbean islands have suffered from hurricanes of varying sizes in subsequent years. Our view as objective advisers is that the devastating effects of the volcanic activity and hurricanes are also writ large across the island's marketing and publicity material. It is now time to present a

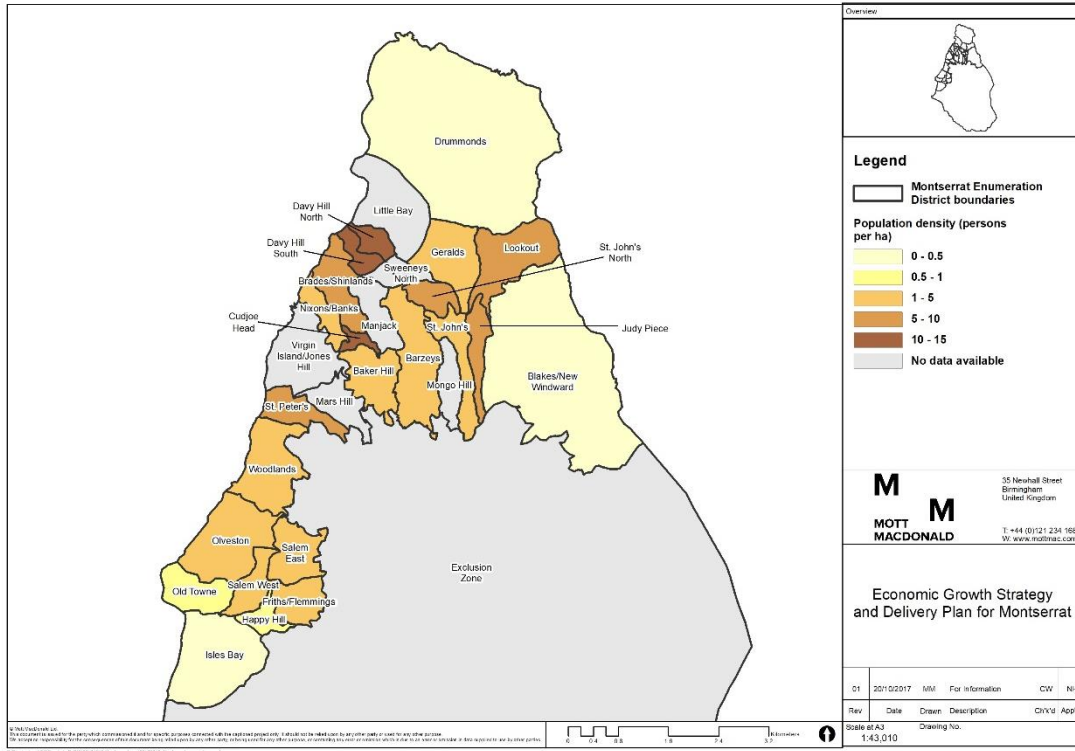
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<sup>1</sup> European Development Fund (EDF), Medium Term Economic Policy (MTEP) 2017-2021 (Annex 1), 2016

<sup>2</sup> The MVO has advised that the volcanic eruptions which began in 1995 are still on-going, greater access to Zone V and other areas close to the volcano can only safely be accessed one year after the volcanic current activity is deemed to have ceased by MVO officials ,



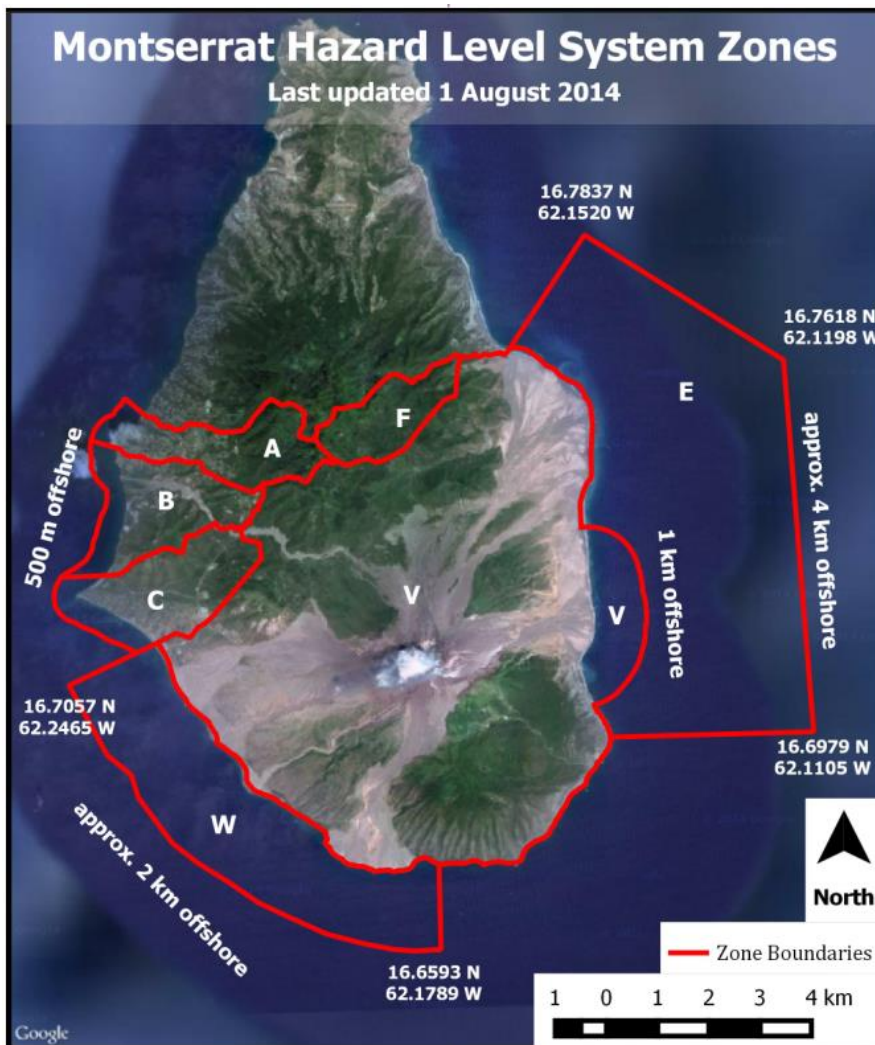
**Figure 2: Montserrat population density (persons per ha)**



Source: GoM Statistics Department

The volcanic eruption led to a large proportion of the island being designated as an exclusion zone, the majority of which (Zone V, see below) was damaged by the 1995/7 volcanic eruptions. Access to Zone V is restricted and subject to control by the Montserrat Volcano Observatory (MVO) which monitors the volcanic activity and advises on safety. As a result of the continued risk of future volcanic activity, Zone V cannot be permanently occupied and entry is only permitted with a police escort.

Figure 3: Montserrat Hazard Level System Zones



Hazard Level <sup>1</sup>		0	1	2	3	4	5
<b>Typical Activity<sup>2</sup></b>		More than one year with no measured activity. <sup>2</sup> Only volcano-environmental hazards. <sup>4</sup>	No surface activity <sup>5</sup> for an extended period. Low measured activity. <sup>3</sup>	No surface activity that threatens the north or west. <sup>6</sup> Low measured activity. <sup>3</sup>	Mild surface activity that threatens the west. <sup>7</sup> Significant change of measured activity. <sup>8</sup> High measured activity. <sup>9</sup>	Lava extrusion that threatens the north or west. Large unstable dome to the north or west.	Threat of large pyroclastic flows to the north or north-west. Threat of lateral blast or sector collapse.
<b>Zones</b>	<b>A</b>	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Controlled Access
	<b>B</b>	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Controlled Access	Controlled Access
	<b>C</b>	Unrestricted	Unrestricted	Daytime Access	Controlled Access	Controlled Access	Essential Workers
	<b>F</b>	Unrestricted	Unrestricted	Daytime Access	Daytime Access	Controlled Access	Controlled Access
	<b>V</b>	Access to Some Areas	Controlled Access	Essential Workers	Essential Workers	Essential Workers	Essential Workers
<b>Maritime Zones</b>	<b>W</b>	Unrestricted	Daytime Transit	Daytime Transit	Daytime Transit	Essential Workers	Essential Workers
	<b>E</b>	Unrestricted	Daytime Transit	Essential Workers	Essential Workers	Essential Workers	Essential Workers

**Severe Weather**

The Hazard Level or access restrictions may be changed for severe weather such as unusually high rainfall, storms or hurricanes.

**Changes**

Changes in the Hazard Level, access restrictions or the times of any Daytime Access, are announced on ZJB, Radio Montserrat and by MVO.

**Notes**

- The Hazard Level is not related to the Alert Level used prior to 1 August 2008.
- The descriptions of typical activity are indicative only. The Hazard level will be set based on an assessment of the actual activity.
- Measured activity refers to all the monitoring techniques used by MVO including seismic, ground deformation, gas measurements and visual observations.
- Volcano-environmental hazards are hazards that exist after lava extrusion and dome growth has stopped. They include lahars and landslides.
- Surface activity includes lava extrusion, dome growth and pyroclastic flows.
- For example, a lava dome contained by the crater.
- For instance, mild ash venting from vents located on the northern or western side of the crater with no measured activity that might be a precursor to larger activity.
- Any change in measured activity which may be a precursor to an eruption caused by a sudden rise of magma beneath the dome. This may or may not, be accompanied by surface activity such as explosions or dome growth.
- A high level of measured activity which may be the precursor to an eruption caused by the steady rise of magma within the volcano. This may, or may not, be accompanied by surface activity such as explosions or dome growth.
- The times for Daytime Access are set by NDPRAC and publicised on ZJB and by MVO.
- Approval is co-ordinated by the Director, DMCA.

Access Restrictions
<b>Unrestricted</b> Ashfall and lahars can be significant hazards in all areas, and require appropriate precautions.
<b>Daytime Access<sup>10</sup></b> Access is permitted during daytime only. Access gates will be locked at all other times.
<b>Daytime Transit<sup>10</sup></b> Boats permitted to travel through the Maritime Zone without stopping during daytime only.
<b>Access to Some Areas</b> Areas will be defined depending on the state and location of volcano-environmental hazards.
<b>Controlled Access</b> No access without approval from NDPRAC <sup>11</sup> . Gates will be locked at all times.
<b>Essential Workers</b> No access apart from MVO and associated staff. Access for essential maintenance only with approval from NDPRAC <sup>11</sup> . Gates will be locked at all times.

**Hazard Level System  
Version 3  
1 August 2014**



Further information: [www.mvo.ms](http://www.mvo.ms)

Source: [http://www.mvo.ms/pub/Hazard\\_Level\\_System/HLS-20140801.pdf](http://www.mvo.ms/pub/Hazard_Level_System/HLS-20140801.pdf)

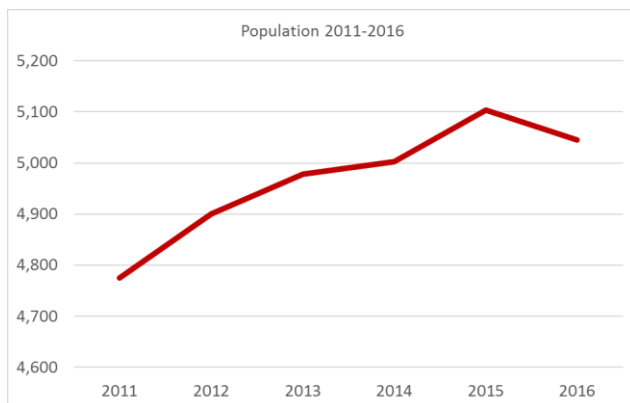
A statistical overview of the island and its socio-economic characteristics is presented on the following pages. All financial data are expressed in Eastern Caribbean dollars.

Currently, about one half of GDP is represented by a grant in aid from the UK government, though there is an aspiration to reduce and eventually eliminate this subsidy over time. Substantially all goods consumed in Montserrat are imported and import duties are a major source of government revenue.

### 1.3 Demographic profile

## Montserrat Baseline Socio-demographic Statistics

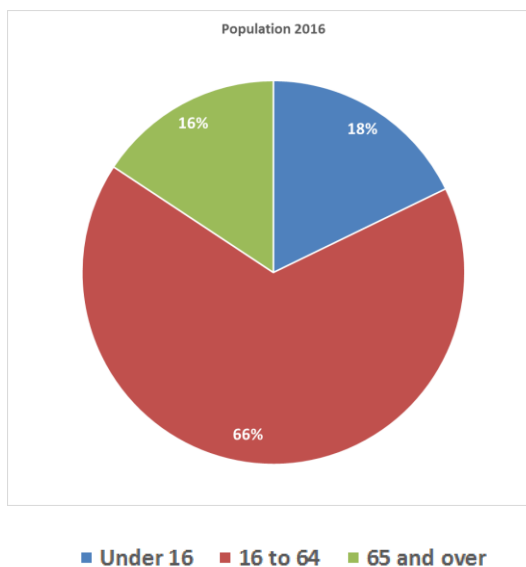
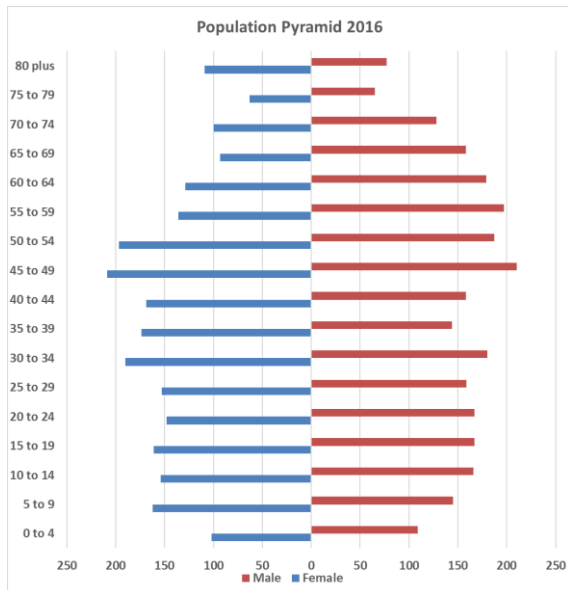
### Population



Year	Annual Growth Rate %		
	Male	Female	Total
2012	9.9%	(4.2%)	2.6%
2013	0.5%	2.8%	1.6%
2014	1.0%	0.0%	0.5%
2015	0.9%	3.2%	2.0%
2016	(0.2%)	(2.2%)	(1.2%)
<b>Growth Rate over 5-Year Period</b>	<b>2.5%</b>	<b>(0.1%)</b>	<b>1.1%</b>

The population of Montserrat in 2016 is estimated to be 5,045 people. This has grown from 4,775 in 2011 and over the 5 year period has grown on average by 1.13% per annum.

	Female	Male	Total
Population Under 16	453	446	899
Population aged 16 to 64	1,631	1,722	3,353
Population aged 65 and over	365	428	793
<b>Total</b>	<b>2,449</b>	<b>2,596</b>	<b>5,045</b>



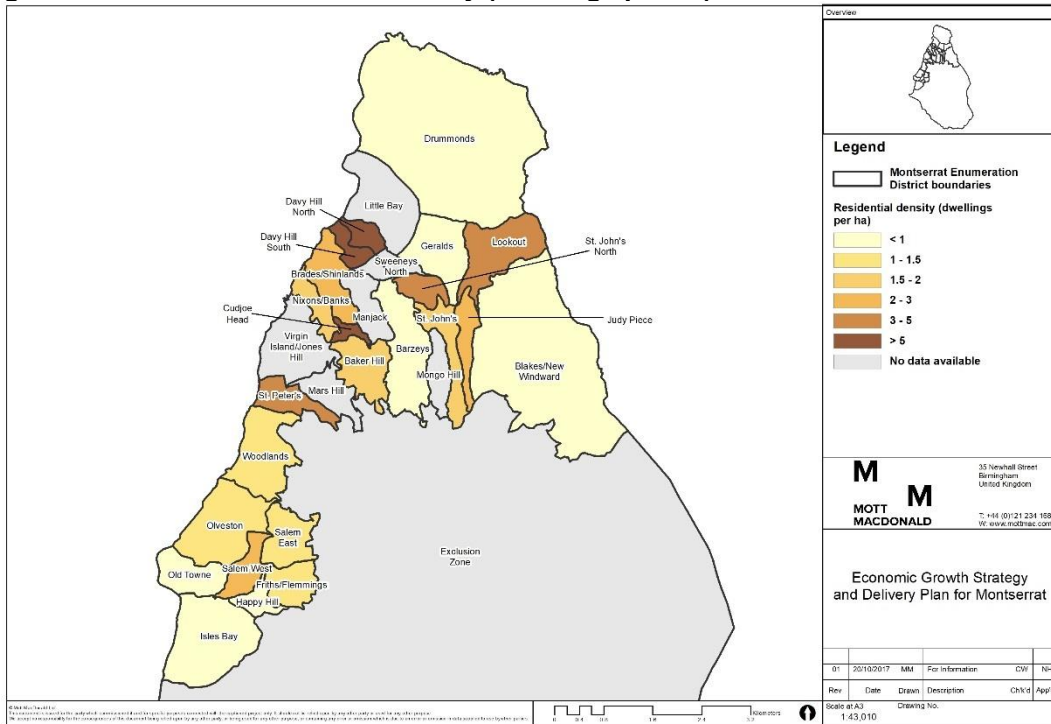
Of a population of 5,045, 66% of this consisted of working age population between 16 and 64, with 18% of those aged under 16 and the remaining 16% aged 65 and over. The median age band, those aged 45-49, is notably large.

Source: Statistics Department, Ministry of Finance and Economic Management (MoFEM), MONTERRAT

### 1.4 Land-use availability

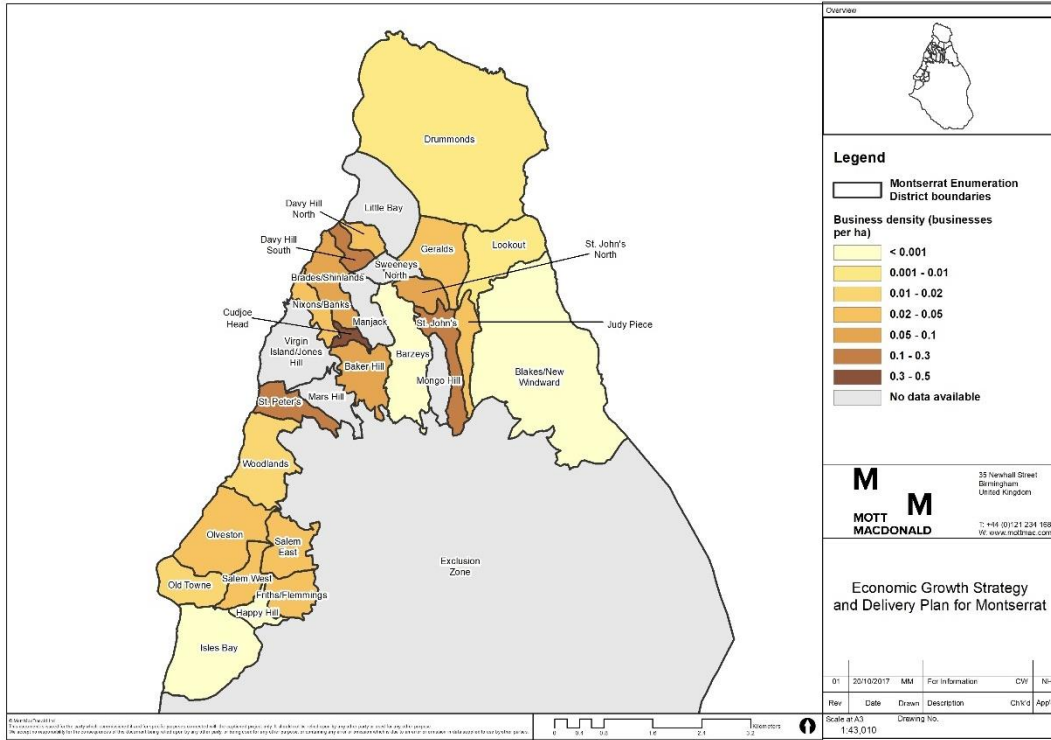
The terrain and topography of Montserrat do not readily provide development sites or land with potential for development. A linear built form has emerged which extends along the main roads with small clusters of dwellings and economic activity at various points with no clear vision to guide the island's future land utilisation. Little Bay and the GoM compound area have potential for more intensive utilisation than currently exists and this could support the projects and sectors that have emerged as priorities in this study. Presently, Montserrat has no natural locus for activity with dwellings and business premises demonstrating a dispersed spatial pattern.

**Figure 4: Montserrat residential density (dwellings per ha)**



Source: Montserrat Statistics Department and Mott MacDonald

**Figure 5: Montserrat business density (businesses per ha)**



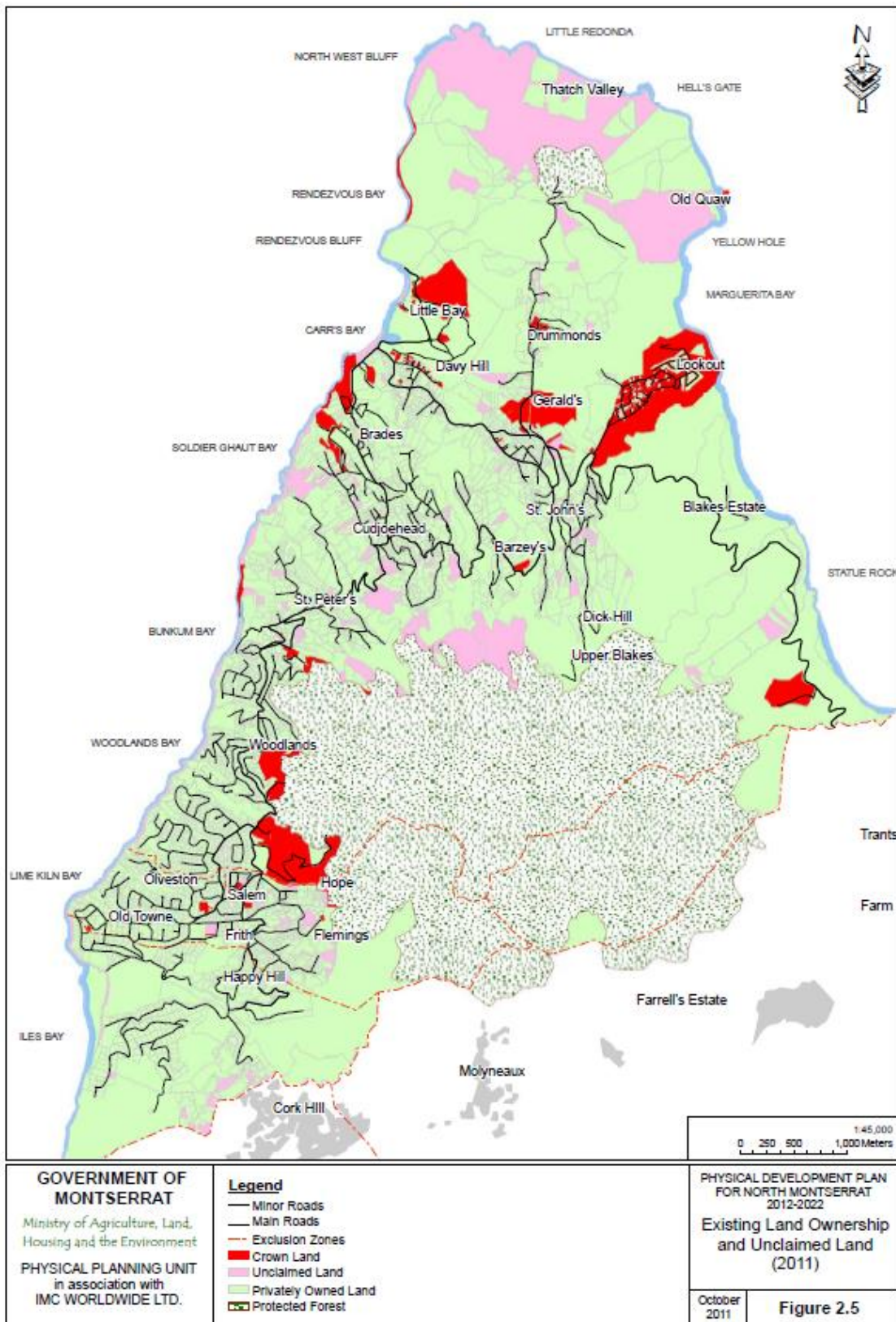
Source: Montserrat Statistics Department and Mott MacDonald

Data from Montserrat’s Land Registry Lands and Survey Department for 2011 shows that most of the land on the island is privately owned, but the majority of land around Little Bay and Brades is owned by the state, with some plots of land unclaimed (as shown below). Where the state has land in its ownership, for example at Little Bay and Carr’s Bay, we believe this is a determining factor on where future growth should be focused.

The GoM’s Physical Development Plan for North Montserrat (PDP) was published in October 2011 and provided an overview of land utilisation on the island at the time. This document does not provide a policy framework for future development that would enable the delivery of key proposals set out in this document, such as for the port at Carr’s Bay which was ultimately not delivered.

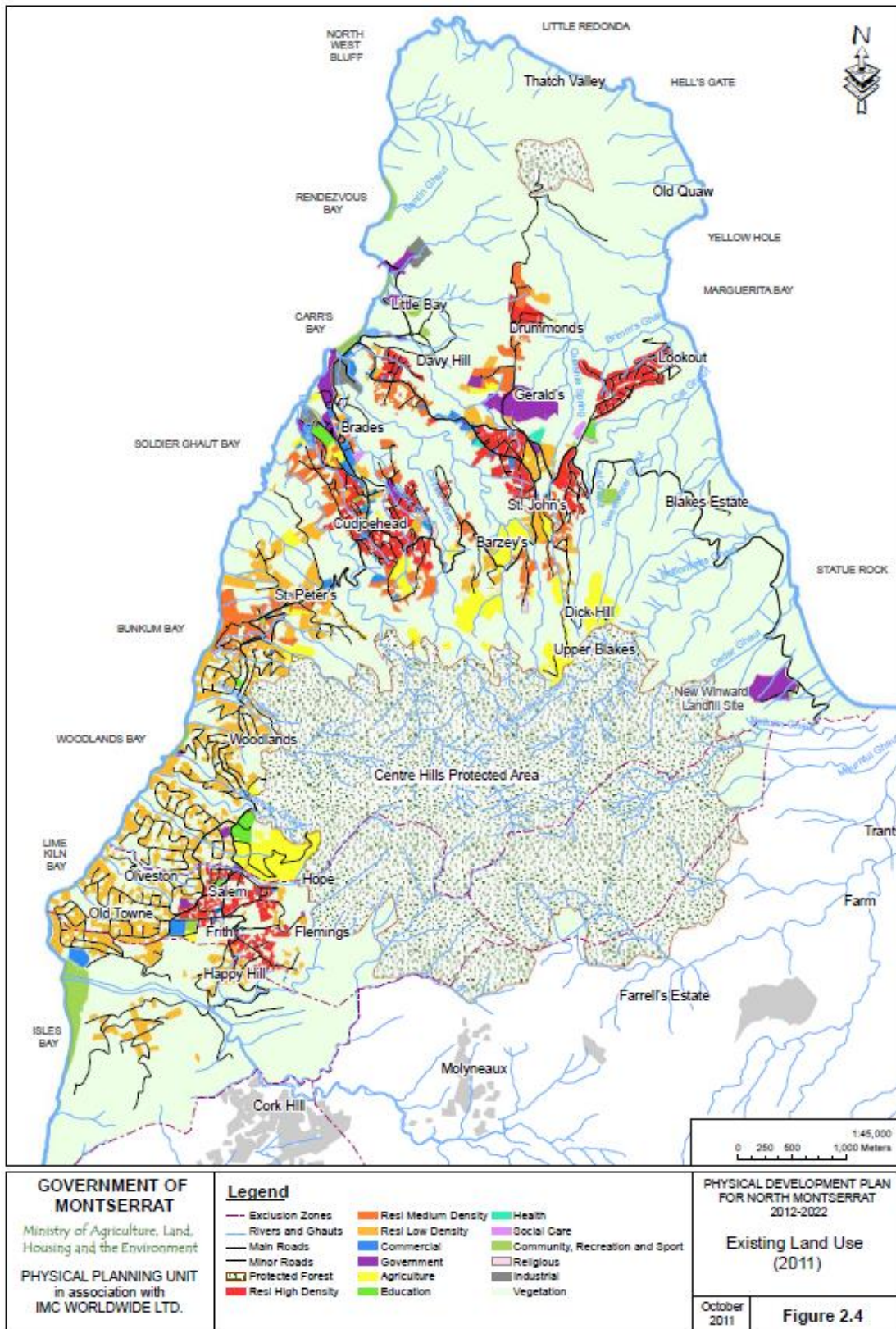


Figure 6: Land ownership and unclaimed land, 2011



Source: GoM, Ministry of Agriculture, Land, Housing and the Environment.

Figure 7: Land use in Montserrat (2011)



Source: GoM, Ministry of Agriculture, Land, Housing and the Environment.

## 2 Future drivers of the Montserrat economy

### 2.1 Introduction

Our work has indicated a fundamental opportunity for Montserrat to develop industries and services that will inject spending into the national economy, and so raise output, without being – ultimately – dependent on DFID (the UK's Department for International Development) support. We refer to these industries and services as 'driver' sectors that can support Montserrat in meeting its growth objectives.

While retail and other enterprises that depend chiefly on local spending are a valuable part of the economy, it is the driver sectors that are required for economic growth. Whilst stressing this systematic approach, Montserrat should also be ready to seize unexpected opportunities.

In reviewing potential drivers, we identify sources of competitive advantage within Montserrat – as sectors enjoying competitive advantage are most likely to generate long term economic growth. By competitive advantage, we mean advantages that are unique to Montserrat, or rare, and that cannot easily be replicated by competitors.

However, the future growth of Montserrat's economy depends on the ability, and will, of the Montserratian population to respond to opportunities as they arise and the ability of the GoM to create the climate to support and encourage foreign and diaspora investment.

### 2.2 Background and economic trends

The economy of Montserrat was profoundly affected by the volcanic eruption in 1995. Population fell by two thirds, and even now many sectors of the economy are 80% below their 1994 output level. The table and figures below show the devastating effect of the volcanic eruptions on Montserrat's economy.

In 1994, the economy was well balanced, particularly given the widespread damage caused by Hurricane Hugo in 1989. A substantial production sector – itself fairly evenly split between different production industries<sup>3</sup> – was supplemented by local services, and by a public sector that was rather less than one-fifth of the economy in size. The economy of Antigua & Barbuda (shown as a comparator) was about six times larger than that of Montserrat, but so was its population – making the economies of the two nations similar per capita.

By 2016, however, Montserrat's economy had shrunk by almost one half (46%), and in most of the private sector, the fall was much greater. The collapse would have been still worse were it not for the expansion of the public sector, which now accounts for 46% of output, chiefly in the forms of administrative, health care and educational services. Discussions with GoM and others reveal the true extent of dependence on the state: a large majority of output is generated either by the state or by enterprises dependent on the state or on spending by state employees. The genuinely independent sectors – in agriculture, mining, the small international component of the finance industries, and the visitor economy – now represent only a small fraction of output.

There is an obvious contrast with Antigua & Barbuda. The economy of the larger nation has expanded substantially and is now some 18 times larger than the economy of Montserrat.

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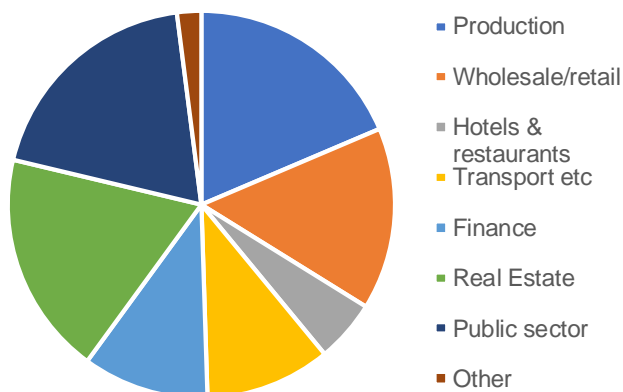
<sup>3</sup> The production industries are: agriculture; fishing; mining; manufacturing; electricity & water; and construction.

**Table 1: GDP by Industry**

GDP by Industry, in constant 2006 Basic Prices (EC\$M)	1994	2016	Growth
Production	53	16	-70%
Wholesale/retail	43	8	-83%
Hotels & restaurants	15	3	-79%
Transport etc	30	15	-48%
Finance	30	18	-39%
Real estate	53	19	-65%
Public sector	55	70	28%
Other	6	3	-49%
<b>Total</b>	<b>285</b>	<b>153</b>	<b>-46%</b>
<b>Antigua &amp; Barbuda (for comparison)</b>	<b>1,687</b>	<b>2,819</b>	<b>67%</b>
<b>Ratio of Antigua &amp; Barbuda to Montserrat</b>	<b>5.9</b>	<b>18.4</b>	

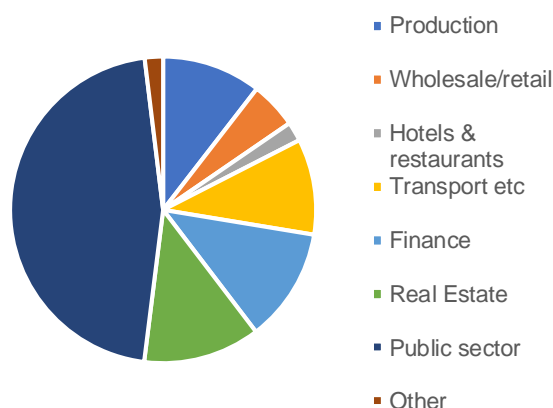
Source: Eastern Caribbean Central Bank (ECCB)

**Figure 8: GDP by industry, 1994: a well balanced economy**



Source: ECCB

**Figure 9: GDP by industry, 2016: a smaller economy, dominated by government**



Source: ECCB

Some sectors, such as utilities and construction, have experienced a limited recovery, though only to output levels far below those in 1994. In contrast, services such as education, health and administration, mainly provided by GoM, have attained absolute output levels higher than in 1994. Economic growth is at a low positive level, estimated at 1.3% for 2017/18<sup>4</sup>.

The economy is correspondingly dominated by GoM which employs directly some 900 people or about 40% of the workforce. There are no large firms operating on the island, the most substantial enterprises being three majority-owned government corporations. These aside, the largest firms have a dozen or at most 20 employees. There are, however, very many firms in total reflecting the entrepreneurial side of Montserrat's character.

GoM is, for the moment, heavily reliant on support from DFID, which provides 61% of GoM's current income; the proportion rises to 70% if capital<sup>5</sup> is included. Discussion with GoM representatives confirms that these high figures actually under-state the reliance on DFID, as the 39% of current income that is locally generated

<sup>4</sup> Budget Speech, 2017/18.

<sup>5</sup> Some capital expenditure is supported by the EU and others

is in part the proceeds of income taxes on GoM employees and import duties, both of which are indirectly dependent on DFID support.

It is clear therefore that Montserrat faces a major challenge if Prime Minister Romeo's objectives of 'Self-Sustainability and Inclusive Economic Growth' are to be met. Fortunately, Montserrat has substantial latent resources. We review them below to identify how they can be deployed to achieve, so far as practicable, GoM's ambitious goals.

### 2.3 SWOT analysis and economic narrative

Our analysis and discussions with some of the principal stakeholders in Montserrat have highlighted some key strengths and weaknesses of Montserrat's economy, as well as highlighting the biggest threats and opportunities for the country going forward. These are summarised in the table below.

**Table 2: SWOT analysis**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>● People – warm, welcome, resilient</li> <li>● Support from the diaspora and wider Caribbean</li> <li>● UK support to OT's under UN Charter Article 73</li> <li>● Low crime</li> <li>● Stable policy environment for investment</li> <li>● Micro businesses</li> <li>● Natural environment</li> <li>● Spring water</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>● Limited access to and around the island</li> <li>● Infrastructure (transport, digital, energy)</li> <li>● Investment finance (capital &amp; revenue)</li> <li>● Balance of the economy (public/private)</li> <li>● Marketing &amp; promotion of Montserrat's comparative tourism offer</li> <li>● Small number of beds for the visitor economy</li> <li>● Limited supply of readily developable land</li> <li>● No adopted land use planning policy supporting development</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>● Port development</li> <li>● Development of new Capital of Montserrat</li> <li>● Niches in the Visitor Economy: <ul style="list-style-type: none"> <li>– Plymouth,</li> <li>– cruise &amp; ferry stops,</li> <li>– ecotourism,</li> <li>– active e.g. scuba diving, hiking</li> <li>– yachts</li> <li>– Diaspora &amp; expatriate visits</li> <li>– development of hospitality industry</li> </ul> </li> <li>● Sand mining, agriculture and finance sectors</li> <li>● Enterprise community</li> <li>● Solar and geo thermal power</li> <li>● Spring water bottling plant</li> <li>● Returning diaspora population</li> <li>● Island land use planning document</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>● Short term policy implementation</li> <li>● External policy environment (UK, EU, CDB)</li> <li>● Strong competition in Caribbean beach tourism</li> <li>● Capacity shortages in skills and labour</li> <li>● Limited funding and financing</li> <li>● Low population</li> <li>● Natural disasters (volcano/hurricane)</li> </ul>

Source: Mott MacDonald

The courage and tenacity of the people of Montserrat has been tested time and time again since Hurricane Hugo in 1989 and the Soufrière Hills volcano erupted and engulfed the island's capital, Plymouth in 1995. Damage from the Caribbean hurricane season, and the increasing intensity of these events over recent years<sup>6</sup>, has added to the test.

Numerous efforts to move forward have had some success, but it is clear to us that a few, select and interrelated actions, are the essential investments for the island to move forward. The actions must therefore

<sup>6</sup> <https://www.nytimes.com/2017/09/19/us/hurricanes-irma-harvey-maria.html>

relate to the key issues of rebalancing the economy from its significant dependence on the public sector and a focus upon assets that can be nurtured to grow private enterprise.

Our view is that a cultural shift is required whereby private enterprise and new start firms (inward and indigenous) are welcomed and supported to grow locally, and that it is clear that Montserrat is “open for business.” As introduced in the SWOT analysis above, the following are the areas where Montserrat can build its future given the financial support and skills to manage the process:

- Visitor economy.
- Enterprise culture.
- Sectors.
- Infrastructure.

## 2.4 Visitor economy

The visitor economy is the most important driver sector in Montserrat, in terms of its current size and, still more, its growth potential. Tourism in the sense of leisure visitors with no connection to the island making short stays in Montserrat is, of course, important; but much of the wider visitor economy comprises visits by people with strong connections to Montserrat, for instance, Monserratian nationals (‘diaspora’) or expatriates who own homes on the island visiting for a few weeks or months – perhaps every year.

For tourism specifically, the GoM described objectives for tourism as follows in the National Tourism Policy Plan (2016),:

*“To promote the sustainable development of the island’s touristic resources while protecting and enhancing the island’s natural and man-made environments and patrimony in order to deliver tourism products and services of the highest quality to enable the tourism sector to be a major driver of national economic activity and sustainable livelihoods for the benefit of all Montserratian residents”<sup>7</sup>.*

The scale of tourism in Montserrat is hard to define given the proportion of the local population involved in multiple economic activities. We are working with GoM statisticians and economists to reach a view on the scale of this sector. This sector accounts for around 4% of GDP and 100-150 jobs, but these are preliminary estimates given during consultation. However, in the National Tourism Policy Plan it was estimated that the visitor economy sector’s direct contribution to GDP is approximately 5% whilst the number of people employed either directly or indirectly by tourism is estimated to be about 250 based on the number of ‘paid-service’ accomodation in Montserrat<sup>8</sup>.

Competitive advantage in tourism arises from qualities that Montserrat has and others – especially other Caribbean islands - do not, or only to a much lesser extent. Those qualities include: the volcano and the ‘Pompeii’ city of Plymouth; pristine marine and forest environments; space and tranquillity; modern music history; and personal security. In the 12 months to March 2017, there were 2,425 visitors to the volcano and the exclusion zone, across 256 groups<sup>9</sup>. These qualities are restricted or offset, in part, by difficulties of access to the island and the limited facilities for tourists, facilities that would quickly reach capacity with a significant increase in visitor numbers.

Having reviewed the National Tourism Policy Plan (2016) and Coffey’s report on ‘Capacity Building and Organisation Development for Tourism’ (March 2017), it seems clear that the development of the visitor economy requires:

- improved access to/from Montserrat and, as a minimum, implementation of the planned Little Bay port development and incremental improvements to air transport;
- better promotion of Montserrat’s tourism offer;

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<sup>7</sup> Government of Montserrat, ‘National Tourism Policy’, May 2016.

<sup>8</sup> Government of Montserrat, ‘National Tourism Policy’, May 2016.

<sup>9</sup> MVO, Scientific Report for Volcanic Activity between 1 October 2016 and 31 March 2017, October 2017.

- a phased approach so that tourism facilities come on stream in line with the port and other developments; and,
- much improved physical and administrative access to areas in the Exclusion Zone.

We develop and articulate these ideas further in Section 5 below.

With such sector development, tourists could arrive by cruise ship, ferry (including from islands other than Antigua), airplane and yacht (contingent on facilities). They would come to see the volcano and Plymouth; to engage in marine sports and eco-tourism, to see the forests and wildlife of the interior; as music tourists; to relax; and, of course, to combine these things. A further potential niche suggested to us is wellness or medical (recuperative) 'tourism'.

We have divided the focus for the visitor economy into five key areas:

- Day and overnight visitors to Montserrat to visit Plymouth
- Eco tourism and diving
- Resort investment and villa tourism
- The skills and enterprise DNA of the sector
- Yachts

It is also important to acknowledge the role expansion and improvements to the accommodation offer of Montserrat is to the future growth of the visitor economy sector. Although this is closely linked with the overall development of infrastructure, the expansion and development of accommodation in Montserrat offers both greater variety and capacity to encourage longer visits from tourists. Data published by the ECCU Central Statistical Offices and Eastern Caribbean Central Bank (ECCB) shows 'Hotels and Restaurants' accounted for approximately 2.12% of GDP in 2016<sup>10</sup>. This represents a significant proportion of the estimated total GDP for the entire visitor economy sector in 2015 which was estimated in the same report to be 4-5%, thereby emphasising the importance of the accommodation offer to the overall success of the Montserrat visitor economy.

Plans have been put forward in recent years for major infrastructure development that include elements of increased tourist accommodation such as in the Little Bay Estate: Land Tenure Policy & Divestment Strategy, published in 2012<sup>11</sup>. Within this strategy it is proposed that 20 high end villas in the Potato Hill Villa Development as well as a hotel accommodating between 80 and 100 rooms within a dedicated Hotel Development Site amongst other development examples<sup>12</sup>.

We do not doubt that there is the potential to raise the amount of tourism several fold, to a position where it could achieve the targets set out in the Montserrat Tourism Master Plan. Under the 'medium growth' scenario of this Montserrat Tourism Master Plan the target for tourism is to increase its value-added contribution to GDP to 9% by 2025<sup>13</sup>. This target implies total expenditure by all visitors increasing from the estimated figure of EC\$ 22.9m in 2015 to approximately EC\$ 66m by 2025, in terms of constant 2015 money values<sup>14</sup>. This is viewed in the master plan as achievable provided that the requirements briefly summarised above are met. However, we note that visitor expenditure declined slightly in 2016, to approximately EC\$ 22.7<sup>15</sup>.

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<sup>10</sup> Calculated based on data from ECCU Central Statistical Offices and Eastern Caribbean Central Bank, 'GDP estimates and projections', 19 January 2017.

<sup>11</sup> 'Little Bay Estate: Land Tenure Policy & Divestment Strategy', 2012.

<sup>12</sup> 'Little Bay Estate: Land Tenure Policy & Divestment Strategy', 2012.

<sup>13</sup> Government of Montserrat, 'National Tourism Policy', May 2016.

<sup>14</sup> Government of Montserrat, 'National Tourism Policy', May 2016.

<sup>15</sup> Montserrat Statistics Department, ECCB

## 2.5 Enterprise culture

The Montserrat Registrar of Companies says that there are some 1,500 incorporated and unincorporated businesses in Montserrat, equivalent to almost one for every three residents (compared with one for every 16 residents in the UK), illustrating the entrepreneurial character of Montserratian society. This spirit of enterprise will be vital in developing the national economy. However, most businesses are extremely small and there are skills gaps, perhaps especially in relation to moving from self-employment to having employees. There may be a case – as in many other countries – for some form of business support agency.

In a report published in January 2017, the Business Environment Reform Facility (BERF) found that the GoM *“is currently facing severe capacity and expertise constraints with regards to improving the BE [Business Environment] and providing basic support functions to business and investors”*<sup>16</sup>. BERF recommended a ‘Business Facilitation Services Centre’ to strengthen business environment reform in Montserrat<sup>17</sup>. The report and its findings focus on strengthening the capacity of the GoM and the supporting institutional framework with regards to undertaking reforms. Building on these findings and not wishing to replicate existing detailed analysis, we have concentrated on how the GoM or such a Business Facilitation Services Centre might promote growth in Montserrat’s enterprise culture, particularly in the private sector.

We have already noted the central role of the visitor economy, but this is likely to require promotional activity going beyond the current limited efforts and budgets. Promotion of a different kind may also be needed to attract foreign direct investment to the island, including investment by the Montserratian diaspora.

We identify specific measures in support of enterprise promotion in Section 5.3.

## 2.6 Sectors

### 2.6.1 Sector 1: Sand mining

Sand mining is historically an important economic sector for Montserrat with the product being an in-demand construction commodity across the Caribbean and beyond. Production by sand mining companies is Montserrat’s main visible export, accounting for a record high 99% of the country’s exports by volume in 2010<sup>18,19</sup>. However, the productivity of the sand mining industry on Montserrat was damaged significantly following the volcanic eruption in early 2010 which destroyed significant amounts of essential equipment of several sand mining companies on the island<sup>20</sup>.

Today, GoM recognises the importance of supporting and developing the mining sector through private sector participation. Currently sand mining is a small industry in Montserrat, with a fluctuating workforce of 10-20 people. There is clear potential for growth, though differing views about the possible scale. Some of the people we consulted refer to the enormous scale of Montserrat’s sand reserves and strong demand, whilst others stress the environmental damage, and the damage to the visitor economy (including villa tourism)<sup>21</sup>, that a large expansion of the industry might entail through damage to wildlife habitats and roads, and noise and dust pollution affecting local communities. There are additional issues in relation to the sand mining sector regarding royalty payments within the overall tax system. Our preliminary view is that, given the current small size of the industry, expansion could yield moderate benefits for the local economy if facilitated by a fiscal environment conducive to investment and growth.

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<sup>16</sup> BERF, “Building capacity for improving the business environment in Montserrat”, January 2017. Report commissioned by DFID on behalf of the Government of Montserrat.

<sup>17</sup> BERF, “Building capacity for improving the business environment in Montserrat”, January 2017. Report commissioned by DFID on behalf of the Government of Montserrat.

<sup>18</sup> Oxford Policy Management, ‘Montserrat Mining and Quarrying Industry Study: Final Report’, May 2011.

<sup>19</sup> Sand is in practice the only visible export. Year by year variation in its share of visible exports is determined by amounts of obsolete or unnecessary machinery exported from the island.

<sup>20</sup> Oxford Policy Management, ‘Montserrat Mining and Quarrying Industry Study: Final Report’, May 2011.

<sup>21</sup> Caribbean Development Bank, ‘Country Strategy Paper: Montserrat 2012-2015’, July 2012.



## 2.6.2 Sector 2: Agriculture

The agricultural sector dominated the economy of Montserrat for more than 200 years, but the volcanic eruption of 1995 had a devastating impact on this sector, destroying up to 90% of the then cultivated land and 75% of land suitable for livestock production<sup>22</sup>. Although some of this land has been reclaimed for agricultural purposes (see Zone F in Figure 3), there are continuing negative effects on agricultural productivity due for instance to the increase in soil acidity caused by the dispersion of volcanic ash that has decreased the amount of nutrients available to support the growth of crops<sup>23</sup>.

In spite of these lingering effects, the GoM in recent years has targeted agriculture as an important potential pillar of the Montserrat economy for the future. In the Agricultural Strategy and Marketing for Montserrat report published in 2016 the GoM set out their vision for the future growth of the agricultural sector, which is to create:

*“A society in which sustainable, profitable agricultural production contributes to the well-being of our people through the consumption of fresh local food, resulting in a reduction in the level of non-communicable diseases<sup>24</sup>.”*

Recent estimates suggest agriculture accounts for around 1-2% of GDP in Montserrat and thus is a relatively small part of the total economy. We understand from the Ministry of Agriculture that there are 12 full time farmers on the island, though many people engage part time in agriculture. Horticulture, livestock raising and egg production are the main activities. The abattoir is, of course, closely associated with the industry and slaughters pigs and goats (and occasionally cattle) and produces pork products.

There is potential to expand output and employment in agriculture by promoting niche island products such as the blackberry and ‘bush rum’, by adding cold storage facilities, by commercial chicken production and by import substitution in horticultural products.

## 2.6.3 Sector 3: Financial services

The financial services sector is a relatively large sector of Montserrat’s economy – larger, for instance, than tourism, constituting 7.4% of Montserrat’s GVA in 2016 (January 2017 basic prices)<sup>25</sup>. However, most activity is in retail services for the resident population and firms. The driver (sub)sector is firms providing international services, which is represented by a handful of offshore banks and insurance agencies, with, perhaps, a dozen employees in total.

The Financial Services Commissioner for Montserrat advises us that the international sector could expand and that there is both the regulatory capacity and the demand to sustain modest expansion. Proposals to deliver fibre optic cable to provide enhanced internet connection to the island may also support the development of the financial services sector. In the business case for a submarine fibre optic cable in Montserrat<sup>26</sup>, it is expected to attract new forms of e-commerce to Montserrat and provide greater financial self-sufficiency.

Over time, these developments may also encourage professional services firms to locate on the island. In most cases, financial or professional services firms are likely to require one or two on-island staff. The sector may therefore, have the potential to generate an additional 10-20 jobs over the medium term, which would be a meaningful contribution to growth, especially as the jobs would typically be highly skilled and well paid. We would emphasise that this expansion would represent small scale incremental change from the

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<sup>22</sup> Caribbean Centre for Development Administration, ‘Agricultural Strategy and Marketing for Montserrat’, May 2016

<sup>23</sup> Eurenca and Association of the Overseas Countries and Territories of the European Union, ‘Increasing the production and availability of locally produced food on Montserrat’, April 2016.

<sup>24</sup> Caribbean Centre for Development Administration, ‘Agricultural Strategy and Marketing for Montserrat’, May 2016.

<sup>25</sup> Financial services are defined as: Financial intermediation: Banks, Insurance and Activities Auxiliary to Financial Intermediation. Source: ECCU Central Statistical Offices and Eastern Caribbean Central Bank, ‘GDP estimates and projections’, 19 January 2017.

<sup>26</sup> Business Case and Intervention Summary, “Provision of submarine fibre optic cable”.

current position, rather than a move towards the creation of a large financial services sector comparable to those on, for instance, the Caymans or Bermuda.

#### 2.6.4 Sector 4: Power generation

During Montserrat's Throne Speech given to elected members of the legislative assembly in 2016 it was stated that the government's new energy policy aims to reduce the use of fossil fuels and reduce carbon emissions whilst promoting geothermal and solar projects<sup>27</sup>.

In order to undergo this transformation of the energy sector, investment and research has been and is planned to be implemented into the potential development of geothermal energy as well as the continued use of diesel generators. The practically limitless source of heat represented by the Soufrière Hills volcano is an important resource, but is not 'free energy'. Transmitting heat and converting it to electricity requires large capital expenditure, and its amortisation would entail significant costs per kilowatt hour. The current test drilling programme will reveal the thermal capacity of individual wells; and we understand that a feasibility study of the costs and benefits of electricity generation will be completed during 2019.

We cannot pre-judge the results. Advocates of geothermal energy suggest that unit costs may be low enough to attract energy intensive users, though the small scale – a few MW – of production currently anticipated would seem to make this a small niche. On the other hand, some necessarily imprecise early estimates suggest that electricity from this source may come at a comparable cost to diesel generation, albeit offering the advantages of being an environmentally superior source of power and of filling the generating capacity gap that will emerge as the economy expands. It would at this stage not be justified to incorporate exploitation of geothermal resources in this Plan beyond identifying their future potential.

### 2.7 Infrastructure

Following the volcanic eruption in 1995, much of Montserrat's infrastructure was destroyed and the country's inhabitants were forced to relocate to the north of the island where there was little supporting infrastructure. For example, the roads and bridges in the north of the island were originally built to serve a remote area and are now being used to serve significantly more traffic than they were designed for. Although progress has been made, there remains a large gap in infrastructure provision.

The GoM's 2017-2018 Budget Statement reports that the construction works for developing Montserrat's port infrastructure at the Little Bay Port will begin in 2018 using US\$20.3m funding from the UKCIF and CDB. The plans are designed to deliver a breakwater facility, sea dredging, marine structures, port operation facilities and port equipment<sup>28</sup>. The port development also includes proposed plans for landside development which are designed to "*bolster the economic prospects derived from the new breakwater facility*", including duty free shopping facilities and improvements in the current warehouse building at Port Little Bay<sup>29</sup>. However, we note that these landside developments are currently not included in the budget of funds designated for the port development.

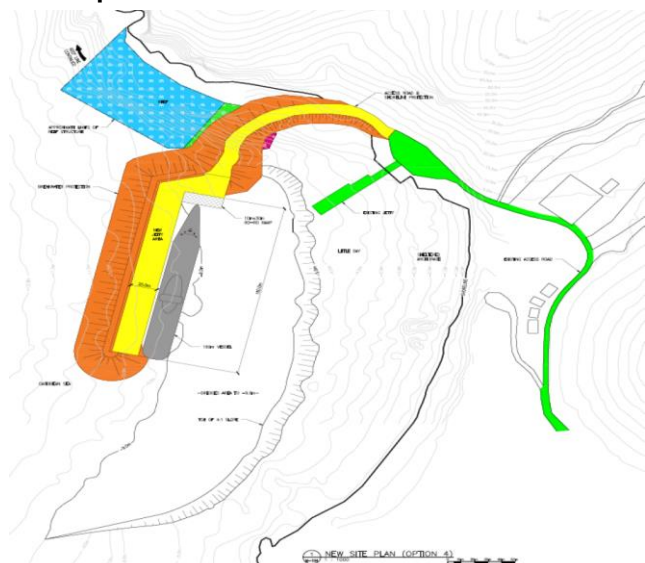
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<sup>27</sup> Foreign & Commonwealth Office, 'Montserrat's Throne Speech 2016', September 2016.

<sup>28</sup> GoM, Ministry of Communications Works & Labour (MCWL), "Little Bay Port Development Project – Implementation Strategy", August 2017

<sup>29</sup> GoM, MCWL, "Little Bay Port Development Project – Implementation Strategy", August 2017

**Figure 10: Proposed design for Little Bay Port Development**



Source: GoM, MCWL, “Little Bay Port Development Project – Implementation Strategy”, August 2017

**Figure 11: The Little Bay Waterfront masterplan**



Source: GoM, MCWL, “Little Bay Port Development Project – Implementation Strategy”, August 2017

As part of the Montserrat Priority Infrastructure Needs Project, the 2017-2018 Budget Statement includes US\$1.2m to be spent on roads and bridges and a further US\$5.0m to fund five projects focussing on infrastructure repairs and improvements.

Montserrat’s digital links, such as the lack of a fibre optic cable, have also been described as a “major constraint” on Montserrat’s future economic and social development<sup>30</sup>. Prior to the evacuation of Plymouth in 1997, Montserrat was connected to the Eastern Caribbean Fibre Network; this connection has not yet been re-established. The current microwave connection between Montserrat and Antigua is vulnerable to damage from extreme weather conditions and as such is often unreliable across the island<sup>31</sup>. This unreliability could deter investment as it makes doing business in Montserrat more challenging and costly. Investment in telecommunications infrastructure in Montserrat therefore has the potential promote investment in new areas of enterprise as well as deepening or expanding existing business sectors, particularly in the private sector. As is reported in the business case for the fibre optic cable, DFID commissioned a consultant to assess the potential value for money of the project. This analysis focused on seven potential streams of quantifiable benefits. Of the main economic benefits, around 75% of the estimated total, were expected to derive from<sup>32</sup>:

- *“Improved internet access for new forms of broadband-related services, with an overall growth in household internet penetration and direct on-line access to GoM services for residents.*
- *Emergence of new forms of broadband-dependent businesses, resulting in additional small-scale business investment and additional commercial services offered to Montserrat residents and residents from within the Caribbean.*
- *Additional ICT-dependent employment, as a result of the new forms of broadband services, including job training for Montserrat residents.”*

As well as aiming to build adequate infrastructure provision that meets the current needs of Montserratians, infrastructure needs to be built for the long term with the resilience to withstand the impact of the hurricane season which affects the Caribbean annually.

<sup>30</sup> Business Case and Intervention Summary, “Provision of submarine fibre optic cable”.

<sup>31</sup> Business Case and Intervention Summary, “Provision of submarine fibre optic cable”.

<sup>32</sup> Business Case and Intervention Summary, “Provision of submarine fibre optic cable”.

A further aspect of infrastructure provision relates to the hospital. A feasibility study for the hospital has been produced by colleagues at Mott MacDonald and its recommendations are being considered by GoM. The hospital is therefore not considered in detail here but is acknowledged as important to supporting the island's economic growth, not least because, it is claimed, retirees, including those from the diaspora, would be discouraged from moving or returning to Montserrat by inadequate medical facilities.

There are, we understand, three corporations which are majority owned by GoM: the Bank of Montserrat; the Port Authority; and Montserrat Utilities Ltd. Each is a significant entity, and each will need to expand as the economy grows. Although GoM has no power to borrow on capital markets without UK government approval, the Port Authority and Montserrat Utilities Ltd do have capital borrowings. The potential capacity of the three corporations to borrow may have a role to play in development of the economy.

Investment in infrastructure has the potential to generate significant medium to long term benefits as well as short-term or temporary benefits during the construction phase of an infrastructure scheme. Investment in infrastructure is interlinked with and vital for the success of many of the proposed investments in the visitor economy, enterprise culture and key sectors of growth in Montserrat – infrastructure can therefore not be assessed on its own, but as part of the wider strategy as a whole.

For example, a demand side stimulus will have an effect only if the supply side of Montserrat's economy is able to respond. For instance, a latent increase in demand from tourists will become a reality only if the hotels and the workers to staff them are actually available. The supply side requirements include: workforce skills; tourism facilities with adequate capacity, such as hotels, bars, restaurants, and specialist facilities (e.g. for yachting, diving, birdwatching or access to the volcano area); utility supplies; roads and other infrastructure arrangements for access; and land for further development.

We have identified three priority areas for infrastructure investment:

- Port development.
- Local roads and bridges.
- Digital links.

## 3 Lessons learnt through stakeholder engagement

To support this study, we have spoken with a cross section of technical experts in Montserrat over two months and engaged with c. 35 stakeholders. Through our wide-reaching technical stakeholder engagement, we have sought to understand the views of Montserrat's key challenges and opportunities from different perspectives and use these insights to shape our work.

### 3.1 Introduction

As a key part of this study, we have spoken with a cross-section of technical experts in Montserrat over two months (September and October 2017) and engaged with over 35 stakeholders. The focus of these technical consultations was to collect the views of people across Montserrat, including from those within its government and institutions. This process found several areas of agreement among representatives from across Montserratian society. The dominance of the public sector as an engine of economic growth, the challenges faced by the private sector in growing in Montserrat and the importance of tourism to the island's economy were all common themes raised by stakeholders. Individual stakeholders were asked a series of questions covering the current state of the Montserrat economy, key strengths, opportunities and weaknesses of the economy as well as how to better enable an economic growth strategy to be delivered. The main findings of this stakeholder consultation exercise are set out below.

### 3.2 Views on Montserrat's economy over the past decade

Multiple consultees described the Montserrat economy as remaining in a "post-volcano" era, whereby the recovery from the 1997 volcanic eruption is still on-going twenty years later.

It was clear to the stakeholders with whom we spoke that Montserrat's economy has been heavily dependent on public spending over the past decade, with an inherent weakness of the private sector, dependence on imports and an inability to export goods. The reliance of the country on aid was also a central issue, with some referring to Montserrat having an artificial economy whereby the majority of economic activity is sustained by aid from the British government with little of the country's economic output being generated by the country itself.

This reliance on aid and on imports for goods, particularly food, was identified as a vulnerability of the country. The risks of storms preventing food supplies reaching the island were considered to be significant by many stakeholders. This risk is seen to weaken the ability of the island to deliver sustainable economic growth as it maintains a reliance on other nations and is unstable due to the risk of extreme weather, particularly during the annual hurricane season. Stakeholders feel that this heavy dependence on outside support needs to be reduced in order to become less sensitive to external shocks and to achieve sustainable indigenous economic growth.

Stakeholders believe that the development of the private sector on the island over the past decade has been, and continues to be, constrained by legal frameworks that create barriers to growing the private sector. Furthermore, stakeholders considered that attracting international businesses and industry has been made more difficult by the high transport costs in accessing the island. Access to Montserrat by air generally costs approximately US\$120 for a one-way trip from Antigua<sup>33</sup>, this adds additional cost relative to travel to islands such as Antigua where direct flights are available from places such as New York and London. It was noted by one stakeholder representing the air travel sector, that the access to Montserrat both by air and by sea exceeds demand for access to the island. Ferries often sail under capacity and Fly Montserrat flew every

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<sup>33</sup> Cost based on price quoted on Fly Montserrat website - <http://www.flymontserrat.com/>

single day of the year in 2016. The main issue facing the tourism sector, according to this stakeholder, is the low demand to visit Montserrat, rather than being unable to get there.

The low population in Montserrat was also identified as a constraint to the island's prospects of delivering sustainable economic growth due to a shortage of skilled labour, with many young people leaving the island for better education and career prospects never to return.

The stakeholders we spoke with showed a clear view that Montserrat has faced over recent years, and continues to face, multiple significant challenges that prevent it from achieving sustainable economic growth. The combination of the low population, skills shortages, heavy reliance on aid and the dominance of the public sector over the weak and constrained private sector all combine to maintain Montserrat's "post-volcano" economy. One stakeholder suggested that recent attempts to attract investment and deliver regeneration schemes, such as the redevelopment of the Little Bay area, have largely stalled, despite popular support from Montserrat residents and the backing of local financial institutions.

### 3.3 Key strengths and opportunities within the economy of Montserrat

Responses to this question were dominated by four key sectors: the visitor economy, financial services, agriculture and sand mining. Tourism, agriculture and sand mining were all described as important to the Montserrat economy, with financial services noted as a potential opportunity that could be pursued over the coming years. Light Manufacturing was also occasionally mentioned as something that had been important in the past and might now be an area of possible expansion.

#### 3.3.1 Views on the visitor economy

Stakeholders expressed a clear and unified view that this sector is key to the Montserrat economy, stating that while Montserrat has far fewer visitors than neighbouring islands, the sector is still significant to the economy and requires support in order to grow.

Stakeholders suggested several opportunities to expand tourism including the creation of volcano-themed exhibitions. Many see the opportunity to build on the unique offer of viewing a volcano as being significant in expanding the island's all-important visitor numbers. Providing safety guidelines from the MVO are followed, expansion of volcano-based tourism is welcomed by stakeholders<sup>34</sup>. Other suggestions included diversification into areas such as eco-tourism, health-tourism and sports-tourism. The regular festivals held on the island were identified as being a strength of the island's tourism offer and the expansion of both the festivals themselves and the promotion of them was a significant opportunity to support the growth of the Montserrat economy. A particular opportunity was identified in increasing the promotion of the island to overseas visitors. Steps are being taken to advance the marketing and promotion of the island but as is apparent from the stakeholders' comments that still more is required. One stakeholder noted that as Montserrat airport has no lighting, it is forced to close at dusk reducing the number of flights that can operate there each day and potentially losing tourists to nearby islands with more flexible flight times. It was suggested that Montserrat should create a distinct "Montserrat identity" to differentiate it from its neighbouring islands as part of the process of developing a niche tourist offer in the country. One stakeholder added that other nearby nations with strong links to the UK build on their "Britishness" as part of their offer to visitors, selling British products and incorporating it into the island's identity, Montserrat does not do this. A number of stakeholders believe that attracting the Montserratian diaspora is an important opportunity for growth in the visitor economy. The opportunity to appeal directly to those with a pre-existing connection to the island may boost visitor numbers. It was highlighted that Montserrat currently lacks sufficient infrastructure to accommodate a large number of tourists and that focussing on high end visitors, with higher spend per visitor, may raise revenue in the visitor economy.

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<sup>34</sup> The MVO has advised that the volcanic eruptions which began in 1995 are still on-going, greater access to Zone V and other areas close to the volcano can only safely be accessed one year after the volcanic current activity is deemed to have ceased by MVO officials ,

### 3.3.2 Views on the financial services sector

Several complex international regulations were described by stakeholders as being a key constraint on the growth of the financial services sector in Montserrat. Despite this, financial services are viewed by a number of stakeholders as an opportunity for growth and in particular growth in the private sector.

One stakeholder identified the opportunity to work closely with Gibraltar to explore ways in which Montserrat could develop its financial services sector in line with international regulations, particularly in the area of company registration. It was also suggested that Montserrat's own fiscal policy could be reviewed to assess if the regulatory and tax environment on the island could be changed to allow the growth of the financial services sector. One stakeholder suggested that Montserrat should seek to build on its connection to the UK as its financial services sector will be aligned to UK regulations and bring with it the stability and trustworthiness that comes with an association to a global leader in the financial services sector.

The need to improve the communications technologies available on the island was highlighted as key to supporting the growth of the financial services sector by many stakeholders. The proposed installation of a fibre optic cable to enhance internet access and connection speeds on the island was supported by multiple stakeholders. Financial services present an opportunity for sustained private sector-led growth in a sector that is not affected by natural disasters, and thus has a number of wider advantages if it can be achieved.

### 3.3.3 Views on the agricultural sector

The agricultural sector was raised by many stakeholders as an important sector that needs to grow in order to reduce the island's reliance on imported food. Hurricanes damage agricultural land annually in both Montserrat and Dominica, from where much of Montserrat's food is imported. This is seen as a major vulnerability for Montserrat and a barrier to sustainability and self-reliance.

Stakeholders highlighted that the majority of the arable farming land on Montserrat is in the exclusion zone and was severely damaged by the eruption of the volcano. Montserrat's agricultural sector faces not only the challenges posed by natural disasters but furthermore, as a result, farmers cannot insure their agricultural land or produce, deterring many from entering the market. Previous attempts to boost the country's agricultural sector by providing land in Zone F of the exclusion zone failed to deliver growth due to a low take-up of this land.

Several opportunities to grow the agricultural sector were suggested by stakeholders, including introducing the use of modern farming practices, and education and training to attract young people into the sector. The opportunity for the island to capitalise on its natural springs for the bottling and export of natural spring water was also suggested, although attempts to secure investment in this industry have so far failed. Stakeholders also suggested the better use of government subsidies to incentivise farmers to increase their yields in order to help meet the domestic demand for food and reduce the reliance on imports.

### 3.3.4 Views on the sand mining industry

The sand mining sector on Montserrat is seen as an opportunity for growth by many stakeholders. While support for growing this sector is considerable, concerns remain over: the inefficient structure of the industry and specifically its division between multiple firms; tax structures, and in particular the balance between royalty fees and corporation tax; and environmental concerns. While the sector brings with it many risks for investors, stakeholders noted that private sector businesses have already shown a willingness to accept this risk by operating in Montserrat though they would welcome further support. Restructuring was suggested by multiple stakeholders as being required to rebalance the sector towards higher unit prices for the sand and to increase tax revenue. Other opportunities include to add value by exporting products created using the sand, rather than continuing to export the raw materials at a relatively low price. The prospect of mining rock has also been suggested as an opportunity, however significant investment would be needed to pursue this.

### 3.3.5 Views on other industries

Stakeholders suggested a number of other potential sectors or industries that could be developed on the island, including development of the University of Science, Arts and Technology (USAT), which is currently located on Montserrat. Suggestions largely relate to growing the medical school of the USAT, which is currently seeking accreditation. Stakeholders indicated an intention to grow the number of students from its current number of around 20 to up to 50-200 over the next several years, although it was unclear what this growth ambition was based on. Stakeholders noted that multiple applications have been received to establish other medical schools on the island, suggesting that sufficient demand may exist for this sector to be successful, although current student numbers are low, and the lack of accreditation has proven to be a major barrier to attracting students. It was also suggested that the natural features of the island, primarily the active volcano, could be used for educational purposes as a way to attract people to the country. However, it was also noted that the economic impact of attracting students is limited given that students typically have little disposable income. It was also suggested that the development of light manufacturing could be a viable option on the island, particularly in the production of everyday items with a large customer base among local residents. Land is potentially available for this around Carr's Bay and Little Bay, further making the case for the growth of this sector.

The development of a larger port was suggested as a necessary measure to allow larger ships and ferries into the harbour. Stakeholders noted the need to deliver sustainable locally-sourced energy (geothermal and/or solar), both as an industry in its own right and in order to support the growth of the wider economy. There was wide support for enhanced communications technology on the island, especially through completion of the fibre-optic cable project.

### 3.4 The challenges facing Montserrat's economy

Stakeholders were asked for their views on the challenges facing Montserrat's economy in achieving economic growth. Stakeholders identified the reliance on the public sector as an engine for economic growth and the low population as being key challenges faced by the country. Restrictions on GoM's ability to borrow capital limits the ability of the GoM to deliver major projects. The reliance on the public sector is said to be matched by a difficult environment in which to start and operate businesses, with businesses facing regulatory challenges and high costs associated with transporting people and goods to/from the island. The private sector is deterred from investing in the island by restrictive and complex regulations as well as by the low population. One stakeholder explained that it is difficult to attract private investment where there are so few potential customers. This difficult environment for the private sector has resulted in the public sector, supported by aid funding, driving the economy.

Factors such as limited availability of healthcare deters both investors and visitors, according to those we spoke with. The issue of access was also highlighted by multiple stakeholders who see the small capacity of aeroplanes serving the island and the often rough sea crossings as deterring many visitors and investors from the island. However, air operators indicated that the small Islander planes currently used offered ample capacity and that investment in larger Twin Otter planes was not commercially justifiable given current levels of demand. Stakeholders noted that the loss of fertile agricultural land and supporting infrastructure, including a power station and major industrial estate, in the 1997 volcanic eruption is a major barrier to economic growth on the island and created a significant challenge for the country's economic recovery. The remaining land to the north of the island is said to be largely privately owned, leading to some difficulties in securing land for development.

The shortage of infrastructure on the island was identified as a key barrier to growth by many stakeholders, in particular the shortage of good roads, bridges, power, and telecommunications. Stakeholders explained that while strategies to address the imbalance between the public and private sectors on the island have been created, they have so far failed to be delivered. Long-term economic planning has also been difficult and has sometimes resulted in a failure to implement strategies and reforms.



### 3.5 The labour market in Montserrat

Stakeholders were asked about the labour market in Montserrat and whether the skills and capacity exist locally to meet the island's ambitions for economic growth. Stakeholders see a clear skills gap and an evident need to build the skills capacity on the island to meet the challenges of economic growth. Current capacity is low across both the public and private sectors, causing the government to struggle to develop and deliver growth strategies and increasing the demand for external technical specialists to provide support in the short term. The low population and low levels of educational attainment are seen by many as a major challenge facing the country. For example, 48% of Montserrat's population have no formal accredited qualifications<sup>35</sup>, compared to approximately 29% in Antigua and Barbuda<sup>36</sup>. Many Montserrat nationals seek free further education in the UK and leave Montserrat in search of higher wages overseas making the retention of young people difficult.

The need to provide vocational training in the skills required by the island, such as agriculture, at all ages was stressed by many stakeholders. The need to retain young, skilled workers is seen as being very important by many stakeholders who see the opportunity to train local people as a way to engage with young people, as Montserratians have a link to the island and are more likely to stay on the island if they are given training and an opportunity to gain a well-paid job. Stakeholders found there to be many factors pulling young people away from the island and few encouraging them to stay, a redress of this imbalance is therefore required.

### 3.6 Priorities for growth over the next five to ten years

Stakeholders were asked to suggest what they believe to be the top priority for the economy of Montserrat over the next five to ten years. A majority of stakeholders believe that supporting tourism and investing in infrastructure, are the key priorities for Montserrat. Stakeholders suggested a need to increase the number of access points on the island, improve transport infrastructure to and around the island, and to broaden the offer for tourists through providing a greater variety of accommodation, so as to encourage private sector investment and sustainable economic growth.

Other stakeholders believe that supporting the development of the port and of education and training facilities on the island, such as the medical school, are more important priorities in the long term.

### 3.7 How the economic growth strategy can be delivered

When asked about how the economic growth strategy that will result from this process can be delivered, where others have failed, stakeholders showed a clear belief in the importance of achieving buy-in from all members of society, not just the GoM. Stakeholders said that this strategy needs to belong to everyone and have wide ranging support, with key stakeholders and parties responsible for each element to be identified and involved early with clear commitments being made to deliver what they can of the strategy.

The strategy also needs to be realistic and achievable, with phased actions, and results-driven. It was suggested that the strategy should be designed so that monitoring and evaluation against pre-defined indicators is also possible. This focus on delivering against indicators and achieving buy-in from the people and institutions of Montserrat, enabling specific tasks to be given owners, differs from previous strategies as it is tied to the desired outputs and would take into account the challenges and limitations of delivering large scale economic growth in Montserrat.

### 3.8 Findings from consultations undertaken by the GoM – January-February 2018

The initial draft report was issued in December 2017 and included findings from consultations undertaken in September and December 2017 by Mott MacDonald. Following this, additional consultations were undertaken with residents of Montserrat and the Montserratian diaspora, by GoM officials. These

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<sup>35</sup> 2011 Census, Statistics Department, Ministry of Finance and Economic Management, 2011

<sup>36</sup> 2011 Population and Housing Census, Statistics Division, Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information, 2011.

consultations were carried out during January and February 2018 in-person, at events in Montserrat and online through an internet survey.

### 3.8.1 Findings from the consultation

The consultations carried out by the GoM highlighted the view among many respondents that the growth of the private sector is key to delivering economic growth and that the GoM has an important role in encouraging the growth of the private sector in Montserrat. Stakeholders believe that the GoM should review the current tax and regulatory environment to make concessions to private sector businesses to attract investment. This should be done in a way that provides incentives for new businesses to establish in Montserrat while providing the necessary regulation, such as for transparency and accountability in the financial services sector. It was also noted by several stakeholders that the GoM should provide access to information and support to help new businesses to be established in Montserrat. The view among multiple stakeholders is that it is difficult to start a business in Montserrat, due to unclear regulations. Reform of this system is necessary according to stakeholders, in order to enable the private sector growth required to grow the economy. One stakeholder argued that population growth is important for the future growth of the Montserrat economy and that it will only occur when the Montserrat economy begins to grow, this initial growth will be necessary to attract people to the country, suggesting that the objectives for an increased population and economic growth are closely linked.

Stakeholders see the importance of tourism to the future economic growth potential of Montserrat but see the promotion of the island and increasing access to it as being vital to the future expansion in tourism. One stakeholder noted that even small increases in access to the island could have a significant impact in increasing overseas investment and the growth of the private sector. One stakeholder believes that the greater promotion of the island as a tourist destination is important to increasing the size of the visitor economy in Montserrat and that an organisation should be created to manage and oversee the development of the island's visitor economy.

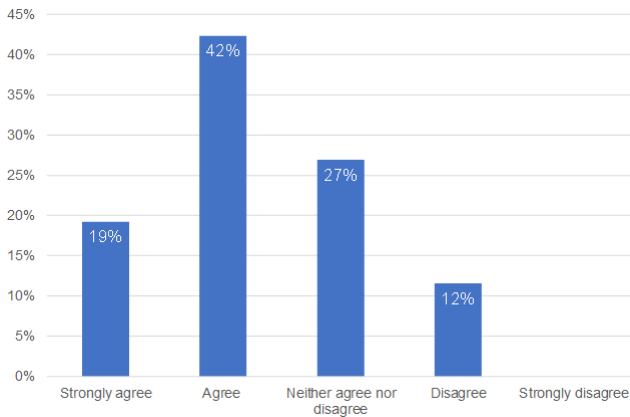
Providing government support to key businesses and sectors was a common theme among many responses to this consultation. Multiple stakeholders argued for the importance of supporting the agricultural sector by investing in a storage facility and providing financial support to farmers to protect their businesses against damage to their crops and land for which insurance is not currently available. Stakeholders also proposed the introduction of government subsidies for fisheries in Montserrat to enable the growth of the sector, in the face of high overhead costs such as fuel.

Overall, the stakeholder consultation carried out by the GoM, through both online survey and in-person consultation events found a common view among many stakeholders that the public sector should actively support private sector businesses in order to deliver the intended growth. Stakeholders suggested investing in roads to unlock land for development, the sale of land in Little Bay to private developers and a range of sector-specific interventions such as subsidies for the fisheries industry, financial backing for farmers and works to release land for private sector-led development.

### 3.8.2 Online survey responses

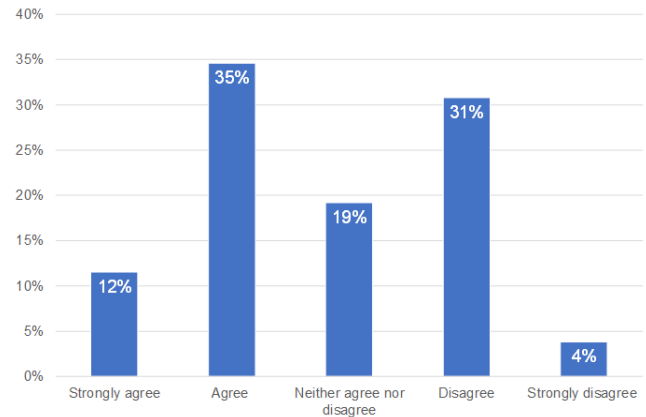
In addition to the qualitative questions asked by the GoM to Montserratian citizens, stakeholders were also asked to what extent they agree or disagree with several statements around the appropriateness of this EGS to deliver sustained economic growth to Montserrat. In total, 26 people responded to the online survey (which was live for four weeks between January and February 2018), all of whom are over the age of 29 and 20 respondents are of working age. Almost 70% of respondents are male and more than 60% are Montserratians living overseas, as part of the diaspora. This found broad support for the EGS, with some areas of disagreement, including the total of 35% of respondents who disagree to some extent with the approach of the EGS.

**Figure 12: To what extent do you agree or disagree that the future drivers of the economy in the EGS are correct.**



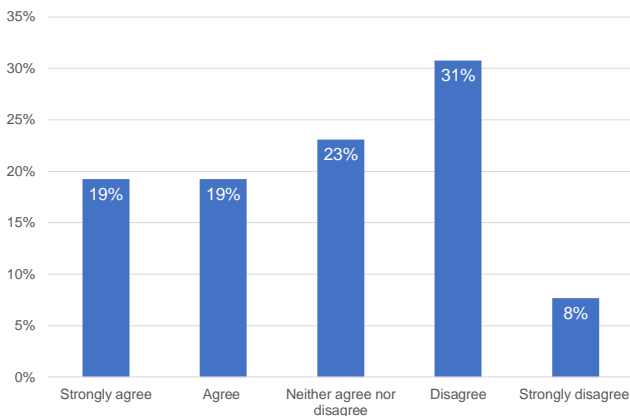
Source: GoM, Base: 26

**Figure 13: To what extent do you agree or disagree that the overall approach of the EGS is correct for the future economic growth to Montserrat.**



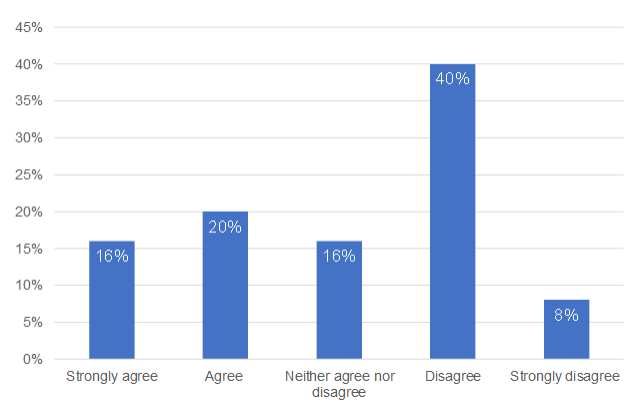
Source: GoM, Base: 26

**Figure 14: To what extent do you agree or disagree that the EGS will support future economic growth in Montserrat.**



Source: GoM, Base: 26

**Figure 15: To what extent do you agree or disagree that the proposed delivery plan is achievable for Montserrat.**



Source: GoM, Base: 25

This survey found significant concerns about the effectiveness of the EGS in supporting economic growth in Montserrat, in particular, concerns around the degree to which the EGS is achievable were expressed in this survey. The qualitative responses provided by respondents to this survey explained that this concern is based on the failure of previous strategies and economic plans to deliver growth over recent years. The failure of previous strategies has resulted in scepticism among many Montserrat citizens over the ability of the GoM and the limited private sector in Montserrat to deliver an agreed strategy.

Despite these concerns held by some, the survey largely found that a significant proportion of respondents agree to some extent that the approach of the EGS is correct (47%), that the EGS will support economic growth in Montserrat (38%) and that the strategy is achievable (36%).

### 3.9 Conclusion

This process of stakeholder consultation found a common view across many stakeholders that economic growth in Montserrat is being restrained by the reliance on public sector investment and a weak offer to private sector investors. Industries such as tourism are vitally important to the Montserrat economy, despite

their small size relative to neighbouring islands. Opportunities exist to grow tourism and the wider private sector through better marketing and diversification of the offer.

The need to achieve buy-in from all sectors of Montserratian society is important for delivery of any strategy. Stakeholders presented the view that without buy-in and the assigned ownership of tasks, this strategy would likely fail to be delivered in the longer term, as other similar strategies have previously. Stakeholders were aware of the challenges and opportunities facing Montserrat as it seeks to deliver the sustainable growth sought through this strategy. The need to create a realistic and phased strategy that reflects the challenges within the Montserratian economy was clearly identified by stakeholders who noted that many of the challenges are deep-rooted and require long-term solutions, albeit built upon short and medium-term successes.

Despite these challenges, opportunities for growth exist, as does the potential to build upon the island's unique features, such as the volcano and remains at Plymouth. Stakeholders provided clear direction for delivering a successful economic growth strategy, based on the buy-in of people from across Montserratian society and the focus on a staged approach to delivering incremental growth in order to achieve long term sustainable economic development.

Our conclusion is that there is appetite for change on Montserrat and that this Plan can provide a focus on the future and a kick-start to economic development. The ideas and suggestions presented to us through the engagement work form the basis of the Plan.

## 4 Supporting the growth agenda

The principles under-pinning our approach to developing a strategy and delivery plan that supports Montserrat's growth agenda are set out in the section below (the plan itself is in the next section). We have designed logic models which illustrate the road map from short term interventions leading to the longer term objectives for Montserrat's economic growth.

### 4.1 Introduction

This section sets out how the strategy and delivery plan was developed, applying best practice such as the SMART approach that is used internationally for creating appropriate, realistic and achievable objectives for projects. This section also sets out the approach to delivering wider objectives step-by-step, using smaller interventions to develop the conditions required to meet larger growth objectives. We use sector and theme-specific logic models that set out how this growth strategy will be delivered and how targeted and interconnected interventions can ultimately deliver the desired economic outcomes.

### 4.2 SMART approach

In order to develop clear growth objectives for Montserrat that are realistic and can be used to deliver a viable economic growth strategy, we have employed the SMART approach that has been developed over recent years into best practice for the development of effective objectives. Using this SMART approach, we have developed the growth objectives for Montserrat over the next 10-20 years. The SMART criteria are as follows:

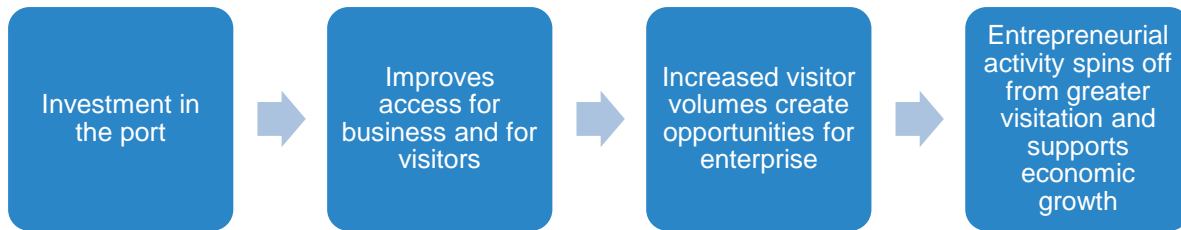
- **S**pecific (to the change being measured)
- **M**easurable (and unambiguous)
- **A**ttainable (and sensitive)
- **R**elevant (and easy to collect)
- **T**ime bound (with term dates for measurement)

These criteria provide a guide on how to focus data collection on a set of indicators which will reflect planned progress.

### 4.3 Connecting interventions

In our work to date we have noted imperfect connectivity between potential projects and interventions. Economic development is not an area of single track interventions and, in any case, that is not what Montserrat needs. We believe that connecting interventions will deliver a greater cumulative impact for Montserrat and all parties with an interest in its future development. One example is the much-needed investment in a new port which can act as a catalyst for tourism development (see below as an illustration), which can satisfy objectives such as:

- improved access;
- increased visitor volumes creating demand for services and entrepreneurial opportunities; and,
- greater entrepreneurial activity in response, creating jobs, GVA and tax revenue.

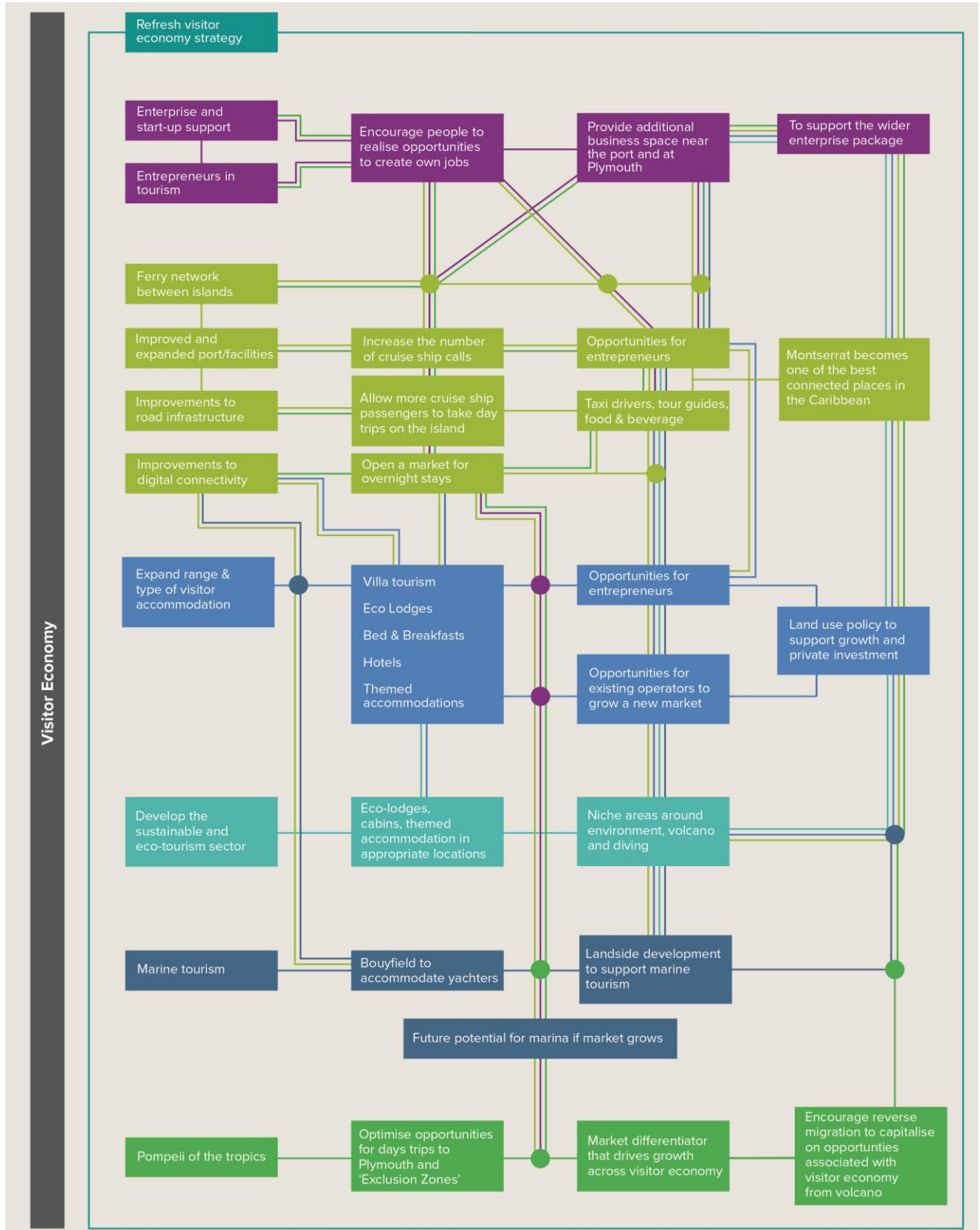


Through connected interventions the economy can, over time, shift and rebalance itself away from public sector dominance, ultimately reducing dependence on UK government support.

#### 4.4 Logic models

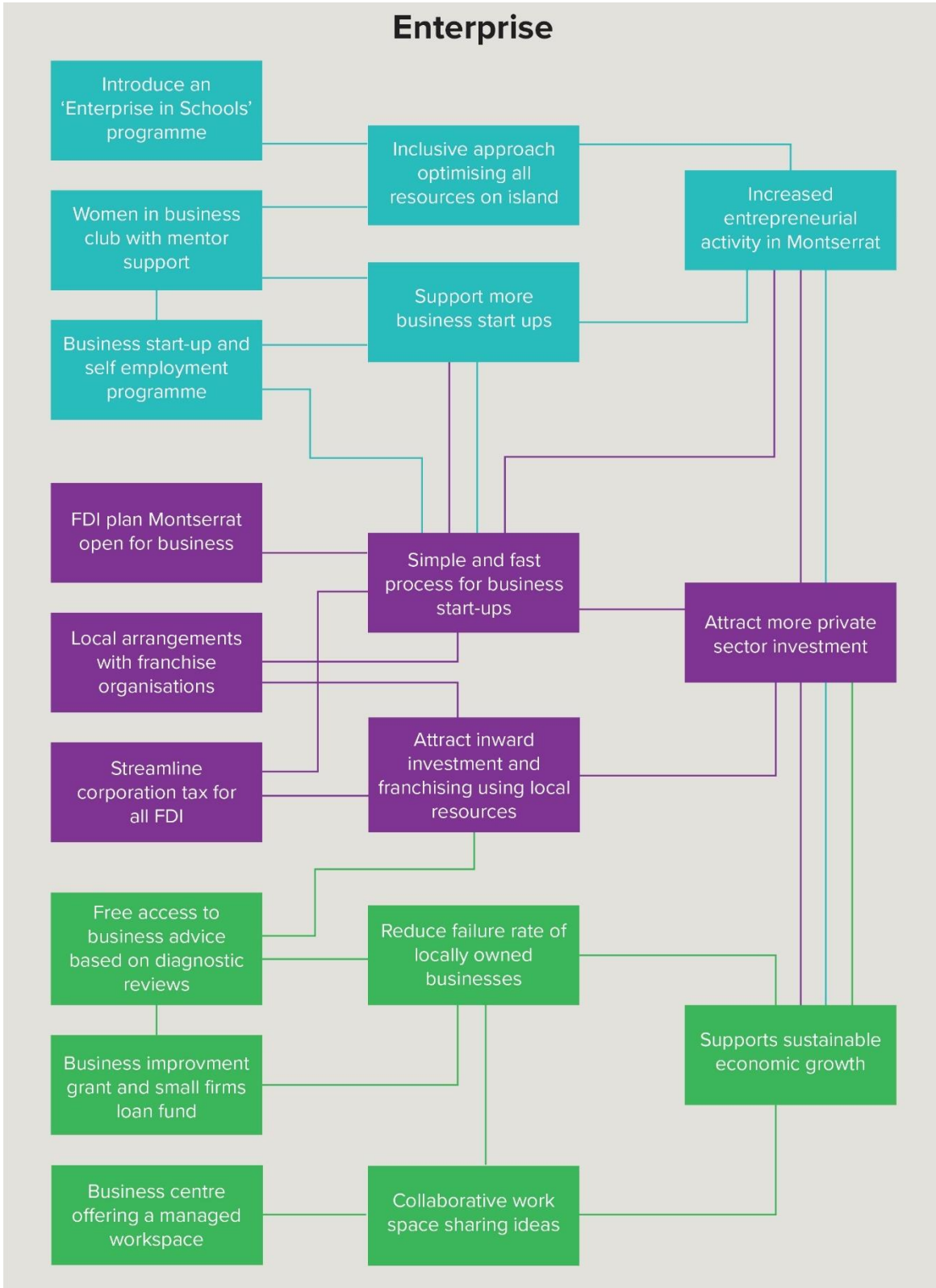
To realise the benefits, achieve the objectives and deliver the prioritised investments identified for Montserrat, setting out a logic model or road map helps to visualise the key steps required to turn a set of resources or inputs into activities that are designed to lead to a specific set of changes or outcomes. This can subsequently be used to guide the monitoring and evaluation process by presenting the fundamental pathways across different stages of project delivery, demonstrating how the project is anticipated to achieve desired results and benefits.

Figure 16: Logic model for the Visitor Economy



Source: Mott MacDonald

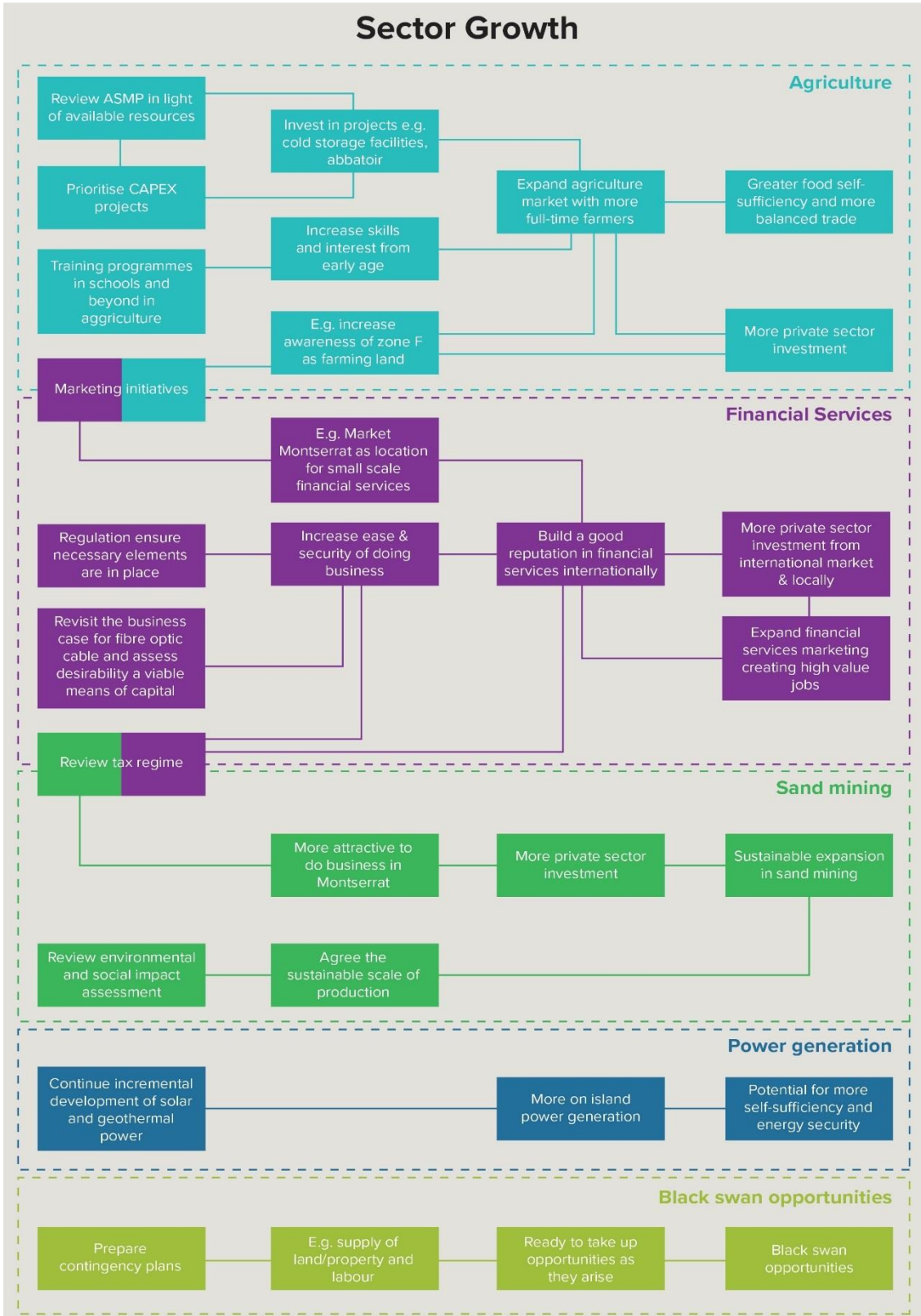
**Figure 17: Logic model for Enterprise culture**



Source: Mott MacDonald

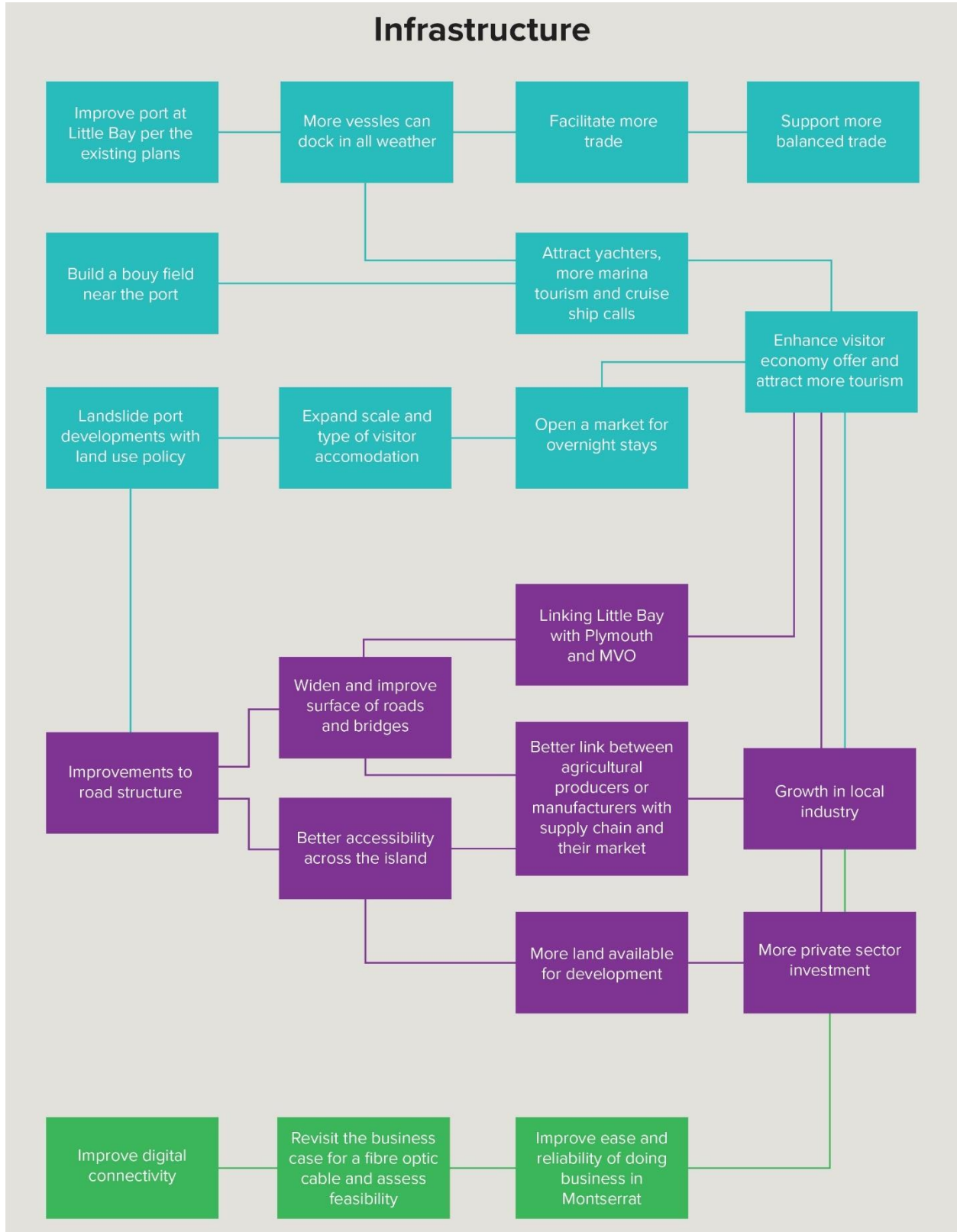


Figure 18: Logic model for Sector growth



Source: Mott MacDonald

Figure 19: Logic model for Infrastructure



Source: Mott MacDonald

## 4.5 Funding sources to explore

The total amount allocated to Montserrat under the 11<sup>th</sup> EDF is EUR 18.4 million, of which it is envisaged that EUR 17.4 million will be applied as direct support for the multi-sector approach embodied in the MTEP 2017-21, promoting sustainable growth and economic development<sup>37</sup>. The remaining EUR 1,000,000 will be complementary spending, devoted to related technical assistance and capacity building (EUR 920,000), evaluation and audit (EUR 40,000) and communication and visibility (EUR 40,000). The criteria for the disbursement of the tranches are to be agreed but it is anticipated that the budget support programme will be disbursed in four instalments corresponding to fiscal years 2017/18 – 2020/21.

Deliverables associated with this expenditure could be incorporated into the strategies and key performance indicators agreed during the national budget process. This would also allow a consistent monitoring through the existing reporting process.

Our research and consultations suggest several potential funding sources which the GoM could explore further. These include:

- Private sector funding (ultimately the most important).
- EU.
- EIB.
- DFID.
- Caribbean Development Bank (CDB).
- Organisation of Eastern Caribbean States (OECS).
- Caribbean Community (CARICOM).

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<sup>37</sup> European Development Fund (EDF), Medium Term Economic Policy (MTEP) 2017-2021, 2016

## 5 Delivery plan

In this section we present our draft delivery plan for growth in the visitor economy, enterprise culture, key sectors of the economy, and infrastructure. We explore the opportunity and rationale for investment in each and set out the action plan for each area.

### 5.1 Introduction

Our structural review of the economy of Montserrat revealed a distinction between economic activity that delivers goods and services to local markets and people, and activity that generates external (overseas) earnings either directly or by substituting on-island production for imports. The overall size of Montserrat's economy is, essentially, a multiple of the size of the external sector.

The ambition to secure economic growth for Montserrat must be achieved chiefly by growing the external sector, though on-island enterprise may over time raise the multiplier. Economic growth in 2014 and 2015 was close to zero, and although the rate is now between 1% and 2%, there is some way to go before achieving the substantial economic growth rate to which Montserrat aspires.

Income from DFID forms the greater part of the external sector. This income has economic effects that are in many ways the same as if DFID were an external customer buying services from Montserrat. GoM and DFID share the objective of reducing dependence on DFID. Reduced dependence would, however, be a powerful headwind militating against economic growth. This brings the rest of the external sector into sharp focus: it is here that the main burden of securing economic growth and reducing dependence on DFID will fall.

As a benchmark, the non-DFID external sector would need to grow at around 15% annually to achieve an economic growth rate of 3%-5% and at the same time accommodate a slow contraction of DFID recurrent revenue support (indicatively at 1% per annum)<sup>38</sup>. Although 15% is an ambitious target, amounting to a doubling of output over the five years 2018/19 to 2022/23, we consider it to be feasible especially given that the small size of the existing base of activity makes relatively large percentage increases easier to achieve.

However, successful delivery of this plan will largely depend on the GoM's ability to enlist technical support through existing staff or by bringing in external advisors to support the interventions. This support could be acquired through current arrangements, such as with DFID, or through direct appointments as appropriate.

### 5.2 Visitor economy

#### 5.2.1 Context

The tourism sector, which is central to the the visitor economy, is something that most people recognise and understand but it can be interpreted in many different ways. That said, since the 1960s/70s tourism has been increasing and has portrayed growth and resilience as an economic driver.

Some encouraging data from the United Nations World Tourism Organisation (UNWTO)<sup>39</sup> shows the continued growth and strength of the visitor economy:

- Destinations worldwide welcomed 598 million international tourists in the first six months of 2017, some 36 million more than in the same period of 2016. At 6%, growth was well above the trend of recent years, making the current January-June period the strongest half-year since 2010.

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<sup>38</sup> Targeting a maximal 15% growth rate over ten years in non-DFID external sectors, of which the Visitor Economy is the most important, could allow for a nominal 1% per annum reduction in DFID current support while still allowing around 3-4% average economic growth over next ten years. This is based on Mott MacDonald's international analysis. This analysis is based on high level modelling to be used as an indicative guide only, further detailed analysis would be required to develop a robust forecast.

<sup>39</sup> UNWTO (2017) <http://media.unwto.org/press-release/2017-09-07/international-tourism-strongest-half-year-results-2010>

- Growth was strongest in the Middle East (+9%), Europe (+8%) and Africa (+8%), followed by Asia and the Pacific (+6%) and the Americas (+3%).
- The Caribbean is included in the Americas and had growth at +4%, above North America (+2%) but behind Central America (+5%) and South America (+6%).

As illustrated below, in 2016 Montserrat had a reported 15,679 visitors, of which 8,848 were overnight visitors<sup>40</sup>. This figure represents a small fraction of the total visitors to neighbouring islands such as Antigua & Barbuda (almost 880,000 visitors in 2016) and St Kitts & Nevis (with over 1 million visitors in 2016)<sup>41</sup>. This suggests that the total market for visitors to the region offers significant potential for Montserrat. We also note that Montserrat reports a relatively high value spend per visitor compared with its neighbours, as shown below.

For Montserrat to maximise the opportunities arising from growth in the visitor economy globally and regionally it must reflect on the following:

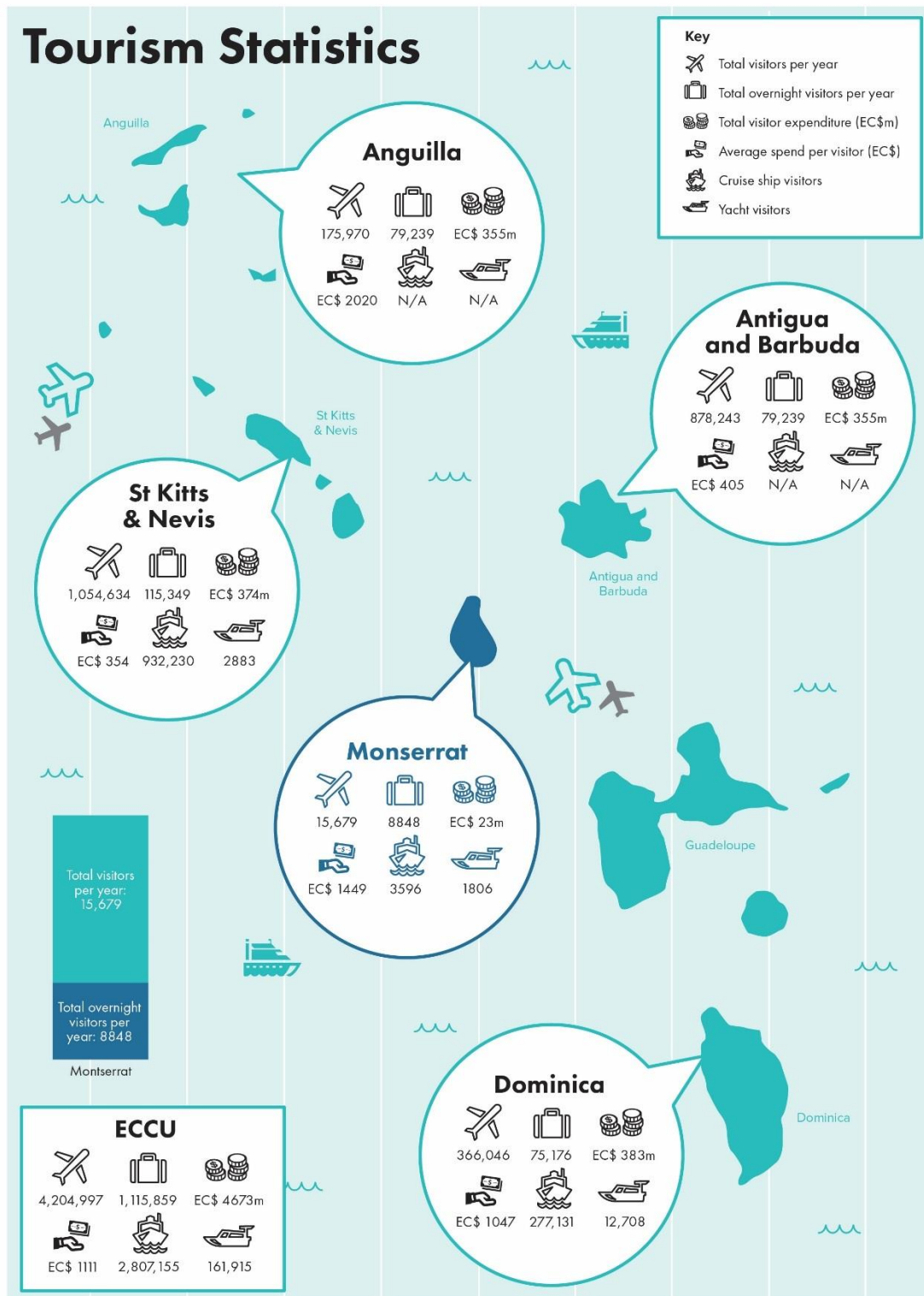
- Understand its offer and the markets it is competitive in so it can effectively market itself.
- In every destination, the majority of tourism enterprises are micro and small businesses, supporting them in Montserrat is critical (and development of the visitor economy and an enterprise culture go hand-in-hand).
- The visitor economy requires a multi-sectoral approach to its development, this Plan provides a starting point for this in Montserrat.
- The visitor economy relies on digital connectivity and visibility as much as it does on surface and air connectivity which reinforces the multi-sectoral approach.

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<sup>40</sup> Annual Tourism data, 2016. Montserrat Statistics Department, ECCB. Data as at 11 July 2017.

<sup>41</sup> Annual Tourism data, 2016. ECCB. Data as at 11 July 2017.

Figure 20: Summary statistics for visitors in Montserrat and neighbouring islands in the ECCU



Note: Where data appears as 'N/A', this information was not available at the time of writing.  
Source: Annual Tourism data, 2016. ECCB. Data as at 11 July 2017.

## 5.2.2 Rationale for Investment

Investing in the visitor economy is a prime example of encouraging growth in a sector which is supported by the GoM while drawing on global trends. It is also a sector where entrepreneurialism can flourish thereby creating self-employment/ employment opportunities, contributing to GDP and tax receipts.

Each additional job in the visitor economy can have a significant positive impact on Montserrat's wider economy. We have estimated that each additional job supported in the visitor economy has the potential to support an additional EC\$43,000 in Gross Value Added (GVA) per annum for Montserrat's wider economy. Therefore just 12 additional jobs created in the visitor economy could support over EC\$0.5m GVA every year in Montserrat. This is based on the calculations set out below.

### 5.2.2.1 Quantifying GVA per job in the visitor economy.

Data published by the ECCU Central Statistical Offices and Eastern Caribbean Central Bank (ECCB) shows that in January 2017 prices, 'Hotels and Restaurants' accounted for approximately 2.12% of GDP in 2016, or EC\$3.11m of GDP<sup>42</sup>.

As noted above, the visitor economy has been estimated to account for 4-5% of total GDP (according to different sources<sup>43</sup>), indicating that roughly half of GDP from the visitor economy is generated through Hotels & Restaurant activity. 4-5% of total GDP in 2016 is equivalent to EC\$6.7m-EC\$8.6m (or EC\$5.9m-EC\$7.6m in GVA basic prices before accounting for taxes and subsidies)<sup>44</sup>.

Sources indicate that the visitor economy in Montserrat has either 100-150 jobs or 250 jobs, according to different sources<sup>45</sup>.

To verify these estimates, we looked at the 2011 Census which recorded a labour market of 2,718 economically active people in Montserrat. Using the Government of Montserrat's Ministry of Finance and Economic Management forecast of 5.65% growth in population to 2016, and assuming this overall population growth is consistent in the labour market, we estimate that the labour market in 2016 consisted of approximately 2,870 economically active people<sup>46</sup>. If the number of jobs in visitor economy is consistent with its share of GDP, then 4-5% of this labour market equates to 100-150 jobs. This is consistent with the estimates provided during our stakeholder consultation.

Using this data, we estimate that each job in the visitor economy equates to roughly **EC\$43,000 GVA per job** (or falls within a range of EC\$30,500 and EC\$60,000 GVA per annum) based on 2016 data, as detailed in the table below. Thus, each additional job supported in the visitor economy has the potential to support an additional EC\$43,000 in GVA per annum.

**Table 3: GDP by economic activity, in current prices (Jan 2017) (EC\$M)**

Economic activity	Value	
Total GVA in Basic Prices	EC\$ 146.8 m	
Total GDP in Market Prices	EC\$ 167.5 m	
<b>Visitor economy as percentage (%) of GDP</b>	4% estimate	5% estimate
Share of GVA in Basic Prices	EC\$ 5.9 m	EC\$ 7.6 m
Share of GDP in Market Prices	EC\$ 6.7 m	EC\$ 8.6 m
<b>GVA per job:</b>		
100 jobs estimate	EC\$ 58,730	n/a

<sup>42</sup> Calculated based on data from ECCU Central Statistical Offices and Eastern Caribbean Central Bank, 'GDP estimates and projections', 19 January 2017.

<sup>43</sup> Stakeholder consultations and Government of Montserrat, 'National Tourism Policy', May 2016.

<sup>44</sup> Calculated based on data from ECCU Central Statistical Offices and Eastern Caribbean Central Bank, 'GDP estimates and projections', 19 January 2017.

<sup>45</sup> Stakeholder consultations and Government of Montserrat, 'National Tourism Policy', May 2016.

<sup>46</sup> Statistics Department, Ministry of Finance and Economic Management (MoFEM), CR01-07-2017, July 2017.

Economic activity	Value	
150 jobs estimate	EC\$ 39,150	n/a
250 jobs estimate	n/a	EC\$30,520
<b>Average GVA per annum per job in visitor economy</b>	<b>EC\$ 42,800</b>	

Source: Mott MacDonald, ECCU and ECCB.

### 5.2.3 Opportunity

Montserrat needs to modernise and widen its offer so that it can capitalise on its natural assets, climate and geographic location by becoming a short-trip destination, a main vacation destination and a place where an enterprise culture is at the heart of its tourism development. There is a lot to do and a lot to aim for but tourism can become a mainstay of the island's future economic development.

Tourism marketing for Montserrat needs a complete overhaul. Not only is the existing material unappealing it is also misleading. For example, see the following link from Caribbean Travel (accessed 18<sup>th</sup> October 2017): <http://www.caribbeantravel.com/caribbean-islands/montserrat> - this refers to the Montserrat Development Company and its physical plans for Carr's and Little Bay which is out of date, it also refers to the devastation caused by the volcano and doesn't present an attractive proposition to Montserrat. Reconfiguring how Montserrat is marketed to potential visitors is the first step from which a series of inter-related actions can then be supported as shown in the table below.

International travel from other parts of the world to the Caribbean is expensive, Montserrat is further disadvantaged in that it requires interchange on Antigua, which increases the financial and time costs of travelling. Direct visits from international visitors are an important market area but indirect visits by international visitors to another Caribbean island could open up a substantive market opportunity. There are organised day tours in existence already (for an example see link: <http://www.carib-world.com/tours-2/>) and this could be replicated by Montserrat entrepreneurs to develop 1, 2, 3, 4-day packages tailored around market segmentation and the visitor offer on Montserrat.

Access to the exclusion zone around the volcano is restricted, on safety grounds, to parties and tour groups who have pre-booked and are accompanied by a police escort. These groups must also maintain radio contact with the MVO and be prepared to evacuate the area within 20 minutes. Currently, the only fee charged to these groups is to cover the cost of the police escort, meaning that no profit is derived from these visits and that costs beyond the police escort, such as radio equipment, are not covered by the visitors. The potential to charge visitors for access to the exclusion zone should be considered, so as to allow Montserrat to benefit financially from the volcano, one of the island's unique features. Despite the safety concerns surrounding the volcano and Zone V, at the centre of the exclusion zone, there are opportunities to expand tourism to the area safely and in a way that generates a sizeable revenue stream for Montserrat.

### 5.2.4 Prioritised action plan

Based on these observations and findings, we have developed the following actions to support this strategic overview, as set out in the tables below. We have developed these since the initial findings report, primarily through engagement with key stakeholders. All investment values are preliminary high-level estimates.

**Table 4: Delivery plan actions – Visitor economy**

Visitor economy	Action	Timeline	Investment	Responsible
Support an entrepreneurial culture in the visitor economy	Refresh Montserrat's Visitor Economy marketing strategy with a clear focus on enterprise opportunities	2018 Review annually Refresh after two years	Monitoring and evaluation framework to be produced to consider and review progress by strand	GoM Office of the Premier (Director of Tourism)



Visitor economy	Action	Timeline	Investment	Responsible
	Business start-up and self-employment programme (to be delivered as part of the enterprise programme with a focus on visitor economy)	2018-2022 – in operation late 2018	See enterprise programme for full details	GoM Office of the Premier (CEO)
	Entrepreneurs in tourism club with mentor support to new starts	2018-2022 – in operation late 2018	Links to enterprise programme	GoM Office of the Premier (Director of Tourism)
Access and connectivity	Creation of a ferry network between islands (e.g. Montserrat, Antigua, Guadeloupe, St Kitts)  A ferry pricing study is already underway looking at routes, costs of vessels, required size of fleet	2019-2020 – operational in 2020 based on agreed routes with firm timetable and sufficient vessels and crew.  Implement findings from review of Air & Sea Access Implementation Plan.	Post-feasibility recommendations on capital expenditure (CAPEX) and business planning	GoM Office of the Premier  Island Governments  Private operators
	Improvements and expansion to the port, including a breakwater allowing more vessels to dock and allowing them to do so in all weathers	2018-2020 – due to be in operation from 2020	Investment sought from CDB	GoM; Ministry of Finance / Ministry of Communications, Works and Labour
	Cruise ship market – increase the number of stops made to Montserrat (linked to port improvements)	2018 dialogue with cruise ship operators 2019 revised programme with increased volume of stops leading to point when new port is in place. 2025 onwards – increased volumes	Investment to include costs of employing a dedicated officer with marketing and cruise ship experience	GoM Office of the Premier (Director of Tourism)
	Improvements to road infrastructure to support local community as well as enhance visitor economy offer – new infrastructure must be built to acceptable standards and be resilient to climate change to ensure longevity	2018 investigation of roads infrastructure and Roads Investment Plan developed  2019-2023 Roads Investment Plan		GoM, Ministry of Communications, Works and Labour
	Improvements in digital connectivity for Montserrat to support local community as well as expand visitor economy (greater internet access, communications)	This is linked to the financial services sector proposal also.		GoM Office of the Premier
Support the expansion of the accommodation offer of Montserrat	Potential to broaden and develop the scale and types of accommodation on offer (Villas, B&Bs, eco lodges). This development would be most beneficial if it occurred alongside a refreshed marketing strategy. A land-use policy to support this approach is required to fulfil this ambition.	Linked to the marketing strategy and market segmentation  2018 Land use plan (to supercede Physical Development Plan 2012-2022) produced and engagement with land owners, developers, entrepreneurs to		GoM Office of the Premier (Director of Tourism and CEO)

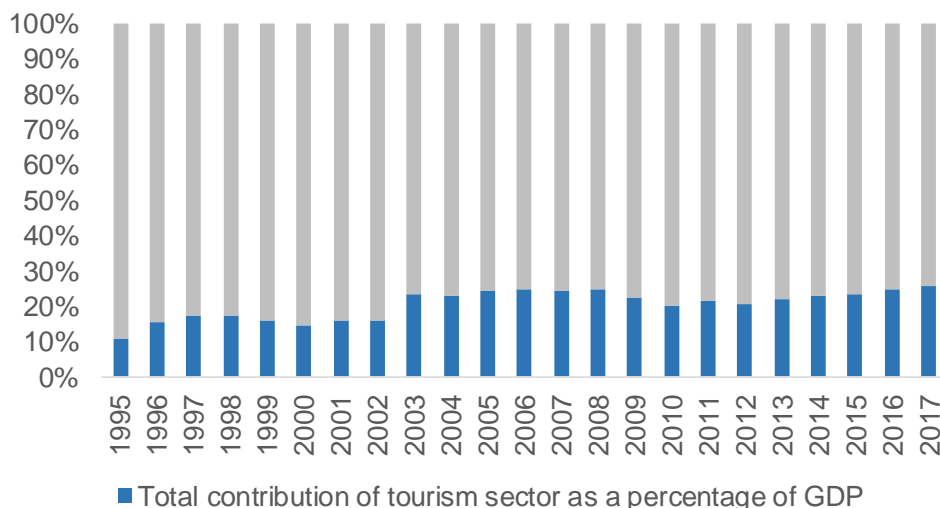
Visitor economy	Action	Timeline	Investment	Responsible
		understand level of interest.		Private investors esp recording artists, record companies
		2018 pilot schemes built e.g. eco lodges 2018 Feasibility study on potential for an Air Studios-Beatles-modern music and Montserrat's contribution to the world		
Supporting the development of the sustainable and eco-tourism sector of Montserrat	This is significant growth opportunity area for the Montserrat visitor economy based on the undeveloped uplands including the flora and fauna in the exclusion zone. The dive sites on the island's coastline also add to this potential sustainable and eco-tourism offer.	Market assessment to understand demand and best ways to capture that demand linked to marketing strategy.  Work with entrepreneurs to develop niche offering around hiking, bird watching, diving, kayaking, volcano activities	No additional investment required but draws on the work set out in above sections.	GoM Office of the Premier (Director of Tourism) With support from EU
Opportunities in the visitor economy of Montserrat linked with the volcanic areas	Pompeii of the Tropics/ Modern Pompeii The volcanic activity on Montserrat has the potential to become a significant tourist attraction. Development in other areas such as infrastructure and accommodation would need to occur to make this form of tourism viable of a large scale.	2018 – Feasibility study. Area open to visitors for Sept 2018. Marketing plan in place  2018-19 – Investment in roads, health & safety, registered guides, interpretation material	This is a significant undertaking but has the potential to change the face of Montserrat's offer	GoM Office of the Premier (Director of Tourism and CEO)
	Given the destructive volcanic history of Montserrat forcing people to relocate, the scale of tourism linked with visiting relatives globally needs to be investigated as a potentially important source of revenue for Montserrat's visitor economy.	Reverse migration building off tourism visits. Marketing in UK, Antigua and Canada to attract visitors.  Potential relocation package or grant support to set up tourism businesses	No additional investment required but draws on the work set out in above sections.  Unquantified	GoM Office of the Premier (Director of Tourism and CEO)
Marine tourism	Yachters visit Montserrat and there is potential to make more of this market segment. A buoy field inside the proposed breakwater with access to the port is a relatively inexpensive way of developing this market which has potential in the longer term to lead to marina proposals being considered.	2018 Buoy field can be installed ahead of port expansion works and then relocated to a position inshore from the breakwater once constructed		GoM Office of the Premier (Director of Tourism & CEO) Ministry of Finance

### 5.2.5 Lessons from elsewhere: Croatia

Croatia is a prime example of a country that has made extensive progress in transforming its economy, demonstrating how reconstruction and tourism development can mutually reinforce each other to achieve economic growth. The Croatian War of Independence in the 1990s caused disruption throughout the country, disastrously affecting the country, particularly the tourism sector which was (and still is) a very important

contributor to GDP. At the end of the war, Croatia began a slow process of economic rehabilitation and is now comparable to a developed western economy, with services accounting for nearly three quarters of GDP and industry and agriculture accounting for the rest<sup>47</sup>. In addition, Zadar has been voted Europe’s most popular travel destination in an online poll and welcomes around half a million guests every year<sup>48</sup>. As can be seen from the figure below, the travel and tourism sector has contributed around 25% of GDP consistently in the past couple of years, and has also accounted for around 325,000 direct and indirect jobs in recent years<sup>49</sup>.

**Figure 21: GDP generated by the travel and tourism sector as a percentage of GDP in Croatia from 1995-2017**



Source: World Travel & Tourism Council Data Gateway (2016)

To drive tourism after the war, the Croatian government implemented a number of strategies to position Croatia as a top-end destination. This included investing €8.6 million into the advertisement and marketing of Croatia in 2006 and addressing the lack of adequate infrastructure, such as poor-quality hotels. The Croatian National Tourism Board also budgeted €500 million for investment in hotels, campsites and holiday resorts and planning permission was granted for new hotels, a golf course and to modernise existing hotels. The Croatian government also invested more than €170,000 in developing internet-related facilities at various tourist locations across the country. In addition, the growth of the visitor economy was helped in part by the impact of low cost airlines starting to fly to Croatia<sup>50</sup>.

The types of tourism in Croatia vary, however a main type appears to be heritage tourism. Cities of Croatia hold much history that attracts a lot of visitors. For example, Dubrovnik holds multiple historic attractions such as the Dubrovnik Cathedral, City Walls and Forts as well as holding the Summer Festival which is a cultural, artistic and traditional event festival, and more. As well as this, Croatia has responded to the global demand for cruise tourism by developing its ports. Between January and August 2012, approximately 440 cruise ships, carrying more than half a million passengers passed through Dubrovnik’s port<sup>51</sup>.

<sup>47</sup> See: <http://www.nationsencyclopedia.com/economies/Europe/Croatia-OVERVIEW-OF-ECONOMY.html>

<sup>48</sup> TUI (2017): ‘Tourism as a pillar of the economy’

<sup>49</sup> World Travel & Tourism Council Data Gateway (2016)

<sup>50</sup> Euromonitor International (2006): ‘Croatia: strong potential for tourism growth’

<sup>51</sup> See: [https://www.researchandmarkets.com/research/mm2465/travel\\_and](https://www.researchandmarkets.com/research/mm2465/travel_and)

## 5.3 Enterprise culture

### 5.3.1 Opportunity

Our SWOT analysis and structural review of the economy of Montserrat indicates an imbalance between the public and private sectors. The Registrar of Companies says that there are 300 incorporated and 1,200 unincorporated businesses on Montserrat's register. A review exercise due imminently will likely remove around 30 incorporated businesses on grounds of inactivity. Small increases in these numbers, year on year, have the potential to increase employment and GDP and rebalance the economy from the current public-sector dominance toward the private sector.

The general circumstances faced by small island communities in developing new firms, supporting micro business and attracting FDI are all apparent in Montserrat:

- Regulatory barriers, such as administrative barriers to entry.
- Cultural and social barriers, such as the 'fear of failure' and a lack of entrepreneurial knowledge and skills.
- Financial and economic barriers, such as, insufficient access to risk capital, both seed /early stage and longer term financing.
- Lack of market opportunity.

Montserratians are proud and they value independence and self-reliance, a medium-term objective is therefore to turn these foundations toward self-reliance in the business sense. The development and nurturing of more micro firms and start-ups, self-employment and the attraction of investment from overseas, be it from the diaspora or other sources, is a key ingredient to Montserrat's sustainable economic future that can also play a role in including the local population in a new era of growth and prosperity.

### 5.3.2 Rationale for investment

#### 5.3.2.1 Montserrat Open for Business

Creating a business environment conducive to enterprise creation that is accessible to all sectors of society, including minority groups, requires reinforcing and supportive policies. These include fiscal and monetary policies, which are essential to provide a basis for a stable macroeconomic environment. They also include structural policies that determine the overall economic framework in which the business sector operates, such as those affecting labour markets, tax, competition, financial markets and bankruptcy laws. In some countries, the entrepreneurs need one day to register an enterprise, in others, they need 20 weeks. Montserrat has the opportunity to determine a business friendly regulatory and tax regime to stimulate new starts and attract FDI.

#### 5.3.2.2 Enterprise for all

Individual attitudes to enterprise vary enormously. Some people are 'born entrepreneurs', others never wish for anything other than salaried employment. In Montserrat employment opportunities are dominated by public sector jobs. But there are many people who also work (in the government) and run small enterprises on a part-time basis. Others who consider starting businesses may leave or be bound by a wide range of factors, such as the encouragement or otherwise of friends and family, the availability of start-up capital and business advice, whether there is a local business culture conducive to enterprise and so on. In an economy dominated by the public sector there are few role models for young people and the natural management skills of women in managing household budgets, organising the family etc. are locked in because there is no stimulation. Enterprise for all in Montserrat will meet modest enterprise creation objectives by moving along the spectrum - tipping people who have entrepreneurial instincts and ideas from not starting to starting.

### 5.3.2.3 Business support and finance

The principal aims of business support services should be about meeting the needs of customers and delivering business support services that produce tangible economic benefits for the locality and wider areas in which they operate. This implies that both the content of business support should be relevant to the locality (in terms of both existing businesses and in terms of the future economic development needs) and it should be delivered in a way that is accessible to different segments within the ‘market’ e.g. young people, women. A modest investment from the Government, perhaps alongside CDB, in a start-up grant and/or loan fund and an investment fund for established firms, coupled with access to peripatetic business counselling, can aid the survival of new starts and support the growth of existing firms.

### 5.3.2.4 Low levels of effective demand in the local economy

The main obstacles for new starts in Montserrat can be grouped in three main categories: those associated with the small size and low density of island/rural communities, the social and economic composition of the community and the nature of internal and external linkages. Despite the obstacles, Montserrat has opportunities for the development of entrepreneurship linked with the promotion of products of quality, craftsmanship, connection with nature and traditional culture; quality of life and natural beauty which is attractive for entrepreneurs who want to relocate from congested and pressured cities and the spread of faster telecommunications access. In the short term, the stimulation to the tourist economy should provide opportunities for new micro firms and the demand for professionalisation in the running of existing enterprises.

### 5.3.3 Prioritised action plan

Based on these observations and findings, we have developed the following actions to support this strategic overview, as set out in the tables below. We have developed these since the initial findings report, primarily through engagement with key stakeholders. All investment values are preliminary high-level estimates.

As noted above, the BERF report (January 2017) recommended that a ‘Business Facilitation Services Centre’ be established to strengthen business environment reform in Montserrat<sup>52</sup>. There may therefore be a case for an agency to undertake both business support and promotional functions. This could provide support to new professional business start-ups and promote more women in business, potentially forming key island employers.

We are aware of the unhappy history of the defunct Montserrat Development Corporation, but consider that this should not preclude the possible establishment of a better organised entity.

**Table 5: Delivery plan actions – Enterprise culture**

Enterprise culture	Action	Timeline	Investment	Responsible
Increase total entrepreneurial activity among the population	Design and implement an enterprise in schools programme – e.g. business ideas, role models, risk and rewards, principles and young business dragons’ den competition	2018-2022 – aim for first cohort in Sept 2018	Initial design and annual updates	GoM Office of the Premier
	Business start-up and self-employment programme	2018-2022 – in operation late 2018	Initial design and annual updates Suggest investment in start-up loan/grant fund	GoM Office of the Premier
	Women in business club with mentor support to new starts	2018-2022 – in operation late 2018	Links to above Promotion and mentor costs	GoM Office of the Premier
	Simple/rapid procedures for business start-up and incorporation in Montserrat	In operation fiscal year 2019		GoM Registrar of companies

<sup>52</sup> BERF, “Building capacity for improving the business environment in Montserrat”, January 2017. Report commissioned by DFID on behalf of the Government of Montserrat.

Enterprise culture	Action	Timeline	Investment	Responsible
Support sustainable growth and reduce the failure rate of locally-owned business in Montserrat	Free access to professional business advice during 2018 -2020 based on a diagnostic review and action plan and introductions to financial support	2018-2022 – in operation late 2018	Initial set up and annuka updates Mixture of on island, skype and email	GoM Office of the Premier
	Business improvement grant and small firms loan fund linked to the uptake of above	2018-2022 – in operation late 2018	Set up included in above Suggest additional investment in start-up loan and grant fund	GoM Office of the Premier
	Montserrat business centre offering managed workspace to tenants from micro and new start firms	2019 feasibility and financing complete 2020 start on site 2021 open		GoM Office of the Premier
Attract appropriate inward investment and franchising into Montserrat, making use of local labour resources	Corporation tax level of zero will be streamlined for all FDI new firm investments in Montserrat for sector specific investment employing over five people from the tourism, digital and financial sectors	2020	n/a	GoM Office of the Premier
	Local arrangements with franchise organisations	2019	Feasibility study	GoM Office of the Premier
	FDI plan – Montserrat open for business	Complete with action plan for 2020	Initial research and development Annual cost for FDI promotions	GoM Office of the Premier

#### 5.3.4 Outputs

These actions have been designed to achieve the following outputs which align to the enterprise culture objectives.

1. Increase total entrepreneurial activity among the population.
  - a. In 2018 the business start-up and self-employment programme will commence with a 10% increase in the stock of incorporated and unincorporated businesses each year (counting only those actually trading).
  - b. In 2018 a women in business club will be established with mentor support to new starts embedded as a core feature and a minimum of two new starts per annum.
  - c. A start-up loan and grant programme will be established in 2018 to support these new entrepreneurs alongside a requirement to take business counselling support.
  - d. The procedures for business start-up and incorporation in Montserrat will be completed within 10 working days of the application to Government.
  - e. By 2020 every young person will benefit from an ‘enterprise in schools’ education package delivered as part of the school curriculum
2. Support sustainable growth and reduce the failure rate of locally-owned business in Montserrat
  - a. Every locally owned business in Montserrat will be offered free access to professional business advice during 2018 to 2020 based on a diagnostic review and action plan and introductions to financial support.
  - b. A business improvement grant and small firms loan fund will be established to stimulate the economy linked to the uptake of a. above.
  - c. By 2020 we will break ground on a new Montserrat business centre offering managed workspace to tenants from micro and new start firms.

3. To attract appropriate inward investment and franchising into Montserrat, making use of local labour resources
  - a. A corporation tax level of zero will be established for all FDI new firm investments in Montserrat by 2020 for sector specific investment employing over five people from the tourism, digital and financial sectors.
  - b. In 2019 the Government will seek local arrangements with franchise organisations suited to the local circumstances of Montserrat and seek ways to encourage their development on the island.
  - c. The GoM will develop an FDI plan in 2020 and seek CDB and other support for its implementation, developing materials and actions to promote Montserrat as “open for business.”

### 5.3.5 Lessons from elsewhere: Highlands & Islands Enterprise, Scotland

Marine tourism is a growth sector for Scotland and particularly the west coast. In fragile communities, micro projects can make a big difference by introducing economic potential and opportunities, and have potential to act as a catalyst for future business activity.

Mott MacDonald was appointed by Highlands & Islands Enterprise to investigate the potential of introducing additional marine tourism infrastructure to The Small Isles (Canna, Rum, Eigg, Muck), Knoydart and Kinlochleven in the Lochaber and Inner Hebrides area of Scotland. These fragile communities are striving for economic activity that sustains the population – on one island there are only six residents – and retains young people so that the unique socio-cultural aspects of island life can be retained and enhanced.

It was found that encouraging marine-based activity could deliver economic and business growth by delivering increased tourism with relatively low investment costs. Market demand is derived from a growing marine tourism sector and a position in Scotland where nine-out-of-ten berths are occupied. Increased capacity is needed to support the sector’s growth and avoid crowding out. Similarly, provision of moorings in the settlements identifies them as safe locations which will encourage visits, particularly from yachters looking to sail north from the Clyde and Argyll areas but are limited by a lack of safe moorings north of Ardnamurchan Point.

By encouraging marine-based activity, it was anticipated that visitor numbers and spend per yacht would increase over the first five years leading to 0.5 full-time equivalent jobs per settlement and £60,000 GVA per annum being generated, delivering a profit to all six Scottish locations involved.

## 5.4 Sector growth: the external sector, building on strengths and resources

### 5.4.1 Opportunity

The largest industry within the external sector is the visitor economy, which currently generates some EC\$24m annually in visitor expenditure. The visitor economy and the opportunities it presents are reviewed in Section 5.2. This section is concerned with five other elements, or potential elements, of the external sector:

- Sand mining.
- Agriculture.
- Financial services.
- Power generation.
- ‘Black Swan’ opportunities.

#### 5.4.1.1 Sand mining

Sand mining contributed an estimated EC\$2.4m to Montserrat's GDP in 2016<sup>53</sup>. In 2016, it also generated some EC\$7m of exports, constituting the island's only significant visible export<sup>54</sup>. The contribution to GDP is net of non-labour input costs, and the large discrepancy between output (GDP) and exports reflects substantial expenditure by the industry on purchased inputs. At any time, there may be up to 25 people working the deposits, though the number varies considerably with demand.

We understand that six firms are active in the industry, though they collaborate in exploiting the sand resource. The industry has a concern about GoM royalty charges, which they state to be 25% of turnover in contrast to the 5% levied by Martinique, a competing source of sand. There were related concerns about the requirement to pay royalties up-front rather than in arrears (as with corporation tax), and about GoM changes to the tax regime at short notice. We note, however, that no corporation tax is payable by the companies, and further investigation would be needed to assess whether the current regime was, overall, favourable or unfavourable to growth of the industry.

Sand mining currently occurs within Zone V of the volcano exclusion zone on the south of the island. Mining operations are carried out in cooperation with the MVO which monitors volcanic activities and coordinates safety through a system agreed with the mining companies. While safety remains the primary concern, there is the potential to expand sand mining and other activities within Zone V, providing safety remains the priority and reasonable precautions are taken.

Sand mining can be quite intrusive in an environmental sense and objections to it have been raised on these grounds, environmental damage being both bad in itself and potentially inimical to development of the visitor economy.. Sand is, however, an important natural resource for Montserrat. Expansion of the industry would we understand be possible, especially if difficulties with the tax regime could be resolved, and should be pursued if it can be done without unacceptable environmental consequences.

#### 5.4.1.2 Agriculture

Agriculture and fishing contributed some EC\$2.4m to GDP in 2016, mainly from livestock but including some EC\$0.5m from each of crop raising and fishing<sup>55</sup>. Although this is a small amount, these industries have a wider social significance in Montserrat's history and in the hearts and minds of Montserratian people.

The volcanic eruptions devastated the industry, as the table shows. The output of crops (previously dominant) fell by 94% and forestry and fishing by almost as much. Livestock production held up better, but still fell by over one half.

**Table 6: Output of Montserrat's Agriculture and Fishing industries at constant 2006 prices**

	1994	2017 (est)	Decline
Agriculture, Livestock and Forestry	9.45	1.52	84.0%
Crops	6.46	0.38	94.1%
Livestock	2.28	1.07	53.0%
Forestry	0.71	0.06	91.5%
Fishing	1.49	0.28	80.9%

Source: CSO, Montserrat and ECCB

We understand from consultations on the island that there are 12 full-time farmers, but that many people engage in small scale agriculture as a sideline. The main products are pork and goat meat, chicken and eggs, horticultural products, and sea fish.

<sup>53</sup> Eastern Caribbean Central Bank, Gross Domestic Product by economic activity in current prices (EC\$m) January 2017

<sup>54</sup> Exports of 'invisibles', ie of services, are greater, and include substantial earnings from visitor expenditure.

<sup>55</sup> Eastern Caribbean Central Bank, Gross Domestic Product by economic activity in current prices (EC\$m) January 2017



The volcanic activity of the mid-to-late 1990s caused severe damage to a large amount of agricultural land in Montserrat. Recent attempts to provide additional land for agricultural uses failed to result in an increase in agricultural production. The creation of Zone F, to the north of the volcano has not successfully attracted farmers although it has been classified as safe for farming. This shows that the limited availability of viable agricultural land is not the only issue preventing expansion of the agricultural sector in Montserrat.

Closely related to agriculture is the abattoir, which slaughters pigs, goats and sheep, and has recently acquired the capacity to prepare pork products such as ham. It also slaughters beef cattle, but only a handful each year. It is not able to slaughter chickens; chicken meat produced on the island is obtained by informal methods of slaughter by small scale farmers, though there is slaughtering on a larger scale at HM Prison. The abattoir employs four people, though the number varies with demand.

There are some cold storage facilities on the island, though these are inadequate. It is suggested that Montserrat could be self-sufficient in eggs if storage facilities could cope with seasonal fluctuations in supply.

Exports of food are negligible (EC\$30,000 in 2016), but imports are large (EC\$18m). There is potential for import substitution, especially in meat production and processing, horticultural products, and eggs. Investment in, for instance, storage facilities is likely to be needed to exploit this potential.

The scope for exports is limited. Montserrat is unlikely to be able to compete with alternative sources of supply for mainstream products, though niche products may be exportable, perhaps including the tropical blackberry and its juice, and a formal version of the 'bush rum' traditional on the island.

GoM has prepared an Agricultural Strategy and Marketing Plan (ASMP) for the period 2016-2021. The ASMP is detailed (72 pages in length) and contains much valuable factual and analytical material. It endorses (as we do) GoM's 'strategic intentions', including:

- Reducing Montserrat's dependence on imported fresh food.
- Increasing consumption of local food.
- Exploring and exploiting niche market opportunities for local food products.
- Expanding production of processed food products.

The ASMP identifies products and areas for expansion. For instance, within horticulture, it identifies tomatoes, string beans, lettuce, cucumbers, carrots, squash and onions as products where production could profitably be expanded to meet local need.

The ASMP identifies resourcing as a priority – and the various groups and individuals consulted often identified 'subsidies' as a requirement – noting that:

*'It is self-evident that the majority of the Objectives laid out in the Strategy cannot be achieved without a substantial increase in the financial resources provided to support the agricultural sector. Making the case for grant resources in particular is a strategic priority.'*

Although the figure is not analysed in detail the ASMP estimates that: *'EC\$15,000,000 will be required as capital and project costs, to implement the Strategy over the five year period.'*

EC\$15m (EC\$3m a year) is approximately equal to the entire current output of the industry. It would need to be found by diverting resources from other areas of GoM spending, or from increased DFID grant assistance. Both would be problematical. A possible alternative approach might be to recognise that:

- agriculture is fundamentally a private sector activity and resources should be found from that sector where possible;
- where capital investment requiring external funding is under consideration, the first recourse should be to the market and, failing that, a case should be made to DFID or other agencies based on widely-used HM Treasury Green Book principles;

- GoM already provides substantial resources for agriculture (the 2017 Budget Statement allocated EC\$5.8m to agriculture in 2017/18, or about double the output of the industry, and the ASMP identifies 23 staff posts within the Department of Agriculture); it may be possible to reallocate some of those resources to the priorities and investments identified in the ASMP

By following the thrust of the ASMP, albeit within a financial envelope more constrained than the incremental EC\$15m sought by that plan, we consider that it is quite feasible to double output over five years.

#### 5.4.1.3 Financial services

Residents of Montserrat buy financial services from the two retail banks (Bank of Montserrat and Royal Bank of Canada), the Montserrat Building Society, the Credit Union and commercial insurance companies. These local services are analogous to retail services such as shops and constitute the greater part of the EC\$11m contribution of financial services to GDP.

The external part of financial services – the international services with which we are concerned here – is a minority of the EC\$11m total. Four Panamanian banks have a presence on Montserrat and there are a number of insurance and other agency representatives. It seems unlikely that there are more than a dozen employees primarily concerned with international finance or that the contribution to GDP exceeds EC\$2m.

Some Caribbean countries – the Cayman Islands and the British Virgin Islands are examples – have international finance as a major part of their economies; and Bermuda has a global specialist market for reinsurance.

We have encountered differing views about the potential for Montserrat. The most negative view is that financial institutions need rapid data transfer that Montserrat cannot offer – at least pending completion of the fibre-optic cable link that is currently under consideration – and that without a large and expensive regulatory infrastructure financial operations would be unacceptably risky from the point of view of counter-parties such as the USA and the UK. A more optimistic view is that some activities, such as captive reinsurance companies, do not rely on bulk data transfer and could indeed be accommodated within the existing regulatory infrastructure<sup>56</sup>; and that increased activity might encourage one or more large accountancy or law firms to establish a presence on the island.

It would certainly be desirable to expand the sector if this could be done at low cost. A requirement would be the establishment of a low and uniform rate of corporation tax, without which Montserrat could not be competitive, and we understand that such a measure is currently under consideration. An expansion to 20 or 30 executive staff, including Montserratians as well as short term expatriate staff, would represent a substantial boost to Montserrat's economy and labour market and would raise the contribution of international finance to Montserrat's economy several-fold.

#### 5.4.1.4 Power generation

The Montserrat Utilities Ltd (MUL) website<sup>57</sup> gives a price of electricity for domestic users of EC\$1.50 per kilowatt hour (kwh). This is expensive by international standards: for instance, it is about three times the normal price in the UK. Compared to the average cost of energy in the Eastern Caribbean of US\$0.37<sup>58</sup>, equivalent to approximately EC\$1.00<sup>59</sup> per kwh, energy costs in Montserrat are one-third higher than the average across neighbouring islands. The high price arises because Montserrat is obliged to use expensive diesel generators and on a comparatively small – and therefore expensive - scale.

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<sup>56</sup> In 2010, GoM published a 'BUSINESS MODEL FOR THE FINANCIAL SERVICES SECTOR' providing for the establishment of an appropriate regime.

<sup>57</sup> Slightly different rates apply to industrial and commercial users and small domestic users. The rate comprises a basic rate (EC\$0.55) and a fuel surcharge (EC\$0.95). The fuel surcharge was last up-dated on the website in April 2014. We have assumed that rates have not changed since that date.

<sup>58</sup> CARILEC. Average Tariffs in EC Countries, 2014.

<sup>59</sup> The EC\$ is pegged to the US\$ at a rate of US\$1:EC\$2.70, see <https://www.eccb-centralbank.org/p/monetary-policy>

MUL recently commissioned a new diesel generator, which should improve supply reliability and the ability to meet demand. As the economy expands, demand for electricity may be expected to grow more than proportionately, so even more capacity is likely to be needed in the medium term.

Diesel generation is a practical solution to the country's power needs, but presents two problems: first, pollution, from the emission of greenhouse gases, and from the more immediate and local threat of emission of particulates and other damaging pollutants; and, second, the adverse effect on Montserrat's balance of payments – diesel imports representing a large part of the annual (2016) EC\$13m fuel import bill.

In the circumstances, the possibility of generating power from the virtually limitless geothermal resources of the volcano is attractive. It is sometimes described as 'free energy', and so in a sense it is. There are, however, practical difficulties. First, the power output of the first two test wells sunk is, we understand, substantially less than had been hoped. Second, the cost of capital investment for transmission and conversion of heat to power will be substantial. A third test well is being sunk and, following that, feasibility work is planned.

Although the basic source of energy is free, capital and operational costs over the lifetime of the possible facilities will yield a substantial cost per kwh. If the cost is less than the current cost of diesel generation, geothermal should gradually supersede diesel (with diesel retained as a back-up); if the cost moderately exceeds the diesel cost, then geothermal may still be worthwhile given (a) reduced pollution (b) a reduced import bill (c) greater security of supply and (d) the possibility of the accumulated expertise being saleable in other countries with similar geothermal resources; if the cost, which will be borne ultimately by consumers, is substantially greater than the diesel cost, it would seem desirable to defer exploitation of geothermal resources until superior technology is available or prices shift in favour of geothermal relatively to diesel.

A further source of renewables is solar generation, and indeed this is expected to come on stream before any geothermal capacity. GoM invited proposals in March 2017 to construct a 250kw facility to supplement diesel generation (diesel generating capacity including the new facilities is some 2500kw), followed in due course by a further 750kw of capacity with some battery storage as back up. Solar development seems clearly desirable provided that it is commercially viable and affordable in the sense of being within the financing capacity of MUL and GoM and private sector partners.

#### 5.4.1.5 'Black Swan' opportunities

Black Swan<sup>60</sup> opportunities arise when something that cannot reasonably be foreseen actually happens. For instance, a major resort development, or a music industry investment (building on past traditions), or a vast eco theme park, are unlikely, but perhaps conceivable. It would be unwise to commit resources to preparing in detail for any opportunity like this, but a general level of preparedness would enable Montserrat to seize opportunities that did happen to arise.

Preparedness would include an ability to respond to expressions of interest, something that could be subsumed within arrangements, discussed elsewhere in this plan, to support FDI; ensuring the availability of property, especially development sites; and having contingency plans for the supply of labour.

#### 5.4.2 Prioritised action plan

Based on these observations and findings, we have developed the following actions to support this strategic overview, as set out in the tables below. We have developed these since the initial findings report, primarily through engagement with key stakeholders. All investment values are preliminary high-level estimates.

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<sup>60</sup> In Europe, it was assumed that all swans were white – until Europeans saw black swans in Australia.

**Table 7: Delivery plan actions – Sector growth**

Opportunity	Action	Timeline	Investment	Responsible
Agriculture	Review ASMP in the light of available resources	Early 2018		GoM and industry
	Prioritise (rank) capex projects	Early 2018	Green Book and other analysis	GoM and industry
	Invest in projects such as storage facilities	2018-2022	Consider funding part from existing Department of Agriculture resources	GoM and industry
	Marketing and training initiatives	2018-2022	Consider funding part from existing Department of Agriculture resources	GoM and industry
Sand Mining	Review tax regime	Early 2018		GoM and industry
	Decide on environmentally sustainable scale of production	Early 2018		GoM and industry
Financial Services	Review tax regime; prima facie objective of a uniform low rate of corporation tax	Early 2018		GoM and Financial Services Commission
	Market Montserrat as a location for small scale financial services operations	2018-2022		GoM and Financial Services Commission
	Ensure necessary elements of the regulatory regime are in place	2018		GoM and Financial Services Commission
	Re-visit the (favourable) business case for fibre-optic cable and assess its desirability vis a vis other uses of capital resources	Early 2018		GoM: DFID
Power Generation	Continue incremental development of solar and geothermal power	2017 onwards	Subject of feasibility studies	GoM, MUL and partners (including EU)
'Black Swans'	Prepare contingency plans covering especially supply of property and of labour	2018		GoM

## 5.5 Infrastructure

### 5.5.1 Opportunity

Improvements in infrastructure in Montserrat, particularly with regards to enhancing resilience to hurricanes and other natural disasters, have potentially far reaching benefits to many of the key drivers of economic growth in the island. As such, numerous infrastructure projects have been explored in the past, however limited progress has been made in completing projects.

International experience demonstrates the significant economic and social benefits that can be unlocked by investment in infrastructure. Various forms of infrastructure, such as transport, public services, and telecommunications, form a key part of a country's economy – generating economic, social and environmental benefits including employment and wealth generation, and social benefits. The wider economic impacts of infrastructure investment can include:

- Direct benefits relating to resources directly employed by the given infrastructure e.g. at a port.
- Indirect benefits created in the supply chain via the procurement of goods and services.
- Induced benefits resulting from direct and indirect employees spending their wages in the local and national economy.

- Other catalytic benefits such as tourism or the subsequent development of business and commerce around the infrastructure area.

As well as the impacts of the infrastructure itself, construction of new schemes also brings temporary and longer term benefits to an area. Construction activity feeds through to numerous other related business activities such as building materials, steel, architectural services, legal services and insurance, and the majority of these linkages tend to result in job creation in the local economy. This makes investment in construction particularly powerful in fuelling expansion in the economy.

Temporary jobs generated by the construction of new infrastructure schemes could include the local construction jobs that the project generates directly on site, plus the wider indirect jobs (in the construction supply chain) generated in the country overall. These indirect jobs are part of the wider economic impact of the construction projects across the local economy and are 'knock on' economic effects generated by the construction project. These 'knock on' effects include:

- Indirect benefits created in the construction supply chain across the intervention areas, via the procurement of goods and services that enable the infrastructure to be constructed and to operate to serve the local population; and
- Induced benefits resulting from employees (both those directly employed and in the supply chain) spending their wages within each of the intervention areas, such as in and around Little Bay.

We note that, given there is likely to be a need to employ temporary labour from outside Montserrat or import goods and materials, these benefits may be more limited than if all goods and services are procured locally. However, some benefits, including induced benefits, would still accrue in Montserrat.

These employment and economic benefits are temporary as they are based on the duration of the construction phase. However, international experience shows that they can have a significant positive impact on the local economy for the duration of the construction period, with some knock on positive impacts in the longer term, but this is entirely dependent on the way the construction work is procured and managed.

It is important to prioritise infrastructure requirements to ensure that they are delivered in the most productive and efficient order. For example, building a water bottling plant, as several stakeholders suggested, is not likely to be viable or deliver the anticipated potential benefits if the supporting road network in Montserrat is not sufficient to provide efficient and reliable access between the plant, the rest of the supply chain, and ultimately the customer.

Together, the medium to long term benefits that could be achieved through the proposed infrastructure projects and the short-term or temporary benefits during the construction phase of an infrastructure scheme have the potential to generate wider economic growth for Montserrat, setting it on a gradual path for long-term economic growth. We explore how this could happen, looking at specific project proposals in more detail below.

Given this interrelationship between infrastructure and other key drivers of economic growth, many of the actions proposed that relate to infrastructure have already been set out in the sections above, but are developed further here.

### 5.5.2 Rationale for investment

Investment in infrastructure underpins many of the proposed investments in the visitor economy, enterprise culture and key sectors of growth in Montserrat – infrastructure can therefore be assessed only as part of the wider strategy taken as a whole.

For example, in the 2017-2018 Budget Statement the GoM reported that the construction works for developing Montserrat's port infrastructure at the Little Bay Port will begin in 2018 using \$20.3m funding from the UKCIF and CDB with support from the EU. The more recent "Little Bay Port Development Project –

Implementation Strategy”, August 2017 estimates the port development works to cost US\$24.9m<sup>61</sup>, with additional costs for project management, procurement of land and an impact assessment report. The report states that “CDB will provide GoM with UKCIF grant funding of approximately £14.4M (USD\$18.5M); GoM will provide financial support to the tune of USD \$7.5M”<sup>62</sup>.

This commitment from funding organisations and by the GoM presents an opportunity for Montserrat to develop a port that can provide wider economic benefits for residents, the visitor economy, and international trade of goods, and furthermore act as a catalyst for future investment and growth in the area in the longer term.

It is therefore important that the progress of the GoM and its partners is monitored and evaluated in a transparent way to ensure value for money is achieved and the responsible parties are accountable for spending and progress. This process will also allow the GoM to set a precedent for the monitoring and evaluation of major investment programmes in Montserrat going forward.

The port improvements could be supported and enhanced with other infrastructure investments, such as a buoy field being installed inside the proposed breakwater, an expanded and improved accommodation offering within the port’s catchment area, and improvements in roads and bridges linking Little Bay with other key locations in Montserrat.

#### 5.5.2.1 Wider economic benefits of the proposed Little Bay Port development

Considering the estimated capital expenditure (CAPEX) costs of USD24.9m for the building works for the proposed Little Bay Port development<sup>63</sup>, our preliminary estimates indicate that this has the potential to support **75 jobs per annum** and approximately **USD 0.9m GVA per annum** during the construction period.

Based on wage data for the UK construction sector, we assumed that approximately 25-30% of the total purchase of goods, materials and services within the sector would be spent on salaries. Using the more conservative estimated proportion of 25%, we estimate that approximately USD6.2m of the total CAPEX will be spent on salaries in Montserrat in the construction of the proposed port.

Taking the average annual salary figure in Montserrat’s construction sector for 2016 (USD10,599)<sup>64</sup>, the direct salary expenditure will support approximately **600 direct job years**. Given in standard guidance one “permanent” full-time equivalent (FTE) job is equal in regeneration effect to 10 job-years, in total, the 600 job-years are equivalent to almost **60 FTE jobs** being directly created from the construction of the port. This rises to **75 FTE jobs** when considering indirect and induced jobs.

In addition to the temporary construction impacts of the port, the proposed port development could have impacts on encouraging potential land-side developments around Little Bay. The port development could act as a catalyst to other developments in close proximity to support economic development and growth around Little Bay. The ‘Little Bay Estate - Land Tenure Policy & Divestment Strategy’ (2012) identifies 13 zones of land-side developments associated with the Carr’s Bay port development which was proposed in 2012. We have identified four of these sites which are within the catchment area of the current proposals for the Little Bay port development and could be developed as a consequence:

- Little Bay Beach Hotel.
- Bonito Hill Condominium Development.
- Fisherman’s Village.
- Marine Boat Yard & Yacht Repair Facility.

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<sup>61</sup> GoM, MCWL, “Little Bay Port Development Project – Implementation Strategy”, August 2017




<sup>62</sup> GoM, MCWL, “Little Bay Port Development Project – Implementation Strategy”, August 2017

<sup>63</sup> GoM, MCWL, “Little Bay Port Development Project – Implementation Strategy”, August 2017

<sup>64</sup> Based on data from the GoM Statistics Department

Mott MacDonald's **Transparent Economic Assessment Model (TEAM)** has been used to quantify the potential wider economic benefits from the employment sites that the proposed Little Bay port development could make more attractive in the surrounding area. From the four sites identified, we have excluded the Bonito Hill Condominium Development as this is a residential development and we have focussed our assessment on the three employment sites. The site details and their proposed land uses are detailed below.

**Table 8: Employment sites near proposed Little Bay port development**

Site no.	Names of site	Size (sq. m)	Development plans	Preliminary site plan
1	Little Bay Beach Hotel Site	36,540	Low volume, high-end hotel. To accommodate 80-100 rooms.	
2	Fisherman's Village	6,423	Five commercial structures. Leisure facilities: entertainment centres; bars/restaurants; public facilities (including toilets & showers); and other high street.	
3	Marine Boat Yard & Yacht Repair Facility	22,116	Boat storage yard and yacht lift/service facility with ancillary buildings.	

Source: Little Bay Estate - Land Tenure Policy & Divestment Strategy (2012)

The economic impact assessment focuses on calculating the economic benefits, using TEAM, associated with these three employment sites that have links with the proposed port development given their location. These benefits relate to the annual economic benefits that could emerge from these sites being fully developed. Detail of our method and assumptions can be found in **Appendix C**.

Our estimates indicate that development of the three employment sites could support approximately **200 net additional jobs** and **approximately EC\$9.2m GVA per annum**.

**Table 9: Results from TEAM assessment (per annum)**

	All	Site 1. Little Bay Beach Hotel	Site 2. Fisherman's Village	Site 3. Marine Boat Yard & Yacht Repair Facility
<b>Employment</b>				
Gross direct jobs	221	90	59	72
Less deadweight, leakage, displacement and substitution	55	23	15	18
Net direct jobs	166	68	44	54
Multiplier jobs	48	20	13	16
<b>Total net jobs</b>	<b>214</b>	<b>87</b>	<b>57</b>	<b>69</b>
<b>GVA (EC\$m)</b>				
Gross direct jobs	9.2	2.6	1.8	4.9
Less deadweight, leakage, displacement and substitution	2.3	0.6	0.4	1.2

	All	Site 1. Little Bay Beach Hotel	Site 2. Fisherman's Village	Site 3. Marine Boat Yard & Yacht Repair Facility
Net direct jobs	6.9	1.9	1.3	3.6
Multiplier jobs	2.3	0.9	0.6	0.7
<b>Total net GVA</b>	<b>9.2</b>	<b>2.8</b>	<b>2.0</b>	<b>4.4</b>

Source: Mott MacDonald

### 5.5.3 Prioritised action plan

Based on these observations and findings, we have developed the following actions to support this strategic overview, as set out in the tables below. We have developed these since the initial findings report, primarily through engagement with key stakeholders. All investment values are preliminary high-level estimates.

**Table 10: Delivery plan actions - infrastructure**

Infrastructure opportunity	Action	Timeline & deliverable	Investment	Responsible
Port development and supporting infrastructure	Improve port at Little Bay with safer moorings, including a breakwater allowing more vessels to dock and allowing them to do so in all weathers	Construction due to begin in 2018: 2018-2024 – in operation from 2020	As above in Visitor Economy	GoM Office of the Premier
		2018: Monitoring and Evaluation Plan		GoM Office of the Premier
		2020: Once the improved Port is in operation, build on this to demonstrate positive impacts and seek support for Phase 2. Develop a Business Case and Design Plan for Phase 2 of investments in the port, building on the existing Masterplan.	Business Case development and Design Plan building on the existing Masterplan	GoM Office of the Premier With support from EU
		2019-2030: produce evaluation reports at regular intervals to review the progress and impact of the port in relation to the Monitoring and Evaluation Plan	Cost per report.	GoM Office of the Premier
Local roads & bridges	Support the Port with a buoy field to attract yachters and promote marina tourism (as outlined above in Visitor Economy).	Buoy field can be installed ahead of port expansion and then relocated once constructed	As above in Visitor Economy	GoM Office of the Premier
		2018: Develop Business Case for the buoy field to get funding		
		2018: Monitoring and Evaluation Plan		
Local roads & bridges	Develop area around the port: expand the scale and type of visitor accommodation on offer in Little Bay and Montserrat more widely (e.g. Villas, B&Bs, eco lodges).	2018 Land use plan (to supersede Physical Development Plan 2012-2022) produced and engagement with land owners, developers, entrepreneurs to understand level of interest.	As above in Visitor Economy	GoM Office of the Premier and private investors
		2018 investigation of roads infrastructure and Roads Investment Plan developed	As above in Visitor Economy	GoM Office of the Premier
		2019: Monitoring and Evaluation Plan		GoM Office of the Premier
Local roads & bridges	Aim to support local community as well as: - enhance visitor economy offer with better roads linking Little Bay with Plymouth and MVO (per the 2016 National Tourism Policy) - local industry such as agricultural	2019-2023: Implement Roads Investment Plan	As above in Visitor Economy	GoM Office of the Premier



Infrastructure opportunity	Action	Timeline & deliverable	Investment	Responsible
	market, linking producers with the supply chain and customers - opens up land for development as more viable with better access and connectivity			
Digital links	Improvements in digital connectivity for Montserrat to support local community as well as expand visitor economy (greater internet access, communications)	Early 2018: Re-visit the (favourable) business case for fibre-optic cable and assess its desirability vis a vis other uses of capital resources	As above in Sectors	GoM Office of the Premier

#### 5.5.4 Lessons from elsewhere

Mott MacDonald has supported several areas in the UK achieve increased economic growth through various infrastructure schemes. Doncaster and Sheffield City Region invested in over 2km of carriageway as part of the Finningley and Rossington Regeneration Route Scheme to link the workforce with job opportunities as well as increasing the airport's footfall. This was shown to provide a wide range of economic benefits, such as leading to a direct uplift in economic activity in the local area, unlocking development land for major private sector investment, and generating £2,101m of GVA over future years. In addition, it was advised that the scheme could also benefit the area's growing tourism economy through improved accessibility. This robust evidence around the potential wider benefits of the road infrastructure investment resulted in the scheme receiving a grant of £9.1m to proceed.

Elsewhere in the UK greatly helped by infrastructure investment was Greater Norwich, where it was found that the construction of the Norwich Northern Distributor Road would encourage growth in the future. The scheme consisted of a dual carriageway all-purpose strategic distributor road spanning approximately 20.4km. The economic impact of the scheme was assessed to find that it would lead to an estimated 5,230 net additional jobs in the area, £966m of net additional physical investment in infrastructure, £1.1bn of additional GVA generated over the next 30 years, as well as creating an average of 426 construction jobs every year until completion, providing an important example of how infrastructure investment can lead to significant economic and other benefits to an area.

On a more international scale, Mott MacDonald was involved in supporting the economic growth of Portmore and surrounding areas, including Kingston, in Jamaica, a place experiencing constrained economic growth due to inadequate transport infrastructure. It was estimated that a new transport hub in Portmore would deliver significant socio-economic benefits for the local area as well as the wider region, such as the creation of approximately 300 new jobs in the area.

## 5.6 Governance and management

Creating a new, or reinvigorated, approach to economic planning relies on the introduction of new structures and processes otherwise there is inherent risk that the intended outcomes will not be realised. This new approach will largely be defined by the political will for change on the island and also the availability of, or ability to refocus, scarce resources – financial and human. This Plan forms a basis for guiding investment and change, it will be more effective in doing so if it has a resource base to support it.

Decisions around governance and management to support delivery of the Plan rest with GoM. Set out below are some options for consideration and, of course, the GoM may want to introduce additional options beyond these:

- Existing resources – status quo  
Continue with the GoM structure as it currently operates and requiring particular projects, interventions and areas of the Plan to be delivered and advanced by GoM staff as part of their existing workload.
- Existing resources – new structure

Create a dedicated team within GoM to oversee the delivery and implementation of the Plan as its singular task. This could be cost effective and focused at the same time.

- Additional resources – delivery vehicle

Establishing a standalone delivery vehicle with GoM as the accountable body. Any delivery vehicle would need to be streamlined and draw on external expertise to keep running costs manageable.

- Technical Assistance (TA) – current model

Presently, TA is provided by international experts on a longer-term basis of one-to-three-year secondments to Montserrat. This approach could be adopted by the options above to enhance support to the Plan's delivery.

- TA – new model

For the activities and programmes outlined in the Plan there is potential for shorter periods of TA to be provided. For example, in terms of enterprise or tourism development the TA advisors could be contracted to be on island for, say, three months initially and then provide support via digital and telecommunications on an ad-hoc basis over a set period with scheduled visits to Montserrat agreed in advance. This approach could reduce costs without jeopardising the quality of support. The same could be applied in various ways for infrastructure and economic development support thereby increasing the range of advisors and managing the cost base.

The primary reason for including the above options for consideration is to recognise that an increase in capacity will be needed to drive the Plan forward from 2018 onwards. Ideally, an element of knowledge transfer to GoM staff should be facilitated as part of any option taken forward to enable GoM to build on local capacity and increase its ability to deliver economic development in future.

## 5.7 Risk register

Alongside this road map, we have produced a risk register for the proposed strategies to ensure that potential risks or development constraints are identified and assessed early on and that mitigation measures are put in place. Developing and maintaining a project 'risk register' to identify and manage internal and external risks will serve to ensure the successful fulfilment of your requirements. The risk register is set out below, divided by topic.

Further to the action-specific risks detailed below, two inherent risks, which are universal to Montserrat's unique position, need to be considered as part of the package of measures put in place to deliver economic growth. These risks, as also mentioned above, are:

- the ability, and will, of Montserrat's population to respond to opportunities as they arise; and
- the capacity of GoM to deliver on the proposed actions.

**Figure 22: Risk register: general**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
General	Funding not agreed/provided for specific projects or insufficient funding provided.	Project cannot proceed as planned without required funding being confirmed	High	Medium	Manage - Necessary to work with key funding sources and clearly present case for intervention and, where possible, have a contingency funding source in place. Use a monitoring & evaluation framework to provide evidence to funders that targets are being met throughout the project to ensure funding is not removed part-way through a project.	GoM, Managers of each project	Monitoring of key funding sources' objectives and available funds - to be continuous.	Medium
	Cost overruns whether as a result of management failures or external factors such as unexpected increases in the price of materials.	Funding allocated for works does not cover the full cost of the project. This can cause delays to the project or to the project being abandoned.	High	Medium	Manage - Allow for cost overruns within budget contingencies. Identify the risks of each individual project using a project-specific risk register. Include in this register the materials, services and other resources that are required by the project and recognise the potential for the price of these to increase. Monitoring the risk and being aware of the potential for this risk to occur is a necessary step in addressing the risk.	GoM, Project Managers.	Identify risks of cost overruns early in a project-specific risk register. Continue to manage risks associated with this throughout project. Appoint experienced project managers to oversee each project and to carefully manage budget. Awareness of this risk must remain throughout the project lifecycle.	Low
	Natural disasters (hurricanes, volcano eruption etc)	Visitors and investors deterred from Montserrat by actual damage and negative perception of island.	High	Medium	Manage - The risk of natural disasters cannot be removed. It is therefore necessary to manage disaster relief and have sufficient plans in place to deal with disasters when they strike. Advertising could be used to show where resilient infrastructure hasn't been damaged.	GoM, Tourism operators	Institution of sufficient disaster relief strategy - need for effective plan to reduce loss of life and damage to infrastructure etc. - Continuous.	Medium
	Currency fluctuations add unforeseen costs to projects.	Fluctuations in the value of Sterling or of the US\$ (to which the EC\$ is pegged) could result in significant changes to the financing of these projects.	High	Medium	Manage - Monitor the fluctuations of relevant currencies and factor in the potential for significant fluctuations that could impact project finances into the initial funding agreements.	GoM, DFID, other funding agencies	Agreeing an approach to manage the risk of currency fluctuations between the GoM and funding agencies early in funding negotiations will enable this risk to be mitigated.	Low

Source: Mott MacDonald

**Figure 23: Risk register: visitor economy**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
Visitor economy	Safety concerns over volcanic exclusion zone deters visitors or makes it unsafe to develop visitor economy in the area.	Visitors are deterred from visiting or safety concerns limit ability to fully develop volcano-based visitor economy.	Medium	Medium	Manage - Work with volcano experts from MVO to establish any safety implications of developing infrastructure within the exclusion zone and being close to the volcano for extended periods of time. Publicise and share information on safety and other issues to address the potential concerns of visitors.	GoM, MVO.	Take expert advice on safety around the volcano and within the exclusion zone, this should be done as a priority and contact with volcano experts should be maintained throughout project. Publicise safety advice where appropriate, make this information readily available to visitors.	Low
	Failure to attract private-sector investors - particularly for resorts, yachting and attractions	Insufficient investment fails to develop private sector-led development of visitor economy.	High	Medium	Decrease - Assess and address the needs of investors to develop an investor-friendly approach within Visitor Economy marketing strategy that engages with potential investors. It will also be necessary to sign agreements with investors.	GoM, Investors	Engage early with investors to address concerns and, where possible, agree deals with investors early. Clearly reflect a pro-business strategy within Visitor Economy marketing strategy document.	Low
	Mismanagement of resources or failure to deliver strategy	Shortage of funding to adequately meet the needs of the strategy or failure to fully deliver strategy and realise intended benefits.	High	Medium	Decrease - Correct oversight and adherence to the agreed EDS to maintain focus on phased delivery plan. Agreed governance structures and achieving wide-ranging buy-in will enable the delivery of this strategy.	GoM, Non-government stakeholders	Achieve buy-in from key stakeholders and maintain a focus on delivering the strategy by following the delivery strategy. To do this, it is important that the delivery strategy is agreed by all key stakeholders and is managed effectively.	Low
	Insufficient skills capacity in local labour market to deliver growth in visitor economy.	Insufficient expertise and experience within GoM and other key institutions within Montserrat leads to failure to deliver necessary reforms and positive interventions to encourage and enable the growth of the visitor economy in Montserrat.	High	High	Decrease - Appoint sufficiently skilled and experienced people from international labour market, potentially on a temporary basis to oversee and manage the delivery of the tourism strategy. Utilise external expertise where possible and learn lessons from other countries which have achieved growth in their tourism sector in similar circumstances.	GoM, key institutions in Montserrat	Appoint specialists on short-term, project-focussed basis to deliver key stages of the delivery strategy.	Low
	Lack of quality healthcare deters visitors to the island.	Concerns over the limited availability of sufficient healthcare deters visitors from the island in favour of other destinations with healthcare that is more readily available. This issue could be related to either the actual shortage of healthcare facilities or the perception of this.	High	High	Decrease/Manage - To decrease the issues related to the provision of healthcare on the island deliver healthcare improvements where possible, including provision of new healthcare infrastructure to meet the needs of the island's residents. To manage the negative perception of the island, the availability of healthcare in Montserrat can be promoted on GoM websites and included in tourism literature.	GoM, GoM Health Ministry.	Deliver required healthcare infrastructure and services to meet requirement of Montserrat residents. Include information on healthcare provision in tourist literature (brochures and on websites) to reduce concerns of visitors.	Medium
	Insufficient transport infrastructure deters visitors.	The lack of suitable infrastructure, particularly roads on the islands deters visitors who fear they will not be able to travel around the island.	High	Medium	Decrease/Manage - Decrease this risk by delivering strategic enhancements to transport infrastructure on the island. Manage negative perceptions by reporting on the changes that have been made.	GoM, GoM Transport Ministry.	Deliver required transport infrastructure to serve emerging tourist destinations and routes. Publicise these works to make potential visitors aware of the enhancements that have been delivered.	Low
	Key delivery partners, such as travel operators, fail to deliver services	Delivery partners, particularly travel agencies and tour operators are vital to the growth of the visitor economy, without the cooperation of these partners and the delivery of key services such as cruise ships docking in Montserrat, it will not be possible to deliver growth in the visitor economy.	High	Low	Manage - Reach agreements with key external partners in advance, where possible to avoid uncertainty and clearly establish what is required/expected of all parties.	GoM, tourism operators.	Agree deals with tourism companies early on in the process to clearly establish the strategy for increasing visitor numbers in Montserrat and agreeing what will be delivered by each party.	Low

Source: Mott MacDonald

**Figure 24: Risk register: enterprise culture**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
<b>Enterprise Culture</b>	Low take-up of business support by existing local businesses	Low take-up of business support by existing local businesses resulting in continued low level of growth among small private sector on Montserrat.	High	Low	Manage - engage with existing businesses early and make them aware of the support that is available to them.	GoM	Early engagement with the businesses that are currently on Montserrat will enable the benefits of this support to be realised to deliver growth to the few local businesses in the country.	Low
	Failure to attract private-sector businesses from overseas	Failure to attract a significant number of new businesses to the island results in failure to achieve growth of the private-sector on Montserrat	High	Medium	Manage - Target the business support provided on the needs of businesses this strategy is looking to attract. Work with businesses where possible to understand the barriers they face in entering the Montserratian market and publicise details of the types of business support available to overseas businesses.	GoM	Engage with businesses to better understand their needs and the barriers they face. This must be done before the business support commences so it can be used to inform the development of these services. Publicity of the available types of business support should be regularly updated to enable businesses to see what options are available to them.	Low
	Insufficient skills capacity to deliver appropriate business support to attract businesses	Insufficient expertise and experience within GoM and other key institutions within Montserrat leads to failure to deliver necessary reforms and positive interventions to encourage and enable the growth of the private-sector in Montserrat.	High	High	Decrease - Appoint sufficiently skilled and experienced people, potentially only on a temporary basis to oversee and manage the delivery of appropriate business support.	GoM	Appoint specialists on short-term, project-focussed basis to deliver key stages of the delivery strategy.	Low
	Reliance on overseas workers by new businesses reduces long-term benefits of the scheme as skills are not passed on to local residents.	Businesses that are attracted to Montserrat may bring with them their own workers, meaning local residents do not benefit from the experience and education acquired through employment within the emerging private-sector. This may result in significant losses to the country if the original businesses were to leave.	High	Medium	Decrease - Businesses that are attracted to Montserrat should be encouraged to deliver training courses to local residents as part of their recruitment process. This will enable Montserratians to gain skills necessary to contribute to and lead the growth of the private-sector into the future.	GoM, Businesses	Agree deals with businesses to provide training to local residents to enable them to be employed in the growing private sector and develop the skills required to support sustained private-sector growth, independently of overseas businesses.	Low
	Insufficient infrastructure deters private-sector investors	Infrastructure such as high speed internet access and key roads, is required to attract overseas investment and to enable it to become successful in Montserrat. The global marketplace demands 24 hour a day internet access capable of handling a high density of traffic at efficient speeds. Without this, businesses are likely to be deterred from investing in the island.	High	High	Decrease - Delivery strategic infrastructure enhancements as part of the phased delivery plan. Incremental enhancements in digital and transport infrastructure on Montserrat will enable the growth of private sector businesses that require high quality internet access.	GoM	Deliver required digital and transport infrastructure to serve emerging private-sector.	Medium
	Shortage of required business premises on Montserrat.	Businesses often require bespoke business premises that meets the requirements of their particular business. Without the access to such premises, businesses may be deterred from investing in the country.	High	Medium	Decrease - As new businesses are attracted to the country, suitable business premises should be developed, this can be supported by the GoM by working with developers and businesses to deliver suitable premises that meets the demands of the businesses themselves.	GoM	Work with businesses and developers to deliver suitable business premises to meet the needs of the organisations attracted to Montserrat. A review of the quality and availability of business premises should be carried out regularly to control the supply of suitable premises.	Medium

Source: Mott MacDonald

**Figure 25: Risk register: Sand mining**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
Sectors - Sand Mining	Limited number of new mining companies attracted to Montserrat, resulting in continuation of low-prices for raw sand.	If only a small number of additional businesses are added to the Montserrat sand mining sector, little may change in the market, causing the current low unit prices and small tax yields to be maintained into the future.	High	Medium	Decrease - Mitigate the risk of failing to attract mining businesses to Montserrat by engaging with these businesses and where possible, offer incentives or business support to encourage them to enter the Montserrat market.	GoM	Engage early with businesses to assess their requirements and take steps, where appropriate, to encourage businesses to enter the Montserrat market.	Medium
	High costs of importing, exporting and transporting goods around Montserrat may deter mining companies from entering the market.	The high cost of transport and other expenses has significant potential to deter sand mining companies from Montserrat who may be concerned about the profit margins after incurring high overhead costs.	Medium	High	Decrease - Delivery of the port upgrades and of strategic infrastructure including roads & bridges can have a significant impact on reducing transport costs to businesses such as those in the sand mining industry. To further address high transport costs, it may be necessary to review where strategic infrastructure could be delivered to further meet the needs of key businesses in Montserrat.	GoM	Ensure the proposed port enhancement project is fully delivered and secure funding for key strategic transport infrastructure on the island, where possible.	Medium
	Environmental impact of sand mining causes wider problems for Montserrat and makes sand mining unsustainable for Montserrat going forward.	Sand mining has significant potential to cause extensive environmental damage. This includes damage to roads, eco-systems and wildlife, meaning other key sectors, primarily tourism, could be harmed by sand mining. Damage to the wildlife and landscape of Montserrat could damage the visitor economy which is largely based on its offer of attractive scenery and Caribbean eco-system.	High	High	Manage - The sand mining sector must be properly regulated to prevent significant environmental damage being sustained. Through the responsible management of the sector, damage to the environment can be kept to a minimum while maintaining the sector over a longer period, rather than exhausting the island's resource of sand in a short period of time.	GoM	Prior to attracting new sand mining businesses to the country, the GoM must ensure that suitable regulations are in place to protect the environment while allowing the growth of the sand mining sector. These regulations must provide for the regulations to be enforced, with sufficient penalties in place for transgressions. It may be necessary to appoint an external advisor, specialising in the environmental regulation of mining, to develop a regulatory framework for this sector.	Low

Source: Mott MacDonald

**Figure 26: Risk register: Agricultural sector**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
Agriculture	Natural disasters damage crops and infrastructure	Natural disasters such as hurricanes, droughts or volcanic eruptions cause extensive damage to crops and agricultural infrastructure. The risk of such events also deters new farmers from establishing large farms due to the inability to get insurance against such events.	High	High	Manage - Natural disasters cannot be prevented, it is therefore necessary to put in place comprehensive strategies to manage disaster relief. It is also advisable to take action where possible to mitigate the impact of such disasters, such as through irrigation systems that may better handle excessive water levels from hurricanes. GoM may also consider providing or underwriting insurance for farmland and crops to encourage farmers to take up larger farms by reducing the risk to them in the event of a natural disaster.	GoM, farmers	Disaster relief strategies must be regularly reviewed to manage the aftermath of potential natural disasters. This may also provide farmers with greater confidence that, in the case of a natural disaster, there is a plan in place. The use of innovative technologies that can mitigate damage to crops and land from natural disasters should also be considered. The potential for the GoM to provide or underwrite insurance for crops and farmland may also encourage farmers to take up larger farms by reducing the financial risk they face if damage was sustained to their produce.	Medium
	Shortage of necessary skills to increase crop yields	A shortage of skills and capacity within the island's farming communities to deliver increased crop yields and to meet the demand for domestically produced foodstuffs to reduce Montserrat's reliance on imported food. In order to achieve growth in the agricultural sector, skills are required amongst new generations of farmers as well as the ability to use modern farming techniques and tools.	High	Medium	Reduce - Provide education and training courses in farming and agricultural skills, including in modern farming techniques. This training should be made available in schools to encourage people to go into farming as a career.	GoM, Ministry of Education	Education in agriculture made available to a broad range of ages can enable more people to enter the agricultural sector. Education in schools can also be used to encourage people to go into this sector as a career. Teaching about modern agricultural methods in schools may also support long-term growth in the agricultural sector by enabling it to better meet the demand for food in the country.	Low
	Delays to funding identified in GoM's Agricultural Strategy and Marketing Plan (2016)	GoM's Agricultural Strategy and Marketing Plan (ASMP) suggested that additional capital funding may not be available for use to support the agricultural sector before 2019. This long time period before investment can be made increases the risk of funding priorities and policies of the UK Govt. and GoM changing or the situation worsening before an intervention can be made.	High	Medium	Decrease/Manage - GoM must seek out potential alternative funding sources that can provide financial support for this strategy prior to 2019. This may only require financial support to run between the beginning of this EGS and 2019.	GoM, DFID, other funding agencies	GoM should assess other potential funding sources to cover possible funding gap up to 2019.	Low

Source: Mott Maconald

**Figure 27: Risk register: Financial services**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
Financial Services	Lack of adequate digital infrastructure restricts financial services companies from relocating to the country.	Financial services requires high quality internet connections capable of securely handling large quantities of data. Without the infrastructure to do this, financial services may not move to Montserrat.	Medium	Medium	Decrease - Delivery strategic infrastructure enhancements as part of the phased delivery plan. Incremental enhancements in digital infrastructure on Montserrat will enable the growth of financial services sector businesses that require high quality internet access.	GoM	Deliver required digital infrastructure to serve needs of financial services sector.	Low
	Insufficient regulation leads to abuses of the system by companies and reputational damage to Montserrat	Insufficient regulation of financial services can lead to abuses by companies seeking to establish a "tax-haven", whereby the regulations and laws of major world economies can be avoided. While Montserrat's offer to financial institutions may be partially dependent on its regulatory environment, allowing abuses of the system may result in large-scale reputational damage and potential loss of investment from the UK Government and others.	High	Medium	Manage - Develop robust and effective regulation for the sector in Montserrat by engaging with key stakeholders such as the UK Government and neighbouring islands to create a bespoke regulatory framework that learns from other, similar countries and is aligned with international guidelines. It will also be necessary to closely monitor the effectiveness of this regulation to ensure that it allows for the sector to flourish but not for large scale abuses by some companies. It may be necessary to appoint an external expert in the regulation of financial services to oversee this and provide expert guidance on creating regulation that meets the needs of the emerging financial services sector in Montserrat.	GoM, stakeholders	Engage with stakeholders in the UK Government and contemporaries from other Caribbean islands who have faced the same issues. It may be necessary to appoint, on a short-term basis, external experts to develop a robust regulatory framework for financial services in Montserrat. This regulation should be in place before major expansion to the sector is pursued to ensure that businesses entering the Montserrat market are fully aware of the legal environment they are signing up to.	Medium

Source: Mott MacDonald



**Figure 28: Risk register: Power generation**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
Power Generation	High cost of operating renewable energy infrastructure deters private-sector investment	The high cost of generating power and delivering it to consumers through these renewable means could deter investment from the private-sector over concerns that the available profit may be too low to justify investment.	Medium	Medium	Manage - Engage with Montserrat Utilities Ltd (MUL) and other potential private-sector investors to agree appropriate actions. The development of a public/private partnership between GoM and MUL may allow for this risk to be managed and for MUL and others to commit to investing early in the process.	GoM, MUL, other potential investors.	Engage early with MUL and other potential investors. Agree financial deal early based on openness about the potential costs. As technology develops and the supplementary infrastructure is delivered, operating costs should reduce, increasing the profits of investors.	Medium
	High unit price for energy generated by sustainable means results in the failure of these means to supersede diesel as the dominant energy source on Montserrat	Failure to establish renewable energy sources, generated in Montserrat, would perpetuate the reliance on diesel generators that are likely to be insufficient to meet future energy demands of a growing private sector. The benefits of renewable energy generated in Montserrat becoming the dominant sources of power includes the country becoming energy independent, no longer dependent on imported diesel and in the process securing energy security.	High	High	Manage - Work with energy companies, such as MUL to explore how this sector can be supported to reduce unit costs of energy to consumers. Public sector support for renewable energy could be significant in growing Montserrat's energy sector. Assessing potential risks and opportunities early could support the growth of the sector and reduce costs and ultimately, the price paid by consumers. Reducing energy costs would likely contribute to renewable energy sources replacing diesel on the island.	GoM, MUL, other potential investors.	Engage with MUL and other investors. Develop strategies to support the growth of the sector through efficiencies and other opportunities to safely reduce overhead costs in order to reduce unit prices. Responding effectively to new technologies, opportunities or risks through cooperation between GoM, MUL and others could lead to greater cost efficiency of the sector, reducing prices paid to consumers and giving renewable energy an advantage over diesel.	Medium
	Hurricanes/volcanic eruptions and other extreme weather events damages energy infrastructure	Extreme weather events can cause significant damage to energy infrastructure such as power lines, generation equipment and storage facilities. Such damage can reduce the amount of power available to Montserrat, potentially risking damage to businesses who require a reliable and constant supply of electricity.	High	High	Manage - Maintain supply of diesel and generators to provide back-up power in the event of extreme weather. The development of a suitable disaster recovery strategy that includes provision for emergency power in the case that the renewable energy infrastructure is damaged.	GoM, MUL, other potential investors.	Maintain diesel generators and supply of diesel to provide an emergency energy supply in the case of natural disasters damaging renewable infrastructure. Develop strategies to protect renewable energy infrastructure from natural disasters where possible and include the provision of back-up energy from diesel in disaster relief strategies.	Medium

Source: Mott MacDonald

**Figure 29: Risk register: Black swan opportunities**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
Black Swan Opportunities	Insufficient institutional capacity to respond effectively to emerging opportunities	Shortage of staff, skills and time to respond effectively to emerging and unforeseen opportunities significantly reduces the likelihood of Montserrat being able to benefit from these opportunities.	High	High	Manage - Develop institutional capacity to respond to emerging opportunities (as well as risks). Work with key partners such as DFID to identify opportunities and arrange funding to pursue them, where appropriate. Utilise expert advice to identify opportunities and be prepared to appoint (on a short-term basis) external experts to support Montserrat in capitalising on emerging opportunities.	GoM	Black Swan' opportunities present themselves at short notice and are unforeseeable, this means that the actions required and the timescales in which they are required are ad hoc and may be entirely different with each opportunity. It is important to build up institutional capacity to provide GoM with the ability to respond to opportunities as they emerge.	Medium

Source: Mott MacDonald

**Figure 30: Risk register: Infrastructure**

Area of Work	Risk/ Threat/ Opportunity	Consequences	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation/Actions (Indicate intention to 'Remove', 'Decrease', 'Transfer' or 'Manage' and then how to be achieved)	Owner	Action (by when)	Risk level post-action (H/M/L)
Infrastructure (Transport, Digital/ Communications and public services)	Insufficient skills and expertise to construct and maintain infrastructure	Shortage of skills and expertise to be able to safely construct and maintain infrastructure leads to delays in delivery, added cost and continued reliance on overseas workers/skills.	High	Medium	Reduce - Increase the capacity on Montserrat to deliver and manage infrastructure by appointing specialist advisors from overseas where necessary, to administer training and manage initial projects. The use of international specialists will support Montserrat to be able to manage the construction and maintenance of major projects through Montserratian teams. Modern construction methods focussed on safety and efficiency can also be taught to develop skills and expertise to benefit the country in the long term.	GoM	Appoint specialists on short-term, project-focussed basis to deliver key stages of the delivery strategy.	Low
	Natural disasters threaten the delivery of infrastructure	Natural disasters such as hurricanes and volcanic eruptions can cause extensive damage to infrastructure, both new and existing. Such events can also cause costly delays to the construction phase and cause damage that results in expensive restoration and maintenance. This adds to the cost of the infrastructure.	High	High	Manage - Natural disasters cannot be prevented. Infrastructure can be designed in a way that makes it more resilient against natural disasters. This requires specialist advice and design teams with extensive experience in this field. Delivering more resilient infrastructure may increase the initial cost but may better survive natural disasters, enabling Montserrat to recover quicker from those events.	GoM	Appoint specialists on short-term, project-focussed basis to deliver key stages of the delivery strategy. Where possible, utilise international skills to design and deliver infrastructure that is more resilient to natural disasters, such as having water drainage channels and wind-resistant designs.	Medium

Source: Mott MacDonald

## 6 Monitoring and evaluation

A monitoring and evaluation framework is integral to project delivery for good governance and accountability. In this section we will provide high level guidance on international best practice with regards to the monitoring and evaluation frameworks that will need to be developed for the proposed strategies.

### 6.1 Introduction

A monitoring and evaluation framework is integral to project delivery for good governance and accountability. Performance analysis and evaluation ensures the focused and effective application of resources and also identifies any gaps in the data and develops research projects to address these.

Monitoring and evaluation has been central to the assessment of public sector policy and project interventions in the UK and the European Union for many years and the principles are well articulated in several key documents relating to appraisal and evaluation, such as HM Treasury Green Book and The Magenta Book. Techniques and approaches developed for monitoring and evaluation can be consistently used across disciplines and geographies.

The key to good monitoring and evaluation is to make it proportionate to the scale of activities being undertaken and the resources being invested in the activity. It is also important to learn from evaluation s that subsequent intervnetions can be better designed and more effective.

### 6.2 The ROAMEF Cycle

The ROAMEF Cycle, see Figure 11 below, demonstrates where monitoring and evaluation sits within the project lifecycle and how it provides evidence to refine the rationale and recalibrate delivery over time as the monitoring and evaluation process produces project-specific data which can assist strategic decision-making about subsequent stages of delivery.

The ROAMEF Cycle requires ex-ante<sup>65</sup> evaluation at the appraisal stage and ex-post evaluation once implementation has commenced with monitoring (against the baseline) continuously throughout the period (this will occur post this commission and will be based on the monitoring and evaluation framework produced to support the strategy).

Evaluating the proposed investments can deliver the following objectives<sup>66</sup>:

- provide accountability for the investment;
- evidence future spending decisions;

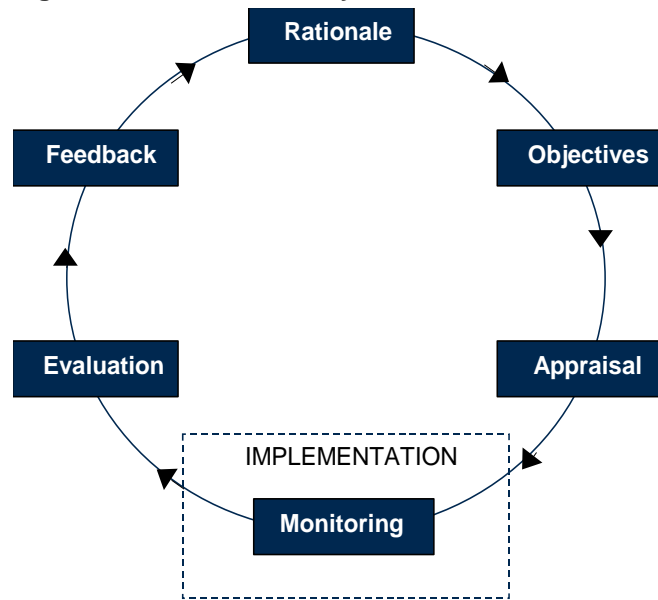
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<sup>65</sup> Ex-ante evaluation enables the assessment of prospective impacts and outputs identified before an intervention or project commences; ex-post evaluation takes a retrospective perspective and is undertaken after project completion.

<sup>66</sup> DfT (2012) Monitoring and evaluation framework for local authority major schemes

- learn about which schemes deliver cost-effective sustainable solutions;
- enhance the operational effectiveness of existing schemes or future schemes; and
- improve future initiatives based on learning.

**Figure 31: The ROAMEF cycle**



Source: ODPM (2004) Assessing the Impacts of Spatial Interventions – The 3Rs Guidance  
<http://www.communities.gov.uk/publications/corporate/assessingimpacts>

### 6.3 Monitoring and evaluation framework guidance

In this section, we provide high level guidance on international best practice with regards to the monitoring and evaluation frameworks that will need to be developed for some of the proposed strategies. This guidance is not project specific but will provide a basis which the GoM can further develop into full plans.

Monitoring and evaluation can take many forms, with a range of potential methodologies and approaches available. The selection of the approach should be based on the specific details of the project being evaluated, such as data availability, the scope and scale of the project and the type of indicators identified for a given project. Whichever approach to monitoring and evaluation is selected, several key features must be present in order to deliver appropriate monitoring and evaluation so as to achieve the desired outcomes of good governance, accountability and ensuring that the intended outcomes of the project itself are delivered. When seeking to deliver appropriate monitoring and evaluation of a

project, there are several key considerations that derive from recognised guidance such as the UK Treasury's Magenta Book, European Union guidance and from best practice, developed over years of successfully carrying out monitoring and evaluation of major projects.

## 6.4 The objectives of monitoring and evaluation

Monitoring is the collection of data to check progress against planned targets. It is an essential element of understanding how well projects are delivered, and keeping track of what has been spent and what has been delivered. Evaluation determines the final outputs, outcomes and impacts generated by a project, focusing on the difference a project has made to the area of influence. The impact evaluation should focus on evaluating outcomes and the long-term impacts. The objectives of monitoring and evaluation is therefore to assess the impact of a project against the objectives and targets set out for that project both during and after the delivery of that project.

## 6.5 Evaluation principles

Scheme evaluation is a means to justify investment into a particular intervention (for example a major flood alleviation scheme) and therefore to assess whether the anticipated benefits have been achieved. The evaluation should be carried out according to the following principles;

- objectivity - ensuring a non-biased assessment of progress.
- proportionality – relative to the size of the project.
- compliance – with the guidance on evaluation relevant to a project.
- timeliness - undertaken when outputs can be reliably and objectively assessed.

### 6.5.1 Evaluation context

All new policies, programmes and projects, whether revenue, capital or regulatory, should be subject to comprehensive but proportionate assessment, wherever it is practical, so as to promote the public interest.

Evaluating investment can deliver the following objectives;

- provide accountability for the investment;
- evidence future spending decisions;
- learn about which schemes deliver cost-effective solutions;
- enhance the operational effectiveness of existing or future schemes; and
- improve future initiatives based on learning.

## 6.6 Designing a monitoring and evaluation plan

Monitoring and evaluation is an important part of the project lifecycle, its inclusion in projects should not be as a late addition, but rather as a key step in the delivery of a project. The earlier in the lifecycle of the project that monitoring and evaluation is considered, the more likely it is that it

will be appropriate to the project and will deliver useful results<sup>67</sup>. The design of a project should include a consideration of opportunities to carry out monitoring and evaluation, where it is possible to do so. This will primarily involve collecting data at key points or recording lessons learnt as the project progresses, to enable ongoing monitoring during the project and the ex-post evaluation to take place following the completion of the project. Monitoring and evaluation must be aligned with the objectives of the project, which in turn is targeted on the alleviation of a problem or challenge for which the project is intended to address. In order to assess the impact of a project, the intended outcomes must be divided into measurable outputs, these outputs must be developed as indicators. Indicators are variables that can be measured in order provide information on the impact of a project<sup>68</sup>. Indicators are vital to the delivery of good monitoring and evaluation as the measurement of these indicators forms the basis for assessing the impact of the project on the target group and against its objectives. Good indicators should:

- Be clear and as simple, making as clear a link as possible between what it is measuring and the objectives of both the evaluation and the overall project.
- Be a valid measure of the phenomena – indicators should measure what they are intended to measure. Extraneous variables and external factors that can skew indicators should be identified and where possible, reduced<sup>69</sup>.
- Have a clearly defined data source – The data required by each indicator should be identified early to allow data to be gathered throughout the project if required and to make sure that the required data is available when the monitoring and evaluation of the project begins<sup>70</sup>.
- Ideally, indicators will produce reliable measures of outputs of a project that are commensurable with the outputs of other projects both in the same area and further afield. This will increase the usefulness of these indicators and the monitoring and evaluation process as it will allow comparison with other schemes.

## 6.7 Worked example

Applying the above principles, here we present only some of the considerations that should be made when designing effective monitoring and evaluation of a project. It is important to note that as all projects are different, each monitoring and evaluation plan must be bespoke and designed solely for use on that project. What is presented here is merely a guide to show how monitoring and evaluation can be designed for a given project.

The project we have selected to use to demonstrate how to develop indicators for monitoring and evaluation is the project to deliver education and training courses in agriculture and market them to attract people into the sector. The objective of this project is to increase the number of agricultural workers in Montserrat to grow the size of the agricultural sector, increasing crop yields and reducing the country's dependence on imported food. This project requires three key actions; the provision of agricultural courses for school-age students, the provision of courses for adults to enable reskilling and the marketing of these courses. Indicators that could be used to monitor and evaluate the impact of this project could include the following:

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<sup>67</sup> HM Treasury, The Magenta Book, Guidance for evaluation, April 2011.

<sup>68</sup> European Commission, Guidance document and Monitoring and Evaluation, the programming period 2014-2020, March 2014

<sup>69</sup> HM Treasury, The Magenta Book, Guidance for evaluation, April 2011.

<sup>70</sup> HM Treasury, The Magenta Book, Guidance for evaluation, April 2011.

**Table 11: List of potential indicators**

Indicator	Measure	Data to be used	Rationale for inclusion	Data collection methods	Frequency of data collection
I1	Enrolment and completion of training courses among school-age students	Baseline information, Enrolment and graduation data from schools	Key intervention	Monitoring of secondary data	Baseline and each year of project
I2	Enrolment and completion of training courses among adults (retraining)	Baseline information, Enrolment and graduation data from schools/adult education providers	Key intervention	Monitoring of secondary data	Baseline and each year of project
I3	Impact of marketing on attracting people to enter agricultural sector	Survey data	Key intervention	Survey given to people who enrol on agricultural courses	Each year of project
I4	Number of workers in agricultural sector	Baseline information, data from GoM and primary research	Key scheme objective	Analysis of employment data supported by surveys were necessary to fill gaps in the data	Baseline, Y1, Y5, Y10

Source: Mott MacDonald

The reason for selecting these indicators is to monitor how many people enrol and complete these agricultural courses, how successful the marketing has been on encouraging people to take up these courses and how the courses impact the total number of agricultural workers in Montserrat. Additional indicators could be developed to assess the production of crops and the demand for imported food.

Once all the required indicators have been identified, they then must be further expanded upon to identify the details of the indicator and how it will be applied to the evaluation.

The table below shows an example of how each indicator can be developed.

**Table 12: Example indicator**

**I1 Enrolment and completion of training courses among school-age students**

- Data collection methodology
- Analysis of national data on enrolment among school age students in agricultural courses.
- Data Source(s)
- GoM datasets on school class sizes by subject, where data is available.

### 11 Enrolment and completion of training courses among school-age students

	<ul style="list-style-type: none"> <li>Primary research to fill gaps in the data and provide more detailed data on the number of students enrolled in the courses and the number who successfully complete the courses.</li> </ul>
<ul style="list-style-type: none"> <li>Sample size</li> </ul>	<ul style="list-style-type: none"> <li>All school age students in agricultural courses in schools in Montserrat.</li> </ul>
<ul style="list-style-type: none"> <li>Frequency of data collection</li> </ul>	<ul style="list-style-type: none"> <li>Baseline to be taken prior to commencement of project.</li> <li>Data to be collected annually, with each graduating class of students</li> </ul>
<ul style="list-style-type: none"> <li>Cost implications</li> </ul>	<ul style="list-style-type: none"> <li>Total cost of project estimated at EC\$1m. Cost of monitoring and evaluation likely to be contained within this total cost.</li> </ul>
<ul style="list-style-type: none"> <li>Potential Risks / Barriers to monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Unavailability of data – data availability needs to be identified prior to project commencing.</li> <li>Difficulty in collecting accurate data from all appropriate educational institutions.</li> </ul>
<ul style="list-style-type: none"> <li>Who to gather data</li> </ul>	<ul style="list-style-type: none"> <li>GoM, Ministry of Education, Health, Community Services, Sports &amp; Youth, Schools and other educational institutions.</li> </ul>
<ul style="list-style-type: none"> <li>Graphic representations illustrating data gathering (e.g. maps)</li> </ul>	<ul style="list-style-type: none"> <li>Charts and graphs to be produced using findings to show change over time in enrolment and completion of these courses.</li> </ul>
<ul style="list-style-type: none"> <li>Other factors (e.g. seasonality, special requirements)</li> </ul>	<ul style="list-style-type: none"> <li>Data to be collected on both enrolments and completions of courses, this requires data to be collected at the beginning and end of the school year.</li> </ul>

Source: Mott MacDonald

These indicators can then be measured and analysed as part of the monitoring and evaluation of a given project. This example is to show only how an indicator can be developed and is not intended to show a full indicator ready for use in the monitoring and evaluation of this project. The actual monitoring and evaluation of this project will require a more detailed assessment of the required actions, the factors that may be measured to gauge the performance of the project and involvement from key stakeholders.

## 6.8 Summary

This section looks at the role of monitoring and evaluation in a project lifecycle and provides guidance and best practice on how to apply it to a given project. Monitoring and evaluation serves multiple functions for a project, including justifying the investment in that project and demonstrating the value of investing in an area. This could be greatly significant for Montserrat, if initial investments and projects can be shown to deliver on its objectives and provide benefits to the country. This may support the case for future investment as well as providing transparency to both the public and funding agencies on how resources are being spent in Montserrat. The examples shown in this section serve only to demonstrate how indicators could be developed for a project. As each project is different, the monitoring and evaluation they require is likely to also differ. Each monitoring and evaluation plan is bespoke to the project it is intended for and requires careful planning and consideration in order to make it fit-for-purpose. The guidance here presents many of the issues that require consideration when designing monitoring and evaluation into a project.



# 7 Conclusion

In this Plan we have highlighted the many opportunities for sustainable economic growth in Montserrat. We have, however, also indicated that the successful delivery of these proposed actions will depend largely on the GoM's capacity to deliver on the proposed actions and the willingness of Montserratians to seize the opportunities as they arise.

This strategy and delivery plan can be considered in the context of three overarching themes:

- The Soufrière Hills volcano should be treated as an asset: policy and planning need to look beyond the impacts of the volcanic eruption that occurred 20 years ago and instead treat the volcano as an asset to Montserrat. With an “ash to cash” approach, the volcano can be branded and marketed to attract visitors to Montserrat.
- To date, development strategies and plans have focussed on large and unrealistic actions, and as such have largely remained undelivered. We have therefore taken a different approach. This Plan sets out ambitious interventions alongside small scale actions which can be acted on immediately. In this way, our approach has been designed specifically for the local conditions and capacity in Montserrat.
- Montserrat needs to build a framework which provides confidence to investors to encourage private sector investment, both local and international. This could be done by developing a land use plan and policy environment which is supportive of physical development and investment, and by building on Montserrat's existing link with Britain, emphasising Montserrat's alignment with British standards and ethics which may help interventions in the financial services sector.

## 7.1 Summary of findings

In this report, we have set out the conclusions from our SWOT assessment, the key findings from our wide stakeholder engagement, presented our observations and suggested actions and produced a delivery plan containing key deliverables in the short and medium term to achieve longer term strategic objectives.

This Economic Growth Strategy and Delivery Plan has further developed the delivery plan set out in our initial observations report, building on our research and analysis to produce a growth strategy and delivery plan that will put Montserrat on the path for sustainable economic growth, with good employment opportunities and private sector investment prospects. The principal objectives of this study were to produce a plan to support Montserrat to deliver economic growth that is:

- Sustainable
- Private sector-led
- Equitable
- Belongs to and will benefit all the people of Montserrat
- Achievable
- Meets the specific and varied challenges faced by Montserrat

Our approach has differed from previous economic growth studies in several key ways:

- We have considered interconnected growth sectors and interventions benefiting from a holistic approach.
- Our focus has been on incremental interventions that begin with small scale achievable and practical changes to enable the delivery of growth objectives.
- This plan is specific to Montserrat – this strategy is built on the country’s strengths and weaknesses, it belongs to Montserrat, enabling buy-in from across Montserratian society.
- We have produced an ambitious strategy with a focus on deliverability.

In this Delivery Plan, we have focussed on four key areas and considered how the actions and outcomes fit together, including:

- Visitor economy
- Enterprise
- Sectors of growth
- Infrastructure

This action plan has the potential to deliver a step up from historic c.1-2% annual growth levels to an economic growth rate of 3%-5% in the next ten years and at the same time accommodate a slow contraction of DFID current revenue support (indicatively at 1% per annum)<sup>71</sup>. As a benchmark, to achieve this the external sector would need to grow at around 15% annually. Although 15% is an ambitious target, amounting to a doubling of output over the five years 2018/19 to 2022/23, we consider it to be feasible especially given that the small size of the existing base of activity makes relatively large percentage increases easier to achieve.

Such growth would allow Montserrat’s local economy to expand (by 40-50% over ten years) and, with a capped Government size and a slow contraction of DFID current revenue support, the public sector would become relatively smaller as a percentage of the total economy.

## 7.2 Progress update

Below we present a table summarising our progress to date in terms of our actions and deliverables as agreed in our contract. This compliance table allows us to monitor progress and identify any remaining gaps in our analysis.

**Table 13: Compliance table**

Client requirement	Delivery/Progress
<b>Inception Report</b>	Submitted to client on October 2nd, 2017.
Situational analysis of the social and economic baseline of Montserrat	Section 2 of the Inception Report.
Identification of future drivers of the Montserrat economy	Section 3 of the Inception Report.

<sup>71</sup> This analysis is based on high level modelling to be used as an indicative guide only, further detailed analysis would be required to develop a robust forecast.

Client requirement	Delivery/Progress
Literature review of existing studies and strategies to current economic and social position of Montserrat	Appendices of the Inception Report.
<b>Report on initial observations and findings</b>	Submitted to client on October 27th, 2017.
Situational analysis of the social and economic baseline of Montserrat	Section 1 of the Report on initial observations and findings. Section 1.3 – Context for the Strategy Section 1.4 – Demographic profile on Montserrat Section 1.5 – Land-use availability
Identification of future drivers of the Montserrat economy	Section 2 of the Report on initial observations and findings.
Summary of findings from the consultation process	Section 3 of the Report on initial observations and findings.
Define growth objectives for the next 10-20 years	Section 4 of the Report on initial observations and findings.
Preliminary outline of delivery plan for Montserrat	Section 5 of the Report on initial observations and findings.
<b>Presentations and workshops with key stakeholders</b>	Details of consultations can be found in Appendix A of Report on initial observations and findings.  Mott MacDonald has undertaken more consultations than stated in the original proposal as no workshop was carried out. In total 35 consultations have been undertaken for this project.
<b>Draft Economic Growth Strategy and Delivery Plan</b>	Scheduled to be submitted on November 24th, 2017. To be discussed in London in a meeting scheduled for November 28th, 2017.
Provide a detailed understanding of Montserrat's current economic and social profile	Section 1 of the Growth Strategy and Delivery Plan
Identify the key opportunities and constraints to growth over the next 10-20 years	Section 2 of the Growth Strategy and Delivery Plan Section 3 of the Growth Strategy and Delivery Plan
Define growth objectives	Section 4 of the Growth Strategy and Delivery Plan
Prioritise investments	Section 5 of the Growth Strategy and Delivery Plan
Outline road map/logic map on how the Draft Economic Growth Strategy and Delivery Plan will be achieved whilst being mindful of key risks	Section 4 of the Growth Strategy and Delivery Plan Section 5 of the Growth Strategy and Delivery Plan
Set out a framework for the monitoring and evaluation of the strategy	Section 6 of the Growth Strategy and Delivery Plan
<b>Presentation to Cabinet</b>	Scheduled to be undertaken on December 6th, 2017.
<b>Submission of agreed Economic Growth Strategy and Delivery Plan</b>	Scheduled to be submitted on December 10th, 2017.
<b>Submission of final report</b>	Submitted on February 8th, 2018

# Appendices

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## A. Consultations to date

**Table A1: List of consultations completed to date (14 December 2017)**

Organisation	Individual
GoM, Economics	Kenya Lee, Senior Economist
	Tori Greenaway, Trainee Economist
	Jasmine Baptiste, Statistician
GoM, Finance	Colin Owen, Financial Secretary
	Philip Chambers
	Colin Fergus
GoM, Financial Regulation	Dulcie James, Commissioner of Financial Services Commission
GoM, Agriculture	Daphne Castell
GoM, Health	Dorothea Hazel
GoM, Education, Health & Social Services	Hon. Delmaude Ryan
GoM, Communications, Works, Energy and Labour	Hon. Paul Lewis, Minister
GoM, Agriculture, Lands, Housing & Environment	Hon. David Osborne
	Claude Hogan, Former Minister of Agriculture
GoM, Premier of Montserrat	Hon. Donaldson Romeo
GoM, Office of the Premier of Montserrat	Cynthia Dyett, Monitoring and Evaluation Officer
GoM, Parliament	Gregory Willock, Parliamentary Secretary
Independent	John Skerit, Former Financial Secretary
Port of Montserrat	Joseph O'Garro, Port Manager
	George Green, Port Superintendent
	Simone Laborde
	Beverley Mendes
Sand mining sector	William Wall
Montserrat Volcano Observatory	Rod Stewart
DFID	Moira Marshall, Country Representative
	Victoria Cunningham, DFID Head of Growth and Senior Economic Adviser

Organisation	Individual
	Laurin Janes, DFID Assistant Economist, Overseas Territories Department
	John Bowker, Infrastructure Advisory
	Alex Stevens, Senior Governance Adviser
EU - Economic & Social Affairs (EEAS)	Chiara Tardivo, Programme Officer – Economic & Social Affairs
Bank of Montserrat	Michael Joseph, General Manager
Independent	Owen Lewis
Montserrat Building Society	Jennifer Meade, Manager
Caribbean Development Bank	Ronald James, Economist
MNI Alive Media	Jeevan Robinson, Journalist
Fly Montserrat	Nigel Harris, CEO
Fly Montserrat	Shelley Harris

Source: Mott MacDonald

**Table A2: Stakeholders consulted by GoM**

**Stakeholders consulted by GoM**

David Duberry	Petrina Thompson	Jay Steed	Shauna Harley
Claude Brown	Omari Riley	Eulyn Silcott	Carlton (John) O'Garro
Florabelle Allen	Llewellyn White	James (Scriber) Daley	Thomas (Mux) Christopher
Mildred Kiwan	Capt. John Howes	Julian Romeo	Winston Pond
Leroy Weekes	Sheldon Carty	Lanvall Fergus	Anita Barzel
Ellen Sweaney	Lester Allen	Ivason Fagan	Ann Barzel
Ellen Lindsay	Charles Pond	John Lee	Sylvia White
Veronica Brown	James Weekes	David Lane	Catherine Farrell
Charles Jospheh	Abraham Lee	Abraham Greenaway	Stephanie Tuitt
Isiah Allen	Earl Daway	Garnett Thompson	Ann (Mary) Allen
Steviere West	Ian Samuel	Javiere Adams	Nyota N C Mulcare
Ashley Lindsay	Raphael White	Arnold Corbette	Michelle Cassell
Gordon Moulings	Mildred Kirwan	Alwyn Ponteen	Lorraine Hoyte

### Stakeholders consulted by GoM

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Ida Blake	Cai Wilkinson	Alston Piper	Albrun Semper
Margaret Ainsworth	Adolphus White	Shirley Osborne	Rhiana Meade
Peter White	Raquel (Tappy) Syers	Charley Bertlett	Johann Tuitt
Ken Cassell			

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Source: GoM

## B. Literature review of existing studies and strategies

### B.1 Summary of literature review

**Table B1: Summary of literature review**

Report title	Author / body	Client	Date	Interventions / recommendations proposed
Montserrat Sustainable Development Plan 2008-2020	GoM - Ministry of Economic Development and Trade	GoM	2008	<p><b>By 2020:</b></p> <ul style="list-style-type: none"> <li>• A population of 9,000</li> <li>• Government Services contributing no more than 24% of real GDP, while agriculture, tourism, mining &amp; quarrying contribution to GDP increase by at least 100%</li> <li>• 6% growth in GDP p.a. in real terms as of 2012 with unemployment rate of less than 7%</li> <li>• 60% of GOM's recurrent budget financed from revenue intake</li> <li>• 60% of national electricity requirements produced from renewable resources</li> <li>• Production of 50% of agricultural produce required for local consumption</li> <li>• 40% increase in the housing stock</li> <li>• Reduction in % of single parent headed households as percentage of all households with children</li> <li>• 100% increase in the range of curative and rehabilitative health care services available on island</li> <li>• 20% of the population with tertiary level certification</li> <li>• 10% growth in the population of endangered/protected species</li> <li>• Consistent enforcement of key elements of environmental management strategy, policy &amp; legislation</li> <li>• Damage caused by disasters minimized to less than 2% of GDP</li> <li>• 10% growth in the population of endangered/protected species</li> <li>• Full compliance of public servants and elected officials with established accountability frameworks. Central government agencies meeting agreed service delivery targets and the needs of its customers</li> <li>• 25% reduction in the crime rate</li> <li>• Montserrat enjoying net benefits from full membership in CARICOM and the OECS</li> </ul>
Business Model For The Financial Services Sector	Ministry of Finance	GoM	Sep-10	Summary of the financial services sector No interventions identified
International Monetary Fund Montserrat	International Monetary Fund	GoM	Sep-11	Constructing a new capital and port: a new port will allow docking of a cruise ship and the ferry to Antigua Restoration of fast ferry service Improve air access through a round robin service in cooperation with a regional carrier Dedicated jetty to service the mining sector New diesel generation facility to be financed by the Caribbean Development Bank
Montserrat's Financial Sector	Financial Services Commission	n/a	2011	Overview of Montserrat's financial sector No interventions identified



Report title	Author / body	Client	Date	Interventions / recommendations proposed
Montserrat At a Glance - Census 2011	GoM	n/a	2011	Summary of census information for Montserrat No interventions identified
Little Bay Estate Land Tenure Policy & Divestment Strategy	not said	GoM	2012	<b>Review of different zones within the Little Bay Masterplan:</b> Water Front Town Centre - high value area, mixed use of commercial activity and residential units Piper's Pond Commercial Zone - lower density commercial use Davy Hill Residential - residential development of 10 low density plots Carr's Bay Entrance Commercial Zone - commercial development Potato Hill Villa Development - high end market for residential development Davy Hill North Commercial - commercial zone for mixed use development, includes nursery Recreational Area - cricket field, recreational area Government buildings - various government buildings Heritage Area - active archaeological site Hotel Development Site - low volume high end hotel Fort Benito Condominium Site - condominium development that accommodates approx. 100-120 condo units Fisherman's Village - public area to recreate beach, fisherman will be provided with a haul out ramp equipped with a winch Boat Storage Yard & Yacht Lift - boat storage yard, yacht lift/storage facility
Review tax policies to develop tax regimes that stimulate growth	Montserrat Customs and Revenue Service	GoM	2012	<b>Review and consolidation of other work carried out previously:</b> Montserrat Customs and Revenue Service (MCRS) to develop functional requirements for a property tax and a hotel occupancy tax by 31st December 2012. Merge existing inland revenue and customs websites into one Appoint technical expert to advise on introduction of a Tax Identification Number (TIN) Cabinet to consider new taxes such as VAT and to consider lowering marginal tax of 40% to make island more competitive.
Economic Appraisal Of Access Investments And Subsidies In Montserrat	Dr. Robert R. Noakes	GoM & DFID	Feb-12	Presents the results of appraisals which examine the financial and economic costs & benefits and viability of a range of options for providing sustainable sea and air access to Montserrat. The following specific infrastructure decisions are recommended for Montserrat in order to: (i) underpin its national rebuilding, (ii) enable both sea and air access to/from Montserrat to be revitalised, particularly for the rejuvenation of the tourism sector, and (iii) to allow Montserrat's transport sector to be self-supporting and sustainable, with no further reliance on external subsidies for service provision. <b>These recommendations are:</b> (i) Fixed (capital) investment in a purpose-built ferry at a cost of £2.92 million, to be built in France, of a similar type/length/performance characteristics as currently operate in the region (St. Kitts/Nevis and St. Maarten). (ii) Provide leasing finance and fixed (capital) investment in a Twin Otter aircraft, to be integrated into existing regional airline operations. Montserrat requires that a new port facility be developed to allow for home-porting of the new ferry and for improved cargo handling and cruise ship mooring. This is seen as a necessary 'building block' for Montserrat's long-term economic restructuring.
Montserrat development plan, review and evaluation of option B	MacLellan & Associates	GoM	Feb-12	Recommendations for the tourism industry, based on examples from other Caribbean islands. The focus for Montserrat's tourism industry should be high-end, low density tourism. Short term priorities: - bigger and well marketed dive operations; - development of a choice of quality restaurants;

Report title	Author / body	Client	Date	Interventions / recommendations proposed
				<ul style="list-style-type: none"> <li>- spas using local volcanic materials;</li> <li>- well organised trail walking operators; and</li> <li>- villa management companies which can provide high standards of facilities management and effective international marketing of their listed properties.</li> </ul> <p>Air services must improve. Cruise ships should be restricted to small, high-end ships. The golf course should be replaced. The report recommends changes to the marina plan to improve viability and provide greater depth of water with better surge protection:</p> <ul style="list-style-type: none"> <li>- The fishing boats are not conducive to an upmarket marina and should be relocated near the commercial port.</li> <li>- A breakwater protected larger harbour will accommodate ten 60' berths, fourteen 80' berths and six stern-to super yacht berths.</li> <li>- A marine engineering study is required to identify the likely higher capital costs but this represents a more viable ongoing operation than the current plan.</li> <li>- Crews of high end charter yachts to be given access to the hotel's leisure and dining facilities on a club basis, as this will attract better quality boats.</li> </ul>
Study of the Applicability of a Special Economic Zone for Little Bay and Carr's Bay	Nathan Associates London LTD	GoM	Apr-12	<p>No specific interventions outlined. Aim to attract investment in 5 key areas: upmarket small resort, residential villas, waterfront town, marina, port Potential for economic development - tourism, educational tourism, renewable energy, mining and light manufacturing, agro-processing, fishing, IT-enabled services</p>
Tourism analysis and projections for Montserrat 2013-2038	Oxford Economics	DFID	Aug-12	<p>Development of a port at Carr's Bay, leasing of a twin otter aeroplane, upgrades in the air service, ferry and the introduction of a breakwater at Little Bay, improved marketing in the tourism industry.</p>
Sustainability Review of Little Bay Master Plan - Final Report on Approved Master Plan	iMC Worldwide	GoM	Aug-12	<p>Report stating changes to the Masterplan over time:</p> <ul style="list-style-type: none"> <li>• New Port at Carr's Bay</li> <li>• Relocation of Carr's Bay Gun Battery</li> <li>• Breakwater and safe harbour with infill, hard standing and port buildings</li> <li>• Fisherman's village and marina development at existing port. Boat storage facilities east of Little Bay Ghaut Tourist facilities, immigration, taxi points</li> <li>• Road safety improvements corner of Carr's Bay and St Johns Road</li> <li>• Creation of Evergreen Roundabout - cut back into Davy Hill</li> <li>• Trapezoidal storm drain from new market through Pipers Pond Mangrove Area</li> <li>• Pipers Pond - landscaping and boardwalk</li> <li>• Infrastructure Hub</li> <li>• Water front town extends east to new market</li> <li>• Enhancement of new market</li> <li>• Removal of waste treatment pond and site made available for restaurant/guesthouse</li> <li>• New residential plots on western end of Davy Hill</li> <li>• Secondary access into Little Bay</li> <li>• Villa &amp; Spa development on Potato Hill: Villa development on northern and southern slopes</li> <li>• Volcano centre</li> </ul>

Report title	Author / body	Client	Date	Interventions / recommendations proposed
				<ul style="list-style-type: none"> <li>• Sports and recreation facilities</li> </ul>
Country Strategy Paper - Montserrat	Caribbean Development Bank	GoM	Jul-12	<p>Outline of CDB assistance strategy for Montserrat over period 2012-15:</p> <p>1- Increase tourism and trade activity in Montserrat, focussing on increasing trade and passenger throughput at Little Bay port by December 2015. To do this, construction of the commercial port and breakwater must begin by December 2013.</p> <p>2- To develop feasible sources of renewable energy, a regulatory framework must be complete by December 2013.</p> <p>3- To improve the alignment of education programmes to labour market needs, a Labour market survey must be completed by March 2013.</p> <p>4- To deliver a reduction in percentage of persons living below the poverty line. This has multiple indicators:</p> <p>a. Increase in number of graduates with employable skills, by sex, by December 2016.</p> <p>b. Increase in number of targeted community members working in viable economic sectors, by sex, by December 2016.</p> <p>c. Increase in members' participation in functioning CBOs, by sex, by December 2016.</p> <p>To deliver this, key milestones include:</p> <p>a. The development of skills training programs to be completed by September 2015.</p> <p>b. Community action plans to be developed by December 2014.</p> <p>c. Community resource centres completed by December 2015.</p> <p>5- To develop improved Disaster Risk Management (DRM) by introducing new training schemes by September 2014 and increase number of district/community level disaster teams by December 2014, resulting in a number of DRM projects developed by January 2015.</p>
Social Impact Assessment of the Tax regime on Investment Promotion and Doing Business	Triple Line	GoM	Aug-13	<p>The purpose of this document is to assess the social impact of the current tax regime and proposed changes on investment promotion and doing business.</p> <p>Increase transparency of tax system - set out clearly the procedures and criteria for obtaining tax incentives</p> <p>Utilise planning gains to encourage developers to maintain local features (footpaths, nature reserve areas etc) as a condition of the planning permission or tax incentive being granted.</p> <p>Develop vocational training - include the provision of vocational training as a condition for permission or tax incentives being granted- using and training local labour (utilising Caribbean Vocational Qualifications)</p>
Impact Assessment of Montserrat's Tax Regime on Investment Promotion and Doing Business	Upper Quartile	GoM	Aug-13	<p>Assess the economic impact of the current tax regime and proposed changes on investment promotion and doing business.</p> <p>Recommendations largely the same as the above report (Social Impact of tax regime on investment and doing business) as the two reports were produced together.</p> <p>Key change is the recommendations to:</p> <p>Consider further alignment with CARICOM/OECS countries (when timing appropriate) this would include computerisation of tax systems, introduction of VAT and reductions in import duties</p> <p>Review of income tax</p>
Strengthening the Montserrat Development Corporation to attract private sector investment	DFID	DFID	2013-2016	<p>Business case by UK Govt. for intervention to strengthen the Montserrat development corporation</p> <p>Create an effective, well governed, commercially credible Trade and Investment Promotion Agency (TIPA) with a strong local and international reputation.</p> <p>ii. Build an effective, well-managed and highly motivated executive team, with the maximum possible local and regional participation.</p> <p>iii. Achieve 50% self-financing for MDC by the end of the three-year funding through land sales, rentals and other income.</p> <p>iv. Attract £50m in private sector investment to the Little Bay town and Carr's Bay port development by</p>

Report title	Author / body	Client	Date	Interventions / recommendations proposed
				<p>2016 – Hotel, Villas and Marina</p> <p>v. Private sector investment of £6m in a new Investment Fund being established independently of MDC to provide local and diaspora investors with a mechanism to invest in a range of opportunities across the island</p> <p>vi. Over 150 temporary construction-related job opportunities in Little Bay/Carr’s Bay from September 2013 to June 2016</p> <p>vii Over 350 permanent tourism-related jobs for residents on completion of the new town in 2016.</p> <p>Viii. Evidence and analysis provided to support GoM’s allocation of public sector funding for Carr’s Bay port and public infrastructure related to roads, ground improvements and utilities of the Little Bay Town.</p>
Tourism Policy Action Plan	not said	not said	2016	<p>Outlines key aims and short and medium term recommendations to improve the tourism industry:</p> <p>Establish appropriate institutional arrangements for effective management of sector (including establishing a National Tourism Organisation, an Air &amp; Sea Ports Authority and strengthening the National Trust)</p> <p>Secure regular and sustainable air &amp; sea access transport that will minimise portal to portal time for travellers to Montserrat (including provision of dedicated hybrid ferry, appointment of company to operate ferry, appoint rep on Antigua to promote services)</p> <p>Improve Visitor Facilitation (including reducing departure tax for day trips to Montserrat, streamline immigration procedures for visiting yachts, faster security in-transit screening for travellers to MNS)</p> <p>Regulated industry providing world class standards (including establishing a system of registration &amp; licensing and establishing a system of quality standards)</p> <p>Establish a conducive investment climate for business, particularly SMEs (undertake a review of business regulations and investment incentives)</p> <p>Ensure the protection, conservation and sensitive management of the natural and built environment (establish mixed use Marine Protected Area, establish Plymouth Volcano Reserve, establish GeoPark, establish 3 Tourism Development Areas)</p>
Increasing the production and availability of locally produced food on Montserrat	Eurecna and Association of the Overseas Countries and Territories of the European Union	GoM	Apr-16	<p>A investigation of the opportunities for better utilising locally produced food:</p> <p><b>1. National/government</b></p> <p>1.1 Focus on creating and improving the enabling environment for agro-processing</p> <p>1.2 Accurate information – need survey/inventory for crops especially fruit trees</p> <p>1.3 Control and safety – set and monitor to ensure good standards</p> <p>1.4 Traceability – use established scheme, e.g. Red Tractor scheme UK</p> <p>1.5 Land – lack of access in some parts of the country</p> <p>1.6 CARICOM regulations – transpose them for use in Montserrat</p> <p>1.7 Regional transport – costs are high to Antigua and acts as barrier to exports</p> <p><b>2. Community level</b></p> <p>2.1 Training and information – involve and provide training so that processor understand the minimum requirement and gain knowledge of new techniques</p> <p>2.2 Equipment – facilitate access to equipment to improve the performance and efficiency of agro-processors</p> <p><b>3. Required processing facilities</b></p> <p>3.1 Pilot agro-processing unit with storage and includes a small laboratory for some testing/monitoring activities</p> <p>3.2 Rehabilitate cassava processing unit – repair/replace broken machinery and include alternative means for baking</p> <p>3.3 Provide meat processing facilities at abattoir to cut, process and pack meat</p> <p>3.4 Provide clear management at all three facilities so that they can be used commercially, and kept running efficiently and safely</p>

Report title	Author / body	Client	Date	Interventions / recommendations proposed
				3.5 Bring in technical assistance for food processing until local staff have completed training and gained sufficient experience. Technical assistance would be involved
Agricultural Strategy and Marketing Plan (ASMP) For Montserrat	Caribbean Centre for Development Administration	GoM	May-16	<p>Presents a cohesive framework for a policy of food import substitution in Montserrat with a commitment to the exploration and development of niche market opportunities for selected commodities.</p> <p>In developing the Strategy, the planning team identified seven (7) critical areas in which success must be achieved if implementation of the Strategy is to result in major positive outcomes in the years ahead. These are the Key Result Areas or KRAs.</p> <ol style="list-style-type: none"> <li>1. Horticulture</li> <li>2. Livestock and Poultry</li> <li>3. Fisheries and Ocean Resources</li> <li>4. Agro-processing</li> <li>5. Marketing</li> <li>6. Outreach and Networking</li> <li>7. Institutional Strengthening</li> </ol> <p>There are seven KRAs, which split out into 27 Goals and 78 Objectives.</p>
National Tourism Policy	GoM	n/a	May-16	<p>A national tourism policy is essential to define the vision for tourism and the direction in which the country believes its tourism sector should grow:</p> <ul style="list-style-type: none"> <li>• Establish a pilot Marine Protected Area to conserve and develop the valuable marine resource, by addressing marine zoning to accommodate different uses and activities;</li> <li>• Establish a Plymouth Volcano Reserve;</li> <li>• Establish a GeoPark;</li> <li>• Strengthen physical planning legislation to incorporate conservation areas;</li> <li>• Provision of aircraft hangar or fuelling/re-fuelling facilities;</li> <li>• Widening and improved surface of access road to the MVO;</li> <li>• Construction of new road to facilitate access to Rendezvous Bay</li> <li>• Improved car parking provision and landscaping at airport landside</li> <li>• Certification of the airport for night use which will make the airport more viable, and eliminate the necessity of night stops in Antigua</li> <li>• Provision of a breakwater at Little Bay to provide protection from adverse sea conditions for ferries and other vessels, and sheltered moorings for yachts;</li> <li>• Improvements to jetty at Little Bay to improve embarkation and disembarkation and also to reduce possibility of damage to vessels from sea surges;</li> <li>• Improvements to jetty at Plymouth to provide for emergency landings if seas too rough at Little Bay.</li> </ul>
Volume 1: Labour market needs and Labour market strategy	A-Z Information Jamaica Limited	GoM	Jul-16	<p>A review of the labour market and of the SDP 2008-2020:</p> <ul style="list-style-type: none"> <li>• Revive the SDP through formation of a public/private sector group,</li> <li>• Review workers conditions including possibility of introducing a minimum wage - to begin in Q3 2016</li> <li>• Review education and training provision - to begin Q3 2016 and Labour market - Q4 2016</li> <li>• Set up a human resources committee to coordinate between training institutions -particular focus on STEM and entrepreneurship.</li> <li>• Review primary and tertiary education provision</li> <li>• Introduce legislation by Q4 2016 to mandate training of one local person in each job occupied by an ex-patriate.</li> <li>• Develop ICT capacity to address youth unemployment to begin Q4 2016</li> </ul>

Report title	Author / body	Client	Date	Interventions / recommendations proposed
				<ul style="list-style-type: none"> <li>• Develop better systems to collect and monitor data on employment etc.</li> </ul>
Building Capacity for Improving the Business Environment in Montserrat	Business Environment Reform Faculty (BERF)	GoM	Nov-16	Research to assess how Montserrat can develop a body to support business growth in the country Key recommendation is to found a Business Facilitation Services Centre (BFSC) over three years, beginning with founding a task force to initially set up the BFSC.
Addressing Montserrat's Economic Development Challenge	DFID	DFID	Dec-16	Brief summary of the challenges for Montserrat's economic development No interventions identified
Bank of Montserrat 2016 Annual Report	Bank of Montserrat Ltd	n/a	2016	Annual report on the performance of Bank of Montserrat No interventions identified
Initial Action Document - Multi-Sector Reform Contract in support of Sustainable Economic Development	European Commission	GoM	2016	New breakwater project funded by with support from DFID a sea cable development project to better connect the people of Montserrat to the worldwide web through the provision of fibre-optic broadband
Montserrat's Throne Speech 2016	GoM	n/a	Sep-16	Speech from HRM read in the Commonwealth countries No interventions identified
Building Montserrat's Future	GoM	n/a	Nov-16	Press release from the Premier's Office of the GoM Set out need for "shovel-ready" jobs to "kick-start" the economy of Montserrat. This includes: - the A1 Main Road project, - the Government Accommodations Project, - further redevelopment of Little Bay Town Centre - the creation of up to 400 social and affordable homes in the island - Develop new tourist sites such as Volcano Park/New Pompeii in Plymouth
Montserrat & Funding Organisations	not said	n/a	2017	Recommended that the Caribbean Development Bank approve a similar loan to the \$12 million loan to the Dominica Agricultural Industrial and Development Bank to spend on student loan finances and low/low to middle income housing
Overseas Territories - DFID Plan	DFID	DFID	Jul-17	Outline of DFID investing in Overseas Territories Headline deliverable of report - increase contributions from the government of Montserrat to meeting the costs of their own public services, with the aim of helping them transition to self-sufficiency and reducing reliance on aid
Medium Term Economic Policy 2017-2021	EEAS	GoM	Jul-17	Projects involving air and sea access to the island <ul style="list-style-type: none"> <li>• Installation of an underwater fibre-optic cable to facilitate tourism, e-commerce and job creation</li> <li>• Eco-tourism e.g. developing nature trails, diving and volcano monitoring centre</li> <li>• Redevelop the islands villa tourism sector</li> <li>• Provision of a modern hospital for Montserrat</li> </ul>
2017-18 Budget Statement - Moving	GoM	n/a	2017-18	New control system of solar and geothermal power, includes new power house & control facility workshop Little Bay Port Development

<b>Report title</b>	<b>Author / body</b>	<b>Client</b>	<b>Date</b>	<b>Interventions / recommendations proposed</b>
Montserrat Forward towards Self-Sustainability and Inclusive Economic Growth				Constructing a new hospital, Hill Top is the preferred location Introduce a Tax Administration Computer System for the MCRs Establishment of a GOM's Energy Agenda including a Energy Public Awareness & Public Reach Major construction, drainage and improvement works to the road network Establishment of an abattoir Acquisition of an x-ray machine Creation of tennis courts and other recreation projects

Source: As indicated

## B.2 Review of additional selected reports

### B.2.1 Montserrat – Sustainable development plan 2008-2020

The sustainable development plan (SDP) sets out a comprehensive strategy to reform the economy of Montserrat. The SDP reviews socio-economic data and economic trends to illustrate the issues effecting Montserrat at the time of writing and sets out a series of challenges and objectives of the SDP including: increasing GDP; reducing unemployment; rebalancing the economy by increasing private sector businesses; and enabling sustainable growth both in terms of the population and the economy.

The SDP shows Montserrat to be subject to multiple and complex economic challenges that have resulted in the economic stagnation of recent years. While the country's economy is largely stable and there is low inflation and little public debt, there is also low or negative economic growth. The SDP identifies the country's support from the UK government as being a strength while also stressing the importance of moving towards financial self-sufficiency by securing sustainable economic growth fully independent from overseas financial aid. A lack of key infrastructure is highlighted as a major issue, limiting the ability of the island to capitalise on its core strengths such as its strategic location within the Caribbean and its relative economic and political stability.

The challenge of this commission is to build on the work already done by the SDP and to understand why this document has not enabled the delivery of the objectives set out in it to date.

### B.2.2 FCO White Paper 2012

The **2012 Foreign & Commonwealth Office (FCO White Paper** on the Overseas Territories, which sets out six key priorities for these areas;

- Defence, security and safety;
- Successful and resilient economies;
- Cherishing the environment;
- Making government work better;
- Vibrant and flourishing communities; and,
- Links with the wider world.

### B.2.3 Montserrat's Throne Speech 2016

Updating these 2012 priorities, **Montserrat's Throne Speech 2016** identified five priority areas which represent the long-term plans for Montserrat<sup>72</sup>:

- Prudent Economic Management
- Enhanced Human Development
- Sustainable Environmental Management and Appropriate Disaster Management Practices
- Good Governance
- Population Retention and Population Growth.

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<sup>72</sup> <https://www.gov.uk/government/speeches/montserrats-throne-speech-2016>



#### B.2.4 Montserrat Country Strategy Paper 2012-2015

This paper, produced by the CDB, examines the socio-economic profile of Montserrat and seeks to align the objectives set out in the SDP with those of major funding sources in the EU and the UK, primarily DFID. This paper looks to establish a coherent route-map for the delivery of the objectives set out the SDP and examine the challenges faced by the country in securing this development. The CDB advises that key pieces of physical infrastructure are invested in to encourage and enable tourists to visit the island nation. In addition, significant attention is paid to the need to address the resilience of the island to future environmental events, such as volcanic eruptions.

Perhaps the most significant element of this document is the support shown for the program proposed in the SDP by the CDB. The intention to harmonise the objectives from the SDP with the requirements of major funding sources and delivery methods presents an opportunity to build on this work to develop a fully deliverable strategy to achieve these long-standing objectives. The failure to fully deliver on the strategy set out in the 2008 SDP is apparent and while this document by the CDB seeks to bridge the gap between the objectives and the potential routes for their delivery, this has not achieved the desired result. This document catalogues the various challenges faced in attempting to deliver Montserrat's key growth objectives and is itself a testament to these challenges.

This commission will draw on this work by the CDB, as well as that in the SDP, to fully understand why these objectives have not been reached and what can be done to correct this.

#### B.2.5 EDF Medium Term Economic Policy (MTEP) 2017-2021

The overall objective outlined in Montserrat's proposed 11<sup>th</sup> EDF Multi-Sector Reform Contract is to set Montserrat on a path of sustainable growth and economic development. The **specific objectives** are as follows:

- *“Develop sectors that can bring about faster, more inclusive and sustainable economic growth with benefits for all (starting with energy and tourism, including here access issues; this could also include supply of local products for the tourism sector);*
- *“Create viable private sector jobs in various sectors, to reduce Montserrat's reliance on relatively high public sector spending (this will include gaining a better understanding of current low productivity in the private sector);*
- *“Develop greater economic independence for Montserrat and reduce gradually its heavy dependence on external support and decision making;*

*“Develop an attractive business and physical environment that encourages increases in tourism and visitors, on the one hand, and higher levels of foreign and domestic investment, on the other*

#### B.2.6 Physical Development Plan for North Montserrat: 2012-2022

This policy document replaces the previous Physical Development Plan (PDP) (2000-2009) and sought to provide a comprehensive study of current land utilisation in North Montserrat and provide a planning framework for future development. This document is intentionally aligned with the Sustainable Development Plan (SDP) in an attempt to support the delivery of the strategy set out in the SDP. The PDP sets out current land utilisation but does not go so far as to provide a policy framework that can be used to support and enable development on the island, particularly private sector development. This document does present an ambitious strategy to deliver major projects over this planning period to 2022, including the development of a port at Carr's Bay, which was later dropped, the delivery of a major hotel development at Little

Bay and the redevelopment of Littl Bay into a new capital for the island. The PDP stressed the importance of securing geothermal energy and the new fibre internet cable as pre-requisite for the success of this strategy. As of 2017, the half-way stage of this strategy's planning period, very little has been delivered.

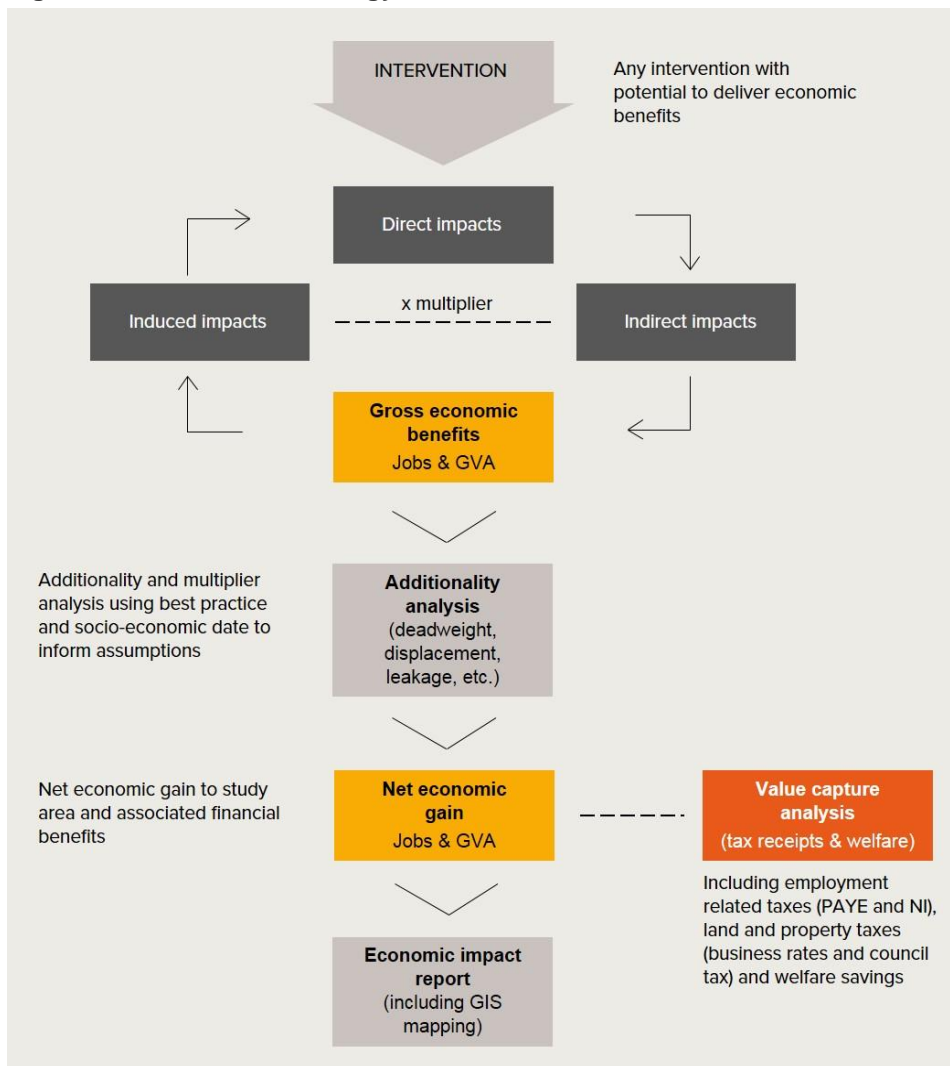
## C. Wider economic benefits using TEAM

### C.1 TEAM methodology

Using a high-level application of TEAM, we have estimated:

- **Direct effects** of the sites in terms of employment and economic output (measured by GVA) of the sites being fully developed.
- **Indirect and induced effects** of the sites being developed from those supported further down the supply chain and employment and activity supported by the incomes of those directly or indirectly employed (through consumption multiplier effects).
- The **total** gross and net economic impacts throughout the analysis. The net position adjusts the gross impacts for deadweight and additionality.

Figure C1: TEAM methodology



Source: Mott MacDonald

## C.2 Assumptions

The summary of assumptions can be found in the table below.

**Table C1: Summary of TEAM assumptions**

Assumption	Assumption applied	Rationale
Occupancy rate (full development)	50%	Assuming demand for additional land will be taken up, to recognise that there will always be an element of churn as businesses move between sites to fill their needs and that full take up may take several years to be realised, an occupancy rate of 50% has been applied.
Employment density and land use	Site 1: Luxury hotel with 90 rooms Site 2: 33% Retail High Street (A1); 33%, Restaurants & Cafés (A3); 33% Amusement & Entertainment Centres (D2) Site 3: 100% Regional Distribution Centre	Employment density guidance used in England has been applied here due to a lack of local data. Site visits and meetings suggest the employment densities are broadly similar..
Composite multiplier	1.29	For simplicity and given the lack of survey data, this study assumes a composite multiplier value to capture indirect and induced rounds of spending in the local economy at the local level.
Deadweight	25%	Deadweight is the proportion of the benefits that would have occurred in the study area without the intervention. In the absence of evidence to suggest whether a lesser or greater amount of these jobs would occur without this intervention, an estimate of 25% for deadweight has been selected. As these sites have remained undeveloped despite the existing port activities, deadweight attributable to this scheme is likely to be low.
Leakage	0%	Impacts are assessed for Montserrat nationwide so no leakage.
Displacement	0%	Impacts are assessed for Montserrat nationwide so no displacement.
GVA per worker	Hotels & Restaurants: EC\$28,538 Transport Storage & Communication: EC\$67,690 Wholesale & Retail Trade: EC\$32,696	GVA and employment data sourced from GoM Statistics office at current prices

Source: Mott MacDonald

