Competitiveness Strategies for Small States

Montserrat

Country Presentation

23-31 May 2011
Presentation Outline

- Country Background
- Regional Institution Arrangements
- Country Sector Characteristics
- Strengths and weaknesses
- Opportunities
- Policy Implication
Country Background

- Discovered by Christopher Columbus’s in 1493. He named the island after the Monastery of Montserrat in Barcelona, Spain.
- British Overseas Territory located in the Caribbean Sea and forming part of the Eastern Caribbean chain of small volcanic islands.
- Geographic coordinates are 16.45N, 62.12W.
- Montserrat is a mountainous and volcanic island of approximately 102 square kilometers or 39 sq miles.
- Present population of Montserrat is approximately 5097 as per census 2001. [0–14 years: 27.6%; 15–64 years 65.5%; 65 years and over: 6.9%]
Background Cont’d

- Religion: Roman Catholic, Methodist, Seventh Day Adventist, Pentecostal, other Christian
- Capital: Plymouth (Brades : de facto since eruption)
- Language: English
- Literacy: 97% of population
- GDP (2009) XCD 75.33 M
- GDP per capita (2009) XCD 15,274
- Growth estimate for 2011 less than 1%
- Inflation rate in 2010 was 3.2%
Background Cont’d

- Hurricane Hugo – 1989

- Volcanic activities began on 18 July 1995, 16 years in a month and half.

- Prior to volcanic eruptions the population was approximately 12,000. Ongoing volcanic activity has caused the migration of approximately 10,000 persons.
Regional Memberships/Institutional Arrangements

- Montserrat is a member of Caricom
- Organisation of Eastern Caribbean States
Caribbean Community and Common Market (CARICOM)

- Commonwealth Caribbean Countries signed a Treaty in July 1973 establishing a free trade area (excluding free movement)

- *Membership is 14*

- Revised Treaty – 2001 including the single market and economy – free movement of goods, services, people and capital

- Functional relationships with:
  - Caribbean Development Bank (CDB);
  - University of Guyana (UG);
  - University of the West Indies (UWI);
  - Caribbean Law Institute / Caribbean Law Institute Centre (CLI/CLIC);
  - the Secretariat of the Organisation of Eastern Caribbean States;
Caricom

Some functions are:
- improved standards of living and work;
- full employment of labour and other factors of production;
- expansion of trade and economic relations with third States;
- enhanced levels of international competitiveness;
- organisation for increased production and productivity;
- the achievement of a greater measure of economic leverage and intensified activities in areas such as health, education, transportation, telecommunications.
Caricom Institutions

- Montserrat benefits from close corporation with
  - Caribbean Disaster Emergency Response Agency (CDERA);
  - Caribbean Meteorological Institute (CMI);
  - Caribbean Meteorological Organisation (CMO);
  - Caribbean Environmental Health Institute (CEHI);
  - Caribbean Agricultural Research and Development Institute (CARDI);
  - Caribbean Regional Centre for the Education and Training of Animal Health
    and Veterinary Public Health Assistants (REPAHA);
  - Assembly of Caribbean Community Parliamentarians (ACCP);
  - Caribbean Centre For Developmental Administration (CARICAD);
  - Caribbean Food and Nutrition Institute (CFNI),

- Technical input, training, capacity building
The Organisation of Eastern Caribbean States (*OECS*)

- Established in June 1981 by the Treaty of Basseterre

- The OECS is administered by a Central Secretariat located in Castries, Saint Lucia.

- The Islands share a single currency, the Eastern Caribbean Dollar ($2.70 ECD = 1 USD).

- The operation of the currency is overseen by the Eastern Caribbean Central Bank, the monetary authority for the seven OECS governments and the government of Anguilla.

- The Islands also share a common Supreme Court: The Eastern Caribbean Supreme Court, with its two divisions, the High Court and the Court of Appeal. The Supreme Court is headed by the Chief Justice.
OECS Institutions

- Montserrat benefits immensely from
  - Education Reform Unit
  - Environment & Sustainable Development
  - Export Development Unit
  - Pharmaceutical Procurement
  - Regional Integration
  - Sports
  - Statistics and Data
  - Trade Policy Unit
Institutional Arrangements

- **Caricom Community Commission**
  Established in January 2008, Headquarters in Suriname

- **Principal Functions**
  1. to apply the rules of competition,
  2. promote competition, and
  3. To assist Member States to protect consumers
National Competition Authorities and Laws

- Caricom Community Rules are expressed in the national competition law in each Caricom Member State.

- Enactment of competition legislation by Member States has been facilitated by the development of a Caricom Model Competition Bill.

- Each national competition Law creates a National Competition Authority.

- Each national law and competition authority cooperates with, complements and facilitates enforcement action by the Community Commission.
Single OECS Authority

- Currently being established – Location to be determined
- the Eastern Caribbean Competition Commission, (ECCC)
- will act as a national Authority for each member of OECS
- Sharing of the expense, sparse professional and other resources
- to benefit from scale given the small size of its members
Sustainable Development Plan

- Strategic focus on competitive:
- 5 Strategic Goals:
  - Economic Management
  - Human Development
  - Environmental Management and Disaster Mitigation
  - Governance
  - Population Growth
A comprehensive plan of action to address the protracted negative impact of the current global economic and financial crisis on the economies of the Eastern Caribbean Currency Union.

The following are the elements of the eight point programme:
- 1. Suitably adapted Financial Programmes for each country
- 2. Fiscal Reform Programmes
- 3. Debt Management Programmes
- 4. Public Sector Investment Programmes
- 5. Social Safety Net Programmes
- 6. Financial Safety Net Programmes
- 7. Amalgamation of the Indigenous Commercial Banks
- 8. Rationalisation, Development and Regulation of the Insurance Sector
GOM Sustainability Road Map

- 4 year actions to increase revenue or reduce expenditure includes:
  - Public service reform
  - Fiscal reform
  - Social security reform
  - Civil Service Pension reform
  - Improved financial sector regulations
Montserrat Development Corporation

- In 2007 Company under Companies Act
- Government Owned –100%
- Appointed 9 Non-Executive Board
- Two armed-mandate
- Private Sector Development Project
- 220 acre land management
Trade and Investment Promotional Agency

- Private sector focus
- Consulting, Handholding
- Business Planning
- Concept to implementation
- To provide soft loans for new businesses and expansion
Country Case Study

- Banking
- Petroleum
- Electricity and Water
- Telecommunication
- Tourism
Country Case Study

Banking Sector

- two banks, i.e. a national bank and a branch of Multinational Corporation
- one building society
- one credit union, and
- two money transfer companies.
Petroleum Sector

- All imports by one Company
- contract with the Government
- Open retail market
- two retail outlets that sell gasoline and diesel to consumers.
- Many LPG retailers
- Prices controlled by government
Electricity and Water

- provided by one company hundred percent shares owned by the Government.

- MUL is a natural monopoly

- marginally profitable
Telecommunication

- Cable and Wireless only service provider
- natural monopoly for all service areas for the time being
- Telecommunications Act was passed in 2010 liberalization of the data and cellular sub-sectors
- Cable and Wireless will maintain its monopoly in fixed-land line service.
Tourism

- A foreign independent travel tourism clientele arriving from the UK, US, OECS and Canada
- Niche market is adventure tourism
- Constant upgrade of the infrastructure
Strengths

- British Governments Support – technical and financial
- Access to EU markets
- Memberships – Caricom, OECS, CDB and associations with regional institutions
- High level of professional and trained personnel – government and private sector
- New focus on modernising institutions for greater efficiency –
  - Inland Revenue Authority
  - Customs and Treasury software
    - Automated System for Customs Data (ASYCUDA) improving service delivery in government
Strengths Cont’d

- Legislative reform

- Integrity legislation soon to be enacted the Integrity Commission established – by year end.

- Wide Internet coverage:
  - Internet Banking available and widely used
  - Most bills can be paid online – except for the time being Government payments
Weaknesses

- Island Access

- Micro economy, high degree of vulnerability, high costs of doing business, high infrastructural costs, high transportation costs, natural disasters, prices

- The need to achieve minimum efficient scale imposes some constraints on competitiveness in Montserrat.
Opportunities and Areas for Reform

- The first major opportunity/challenge is keeping the recurrent budget in check while developing the private sector.

- Memberships in regional organisations provides opportunities for scale and shared resources in regulations, administration, purchases, etc.

- Access to EU funds and market for capital development, including new seaport.

- Access to EDF funds regional envelop for trade policy infrastructure – macro, micro and meso level developments.
Implication for Polices and Strategies

- Cooperation and collaboration with British Government, EU and regional organisations are important.
Thank you