



**BUDGET ADDRESS 2017
DELIVERED BY PREMIER AND MINISTER OF FINANCE
DR. THE HONOURABLE D. ORLANDO SMITH, OBE
DURING THE FIFTH SITTING OF THE SECOND SESSION OF THE THIRD HOUSE
OF ASSEMBLY OF THE VIRGIN ISLANDS
MONDAY, 16th JANUARY, 2016**

Charting Our Course: Positioning the Virgin Islands for the Future

Madame Speaker, I thank God for his mercies in allowing me to present my Government's 2017 budget for the people of this Territory under the theme: Charting Our Course: Positioning the Virgin Islands for the Future.

I do so with great pride in the presence of Elected Representatives, Senior Government Officials, Residents of this Territory and everyone who is listening to me via the various forms of media.

Budget day is perhaps the most important date on the Government's annual calendar of activities because it allows the Minister of Finance to outline the manner in which the Territory's Finances are being managed for the benefit of the people who have sent us to this Honourable House to conduct their business.

Madame Speaker, this budget is important for many reasons, among others, because it is being presented against the background of remarkable global changes. For example, we have seen major international developments including Brexit, new and different leadership within the United States, significant regulatory changes and pressures to our financial services

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industry, all of which present varying degrees of challenges for BVI. But equally, all have presented us with opportunities to improve our business, our infrastructure and our people.

Take the Brexit vote for the UK to leave the European Union, for example. This surprised the global community and brought into question whether the future solitary posture of the UK will augur well for itself and its Overseas Territories. Despite the questions, I see it as an opportunity for the BVI to seek a deeper and more meaningful dialogue with the United Kingdom, and I have endeavoured to do just that, Madame Speaker.

You will recall that my Government requested of the British Government that the BVI be included in the exit negotiations with the EU on those points that directly affect our industries and our future. This, we feel, could set the stage for the deeper levels of dialogue which we seek. In fact, early in February, together with other Overseas Territories leaders, we will continue this important dialogue at a Brexit OT's Conference in the United Kingdom.

Madame Speaker, the BVI, with the remainder of the world, anxiously await the Trump presidency. Why? Because the North American market supplies the overwhelming majority of the tourists who visit our shores, and most of our trade is done within that market. A challenge? Surely, but also an opportunity!

We know that many Americans are feeling confident about their future economic prospects under this President, and we are positioning ourselves to capitalize on that optimism through more aggressive tourism marketing, upgrading our tourism infrastructure and addressing air access.

Madame Speaker, when the forces of Globalisation determined that, for the cruise shipping industry, bigger ships would be the order of the day, a challenge was created for this Territory. My Government could either agree to extend the Pier and upgrade the

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surroundings, or allow the industry to collapse, taking with it the investments of taxi drivers, restaurant and shop owners as well as other hard working BVI Islanders.

Madame Speaker, we bit the bullet, costly though it was, invested in the future of our people, and today we see the results - robust business activities.

We have other challenges, Madame Speaker: Economic pressures in the Sub region and at home; increased competition from other tourism based economies like ours; crime; the failure of the world powers to project a level playing field for international business transactions and our ongoing engagement to keep the Financial Services Sector viable.

All these challenges, which bring their own opportunities, help you to form a picture in your mind of what it means to govern the modern BVI.

It takes, among other things, preparation, hard work, diplomacy, decision making under pressure, honesty, integrity and courage. It also takes grace under fire and a commitment to improve the lives of the people of this Territory. My resolve to make the decisions that are in the best interest of the BVI and its people is unwavering, and although we operate in a world of uncertainty, I am proud that, under my Administration, the BVI is moving steadily upward and onward.

Our voice is loud in markets in the Far East where my Government had the foresight to open an office. I led a delegation to five provinces in China in October of last year, and I am pleased to report to you that there is very keen interest in further strengthening the long standing relationship between the two countries. The BVI continues to attract serious investors from around the world whose interest in doing business in the Territory means more jobs and development.

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Yes, Madame Speaker, I agree that we had our fair share of challenges in 2016 and be sure there will be more ahead. But you know of my Government's commitment to maintain the high standards of living for our people.

Madame Speaker, as I present my 5th budget as Minister of Finance, you will also understand that this budget is structured to continue the necessary expenditure to ensure that we deliver the common goods and public services which we are entitled to as members of society. More importantly, it will also deliver on the strategies that we need to address the social and economic issues faced by the Territory to ensure the long-term sustainability and prosperity of the BVI.

To that end, this year my presentation will be set out in four segments:

- The State of our Territory with a focus on our Economic and Fiscal Performance,
- Our Economic and Social Empowerment Strategy and Road Map,
- Highlights of our Revenue and Expenditure Programme, and
- Repositioning the BVI's Future for sustained and sustainable growth.

STATE OF THE TERRITORY

Economic Performance

Madame Speaker, our Central Statistics Office has estimated that the British Virgin Islands has experienced a positive growth trajectory over the last several years with a projected growth rate in GDP of approximately three point two percent (3.2%) in 2016, demonstrating, once again, that the BVI economy maintains a steady upward march.

This growth over the past two years or so has been largely due to growth in construction and transport driven mainly by public sector investment including the Tortola Pier Park project.

Employment and average earnings have also risen steadily since 2012 to 2015 with a four point four percent (4.4%) increase in employment and a six point three percent (6.3%)

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increase in earnings, respectively. Although not yet completed, early months of 2016 show similar increases in employment figures. This means, Madame Speaker, that we are consistently adding new jobs to the economy.

Coupled with the positive growth, there has been a decrease in inflation from one point four percent (1.94%) in 2014 to zero point eight five percent (0.85%) in 2015, largely attributable to negative movement in the transportation index due to declining oil prices. Although we expect that our inflation, which mirrors that of the US, our key import market, will begin to rise again, it should remain in its usual range of one percent (1%) to two percent (2%) percent in the medium term.

Madame Speaker, tourism continues to be one of the strongest performing sectors of our economy. Overall tourist arrivals in 2015 increased by some 22%, which is significantly over the 2014 growth rate of 1.8%, and the negative rate of growth experienced for the period 2008 to 2013. During this period, a dramatic drop in cruise arrivals was largely responsible for the downward pressure exerted on total arrivals.

Fortunately, during the period 2011 to 2015, the destination also experienced a strong rebound in its overnight arrivals from three hundred and thirty-seven thousand, seven hundred and seventy-three (337,773) to three hundred and ninety-two thousand three hundred and two (392,302) a healthy thirteen point nine percent (13.9%) increase in this subsector of the tourism market in the BVI. Madame Speaker, it is worthwhile to also note that cruise arrivals have also rebounded significantly by some forty three percent (43%) following the opening of the Tortola Pier Park facilities and our berthing agreements with Disney and Norwegian Cruise Lines.

Madame Speaker, the other major contributing sector to our economy, financial services, has faced some challenges including global regulatory changes, new restrictive banking practices,

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negative media and perceptions, and increasing competition. In 2015, this resulted in a decline in new company incorporation.

Madame Speaker, those same factors continued to negatively affect growth in our company incorporation business, and we expect to see further declines in that sector.

Notwithstanding, the financial services sector continues to strongly contribute to the Territory's GDP, as well as central government revenue, recording only a six percent (6%) decline in revenue to central government at the end of the third quarter of 2016.

As we continue to reposition our financial services industry, which I will discuss in some detail later, we expect to maintain strong levels of business. In particular, we expect that the pending opening of a new commercial bank in the BVI will mitigate against the restrictive banking practices that have impacted our incorporation numbers.

Fiscal Performance

Madame Speaker, with regard to our fiscal performance, we collected \$317.6 million revenue in 2015, which was a mere zero point three percent (0.3%) less than 2014 revenue.

Madame Speaker, estimated revenue projections for 2016 is three hundred and ten million, four hundred and seventy thousand, dollars (\$310,470,000) which represents a six point two percent (6.2%) decrease in actual revenue collected under the budgeted amount of three hundred and thirty million, eight hundred and forty-six thousand, five hundred dollars (\$330,846,500).

Madame Speaker, the reason for this was mostly attributable to our delays in implementing our revenue raising initiatives in 2016. The majority of our total revenue falls in the category of receipts for goods and services. In 2015, these accounted for 61.9% of total revenue with the lion share, ninety-two percent (92%) of that revenue, being fees from financial services. Receipts from financial services to central government stood at 175 million dollars

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(\$175,000,000) in 2015, and we expect it to be slightly less than this, at approximately one hundred and seventy million (\$170 million), in 2016.

Property taxes, taxes on imports and payroll tax all registered increases of twenty point seven percent (20.7%), seven point five percent (7.5%) and four point three percent (4.3%), respectively, in 2015. These increases were attributable to a period of amnesty given for the payment of property taxes and payroll tax.

In 2016, our current estimates illustrate that property taxes experienced a decrease of about twelve point two percent (12.2%) while payroll taxes and taxes on imports registered increases of one point three percent (1.3%) and close to one percent (1%), respectively. These changes were higher than the 2014 levels on property taxes, payroll taxes and import duties.

Recurrent expenditure has been steadily increasing, driven largely by increased compensation to public officers, transfers and subsidies to statutory organizations with a noticeable increase of some ten point two percent (10.2%) in 2015 from 2014. Making up the increase in recurrent expenditure was a six point two percent (6.2%) increase in employee compensation and a seventeen point nine percent (17.9%) increase in the cost of goods and services. Madame Speaker, current estimates project a three point six percent (3.6%) increase in recurrent expenditure in 2016 at two hundred and eighty-eight million, six hundred and forty thousand dollars (\$288,640,000).

I am happy, Madame Speaker, that this expenditure included increments for public servants, though I am advised by the HR Department that these monies will take a few months to be disbursed.

Madame Speaker, the aggressive infrastructure investment projects, taken on by this government, are meant to position and prepare the BVI and its people for the future.

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We have made significant investments in the cruise industry in the Tortola Pier Park, and have ongoing projects to enhance road, sewerage and, recently, the energy infrastructure of the Territory. In 2015, these efforts resulted in thirty-four million dollars (\$34,000,000) in infrastructure expenditure and current estimates illustrate that we would have spent approximately twenty million dollars (\$20 million) in 2016

Madame Speaker, as of the end of 2015, central Government itself had disbursed outstanding debt of one hundred and six million five hundred thousand dollars (\$106.5) which amount to ten point nine percent (10.9%) of our gross domestic product up from ninety-three million five hundred thousand dollars (\$93,500,000) at the end of 2014. This debt is expected to be at one hundred and six million three hundred thousand dollars (\$106,300,000) by the end of 2016.

Total public borrowing is now estimated to be one hundred and seventy-three million two hundred and ninety thousand dollars (\$173,290,000) at the end of 2016; our debt servicing obligation remains relatively low. In 2015, principal and interest payments were 15.2 million dollars or 1.6% of the GDP, up slightly from 2014.

Madame Speaker, this ratio indicates a healthy and responsibly managed loan portfolio, and we aim to continue this trend into the future.

THE ROADMAP - Our Social and Economic Empowerment Strategy

Madame Speaker, we have a four (4) pronged development strategy for the Territory which looks at Economic, Social, Environmental and Governance issues, and our goal is to pursue excellence in each of these areas. Madame Speaker, as I continue to discuss the Budget, I will highlight those areas that are necessary to achieve this strategy.

Repositioning our Financial Services Industry

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Madame Speaker, we are currently facing some headwinds in our financial services sector, and we need to retool. You are aware of issues like the leaked Panama Papers which threw our well regulated Financial Services Industry into the global spotlight much to the chagrin of our clients and customers.

We also have had an ongoing debate about beneficial ownership with the United Kingdom Government. The complement of these transparency and beneficial ownership issues have undermined business confidence and have impacted the sector's performance.

Although the core of our business has been threatened, my Government, Madame Speaker, has fought vigorously on this front, and we are grateful to all those who have assisted us.

I am pleased to tell you, Madame Speaker, that those negotiations with HMG have been successful. HMG has agreed that we establish the equivalent of a central registry, and we are in the final stages of developing the framework. We were able to demonstrate its mechanics to the Head of the OTs during his recent visit.

BVI is, and intends to remain, a significant player in the financial services arena. Globally, we remain one of the largest company incorporation jurisdictions and our other core products still have material volumes and our courts and professional firms continue to be highly regarded. We continue to maintain a fine reputation among the standard setting bodies. However, we are not immune from the transformative changes redefining the industry and which also affect our reputation.

In 2014, we commissioned the Financial Services Consultancy Report and, coming out of that, we established the Financial Services Implementation Unit (FSIU) to execute an action plan based on 10 priority initiatives. In 2015, we launched the BVI Forward initiative to strengthen and reposition our financial services sector.

At the beginning of this year, we successfully created BVI Finance Limited (BVIFL), a private company, limited by guarantee and in keeping with best practice in promoting the sector.

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The company's first Annual General Meeting will be held this Thursday and, soon thereafter, we will sign a Cooperation Agreement which sets out the terms of our public-private partnership.

Madame Speaker, my Government recognised the need to create more business friendly processes to facilitate the development of a new substance based the financial services economy. As a result of this, Cabinet approved investment guidelines in 2016 and, in 2017, we will establish an Investment Promotion Agency to lead Government's efforts to diversify and expand the local economy, making it more attractive for business.

Madame Speaker, in 2016, changes to both the BVI Labour Code, 2010 and the Immigration and Passport Act, 2013 were agreed by Cabinet to support more efficient and business-friendly processes including work permit processing and exemption of persons conducting arbitration from immigration and labour controls for a period of sixty (60) days.

Madame Speaker, we have also advanced plans to provide BVI Islanders with a path to greater entrepreneurship and employment opportunities in the financial services sector. A Memorandum of Understanding (MOU) has been agreed upon to achieve this goal. It will form the basis for providing training, work experience, counseling and mentoring to strengthen the qualifications and skills of BVI Islanders.

At the Financial Services Institute (FSI), world-class certification and training programmes that are aligned with the current and future needs of the financial services industry will be on offer and BVI Islanders will have more tools for success in this industry at their disposal.

Later this week, I expect to receive the findings from the Capital Economics Group out of the UK on the value of BVI financial services to the global economy. We eagerly await the

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results of this objective research which will add even more to the 'substance' arguments that we have been developing in relation to the industry and which will help to inform and explain the important and legitimate role we play in the global economy.

Madame Speaker, this year the BVI will implement the FATF beneficial ownership standard as well as the Common Reporting Standards and expects to join the Inclusive Framework for the OECD Base Erosion and Profit Shifting (BEPS) project. We are doing this, Madame Speaker, to ensure that our regulatory standards are maintained at the highest level.

Madame Speaker, we recognised the importance of engaging the public in the process of change and, in 2016, the FSIU embarked on an awareness and public education campaign that utilised all forms of media to ensure the wider community understood the changes taking place in this industry and its impact on them. In 2017, the campaign will continue to build greater awareness and engage the population, focusing on the changes being made to create the new era in financial services.

Madame Speaker, taken in total, these changes form the foundation upon which our future financial services offerings will be built. We have created the 'can do' environment and now turn to our private sector partners to provide the innovation that will create new opportunities for the future sustainability of financial services. I take this opportunity to thank the industry for their cooperation and steadfastness in staying the course through these somewhat turbulent times.

Finally, Madame Speaker, on Financial Services, let me say that all these plans to create an enhanced Financial Services model will remain just that unless there is a qualified and experienced person to coordinate it. Cabinet has, therefore, approved a small coordinating

unit in my Office led by a Director of Financial Services. I expect this person to be on board and active in a few weeks.

Building and Sustaining our Tourism Sector

Madame Speaker, Tourism is the single most important economic activity in this Territory accounting, in aggregate (direct and indirect), for well over fifty percent (50%) of all of the goods and services transacted annually in our economy.

Madame Speaker, tourism's future role in the economy will be pivotal as we move forward.

As a destination, during 2016, we moved aggressively to promote the BVI in the global marketplace, diversify source markets as well as improved our product by concentrating on guest services' training for all services providers and especially one-on-one outreach with our indigenously owned tourism entities.

Madame Speaker, despite a number of frontal challenges our tourism sector faced in 2016, including the closure for redevelopment of Rosewood Little Dix Bay, the advent of ZIKA, the closure of Biras Creek Resort, the closure of YCCS for major redevelopment work and ongoing air access issues, we achieved our major objectives for 2016.

I am pleased to note, Madame Speaker, that Little Dix Bay will be reopened in December of this year; the issues relating to the closure of Biras Creek have been satisfactorily resolved and an improved YCCS will reopen in a few weeks.

We are pleased that our visitor arrival numbers through October 2016 continued on a growth path with an overall increase of over 20 percent. Overnight arrivals continue to grow and, up to October, recorded year on year growth of approximately four percent (4%).

We are particularly pleased to see that the recently completed Tortola Pier Park is welcoming record numbers of cruise arrivals. The shopping at the Park is of a high standard

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and the facility is easily one of the most attractive in the region. Madame Speaker, we should all be proud of the Pier Park. As a destination, we also continued to receive industry and worldwide tourism accolades with Virgin Gorda being recently named the “Best Island in Caribbean” by Travel and Leisure.

Madame Speaker, success in tourism is fueled by a positive visitor experience, and this is an area that both my office and the BVI Tourist Board had been doubling down on over the last two years. It is an area that will remain centre stage in 2017. Our focus has been in two principal areas, customer service and destination training, which I touched on earlier and that of product development to enhance the visitor experience.

In 2016, the Board, in conjunction with my office, continued with its programme of the enhancement of attractions and infrastructure on all of the main islands. On Tortola, commitments were made to the Church of the Africans, old HM Prison and the Toll Booth at the Beef Island Bridge, as well as bathroom facilities on Cane Garden Bay.

On Jost Van Dyke, our Government continued its work on signage and guest amenities and introduced the Jost Pork Festival as another major culinary event on that island.

On Virgin Gorda, the North Sound Post Office restoration commenced as well as maintenance on Lookout sites and beach bohios. The Virgin Gorda Airport is in the process of being air conditioned to enhance the guest experience. Work on this facility will continue in 2017 with the gracious assistance of additional funding from the owners of Rosewood Little Dix Bay.

Major emphasis was directed at Anegada where the following projects were either enhanced or completed, the Fisherman’s Wharf Rehabilitation, major upgrade of the Botanical Gardens, Lookout Tower at the Flamingo Pond and an enhanced visitor center at the ferry terminal.

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Additionally, in the Small Properties Sector, we have reintroduced minimum standards. These benchmark standards are comparable to a minimum of 3 Diamond rated properties. This initiative is designed to enhance the product and service that our small properties deliver, hence making them more marketable and profitable.

Madame Speaker, in 2017, we anticipate building on our global marketing campaign with plans to increase our presence in core markets as well as in Canada.

The BVI Tourist Board has delivered on the mandate set by my government and has increased visitor arrivals to the Territory, and we are determined to see that trend deepened in our core markets.

Madame Speaker, enhancing the visitor experience is broader than the mandate from my Office and the BVI Tourist Board. It involves multiple Ministries and Government agencies as well as the private sector. I thank all the other agencies that are assisting with the effort. Your partnership is critical, and I want to implore you to continue to engage with us.

We intend to continue our work in adding bathroom facilities at several heavily visited beaches. We are looking at attraction enhancements which include continued work at the Lower Estate Sugar Works Museum, HM Prison and the Paraquita Bay Board Walk, Fort Point National Park, Mill Round Project Hiking Trail and continued work at the Faulkner House and the Fisherman's Wharf.

Madame Speaker, I must add that we are experiencing some changes in our yachting sector. We see opportunities to create significantly more value in that sector. I wish to assure all services' providers in that sector that we are actively working on making sure that the BVI remain the Yachting Capital of the Caribbean, if not the world.

Airport Expansion

Madame Speaker, without a doubt, the airport expansion project is central to the economic future of the Territory and is an economic necessity that will bring both immediate and long term benefits to the Territory and its economy.

It is unquestionable that an airport expansion will facilitate more timely and efficient access to the BVI, which is absolutely necessary to advance our twin pillar industries of financial services and tourism, but also to give the Territory the opportunity to pursue other new industries or subsectors of the current ones.

In order to secure the potential of our tourism revenue stream, we need to ensure easy access to the Virgin Islands. We are a Territory surrounded by water, and our mode of transportation is by sea or air. In the latter case, air, our tourism and financial services sectors are severely disadvantaged with respect to our competitors as a result of the multiple connections required to come to the BVI for vacation or business. This wastes the time and financial resources of individuals who are considering access to our shores.

Madame Speaker, let us be honest with ourselves. We, too, are tired of the difficulties we experience when leaving and re-entering the BVI. It can cost more for a round trip from T.B. Lettsome International airport to San Juan than for a round trip from San Juan to the main land USA and, if we choose to take, what we believe to be the cheaper option of transiting the USVI, we are at the mercy of circumstances over which we have little to no control. Madame Speaker, this is totally unacceptable both for ourselves and our visitors.

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We are tired of the continuous harassment and difficulties of travel to and from the Territory, and we simply cannot afford the high prices. So where does that leave us, Madame Speaker? In a bad place that neither helps us, our businesses or our economy.

Madame Speaker, we have, therefore, decided to address the issue of air access head on. Again, visionary. We cannot continue to deprive our residents and visitors of a satisfactory travel experience by using other surrounding islands as corridors to the BVI, as we have been doing. Instead, we must establish direct connections to and from the international travel hubs in North, Central and South America.

We will do this in two significant ways. The first is with a partnership with BVI Airways which would, in the short term, allow for direct air access between the Terence B. Lettsome International Airport and Miami International Airport. But our long term solution, Madame Speaker, is the planned expansion of our own Airport.

That expansion, Madame Speaker, is a costly undertaking and, even among my colleagues, there is a concern that this project would not allow them to always have discretionary funds for other simultaneous infrastructural spending which is extremely important and entirely necessary.

However, the airport extension is a must for our own economic survival, because it opens the door to other industries and other revenue streams. Madame Speaker, the airport is a catalyst for growth.

But more importantly, Madame Speaker, it is perhaps one of the most important steps that we can make to maintaining a competitive advantage in our current industries of Tourism and Financial Services.

Madame Speaker, we have to move forward boldly with this project. We have made similar bold steps in the past. We did so with the hospital and the sewerage project and must do so with the runway extension. And, for those of you who can recall, Madame Speaker, when

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the H. L. Stoutt Community College, the dual carriage way and the Social Security scheme were proposed, fiery opposition followed. But time has validated all these undertakings and time will also validate the airport extension project. When this happens, Madame Speaker, the chorus then will not be that we could not afford to do the extension project but, rather, that we could not have afforded NOT to do it.

So both of these initiatives to improve our airlift are working hand in hand to develop opportunities for, and confidence in, the BVI economy and the capacity to meet a developing interest in the BVI as a tourist and financial services destination of choice. The solution of the air access challenge will directly and positively impact our embryonic medical tourism product which I shall address shortly, support our newly established Arbitration Center and fundamentally create the springboard from which the BVI can chart our course into the future.

Madame Speaker, the business plan and economic study around which the arguments for the airport expansion project is based, demonstrates that, within the first year of the construction of the airport, the BVI should directly realize in excess of a five percent (5%) increase in gross domestic product over what we would realize if we do not embark on this project. And, within three years of the commencement of the project, projections show a difference in excess of twenty percent (20%) improvement in GDP with the airport expansion as opposed to negative growth without it. Madame Speaker, this is a reality that we cannot ignore an added injection into our economy within a five year period of almost five hundred million dollars (\$500,000,000). Understanding this as I do, Madame Speaker, I cannot condemn the next generation to a life where they cannot do as well as their parents did because we failed to make the decisions that would have given them the infrastructure and the opportunity to live their best life.

Careful economic analysis and projections have been done to determine the affordability of this project which is estimated at some one hundred and fifty-three million five hundred

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thousand dollars (\$153,500,000). The in-depth analysis demonstrated minimum negative impact on our liquidity in the short term and substantial improvements to the fiscal position of central government in the medium to long term.

All our significant plans for the development of the economy are fundamentally dependent on the ease of access to the Territory for visitors and citizens alike.

Madame Speaker, I also feel compelled to remind you that our investment in the health and social development of our people is extremely important to us, evidenced by the construction of an excellent health care facility and establishment of a National Health Insurance system, by my administration, to take care of our people. However, the cost of upkeep of the physical plant which underpins our health care system cannot rest solely on the shoulders of the citizens of this Territory. Our hospital was designed and constructed to serve a wider clientele that includes patients from around the region and even internationally.

And that is where the vision begins to go deeper and wider. Medical tourism, being championed by my Health Minister, presents us with an opportunity to generate additional revenue to help to defray the cost of operating the hospital. The success of this niche tourism market lies fundamentally in the ease of access to and from the Territory.

I should also make it clear that the BVI people will play an integral role in the construction of this pivotal project. My Government holds to the view that our people must, without question, participate meaningfully in the economic advancement of the Territory. Any discussion of my government's intending to do otherwise in the developmental journey of this Territory amounts to malicious propaganda.

Madame Speaker, I know there are questions, as is expected with projects of this magnitude. As we progress, we will ramp up our engagement with the public, providing answers to all your questions and concerns. Let me assure you that the right managerial, reporting,

transparency and accountability systems will be in place to deliver high standards, value for money and a project that is completed in the best interest of the Territory.

Financial Transparency and Accountability

Madame Speaker, a key aspect of our Road Map is to address the issue of our financial transparency and accountability.

The fiscal health of Central Government has been the subject of much debate, leading to some speculation that there are matters amiss.

When I look at the revenue stream for the last ten (10) years, I have seen constant steady growth. With a tapering off in growth in the last two years or so, what this tells me, Madame Speaker, is that we have a consistent revenue stream, but that the future ahead is uncertain. This is a good story to tell on one hand, but it also suggests that we must be careful of what we do now for the future. It is also true that often the demands on the public purse are also growing. This, Madame Speaker, is expected of any developing country and must be managed with responsible choices. It is my duty, as Minister of Finance, to do this in conjunction with the advice of my colleagues on both sides of this House.

And we have done so in managing the affairs of the Territory well.

Madame Speaker, I appreciate that the financial statements of this Territory is the most reliable and necessary report of our accountability. Allow me a few minutes to explain what we have done on this front and where we are going:

- Madame Speaker, more accurate reporting and greater transparency of our finances is also as important as the audited statements. This is why my Government sought to address the manner in which our Treasury reports are compiled. We did that by

hiring a very experienced consultant in 2016, who continued on the work by PWC in 2012 and CARTAC in 2013, and has identified and addressed accounting issues as far back over two decades ago, further verifying the efforts we made in our initial term of office in 2003 to advance our accounting standards and practices.

- Be that as it may, Madame Speaker, I am happy to tell you that last week, after completion of the critical 2012 report, we made a number of corrections in our accounts coming out of the PWC and CARTAC recommendations, we have now signed an agreement with the firm BDO to assist the Treasury in preparing the subsequent reports for submission to the Auditor General. I expect that audited Accounts will be brought current by the end of this Budget Cycle.
- The Audit reports, prior to 2012, will be submitted shortly to this House of Assembly as well.

Prudent and Efficient Procurement and Payments

Madame Speaker, we also need to keep pace with payments to our creditors following the supply of goods and services to the Government. We are grateful to everyone who does business with the Government, and we thank you. I am pleased to inform you, Madame Speaker, that we have made improvements to our procedures that allow us to meet these demands in a more expeditious and equitable way. We expect that all payments would be made to vendors within 30 days of submission to the Treasury. Among other things, we are now strictly following protocols that require timely submission of all necessary documentation.

The benefit, Madame Speaker, of following these protocols is that, by doing so, we will ensure the requisite level of fiscal discipline and, ultimately, we will have far fewer cases of dis-satisfaction reported on the manner in which we meet our fiscal obligations.

Crime Reduction

Madame Speaker, the BVI community also has to face many challenges within its borders and the most serious of these is crime. It is essential that we hold dear, the rule of law, respect for our fellow man, and the need to ensure that the vulnerable in the society are protected. This applies to citizens and visitors alike.

In 2016, the Royal Virgin Islands Police Force recorded a four percent (4 %) reduction in crime compared to 2015. However, my Government has a zero tolerance approach to crime and, while we applaud the efforts of the Commissioner and his staff, we will not rest on our laurels. In any case, as recent weeks have demonstrated, offences involving serious crime have taken place despite this reduction. Recognising the importance of keeping our residents safe, my Government, within the last year, has provided financial resources in excess of six hundred thousand dollars (\$600,000) beyond the budgetary allocation for strengthening the ranks of the Royal Virgin Islands Police Force and for equipment.

The Force has, therefore, begun recruiting more Officers (experienced and new) to bring it up to the required human resource levels. In this effort, we are focused on BVI Islanders and Belongers and have planned the first intake of new recruits in March.

Madame Speaker, we have already recruited experienced criminal investigators to complement existing staff, and they are actively involved in current serious investigations and focusing on 'Cold Case Reviews'. The Royal Virgin Islands Police Force is committed to stamping out crime where it exists, and to ensure justice for all victims.

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There will be greater visibility of Police Officers throughout our communities. They will be resourced with vehicles specifically designed for policing purposes. We will provide training in existing and modern technology, and we will be engaged in the area of technical capacity building and special funding in relation to the overall Royal Virgin Islands Police Force firearms response to enhance this in line with current risks that are faced.

I am grateful to the Commissioner of Police and his staff for their hard work, for their efforts in keeping this Territory safe and in bringing criminals to justice. I also wish to remind the public that there is only so much that the police can do. As residents, we all have a duty to work with the police, sharing any knowledge we may have about criminal activity.

MINISTIRAL PLANS AND SUCCESSES

Madame Speaker, later when I discuss, inside the budget, I will speak about our funding initiatives to the Ministries. But, let me briefly speak about some of the work done through our Ministries, Departments and Statutory Boards with a focus on 2017.

Premier's Office

Entrepreneurship and Small Business Development

Madame Speaker, the Premier's Office leads on a number of critical ongoing developments in financial services, tourism, immigration and planning and trade, some of which have been discussed.

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I wish to focus on how we are supporting entrepreneurship and small business development as a critical component of our Road Map. I have long championed the notion that small business is the backbone of any economy. In 2013, we instituted our National Business programme, to ensure dedicated function within Government, to support and promote entrepreneurship and small business development.

The BVI has very high entrepreneurial prowess especially among the young. My Government will continue to support them! In 2017, we will add two new senior staffers to ensure that there is relevant expertise within the Bureau and to develop additional programmes to support new entrepreneurs with finance, accounting, customer service, marketing, business development and operations.

In addition, my Government is developing a resource centre that will be housed in the basement floor of the Trade Department. It will be the home of the Bureau from where we will be able to facilitate and effectively manage the programmes offered to the local SMEs. We will partner with the COSME, an EU funded programme established and managed by my Government to facilitate regional SME development.

We will introduce a business incubator programme where we will offer temporary housing for promising small businesses where they will have a physical space (IT, hot desks, and conferencing facility) from which to operate. They will have access to an array of sources in regional and local professionals. This is important because we understand that small and micro businesses provide approximately 50 percent of the 20,000 jobs in the British Virgin Islands.

Natural Resources

The Ministry of Natural Resources and Labour remains dedicated to safeguarding the environment, agriculture and fishing industries and has committed to the continuation of a number of projects in 2017. We will continue the development of the Brandywine Bay beach so that it is completed in time for the next tourist season. May I remind you, Madame

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Speaker, that all beaches in the BVI are public, and my Government will ensure that it is equally so in their use as it is in law.

We will develop sport fishing and enhance our local capacity to analyse the available fisheries data and stock assessments for species like conch and lobster.

We will continue to develop the agricultural industry and work diligently to have the Green House Project completed. Additionally, we will improve the framework for sustainable land management and climate change adaptation for the Territory.

Health

Through the Ministry of Health and Social Development, we will continue to improve access to health and social services. Our flagship new Hospital has state-of-the-art medical imaging facilities and diagnostic services.

With the advent of the NHI, the BVI Health Services Authority has recorded a significant increase in patient flows. We expect this trend to continue.

We have a focus on medical tourism and, with the success of the first Medical Tourism case under an Agreement with The Atlantic Clinic based in the United States in 2016 and with planned investments in information, communications and air access, the BVI Health Services Authority and the BVI stand on the cusp of lucrative opportunities in the Medical Tourism industry.

With a forty-six percent (46%) increase in the number of patients accessing care at community clinics, those systems are well used by the people. We extended operating hours at the Road Town and Rosalyn Penn Clinics. We have increased the delivery of specialist services in Internal Medicine, Obstetrics and Gynaecology, Dermatology and Wound Care, and Paediatrics at community health clinics.

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In 2017, we will continue refurbishment works in Anegada, Jost Van Dyke and North Sound Clinics, and the construction of the new Nurse Iris O'Neal Medical Centre is on track for completion this year.

Communication and Works

There is an inextricable link between economic development and a sound infrastructure and that is why we will continue building on the work started in electricity, water and sewerage, and roads and traffic.

Throughout 2017, we will upgrade the water distribution network to ensure that every community and resident have access to the public water supply. We will renegotiate all Water Purchase Agreements to streamline the cost of producing water, and we will ensure that the billing system at the Water and Sewerage Department is modernised to provide eBills.

Regarding sewerage, we will improve on the safe collection, treatment and disposal mechanisms Territory-wide and we will upgrade the Lift Stations in Cane Garden Bay, Purcell Estate and Fort Charlotte. By the end of 2017, we expect to have East End and Long Look functioning on the new sewerage system.

We remain committed to upgrading the electrical infrastructure. The Phase Five (5) Development Programme is well advanced and nearing completion and will no doubt bring to an end both unscheduled outages and load shedding.

My Government, in support of its climate change initiatives, is keen to reduce this Territory's dependence on fossil fuels. With the legislation in place, introduction of renewable energy sources is a priority. We expect to include a proposed Renewable Energy Hybrid System for the Sister Island of Anegada and a Solar Farm here on Tortola, during 2017.

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We will continue improving our road infrastructure, and our street powered lighting programme will intensify. So far, we have been able to light roadways in North Sound and the Valley on Virgin Gorda, the Drakes Highway on Tortola, Salt Island, Jost Van Dyke and Anegada, primarily with solar street lights.

We expect to see an improvement in internet service this year with the awarding of spectrum in 2016.

Education

In Education, we continue to prepare our students to be world class. During 2017, we will continue works at the Elmore Stoutt High School and the Bregado Flax Educational Centre to divide the campus into junior and senior high schools. Classroom spaces will be added and the campuses will be made safer and more comfortable to enhance the teaching/learning environment.

Early childhood education continues to be a priority. We will build on the Key Stage Assessment by developing a framework that gives us reports from Kindergarten to Grade 12.

The Youth Employment Programme and the Apprenticeship Programme will also continue as major programmes in this year.

At the Prison, we expect to align with the general education system as we strengthen the rehabilitation programme. We insist that inmates leave with skills as they re-enter the community.

In the restructuring of the Department of Youth Affairs and Sports, the Youth Parliament has had a very positive start, and we will continue to support and promote it.

Our partnership with the telecommunication companies and outfitting some classrooms at the secondary level with promethean boards will ensure that it is an integral part to the teaching/learning process.

Deputy Governor's Office

Madame Speaker, we must continue to work on a distinctive culture of service as a priority. In the coming months, a Customer Service Framework for public officers will be launched by the Deputy Governor's Office to ensure consistent service standards and behaviours. This framework is in keeping with our "One Government" vision for consistency across the public service.

This year, we hope to launch our Leadership Development Framework with the intent to develop talent to assume leadership positions and contribute to driving performance within the Public Sector.

We intend to merge the services of the Civil Registry and Passport Office in one location so that customers will be able to access all civil and passport related services in one convenient location.

We also expect to create a Genealogy Unit to allow customers to trace their family history in a more efficient manner.

We will, Madame Speaker, create a Compliance and Fraud Unit to improve efficiency in the detection and documentation of fraudulent documents. This will enhance the safety of our borders.

Finance

Madame Speaker, in addition to the consistent efforts to link our developmental goals and priorities to our fiscal allocations, the Ministry of Finance is at the forefront of the fight to ensure that the BVI's regulatory standards remain compliant with international standards.

Our efforts, recently, to modernise our Treasury function has also met with significant success and will be complemented by a more capable and user-friendly financial and accounting system within the next three years. The automation of our Customs function will also continue as will various improvement initiatives in the Information Technology, Inland Revenue, Post Office and Internal Audit functions, all aimed and improving the ease and transparency with which public officers and the private sector can do business with the public service, and in the Territory at large.

Madame Speaker, you will learn more about the 2017 initiatives from the different Ministries, as we progress through the year.

INSIDE THE BUDGET (Highlights of our Revenue and Expenditure Programme)

The budget that I present to you today, Madame Speaker, has been designed to achieve the goals that Government has set itself for the people of this Territory.

Of the three hundred and twenty three million, one hundred and twelve thousand, six hundred and thirty one dollars (\$323,112,631), we have forecasted to collect in revenues over the course of this year, we project to utilise some two hundred and seventy-seven million, three hundred and seventy-four thousand, six hundred and thirty-one dollars (\$277,374,631) for operations. Included in this sum is some five million, four hundred and eighty-eight thousand, three hundred and fifty dollars (\$5,488,350) in financing/interest costs. We have

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further projected a contribution of twelve million, five hundred thousand dollars (\$12,500,000) to the Reserve Fund, which satisfies our reserve requirement as agreed in the Protocols for Effective Financial Management.

With this projected recurrent surplus of thirty-three million, two hundred and thirty-eight thousand dollars (\$33,238,000), we intend to utilise fifteen million, nine hundred twenty thousand dollars (\$15,920,000) for infrastructure development across the entire spectrum of Government, and two million, two hundred and nine thousand, five hundred dollars (\$2,209,500) for capital acquisitions within the institution of Government itself. Madame Speaker, you will further note in the budget schedule, that is before you, that we intend to utilize twenty-six million, seven hundred thousand dollars (\$26,700,000) in debt financing to further promote our infrastructural development programme.

Madame Speaker, core to our road map is a sustainable level of revenue accruing to the Government's purse. The continued, high standard of living that we experience in the BVI requires an appropriate amount of revenue. We know the critical balance; revenue through taxation pays for goods and services; but high, unsubstantiated taxes discourage rather than encourage economic growth. With this in mind, Madame Speaker, we have been very careful to identify a few areas that we believe can sustain increases.

Therefore, Madame Speaker, in order to meet this revenue target we have revised our fiscal plan from that which we embarked on last year. While the details of this are outlined in the Medium Term Fiscal Plan, we have modified our revenue projections based on some modest increases in the following areas:

1. Cruising Permits, where we have planned for an additional one point nine one million dollars (\$1,910,000). We have discussed this with the local industry, and these discussions have resulted in slight increases which we both agree will be appropriate.

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2. Transportation maintenance fee, which will be a small fee charged when licensing vehicles. Madame Speaker, this will be implemented as a token sum to assist in offsetting the cost to maintain our roads. We expect to realize about one hundred and seventy thousand dollars (\$170,000.00) from this in 2017.
3. Telecommunication Royalties, which will be implemented as soon as we can finalize discussion with the Telecommunication Regulatory Authority and the telecommunications sector here in the BVI. This is projected to produce about two point two five million dollars (\$2,250,000).
4. An environmental levy, which will be collected at the ports of entry and meant to offset the protection and management of our environment, is expected to produce about one point five million dollars (\$1,500,000).
5. Improved water billings will be facilitated through the installation of improved water meters throughout the Territory and is expected to result in about 3.6 million dollars (\$3,600,000) in 2017.

Further, Madame Speaker, we firmly believe that, in utilizing debt to make improvements across the whole spectrum of our Territory and society, it is important to ensure that future and current obligations are planned for and met. You will, therefore, be pleased to know that our projections indicate quite clearly that, even with projected increased borrowing to support infrastructural development of twenty-three million, one hundred and fifty thousand dollars (\$23,150,000) in this year 2017, we will remain within the limits of the agreed ratios in the Protocols for Effective Financial Management. Our projected debt servicing requirements stand at some fifteen million, nine hundred and twenty thousand dollars (\$15,920,000) in principal repayments for the year 2017.

At the end of 2017, Madame Speaker, we expect to have an outstanding amount of some one hundred and twelve million, nine hundred and twenty thousand dollars (\$112,920,000) in

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disbursed outstanding debt in central Government itself, with an additional one hundred and thirty-one million, six hundred and fifty thousand dollars (\$131, 650,000) by statutory boards and agencies, guaranteed by central Government

Madame Speaker, we have utilized both surpluses from our operations and debt financing for several capital initiatives that are aimed at developing the infrastructure of the Territory for today and the future. Madame Speaker, this Territory has experience phenomenal growth in the past several decades, but we have not necessarily kept pace with this growth in terms of the infrastructure needed to support the level of sophistication we now expect in our society. My Government has determined that we must develop our infrastructure to a level that is commensurate with the society we now live in and will be in the future. I would like to mention a few of these projects spread across all ministries that we have been included in the budget that is before you.

Madame Speaker, in view of the developmental needs of the Territory across the entire spectrum of our socio economic reality, we have distributed the three hundred and twenty-three million one hundred and twelve thousand, six hundred and thirty-one dollars (\$3,112,631) projected revenue budget in the following manner.

- Constitutional Established Agencies, two point three percent (2.3%)
- Governor's Group, ten point eight percent (10.8%)
- Premier's Office, eight percent (8%)
- Ministry of Finance, nine point six percent (9.6%)
- Ministry of Natural Resources and Labour, four point six percent (4.6%)
- Ministry of Health and Social Development, nineteen percent (19.0%)
- Ministry of Education and Culture, fifteen point four percent (15.4%)
- Ministry of Communications and Works, fourteen point two percent (14.2%)
- We have distributed the remainder sixteen percent (16%) of our budget among Pensions, Public Debt repayment and Reserve Fund contributions.

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Madame Speaker, within these ministerial distributions is our very important Capital Investment programme. We will, in the coming year, for example, continue to improve our water and sewerage infrastructure by initiating and continuing several projects and, hence, the Ministry of Communications and Works has a budget expenditure envelope of seventeen point two million dollars (\$ 17,200,000) for loan funded projects and just over four million dollars (\$4,035, 000) for projects that will be funded from operational surpluses.

In the Ministry of Health, we will complete the Nurse Iris O’Neal Health Care Facility on Virgin Gorda and other vital social development initiatives throughout the Territory. We also intend to progress investments in the 911 emergency system and proceed with the accreditation of our health care system. The Ministry of Health, therefore, has a budgeted capital expenditure programme of some three million dollars (\$3,000,000) to be funded from loan funds and another three point six five million dollars (\$3,650,000) from operational surpluses.

In Education, we will continue to modernise the secondary school infrastructure. A major part of this will be separating the senior and junior secondary schools into two separate campuses. In addition, we will be upgrading recreational facilities throughout the Territory and making capital improvements to our correctional facilities and national library. In order to do this, we have budgeted some five million dollars (\$5,000,000) from loans and another two point three zero five million dollars (\$2,305,000) from operational surpluses.

The protection of our natural resources is also very important to our future economic viability, and we also believe that, critical to doing this is in enhancing the value of our natural assets. We will continue to upgrade the Brandywine Bay Beach as a vital part of our tourism infrastructure development and will make various improvements to our beaches and public docks throughout the Territory, including ensuring that we have well designed and maintained restroom facilities at every beach.

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We will also be modernizing our GIS mapping of the islands of the Territory. In this Ministry, we have budgeted some 1.5 million dollars from loans. This is mostly to support the completion of the Greenhouse Project, and another 2.26 million dollars from operational surpluses for the additional projects mentioned.

Madame Speaker, I believe that prudent and responsible fiscal management by our Government is essential for national pride, in addition to forging a principle of solidarity and common purpose in every citizen of this Territory. We must, in the process, hold those in public and elected office, accountable. We are, Madame Speaker, within striking distance to finally have the satisfaction of meeting all our obligations under the Protocols for Effective Financial Management, and we intend to satisfy the last of these obligations by contributing some twelve point five million dollars (\$12,500,000) to the Reserve Fund in the coming year.

This, Madame Speaker, is cause for a sense of pride and accomplishment! Not only does it indicate a milestone that will now be met, but it also significantly promotes our fiscal independence and autonomy within the Guidelines, into the future.

I urge all to help us to reach this goal within the coming year.

CONCLUSION:

And so, Madame Speaker, I conclude where I started, as we begin this budget cycle, a cycle that will see the start of the BREXIT negotiations, a cycle where the most powerful nation of the free world will be led in one week's time by President Trump, we must expect the unexpected. Let us, nevertheless, continue to set our sights as a people on the factors that will result in a higher quality of life, a greater sense of personal fulfillment and prosperity for our Virgin Islands.

The elements of these must include good health, safety, the ability to provide for ourselves and for our families, a country where the rule of law prevails, and caring for each other's

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wellbeing. Obviously, sound social and economic policies must form the foundation on which these elements will rest.

Madame Speaker, in this address, I have established that this Government is committed to its mantra of Government and the people: 'making progress together.' I have, for the last hour or so, set out how we will accomplish all this.

The old saying that one hand cannot clap or, put more elegantly, that it takes two to tango, could not be more apt than today. We must, therefore, strengthen the partnership that we forged many years ago and recommit to ensuring that the BVI remains the shining star that it has become.

Madame Speaker, we could not have made the progress that we made in the last year without our public servants, many of whom work beyond the call of duty – unsung and unheralded. I am very grateful to them for their contribution to the development of this Territory. I am always especially grateful to those who keep us safe and healthy, in particular, members of the Royal Virgin Islands Police Force, our Fire and Rescue Department, our Hospital Staff in its entirety and all other essential services.

I thank my Ministers as well as the Government Caucus for their hard work and support in carrying out our vision and, more importantly, the charge that the people of this country have placed upon us; namely, development for the prosperity of all.

Finally, Madame Speaker, I thank the Financial Secretary and his entire staff for putting this Budget together. I recognise that the process was challenging at times as you sought to accommodate our many and varied requirements, but we are grateful for your fine work.

May God bless you all and may God bless the Virgin Islands.