



## To Ensure the Security and Prosperity of our Overseas Territories

*“I am grateful to your Government for the firmness of its commitment to the implementing of its offer of British Citizenship (to the inhabitants of St Helena),”* **The Right Reverend John Ruston, former Bishop of St Helena, in a letter to Prime Minister Tony Blair**

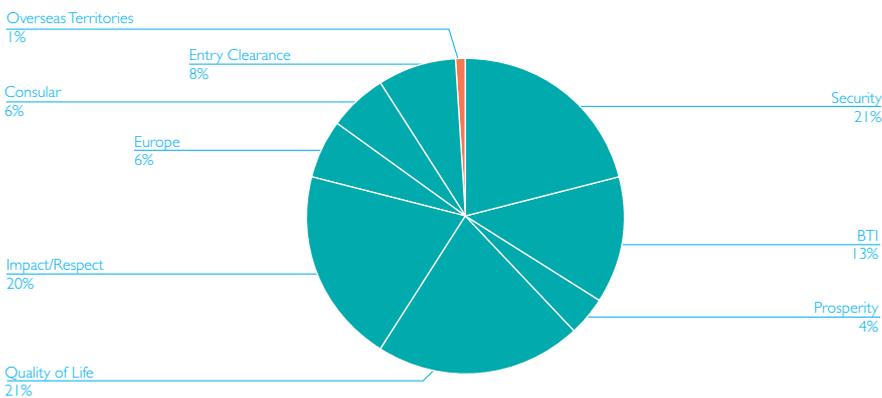
PSA performance target:

a new partnership between the UK and the Overseas Territories (OTs) which yields improved standards of governance, human rights, the environment, sustainable development and security.

### A Relationship Based on Partnership

Considerable progress has been made in implementing the agenda set out in the 1999 White Paper “Partnership for Progress and Prosperity” (Cmnd 4264) on Britain’s relationship with the Overseas Territories, although much remains to be done. The Government introduced the British Overseas Territories Bill to Parliament in June 2001, which provides for British Dependent Territories citizens from all qualifying territories to receive British citizenship.

A wide-ranging programme of follow-up initiatives to the White Paper was agreed at the third Overseas Territories Consultative Council in September 2001. This covered constitutional and governance issues, immigration and nationality, financial issues, aviation safety and security, education, strategic development planning, human rights and environmental issues.



FCO Expenditure by Objective

	2000-01 Outturn	2001-02 Estimated Outturn	2002-03 Projection	2003-04 Projection
Total Cost at Home and Overseas	11,219	14,612	15,853	14,371
Real terms: 2000-01 Prices	11,219	14,221	15,052	13,312

### Good governance

Elections were held in Montserrat, the Falkland Islands and St Helena in 2001, which resulted in substantial changes to the composition of the Governments in these territories. The Montserrat election was the first held under the new electoral system agreed following the demographic changes resulting from the volcanic eruption in 1997. The new system worked successfully and resulted in a high turnout.

In April 2001, the first stage of the transition to a modern system of government on Ascension Island was successfully completed. The Ascension Island Government (AIG) took over responsibility for services normally provided by the Ascension Island Services Joint Venture. Some services are directly administered by the AIG and others are being administered by a Statutory Body owned and directed by AIG. The commercial activities previously run by the Joint Venture are being administered by a new private limited company, which has been tasked with disposing of these services to the private sector within one year.

Constitutional Reviews are well advanced in the Falkland Islands, St Helena, Anguilla and the Cayman Islands. Bermuda established a Boundaries Commission prior to exploring changes to its electoral process. Other territories are at an earlier stage of review.

After an independent review of the fundamental rights chapters of all the territories' constitutions, the FCO commissioned a model chapter. This has been sent to all territories for comparison with existing chapters and adaptation to local circumstances by their constitutional committees.

The Good Government Fund (GGF) disbursed over £3 million in 2001, mainly in the areas of law enforcement and human rights. Law enforcement

assistance included: preparation of a comprehensive Drugs Strategy for the Caribbean OTs and provision of related equipment and training; the establishment of a canine drug unit in the Cayman Islands; and the appointment of a UK adviser to implement recommendations on the use of police firearms (including handling, storage and decommissioning). Throughout 2001, the Fund continued to provide substantial support for the Miami-based White Collar Crime Investigation Team and OT Regional Criminal Intelligence System.

### Economic Prosperity in the OTs

The Overseas Territories Economic Diversification Fund (EDF) was established in 2001 to help the OTs develop a secure economic future. The Fund will facilitate schemes for small and sustainable enterprise development (including credit, revolving funds and grants). These will benefit the disadvantaged and those less able to access credit through commercial channels, such as banks or credit unions. The Fund will total £1.5 million over three years.

The Fund also provided assistance for liberalising the telecommunications markets in the OTs, particularly in the Caribbean. This will enable them to benefit from e-commerce and Internet-based business. Opportunities are already being identified in Bermuda and Anguilla.

### Financial Management

At the request of the OTs, the FCO funded economic consultations with Anguilla, British Virgin Islands, Cayman Islands and Turks and Caicos Islands (TCI). These focused on recent budgetary trends in each OT and examined the ways in which OTs identify and prioritise expenditure on capital projects. Such issues are central to the sustainable development and future prosperity of the OTs.

### Strategic Country Plans/Country Policy Plans

Strategic Country Plans/Country Policy Plans provide a framework and set strategic objectives for the full range of Overseas Territories' government activities. They are negotiated every three years and reviewed annually. Anguilla, TCI, Montserrat and St Helena have such plans. In Montserrat, for example, the plan provides for the Government to take greater responsibility for financial planning, allowing it to focus on revenue generating initiatives, which will ultimately lead to greater economic self-sufficiency.

Discussions continued about how best to ensure access to St Helena. DFID has agreed to provide funding equal to the least capital cost option of either replacing the "Royal Mail Ship St Helena" or providing an airport and related infrastructure. A comparative study of air and sea access has been conducted and the St Helena Government (SHG) held a full public consultation exercise, which culminated in a referendum amongst St Helenians on St Helena, Ascension, The Falklands and The Royal Mail Ship St Helena. There was a clear majority (average 72%) in favour of pursuing air access. The airport would cost more than a replacement ship and SHG will need to find the additional funding from other sources.

### Education

The Department for Education and Skills (DfES) is discussing how to develop closer links between UK universities and colleges of further education and OT governments. Talks have concentrated on ways of developing vocational skills in the OTs. DfES is in the process of reviewing UK tertiary education fee structures and will consider the position of the OTs in their review.

### Civil Aviation

The FCO commissioned a study by consultants WS Atkins to examine the effectiveness of civil aviation regulatory arrangements for the OTs. At a conference in the British Virgin Islands in November, OT Directors of Civil Aviation and representatives from the FCO and Department of Transport, Local Government and the Regions agreed on how to achieve an updated system for civil aviation regulation in the OTs.

### Disaster preparedness

A full time co-ordinator was appointed in 2001 to develop the activities of NEMOT (the Network of Emergency Managers of the Overseas Territories). The co-ordinator will initially be based in the British Virgin Islands. NEMOT was formed in 2001 with the aim of developing comprehensive disaster management capabilities throughout all the OTs. The latest scientific assessment suggests that the Soufriere

Hills volcano in Montserrat will be “persistently active” for several more years and may carry on erupting, continuously or intermittently, for even longer.



FCO Minister Valerie Amos attends the adoption of the Environmental Charter by the Consultative Council in September 2001 – back row left to right: Eric George (St Helena Councillor), Osbourne Fleming (Chief Minister Anguilla), Mike Summers (Falklands Councillor), Ralph O’Neal (British Virgin Islands Chief Minister) front row left to right: John Osborne (Montserrat Chief Minister), Jennifer Smith (Premier Bermuda), Michael Meacher (UK Environment Minister), FCO Minister Valerie Amos, McKeevar Bush (Deputy Leader Government Business in Cayman), Derek Taylor (Turks and Caicos Islands Chief Minister)

## Environment Charter for the UK Overseas Territories

**G**uiding principles for the UK government, for the government of [the territory concerned] and for the people of [the territory concerned].

To recognise that all people need a healthy environment for their well-being and livelihoods and that all can help to conserve and sustain it.

To use our natural resources wisely, being fair to present and future generations.

To identify environmental opportunities, costs and risks in all policies and strategies.

To seek expert advice and consult openly with interested parties on decisions affecting the environment.

To aim for solutions which benefit both the environment and development.

To contribute towards the protection and improvement of the global environment.

To safeguard and restore native species, habitats and landscape features, and control or eradicate invasive species.

To encourage activities and technologies that benefit the environment.

To control pollution, with the polluter paying for prevention or remedies.

To study and celebrate our environmental heritage as a treasure to share with our children.

### Environmental issues

At the conclusion of the September Consultative Council, FCO Minister Valerie Amos and senior elected representatives of Territories present at the meeting signed a set of Environment Charters (see box). The UK and Overseas Territories' Governments followed this up by offering specific commitments indicating how they will work in partnership for the benefit of the environment. The territories undertook to establish cross-sectoral Environmental Steering Committees and produce three-year strategies.

The FCO hopes that the UK's ratification of the Convention on Biological Diversity will be extended to cover the Falkland Islands and Bermuda by the end of 2002.

In May 2001, FCO funding enabled representatives from five Overseas Territories to participate in a Convention on International Trade in Endangered Species (CITES) meeting on the state of the Hawksbill Turtle in the Caribbean. The UK and the Cayman Islands Government agreed to host a follow-up CITES meeting in Cayman in May 2002.

## The British Overseas Territories Act 2002

The British Overseas Territories Act, which received Royal Assent on 26 February 2002, fulfils two of the commitments made in the 1999 White Paper “Partnership for Progress and Prosperity”. It legally changes the collective name for the territories from “British Dependent Territories” to “British Overseas Territories”. The new name has been in common use since 1999 but will now be reflected wherever mention of the territories appears in UK law. The name change is an important reflection of the UK’s modern relationship with the OTs, which is based on partnership and mutual responsibilities.

The Act also confers British citizenship – and with it the right of abode in the UK – on all British Dependent Territories citizens from the qualifying territories, which now include the British Indian Ocean Territory (BIOT). The inclusion of BIOT was decided after a High Court ruling in November 2000 which quashed certain previous restrictions on the right of the former inhabitants of the territories (the Illois) to return there. The Act also extends to certain Illois, with retrospective effect, the right to claim British citizenship by virtue of their mothers’ birth in the territories.

The change of name came into effect immediately upon Royal Assent. The Secretary of State will appoint a separate date for commencement of the Act’s citizenship provisions once he is satisfied that all the practical steps are in place.

British citizenship will be conferred automatically on all who hold British overseas territories citizenship (as it is renamed by the Act) as soon as the Act’s citizenship provisions take effect. Exceptions arise for those who owe their BOTC status solely to their connection with the Cypriot British Sovereign Base Areas. Those who acquire British overseas territories citizenship following commencement will subsequently have to apply to the Home Secretary for British citizenship. The Act also contains provisions for conferring British citizenship on adopted and abandoned children.

### Gibraltar

The repair to the Royal Navy Submarine HMS Tireless was completed successfully and the vessel left Gibraltar in May 2001. HMS Tireless’ 11-month stay in Gibraltar required very close co-operation between the British and Gibraltar Governments, and with the Spanish Government, and a comprehensive information strategy to reassure the people of Gibraltar and the neighbouring region of Spain as to the reasons for and the safety of the repair operation in Gibraltar.

The arrangements put in place in 2000, following discussions with Spain which resolved a number of difficulties within the EU affecting Gibraltar, came into full effect in 2001. This has facilitated effective co-operation between the Royal Gibraltar Police and Spanish forces in the fight against trans-frontier and other crimes in the region, and established effective

communication between Gibraltar’s “competent authorities” and those in other EU Member States. But, as the Foreign Affairs Committee noted in a recent report on Gibraltar (HC319), a number of difficult issues remain, including border delays, aviation and telecommunications issues.

On 26 July 2001, the British and Spanish Governments re-launched dialogue on Gibraltar under the Brussels Process, which was originally established on 1 November 1984, with the aim of resolving all the differences between the UK and Spain over Gibraltar. The UK and Spain have expressed the shared objective of building a secure, stable and prosperous future for Gibraltar and a modern, more sustainable status. The Foreign Secretary and his Spanish counterpart held further talks in Barcelona on 20 November 2001, and in London on 4 February 2002.

### Case Studies of Ongoing Initiatives

#### Realisation of human rights

The FCO and the Department for International Development jointly fund a wide-ranging programme for social development and the protection of human rights in the OTs. The programme has taken the form of a series of workshops and consultations with politicians, public servants, community and religious leaders and the general public to identify key human rights concerns and priorities. It is facilitated by the consultancy firm Social Development Direct. The programme’s next stage is to identify ways of addressing these issues in collaboration with territory Governments. Particular emphasis will be placed on public service orders, women’s and children’s issues.

#### Protection of children: reform of legislation

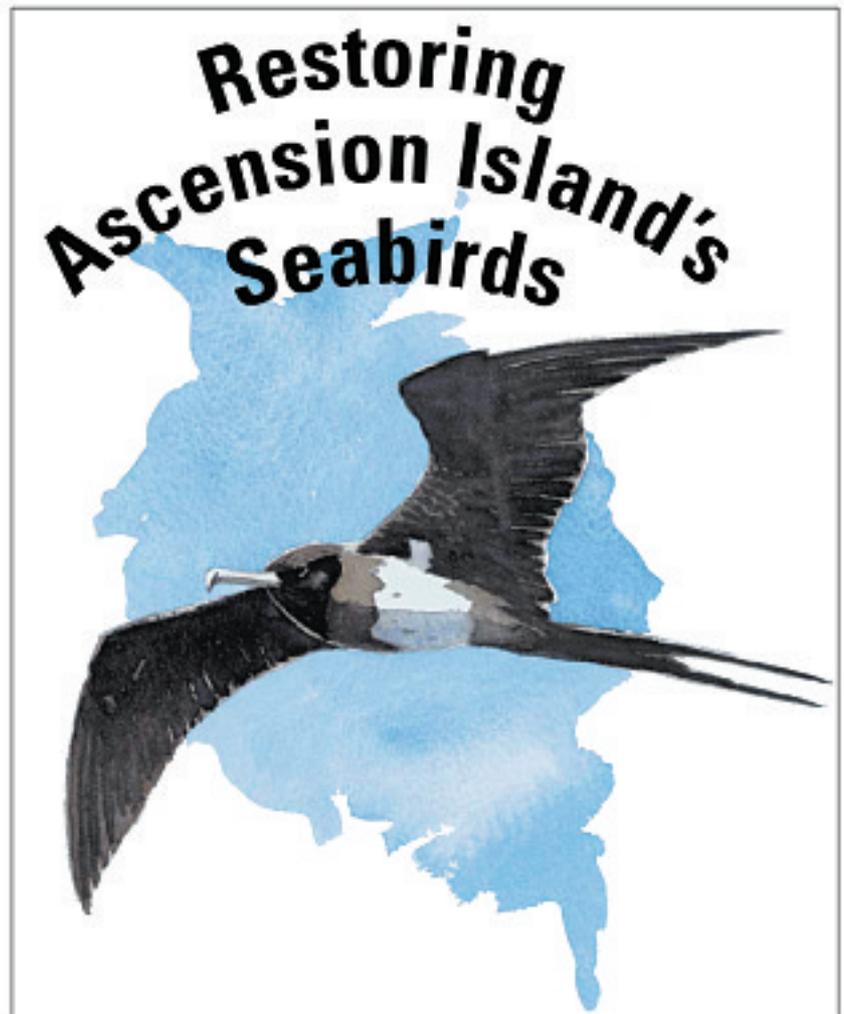
The FCO is funding the participation of Anguilla, British Virgin Islands, Montserrat and Turks and Caicos Islands in an eastern Caribbean regional initiative to reform child and family law and tackle domestic violence. This follows criticism from the Rapporteur of the UN Committee on the Rights of the Child (CRC) of legislation relating to children in the Overseas Territories. National Children's Homes are managing the initiative in collaboration with UNICEF (Caribbean) and the Organisation of Eastern Caribbean States (OECS). All public and private sector services for children will be reviewed, and comprehensive children's strategies formulated to guide the development of policies and services. Each participating territory will be provided with model legislation on constitutional modernisation to help update their own.

#### Habitat restoration on Ascension Island

A major project on the restoration of the seabird colonies on Ascension Island got underway during the year. It is jointly funded by the FCO and the RSPB.

#### Breath of Fresh Air

The FCO, working in collaboration with the Overseas Territories and the UK Overseas Territories Conservation Forum, has sponsored an environmental education training pack called "A Breath of Fresh Air". The pack has been introduced to schools in the territories and is also being used to raise general public awareness.



Joint FCO/RSPB campaign to restore seabird colonies on Ascension Island

## Cost Benefit

### Financial Regulation and Money Laundering in the Caribbean Overseas Territories and Bermuda

The International Monetary Fund estimates that global money laundering involves up to US \$300 billion annually. A number of Overseas Territories host large financial sectors, including the Cayman Islands, Gibraltar and the British Virgin Islands. The Cayman Islands is the fifth largest financial centre in the world, with over 500 registered banks, and US \$650 billion of deposits. We have worked with the Overseas Territories, therefore, to reduce their vulnerability to money laundering and financial crime.

KPMG was commissioned in December 1999 to conduct a review of financial regulation in the Caribbean Overseas Territories and Bermuda. The cost of the review was about £550,000, of which £300,000 was shared equally between the FCO (through the Good Government Fund) and the Treasury, with the Overseas Territories meeting the balance. In addition, FCO staff costs involved in this review and work resulting from its recommendations amounted to a further £45,000 in 2000-01, and £15,000 in 2001-02.

The review, published in October 2000, identified weaknesses in Overseas Territories' financial regulatory practice and their ability to co-operate internationally on cases involving money laundering. These issues have now largely been addressed, yielding valuable benefits:

- Overseas Territories put in place comprehensive anti-money laundering systems.
- The global anti-money laundering body, the Financial Action Task Force, removed the Cayman Islands from its "black-list" of non-co-operative countries.
- Overseas Territories' reputation for sound administration and effective legal systems improved, providing the best possible deterrent to international criminals and terrorist organisations.
- In taking our regulatory responsibilities seriously, the FCO has put pressure on other states to improve financial practices and therefore further reduce opportunities for criminality which threatens UK interests.
- There is now reduced risk of a financial scandal, potentially saving taxpayers large sums. For example, BCCI collapsed with debts of over £6.9 billion. This has so far cost the Bank of England an estimated £10 million in legal fees alone.