

Enterprise

Case Study: Support to Private Sector Development (Montserrat)

Background

Montserrat is a Caribbean island which, until the mid-1990s had an economy based on a thriving tourism sector. On 18 July 1995, Soufriere Hills, a volcano on the island began erupting producing ash which covered most of the island and lava which covered and destroyed most of the southern half of the island (including the capital of Plymouth). As a result of the volcanic eruption, there was severe disruption to the economy of the island.

In response, the Government of Montserrat decided to commission a consultancy to produce a strategic plan for the repositioning of the tourism sector in Montserrat.

The project would aim to diversify the economic activity of Montserrat, reducing the reliance on imported goods, increasing the Government's tax base with which to provide public services, increasing export earnings, and boosting employment and livelihood opportunities on the island while stimulating investment.

Project Information

Donor: DFID
Value: € 567,000 (i.e. £ 378,000)
Dates: Phase 1: June - October 2001
Phases 2 & 3: May 2003 - October 2004

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Initial Situation

This two-phased project consisted of the formulation of a long-term private sector development strategy for this small Caribbean Island, following a series of volcanic eruptions which devastated the economy and destroyed the island's rice mills which were the principal manufacturing base.

Key Customer Requirement

Montserrat had changed enormously in the late-1990s / early-2000s and consequently there was no question of rebuilding the tourist sector as it was before the volcano erupted. Therefore, a different mix of offerings reflecting the island at the beginning of the 21st century was required. These were:

- The attraction of visitors and the ability to drive net visitor spend up were the key determinants of the success of a tourism strategy given that tourism is a key element in private sector development.
- The Government of Montserrat explicitly stated that the private sector is the primary engine for economic growth.
- The link between economic growth and tourism was considered key.
- Tourism was thought to provide an opportunity to attract foreign direct investment and the exploration of the practicalities of this was to form a key part of the strategy development.

Our Response

Our response to meet the key customer requirements was divided into three phases:

- In the first phase, an economic analysis of tourism potential was undertaken together with a macro economic analysis of the island to promote private sector development. The team also completed an analysis of the benefits offered to Montserrat through membership of regional trade organisations, a full institutional and stakeholder review, and an island-wide public consultation exercise.

- The main elements of the second phase of the project were:
 - the promotion of key productive sectors which would contribute to GDP and foreign direct investment;
 - the development of an institutional support structure;
 - the improvement of access to finance through the development of two funds – a Challenge Fund aimed at micro businesses and a Development Fund aimed at established businesses which needed funding to facilitate growth.
- Finally, to accompany the formulation of the private sector development strategy, in the third phase ten pilot projects were developed, including initiatives in agriculture, tourism and youth enterprise.

Improvements Achieved

At the end of the first phase, the main outputs achieved were:

- A strategy and implementation plan for the provision of a comprehensive support service to indigenous business;
- Proposed alterations to the legal and regulatory environment affecting the business sector generally and specific targeted sectors; and
- An institutional strengthening and capacity building strategy to support private sector development.

The second and third phases resulted in a detailed private sector development strategy based on four main axes: co-ordination and coherence, institutional development, entrepreneurial culture, and access to finance.

Conclusions / Summary

The project assisted Montserrat to overcome the economic and social difficulties which resulted from the volcanic eruptions and subsequent exodus of population. Above all, it helped to bring confidence back.