



GOVERNMENT OF THE VIRGIN ISLANDS

2018 BUDGET ADDRESS

“RESILIENCE BEYOND RECOVERY”

BY PREMIER AND MINISTER OF FINANCE

DR. THE HONOURABLE D. ORLANDO SMITH, OBE

MONDAY, 19 MARCH 2018

Introduction

Madam Speaker, I beg to move that the Bill shortly entitled, the Appropriation Act 2018, be read a second time and in so doing I crave the customary indulgence of this Honourable House to extend its normal courtesies in permitting me to deliver this year's Budget Address.

Madam Speaker, I thank God for the opportunity to deliver this, my seventh Budget address as Minister of Finance in the Territory of the Virgin Islands and I am most grateful to the people of these Virgin Islands for permitting me to do so.

Madam Speaker, before we begin, I would like us to observe a moment of silence for a fallen member of this House of Assembly, Mr. Omar Wallace Hodge, and for all those families who have lost loved ones during and after hurricanes Irma and Maria.

Thank you Madam Speaker.

Madam Speaker, as I dive into the budget address in its usual structured way, there are some matters to be highlighted and on these matters, I will elaborate later in the address.

Without a doubt, this is the most difficult budget of my tenure as Finance Minister. Since the early 80s, BVI has been on an upward trajectory, we have enjoyed surpluses in our budgets and were able to build this Territory through our commitment, hard work and enterprising spirits. We took full advantage of the western world's push for globalisation and carved a niche in the global market place for a financial services' industry. In recent times, we had a GDP of \$1 Billion, a per capita income of over \$40,000.00. Over 1.1 million visitors graced our shores, some 450,000 companies were registered in the Territory and we were known far and wide as the sailing mecca of the Caribbean, if not, the world. Nationals from over 110 countries made BVI their home and the rich and famous of the world came to live among us or visit us on a regular basis.

Madam Speaker, ours, was a proud BVI where we valued education and invested heavily in our schools, community college and scholarships for study abroad; where our civil service was one of the most highly trained in the sub region and where we were able to provide a good system of health care for our citizens and residents. Where the rule of law was and remains sacrosanct and where our judicial system was independent and respected. Madam Speaker, the BVI was a beacon in the Caribbean.

And then, 6th September happened. 'The strongest storm on record to exist in the open Atlantic Region' ravaged our shores and changed the landscape and seascape of the Territory. Many lost their homes and their jobs, some lost their lives. The tourism infrastructure was hard hit. The absence of electricity, for many months was a great inconvenience to all to put it mildly. Thankfully the financial services industry was all able to engage their business continuity plans and could continue to operate remotely from abroad. We thank God that VIRRGIN, our business incorporations platform remained intact to accommodate this and thereby ensure an important revenue stream for the Territory at its most critical time. Evacuation and import of emergency relief supplies by air was painful. All of the airports around us, upon which we depended, were compromised. Over 90% of the structures were damaged in some way, some were destroyed completely. Many of the individual stories of experiences in the storms are horrific and most people, for the first time, were becoming acquainted with words like 'under-

insured' and grappling to understand the senseless and unnecessary looting that took place in the early aftermath of the storm. The recently released Irma Diaries chronicled some of the experiences and no doubt other narratives will surface that will help us and the next generation to understand the challenges of these times.

But we also had some wonderful success stories, Madam Speaker. Our Disaster Management System showed its value to the world in giving us a framework to survive the early aftermath of the storm. Our medical and health people sprang into action. BVI Electricity was a stalwart in getting us reconnected to electricity with help from various countries and our telecom agencies worked tirelessly to ensure that we could communicate at home and with the outside world. We were grateful, Madam Speaker for all the help we received from everyone. From large investors in the tourism and financial services' sectors to small business owners to private citizens, past visitors to those who came among us to make BVI their home or their home away from home. We were especially grateful for the relief supplies we received and law and order restored through the help of Her Majesty's Government and for the help we had from businesses, individuals, NGOs, charities, church groups; the list is long. We want to thank them all from the bottom of our collective hearts.

With all the help we were receiving, the sense of oneness and togetherness of residents and citizens alike, it made me remember a quotation from an anonymous source that said: "We were all humans until race disconnected us, religion separated us, politics divided us and wealth classified us."

Madam Speaker, in the aftermath of Hurricanes Irma and Maria, we came together in a spirit of good will and solidarity. We were, indeed, all humans and we expressed a degree of happiness in being our brother's keepers, of helping our neighbours, of showing brotherly love. This is the BVI that will be prosperous.

Today, we are some 6 months on from Hurricanes Irma and Maria. It is like being in Churchill's England at the time of the 2nd World War. It required a different type of leadership, a firm leadership, a steady hand, a commitment to the people and their progress. We must evaluate our situation and make the best decisions in the collective interest. These are some of the most challenging times to date in the life of this Territory Madam Speaker. One mis-step could undermine our immediate recovery and hope for generations to come and may mean the difference between us rebuilding our homes, lives and economy or not. It is not business as usual and it is against this backdrop that I present my budget address to you and to all the people of the Territory.

Madam Speaker the people of this Territory have suffered tremendous loss, economically, physically and most importantly psychologically. They have borne the strain of uncertainty and angst, suffered and journeyed through the valley of despair but have held their heads high, and put their shoulders to the task of restoring our beloved country.

As I stand before you today, I would like to state categorically, that this spirit of resilience and commitment against all odds can see us comfortably through the challenging times ahead but we must stand together as one people: BVI STRONG.

I crave your indulgence therefore Madam Speaker as I outline, the challenges we face, my government's response to overcoming these challenges, and our vision for the Territory in enabling us to position ourselves for a better BVI that improves the lives of ALL its citizens.

Our Current Challenges

Madam Speaker our tourism product, suffered a serious setback in 2017 as a result of the unprecedented trio of events. The BVI was poised to continue its record breaking pace of increased tourism arrivals in 2017. In 2016, the BVI exceeded the 1 million visitor mark for the first time in its history recording increased arrivals across all sectors – cruise, overnight as well as day-trippers and recording visitor expenditure in excess of 482million USD. Madam Speakers this is no small feat for a Territory the size of the BVI. It is a testament to the ability of our people to punch above our weight.

The historic and unprecedented disasters of 2017 threw the industry into chaos and diminished the revenue potential as well as the product. Overall visitor numbers recorded at the end of 2017 showed total arrivals of 756,151, a decrease of 387,922, representing a 33% decline. Cruise visitors decreased by 289,382 passengers, representing a 41% decline from 2016. Daytrip visitors declined by 5,713 or 33% and overnight visitors declined by 73,134 or 18%, taking us back to 2013 levels.

Our charter and bareboat industry pre- storm had 3, 800 berths at sea and as of 1st March stood at 1584. Land accommodations pre -storm were estimated at 2,700 rooms and as of 1st March stood at approximately 336.

Our industry is in a rebuilding mode with the charter yacht sector as a recovery leader being the first sector to rebound in a major way, keeping our tourism industry alive in the short term. We will begin to see a major resurgence of land-based tourism in the Fall of 2018 as villas and small properties are refurbished and reopened. What does this mean for tourism and for the British Virgin Islands? It means that our revenue stream will be greatly reduced in 2018. It also means less employment in the tourism sector hence affecting just about all other industries in the British Virgin Islands.

Our larger properties will understandably take a longer time to be up and fully operational. I was grateful that at a meeting with them in January of this year they all committed to reopening as soon as possible and hopefully in time for the 2019 season. This is great news and especially for our construction sector. We look forward with great anticipation to their reopening and being far better than they were on 5th September, 2017.

But we must continue to tell the story of the British Virgin Islands and maintain high visibility in the international tourism space. We must steadfastly protect our brand in the global market place. We have to take advantage of the marketing opportunities and ramp up our spend to tell the world exactly what is taking place with our product and when they can expect to enjoy our beautiful islands to the fullest.

It is important to recognise that in 2018, other players in the industry will not sit idly by and wait for the British Virgin Islands to redevelop and regain its market share .So we must act swiftly and aggressively. Our survival is at stake.

Hurricane Irma underscored for us the importance of tourism to the British Virgin Islands. We know the benefits. We saw increases in revenue over the last five consecutive years and today we feel the pressure of the reduced revenue as a result of the decrease in visitor arrivals following the storms. Tourism is, without a doubt, a very important economic driver in the BVI economy.

We need to make deeper investments in tourism. Without a vibrant economy, we will never be able to pay for our social infrastructure such as roads, schools and health facilities. Without tourism, we lose thousands of jobs, business opportunities and the corresponding taxes from the economy as we are now experiencing.

Many visitors have come back this year out of a sense of loyalty to us and a desire to help but if we do not rebuild, the situation may be very different next year and beyond. We also have to address airlift issues. Our visitors have consistently said that it is too difficult and too expensive to come to the BVI. Expansion of the runway at the T.B. Lettsome International Airport is vital to our continued success as a tourism destination.

And, Madam Speaker, we must clean up the BVI. Those who refuse to act will be made to act. Let me repeat that Madam Speaker, Those who refuse to act will be forced to act in the further cleaning up of this Territory.

Madam Speaker these events have directly affected our Gross Domestic Product however, our financial services sector did not suffer significantly largely in part as a result of direct interventions by my Government, a resilient Registry of Corporate Affairs, which facilitated continued business in this sector even in the face of a devastated infrastructure and a nimble industry. Madam Speaker this was one of the very positive stories from Irma.

Beyond this however are the challenges we face from the European Union in their campaign to list countries that are in their own opinion, non-cooperative third countries. Also of significance are the pressures within the UK Parliament itself to mandate a move that is constitutionally tenuous, for the BVI to make its register of companies public. Madam Speaker these two issues, by themselves have the potential to significantly undermine our economy, the tax base on which central government depends to provide much needed services to the people of the BVI and the livelihoods of hundreds of people whose employment is in one way or the other connected to the financial services sector which is under direct threat.

Madam Speaker what we face with respect to these two issues alone, is a decision on whether we will continue to pursue our current financial services model or what actions this jurisdiction must take to make our financial services less vulnerable to these constant attacks.

As a Territory we must be even more vigilant in our effort to protect this most important sector of our economy during this post Irma period of vulnerability. Yet Madam Speaker I am very confident that with a united front, and with multi-partisan support in this Honourable House and in this Territory itself, with strong open debate we can come to a decision that will serve in the best interest of our Territory.

Madam Speaker in much the same way as the late Honourable Hamilton Lavity Stoutt and the late Hon Cyril B. Romney and many leaders did before them in various parts of the world, I

stand before you to say that we shall overcome these challenges. Like Phoenix, we shall rise again Madam Speaker, greener, smarter and stronger; BVI STRONG!

This brings me to the greatest challenge that we face. This challenge madam Speaker is one which I must address, as it stands to destroy the very fabric of our society and the single most important factor that has been responsible for the success that we have enjoyed in the past; the single most important factor that has brought us from a subsistence economy, through dependence on Grant and Aid to having one of the highest per capita GDP's in the world.

Madam Speaker that greatest contributor to our success has been the benevolence of our people and selfless adherence to do what is right by your fellow man; despite what our own personal opinions may be of them.

Madam Speaker in many respects we have lost quite a bit of these qualities in favour of our own individual, though understandable pursuits of success. It is tearing us apart and has prevented us, in a time of great uncertainty and peril on our quality of life in the BVI to lose focus of the many grave matters we currently face; ranging from our own socio – economic issues within our borders to the eminent threat of demise of a sector of our economy on whose shoulders much of our economic success rests. Madam Speaker we must regain our socio-economic excellence and hence we must cast aside this growing divisiveness with great haste and act collectively in the best interest of our beloved BVI.

State of the Territory

Madam Speaker the trio of events of summer last have left us devastated, there is no question about that; yet ahead of us although I see many obstacles to overcome, I also see real hope; hope that is reflected in the eyes of people who have endured so much hardship, and yet have the audacity to laugh in the face of adversity; most importantly, everyday they give praise and thanks to God. With this as a backdrop Madam Speaker I am confident that there is no hill that will be too high to climb, no ocean that will be too wide to cross and no adversary too big to face as the BVI forges ahead to restore itself.

Madam Speaker, the challenges of 2017 are reflected in our economic performance for the year. As I said at the outset of this address the size of our economy measured by gross domestic product (GDP) reached over a billion dollars in 2016 in nominal terms. At the end of 2017 our provisional estimate is that nominal GDP had declined to nine hundred eighty eight point five (988.5) million dollars.

In real terms which take price changes into account, at the end of 2017 our GDP was estimated at eight hundred eighty nine point two (889.2) million dollars. This represents a two point seven percent (2.7%) decline compared to real GDP at the end of 2016.

We experienced catastrophic levels of damage to the amount of an estimated three point six billion dollars in the entire economy or over three and a half times our annual Gross Domestic Product. The estimated relatively small decline of under three per cent in the size of our economy is thus quite remarkable but not without reason. The sustained performance of our financial services industry has helped to cushion the impacts of the notable decline in tourism and other industries after the devastating events in 2017.

The resilience in the Financial Services sector allowed for the associated strong performance of receipts of Government revenues from company incorporations up to the end of the year.

With its heavy reliance on physical infrastructure, our tourism industry did not fare nearly as well as I already explained. We had a mass reduction in tourist arrivals which has been felt across the economy, as damaged properties and vessels have resulted in laid off workers, idle taxi operators who have fewer cruise passengers to transport, and a corresponding decrease in provisioning and other services provided to the industry.

Through this unfortunate occurrence however, the need to rebuild has fuelled construction, which has served to provide buoyancy in an otherwise devastated economy and has cushioned the after effects of the 2017 storms. This spike in construction, and its continued strong performance into the medium term, is an important part of our strategy for the prosperity of our people in the medium term.

Madam Speaker, our inflation rate reached one point two percent (1.2%) in 2017, up from one point one percent (1.1%) in 2016. Maintaining low and stable inflation is an important economic target that we must control to retain or improve affordability in the BVI economy.

Madam Speaker, in terms of our economic recovery, I reiterate that much has been done but there remains much to do. Lofty GDP numbers nearing one billion dollars do not necessarily speak to the reality of people's lives. I know that people are hurting. My Government has and continues to be committed to improving our economic prospects and to improving the standard of living for all in the Virgin Islands.

Fiscal Performance

Madam Speaker, in 2017 Government revenue totalled approximately two hundred and ninety-two point nine (292.9) million dollars. This was thirty point two (30.2) million dollars less than the three hundred twenty one point one (321.1) million budgeted for the year. This means that even with revenue from financial services performing well above expectation, we brought in thirty million dollars or nine point three percent (9.3%) less than was budgeted. This demonstrates the significant impact of the storms in the months following their landing.

Our efforts to assist our people in rebuilding and piecing together our lives resulted in a thirty four point seven percent (34.7%) or sixteen point five (16.5) million dollar negative variance in collected taxes on international trade, including customs duties. But it was the right thing to do and we expect that with rebuilt homes, businesses and lives, we will have increased revenue in the future.

On the expenditure side, recurrent expenditure for 2017 totalled approximately two hundred and ninety-two point four (292.4) million dollars which was eleven point five (11.5) million or four point one percent (4.1%) above originally budgeted recurrent expenditure. Our efforts in particular to respond to storm impacts and to pay off outstanding utility bills drove the recorded over expenditure on operations.

Madam Speaker, overall total expenditure for 2017 was twenty one point eight (21.8) million less than budgeted, as several capital expenditure projects were suspended at the end of the year and focus was shifted to immediate recovery.

Underperformance of revenue combined with over-expenditure on the recurrent side resulted in a smaller than budgeted recurrent surplus of approximately five hundred thousand dollars (\$500,000). Repaying our existing debt and making needed capital acquisitions and investments thus resulted in an overall negative balance brought into 2018.

Madam Speaker, as such we have had to borrow to finance our negative balance. Total public borrowing moved from approximately one hundred eighty two point seven (182.7) million dollars in 2016 to one hundred eighty eight point five (188.5) million in 2017. This figure is inclusive of total Central Government disbursed outstanding debt of one hundred twenty five (125) million dollars at the end of 2017.

The total debt of our Statutory Bodies at the end of the year was eighty two (82) million dollars which includes debt from the BVI Ports Authority, BVI Electricity Corporation, and the National Bank of the Virgin Islands. At one hundred eighty eight point five (188.5) million dollars, total public borrowing represented approximately nineteen point one percent (19.1%) of GDP at the end of 2017.

Madam Speaker, in terms of debt servicing, Central Government's principal and interest payments remained relatively low in 2017 totalling approximately eighteen (18) million dollars or one point eight percent (1.8%) of GDP.

Madam Speaker, additional borrowing will be necessary as we finance our recovery and development in the coming months and years. We must ensure though that any new borrowing is done responsibly, that the use of the debt incurred is done in a manner that is efficient and provides the highest possible value for money in its use. Madam Speaker it is important for me to point out that it is unacceptable in the face of the challenges that lie before us, that we facilitate any mechanism that does not allow us to take on additional debt at the lowest possible costs, that this debt is used in a manner that is transparent and fair, and that the resultant debt burden to central government is sustainable and does not compromise the lives of the future generations of this Territory. In light of this Madam Speaker it is of paramount importance, that while we concern ourselves with the immediacy of leading and providing the general services to the people of this Territory, it is vitally necessary to have a credible, multi-stakeholder mechanism to manage our recovery process, and in so doing strengthen the physical infrastructure of the Territory to meet the challenges ahead.

Madam Speaker, in theory, the possibility of following a different path existed. In theory, even though we have not received mammoth giveaway grants, we could have financed the recovery without increasing our debt level over an exaggerated period of time. But Madam Speaker, we are not dealing in theory here, we are dealing with the lives of our people. Hence the practical reality of our economy would make this option akin to economic suicide.

Fiscal Strategy and Outlook

Madam Speaker, in ensuring that additional borrowing is sustainable we recognise that as a Government we have to do things differently. Our fiscal strategy thus demonstrates how we can increase revenue and decrease recurrent expenditure.

Through our fiscal strategy this year we are expecting twenty nine point six (29.6) million in additional revenue. This additional money for our operations is anticipated from the already

implemented increase in financial services fees. With this additional revenue our total revenue budget is two hundred ninety-nine million, five hundred and twenty-five thousand, three hundred and sixty-six dollars (\$299,525,366).

Madam Speaker, on the expenditure side our Public Sector Transformation process is aimed at containing the operational costs of the public service while moving towards improved efficiency and effectiveness. We envision putting downward pressure on the costs of procuring goods and services, including rent, consultancies and assets like furniture and vehicles. We will accomplish this through better contract negotiation and the procurement processes. Madam Speaker, it is imperative now more than ever that we receive value for money for the people of this Territory; especially as we borrow in our collective names and on our children's future. Total recurrent expenditure is budgeted at three hundred and thirty five million, three hundred and ninety-one thousand, two hundred dollars (\$335,391,200).

Capital expenditure this year will necessarily be focused on recovery projects, and is estimated at fifty one million, seven hundred and fifty thousand, nine hundred and sixty two dollars (\$51,750,962). A significant portion of this expenditure will be spent on projects funded by the acquired Reconstruction and Rehabilitation Loan from the Caribbean Development Bank aimed primarily at rebuilding our schools, roads, and our water and sewerage infrastructure in the coming months.

Madam Speaker, our economy is an economy built on two major sectors or pillars, and underpinning both of these sectors of Tourism and Financial Services is the common denominator of SERVICE.

Madam Speaker, we are a service economy and we must keep that foremost in our minds at all times. Additionally, both of these pillars are reliant on inward investment and external forces. In both of these pillars we face fierce regional and international competition well beyond our shores. There are jurisdictions competing to take on our market share in financial services and in tourism if and where we fall short. Indeed Madam Speaker, we have witnessed this reality in terms of tourism in the months following the storms.

It is for this reason that we have to, relatively speedily, but also with care and due concern, invest in the recovery and development of the Territory's infrastructure. As we rebuild Madam Speaker, we must do so with resilience and sustainability at the forefront. The realities of our changing political, economic, social and environmental context refuse to be ignored.

Madam Speaker, through our efforts to grow our revenue base, contain operational costs and invest in our recovery and development, we are anticipating positive real economic growth in 2019. As our tourism sector recovers with landside hotel and villa properties repaired and rebuilt, we anticipate increased tourist arrival numbers in 2019. With the recovery of tourism and sustained performance of financial services, we anticipate real GDP growth of six point four (6.4%) percent in 2019.

Madam Speaker, this expectation will of course be dependent on our ability to keep things moving positively, have a sustainable recovery and development process over the coming months and provide the infrastructure that is vital to the successful operation of our industries.

Shifting the Paradigm - The Road Map

Madam Speaker, one of my Government's first priorities following the impact of the storms was to ensure that the basic needs of the population were met. Thereafter, we immediately embarked on planning our recovery and redevelopment. Our aim was and still remains to produce a comprehensive plan that covers the immediate, short term, medium term and longer term aspects of our recovery. We have produced a draft plan on which we have had widespread consultation. We have listened and taken on board your suggestions and constructive criticisms as to how best to propel and sustain our recovery and future development.

Madam Speaker because of the input of the people of the BVI, we expect to include in the plan projects that our people have suggested are vital to our recovery. Similarly, we are considering removing and/or placing less emphasis on certain projects that were not felt to be as crucial as we initially believed.

Madam Speaker central to the efficient execution of our recovery plan within a timespan that will have the greatest impact on the needs of our people now, and the sustainability and improvement on their way of life beyond that, must be an effective mechanism for the delivery of this plan. To expect the current systems of Central Government to cope with this gargantuan additional burden, while currently struggling to maintain our current commitments, is neither practical nor feasible. As a Government for the people and by the people, my colleagues and I are constrained to deliver a complex suite of interventions to restore and progress the BVI beyond its pre recovery status quo in order to protect our people and future generations for decades to come. I will go further Madam Speaker. These interventions go beyond our resources and so even as we welcome the UK guarantee and the significant amount of monies available through donations from the international community, we must put in place a structure for the management of these funds that would assure, first the people of our Community that the Guarantor, the UK and importantly the international donor community and your Legislators that these monies will be used for the purposes intended and approved by this House of Assembly and will uphold the principles of fairness transparency and efficiency at all costs. The mechanism which has been proven globally to do this in the best manner is an independent Recovery and Development Agency.

We have proceeded along these lines Madam Speaker, despite the misinformation that has been conjured up to prevent its formation. To act otherwise, Madam Speaker, will compromise the current way of life we all enjoy including that of the very people who oppose, but even more importantly, we must improve the lives of the people of the BVI who depend on us to do right by them. Madam Speaker, on this issue I must stand, as an experienced political leader on a matter of principle, for ALL the citizens and residents of the BVI now and generations yet unborn.

Allow me Madam Speaker, to make a few straightforward points about this Agency:

- a. It will deliver recovery and development at a pace that facilitates rapid economic and social redevelopment for the people of the BVI;
- b. It will enable access to investment, and funding from the UK, public, private, corporate and philanthropic sources;

- c. It will enhance the core capacity and capability to deliver recovery and development quickly, whilst enabling ministries (the public sector) to deliver their core services;
- d. It will ensure transparent dialogue among GOVI, RDA and stakeholders whilst sustaining GOVI's ownership and oversight of recovery and development process; and
- e. Legislation will provide for the agency to have a finite life and be accountable to the House of Assembly through Cabinet.

There is a lot of unhelpful chatter in circulation about the Agency being a Government within a Government; this is patently false: Madam Speaker it is difficult to understand the basis of this noise. Firstly, the Cabinet of the Virgin Islands must approve the Agency and set its terms of reference and modus operandi. Secondly, we as members of the House of Assembly will create the necessary legislation to establish the Agency to serve the people. Thirdly, we as members of the House of Assembly will set the framework within which the Agency operates. Fourthly, we the House of Assembly will give the Agency its vision, strategy and plan; and fifthly, the Agency is accountable to this House. In short Madam Speaker; it is ours!

Madam Speaker, amidst all the disastrous woes visited upon us by the unprecedented trio, numerous opportunities have presented themselves. We now have the opportunity to rebuild our country better, stronger, greener, smarter and more resilient. Opportunities are limitless for the public and private sector players. I remain confident that given the natural entrepreneurial spirit and skills of our people we are well poised to launch another chapter in our development history. Perhaps most importantly is the fact that time marches on and as I said just over a week ago, we cannot continue to live in a bombed out shell of what was our beautiful BVI.

Madam Speaker, my vision for the BVI is informed by what I believe our beloved Territory should look like in say the next ten years. In order to aid in the enunciation of this vision, I wish to explain this vision in two five year slots.

At the end of the first five years Government, or the BVI in general should be well advanced on its infrastructural revitalization that adequately supports its key industries of tourism, financial services and agri-business including fisheries. This dictates that we must fix our transportation network systems – roads, air and seaports. Movement of people and goods into, from and within the entire network of islands forming the BVI should be brought into the 21st century. Underpinning this should be the modernised private structures to accommodate economic activity and public institutions such as state-of-the-art buildings, environmentally friendly resorts, majority locally owned and operated marinas, fishing fleets, ferry vessels, yachts, and the legal structures and institutions to support the growth and sustainability of an economy geared towards the active participation of the people of these Virgin Islands.

Madam Speaker, my vision is for easier private access to financial capital for all business entrepreneurs within the BVI. It is no secret that I am wedded to the idea that if we are to grow the BVI in a sustainable manner, we must support the involvement and active participation of small and medium size enterprises in the Territory. I would much prefer prospective entrepreneurs exerting most of their energies on developing viable business plans for growing their businesses rather than stressing over unlocking financial capital.

Madam Speaker, given the nature of our leading economic sectors, it behoves us to embrace existing technologies to modernize our communication networks domestically and internationally. The digital world threatens to pass us by unless we can hurriedly hitch ourselves onto that speeding train to the virtual world. The sweeping winds of the hurricanes afford us the opportunity to launch anew our e-Government initiatives. We need to encourage our communication and internet providers to bring us to the game. BVI must find itself at the forefront of telecommunication (ICT) advances. We cannot, we must not stand still in this space. To do so will mean losing our productive industries.

Madam Speaker, in the latter five years, I see the BVI as a striving mecca. We would have transitioned to a jurisdiction offering a wider suite of financial products with greater economic substance and sectoral linkages to the rest of the economy and fuelled by private sector activity. This is the endgame Madam Speaker, for the private sector to flourish and drive the economy; an economy that will be shaped and driven by our people through their success stories. In this society Madam Speaker, central government will be a facilitator of the success of the Territory and not a competitor with our private sector. This is a fundamental point that every successful economy in the world today has recognised as counterproductive to efficient markets.

The Budget

Madam Speaker, this 2018 budget presented an opportunity for my Government to manage both capital and recurrent expenditures in a manner that correlates with our current economic reality. This opportunity, nonetheless presents certain challenges since we are constrained by a sharp reduction in available resources at a time when we need to bolster economic activities to stimulate economic growth to maintain the standard of living and prosperity that we have grown accustomed to here in the Virgin Islands. This Madam Speaker, difficult as it may be, remains a surmountable challenge that presents additional opportunities as well.

Madam Speaker, total revenue of two hundred and ninety-nine million, five hundred and twenty-five thousand, three hundred and sixty-six dollars (\$299,525,366) is projected for this 2018 fiscal year. This is a 7.3% decrease or twenty-three million, five hundred and eighty-seven thousands, two hundred and sixty-five dollars (\$23,587,265) less than the 2017 estimate of three hundred and twenty-three million, one hundred and twelve thousand, and six hundred and thirty-one dollars (\$323,112,631).

Madam Speaker, based on the 2018 revenue projections, and total estimated recurrent expenditure, including public debt and fund contributions, we are anticipating a recurrent deficit of fifty-three million, two hundred and ninety-one thousand, one hundred and thirty-four dollars (\$53,291,134). This amount is projected to be partially funded from loans and fund contributions, as well as insurance proceeds.

Madam Speaker, from the schedule before you, you will also note that total recurrent expenditure, including debt service and funds contributions, for fiscal year 2018 is estimated to be three hundred and fifty-two million, eight hundred and sixteen thousand, and five hundred dollars (\$352,816,500). This Madam Speaker represents a 14.4% increase over the 2017 allocation of three hundred and eight million, one hundred and eighty-seven thousand, one hundred and thirty-one dollars (308,187,131). This increase is primarily attributed to my

Government's undertakings across various sectors and agencies in response to the ongoing recovery and reconstruction work.

Madam Speaker, we have distributed the revenue projected in the budget as follows:

- Constitutionally Established Departments, two point three percent, 2.3%
- Governor's Group, ten point eight percent, 10.8%
- Premier's Office, seven point seven percent, 7.7%
- Ministry of Finance, nine point five percent, 9.5%
- Ministry of Natural Resources and Labour, four point four percent, 4.4%
- Ministry of Education and Culture, fifteen percent, 15%
- Ministry of Health and Social Development, twenty-two point seven percent, 22.7%
- Ministry of Communications and Works, fourteen point one percent, 14.1%
- Pensions, Public Debt & Funds Contribution, thirteen point five percent, 13.5%

Madam Speaker, in 2018 we projected development expenditure to be fifty one million, seven hundred and fifty thousand and ninety-six dollars (\$51,750,096). This amount comprises of capital acquisitions of six million, two hundred and thirty-seven thousand, eight hundred and sixty-six dollars (\$6,237,866), and forty-five million, five hundred and thirteen thousand, and ninety-six dollars (\$45,513,096) for infrastructure development across the Territory.

The Governor's Group has been allocated seven million, nine hundred and sixty-seven thousand, eight-hundred dollars (\$7,967,800), or fifteen point four percent (15.4%) of the Development vote.

Madam Speaker, in this budget cycle, the Governor's group will:

- a. support the development of disaster management programmes and re-establish appropriate hazard monitoring systems as well as improve the coordinated management of pre and post disaster funding and place greater focus on accountability. We will embark on repairs to critical systems including sea and air port facilities and the implementation of the Emergency Housing Programme.
- b. rebuild and restore confidence in the public service. We will seek to restore as many Government owned and rented spaces as possible to enable public officers to better serve the public. We will also place emphasis on an enhanced customer service experience.
- c. fully restore damaged judiciary facilities during this budget cycle.

Madam Speaker, the security of the Territory and the detection of violent and serious crimes remains high on my government's agenda. The Royal Virgin Islands Police Force (RVIPF) currently has six UK detectives in the Territory. We will, in this cycle, place priority on the restoration and improvement of public CCTV and in enhancing firearm capability and capacity. We will introduce an ARV model (armed response vehicle) by the end of April 2018, giving 24 hour armed coverage to Tortola. The Force is also on stream to re-establish a K-9 unit by the end of the 2nd Quarter. We will grow the Marine Unit, recruit ten additional marine officers in 2018, and enhance the level of operational cooperation and resource sharing between our border control agencies and the Royal Virgin Islands Police Force.

Finally, we will focus on the commencement of the Archives and Records Management Act, 2010 which is pivotal to the frameworks for e-Government, Freedom of Information, Data Protection and other initiatives associated with transparency, good governance, accountability and Public Service transformation. Importantly, Madam Speaker, it is also my Government's intention to construct and outfit a new building facility for the Department of Disaster Management, which will also host the NEOC; the current DDM/NEOC building is not fit for purpose, and structurally unfit for repair.

Madam Speaker, I also take a moment to express my gratitude to the Prime Minister of St. Lucia, Mr. Allen Chastanet, his Government, and the people of St. Lucia for housing the Commercial Court until it was relocated to the BVI, and the soon to be relocate inmates from our Balsum Ghut Facility from Her Majesty's Prison (HMP). I would also like to record my thanks to the Financial Services Industry for contributing to the refurbishment of the Commercial Court in the BVI which should be ready for occupation shortly.

Madam Speaker, it also bears special mention that the BVI had been a low crime or no crime jurisdiction for decades and I am committed to stamping out crime wherever it rears its ugly head and to work with the National Security Council and the Commissioner of Police to ensure a more vigorous detection and prevention platform.

In the Premier's Office, one hundred and seventy-one thousand, three hundred and fifty-five dollars (\$171,355), has been allocated for Capital Acquisitions.

Madam Speaker, the efficient management of our borders is becoming even more important, and we have embarked on an ambitious programme of modernization within the Immigration Department to effect this. This, coupled with an aggressive e-Government effort is expected, in concert with the public sector reform initiative, to result in noticeable gains in the efficiency and effectiveness of the public sector's service delivery. In addition, we will promote the viability of our small and medium sized businesses within the Territory through the BVI Innovative Business Lab, jointly funded by OCTA and the BVI Government. Further, we expect that the continued progress within the Central Statistics Office will soon provide us with more readily accessible data and statistics that will allow for better informed decision making at the policy level throughout Central Government. We have also taken action within the Premier's Office, as a result of the large scale destruction within the yachting subsector to enact the Nairobi Convention on wreck removal to ensure that hazards to navigation and the environment from wrecks are minimized.

In the Ministry of Finance, six million, seven hundred and forty-six thousand, five hundred and ninety-six dollars (\$6,746,596), or thirteen percent (13%) of the Development vote has been set aside for various capital improvement initiatives. Most importantly, four million seven thousand and ninety-six dollars (\$4,007,096) has been set aside from the CDB Rehabilitation and Reconstruction Loan to assist with contingencies relating to projects across all Ministries.

Madam Speaker, the Ministry of Natural Resources and Labour has been allocated eight hundred and twenty-five thousand dollars (\$825,000), or one point six percent (1.6%) of the entire Development vote. Madam Speaker, the importance of the environment and our natural resources cannot be overstated. We had extensive damages to beaches, marine shelters, mangroves and reefs. The threat to the marine life comprised an important part of our food security framework. Harm has been done to our farmers' ability to generate local produce with

further shocks to food security. My Government will strengthen both the fishing and farming communities by investing in the re-development of the sectors to ensure greater self-sustainability and reliance. Madam Speaker, as a start, three hundred thousand dollars (\$300,000) has been allocated to undertake repairs and maintenance work at the BVI Fishing Complex.

The removal of derelict vessels from our shores coupled with the re-vegetation of our beaches and the rehabilitation of our mangroves and other coastal communities is a must. The completion of the Environmental Management and Climate Change Bill will provide for the establishment of a framework for improved stewardship of our natural resources. We will also continue work on the photogrammetric mapping of the Territory.

In the Ministry of Education and Culture, we allocated six million and sixty-eight thousand, one hundred and ninety-five dollars (\$6,068,195), or eleven point seven percent (11.7%) of the Development vote. Education is the key to the development of our Territory and we must continue to invest in our children.

We are rebuilding our schools through public private partnerships, rebuilding stronger and more resilient infrastructure, ensuring that our schools are greener, disability ready and technologically savvy. The Enis Adams, Primary, Jost Van Dyke Primary, Robinson O'Neal Memorial Primary and the Bregado Flax Secondary Division are all on track to be completed by 2019.

Work will be carried out at the Elmore Stoutt High School to repair the L-shaped building to house the senior secondary students (Grades 10-12). Grades 7-9 will remain at the old CTL building to continue their full day of school.

Works have begun to have the Leonora Delville Primary School repaired to ensure that the students on the western end of the island can move from the tents presently being used. Other schools will need to be addressed and there will be continuous work throughout the year on all the schools.

Achieving the UNESCO *Education For All* Goals as well as the strategic imperatives of the Education Sector Strategy 2012-2021 is of paramount importance. Training of our Education Officers, Principals and teachers must continue in order to strengthen the leadership and instructional competence in our education system.

Youth Development and discouraging anti-social behaviour is high on the agenda. We will continue to build and strengthen after school programmes as well as introduce other programmes to reach young people.

Madam Speaker, work will continue at HMP to ensure that the institution is safe and secure. The buildings are well on the way to being completed.

Through the Department of Culture the Ministry will be seeking to advocate cultural skills development and job creation. Finally Madam Speaker, this year, we will begin to look at rebuilding the library services.

Madam Speaker, in the Ministry of Health and Social Development, two million six hundred and fifty-one thousand, two hundred and sixteen dollars (\$2,651,216), or five point one percent (5.1%) of the Development vote has been allocated to various capital initiatives, including work at the Nurse Iris O'Neal Clinic on Virgin Gorda. Upgrade to the clinics throughout the Territory will commence this year, and to do this, two hundred thousand dollars (\$200,000) has been allocated. Work will also continue on the 911 Emergency System through an allocation of three hundred thousand dollars (\$300,000). Madam Speaker, part of Government's responsibility in disasters is to promote economic recovery and growth with equity. This includes providing social safety nets. This year, fifteen million dollars (\$15M) will be allocated towards housing support to families, based on financial need.

My Government is also determined to fully restore social services to seniors, children, persons with special needs and other disadvantaged groups that have been displaced since the passage of Hurricane Irma. The Autism Centre and Rainbow Children's Home will be restored with the kind generosity of several partners, and repairs will be carried out to several Community Centres that are used as emergency shelters throughout the Territory. Repairs to the Adina Donovan Home and the Virgin Gorda Elderly Home are also nearing completion.

The restoration and redevelopment of public health facilities continue. Reconstruction and refurbishment works are being carried out in Long Look, Cappoon's Bay, North Sound, Jost Van Dyke and several other locations.

Madam Speaker, we will also continue with accreditation efforts of Peebles Hospital and expand the range of healthcare services provided in the Territory.

In the Ministry of Communications and Works, twenty seven million, three hundred and twenty thousand dollars (\$27,320,000), or fifty-two point eight percent (52.8%) of the entire Development vote has been allocated, in part, to upgrade and repair the Territory's damaged infrastructure. Most specifically Madam Speaker, this money has been earmarked for reconstruction of the Territory's roads and revetment barriers including constructing drains and sidewalks at Carrot Bay. In Cane Garden Bay, improvements to the road and revetment barriers will continue. Madam Speaker, improvements to the Territory's sewerage system will also continue, especially in the East Long/Look, Road Town and Purcell area, as will stabilization projects, including construction of retaining walls in various areas including Great Mountain, Sabbath Hill, Little Dix Hill, and Long Trench.

Madam Speaker, I have already spoken at length about tourism but would like to add that the BVI Tourism Industry registered an historic year in 2016 which resulted in an economic impact surpassing \$482 million.

As we seek to rebuild BVI tourism it must be based on the following four (4) principles:

- a. Protecting the BVI brand position globally;
- b. Rebuilding tourism infrastructure to a category 5 standard on the landside and on the marine side in designing boat storage facilities to withstand the same;
- c. Leapfrogging wherever possible our competitive advantage in areas such as environmental management, yachting, private islands, unique restaurants and beach bars, resort development and island-hopping capabilities; and
- d. Positioning the BVI to attract new investment in the hospitality industry.

Financial Reforms

Madam Speaker, it is my Government's intention to strengthen public financial management by reforming our public financial management laws and laws related to fiscal rules and responsibility and budget stabilization. Revision of the Public Finance Management Act will allow for greater co-management of our public finances, thus creating greater transparency and accountability in the authorisation of expenditures, administration of special funds, management and control of the public debt, and the preparation of public accounts and reports on public finances and performance. It will also call for greater accountability of public entities and State Owned Enterprises. In essence Madam Speaker, this reform will help to ensure the soundness of decisions that are being made, and will hold the Government increasingly accountable to the people.

Although this is not a reform but certainly a requirement, I am pleased Madam Speaker that annual accounts for the years up to 2015 are now with the Auditor General for auditing. I look forward to laying these on the Table of this Honourable House once they are completed.

Madam Speaker, to strengthen fiscal governance, particularly as it relates to procurement, new guidelines and proposed legislation will be presented to this Honourable House for approval, which will improve transparency and competitiveness in our current procurement processes.

Madam Speaker, it is my Government's intention to instil confidence through the transparency, objectivity and predictability of the outcome of our procurement processes. There will, naturally, be a need for training to bring persons up to the level at which they will be able to successfully participate in this process, and my Government is prepared to ensure that persons wishing to participate are afforded the opportunity to do so competitively.

Madam Speaker, as the Territory forges ahead with its recovery efforts following the devastating impact of Hurricanes Irma and Maria, it is crucial that the normal operations of the Government continue unencumbered with the additional financial burdens.

Madam Speaker, in this respect I am pleased to announce that our partners at the Caribbean Development Bank, who have assisted us since the impact of the storms through the provision of grants, loans and other technical assistance, have once again offered their support in helping the Territory to restore economic stability and build resilience, while providing immediate liquidity support for our recurrent operations.

Madam Speaker, in the coming weeks I will be bringing a motion to this Honourable House for the approval of a Policy Based Loan which will support my Government's current efforts towards economic stabilisation and strengthening fiscal resilience to future shocks. Madam Speaker, the main purpose of this Policy Based Loan is to bridge the projected deficit in the 2018 Budget.

Madam Speaker, even in the best of financial times recovery and rehabilitation of this magnitude is a costly effort, and the reality is, we cannot foot this bill on our own. This is why it is so important that we have the support of the UK Government. The UK Government has pledged that it will guarantee up to £300,000,000 in borrowing to aid in our recovery; and I have every intention of leveraging it responsibly.

Madam Speaker, there has been much public discussion about this, but the fact is my Government has a responsibility to the people of the Virgin Islands to get this country back up and running and to move it forward in a sustainable way. Any entity, be it private or public, that agrees to guarantee loans of any sort will naturally insist on certain stipulations to minimise its risk exposure. The British Government is no exception.

Madam Speaker, using the pledged support from the UK Government to guarantee our borrowings, we have engaged with CARTAC and the CDB to determine what levels of additional debt will be prudent to get the job done while not compromising the financial flexibility of future generations; we have come to clear views on this matter that I will discuss in this House very soon.

Madam Speaker, in closing, permit me to reiterate my gratitude for so much. First and foremost I thank almighty God for sparing our lives during the 2017 hurricane season and for continuing to watch over us as we work to rebuild our Territory.

I must also thank the people of this Territory for their patience and support during what has been a difficult period for all. I encourage each and every one of you to continue to forge ahead in your recovery efforts, and to continue to hold this Government accountable to you the people.

Madam Speaker, I wish to also express my gratitude to our international partners who stepped up and assisted us in our time of need. Relationships such as those held between us and the UK Government, the CDB, CARTAC, DFID, PAHO, CEDEMA, UNDP, UNICEF and UNESCO, Unite BVI and Convoy of Hope to name a few, are the reason we are able to look ahead with the hope and promise of a brighter tomorrow.

Madam Speaker, to all the first responders and persons who were on the front line immediately after the 2017 hurricanes ensuring this Territory was returned to some level of normalcy, I also say a heartfelt thank you. In particular to the dedicated staff of the BVI Electricity Corporation who continue to work to ensure power is fully restored to all parts of the Territory.

Locally, if it were not for the hard work and co-operation of many citizens and persons calling BVI their home, we could not have successfully embarked, as we have done, on the road to recovery. I am specifically thinking of our heavy equipment operators, our banks, the Social Security Board, insurance companies and agents, persons in the construction trade, retailers and the numerous volunteers and other persons who assisted, and continue to assist in our recovery. For your commitment and dedication, I thank you.

To the Public Officers who continue to tirelessly support me and my colleagues by ensuring that our mandates are fulfilled, I express my deepest appreciation for the work that you continue to do on behalf of the people of the Virgin Islands.

Finally, Madam Speaker, I would also like to recognise the work of my colleagues here in the House of Assembly. Ours is a difficult task especially in these trying times. And although we may not always see eye to eye, our whole duty in this Honourable House is to protect the interests of the people of this Territory and work tirelessly to ensure that from day to day, from year to year, their lives and that of their children and families are significantly improved. Politics

must not divide us to the extent that we fail the very persons whose interests we are sworn to protect.

Madam Speaker, we still, unfortunately, have families without repaired homes, without means of sustenance, without vibrant businesses. We are still struggling with damaged and destroyed schools, public buildings and public infrastructure. The differences we think we have in this Honourable House, pale in comparison to the needs of the people who sent us here. Let us employ our combined best efforts to work on their behalf. I know your concerns are for the people of this Territory. Let us, together demonstrate this to the people, and let us come together to do what is best for our people and for these beautiful islands we call home.

Thank you Madam Speaker. May God bless you, and may He forever bless the BVI.