



Development Planning Unit

Government of the British Virgin Islands

Legislative Council Budget Address 1997

by the
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Chief Minister and Minister of Finance

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INTRODUCTION

Mr. Speaker, I move that the Bill shortly entitled the Appropriation Act, 1997 be read a second time and in so doing I crave the customary indulgence of this Honourable House in permitting me to read my Budget Address.

2. Honourable Members will recall that it was approximately thirteen (13) months ago that I introduced the 1996 Appropriation Act. At that time the introduction of the Estimates came some ninety-one (91) days after the beginning of the new financial year. Today, I am introducing the 1997 Appropriation Bill some one hundred (100) days after the close of the of the financial year. It would appear that we are very consistent. Unfortunately, however, we have consistently been relatively late in having our annual Budget approved. All are agreed that this is not good. If we resolve to break, in 1997, the cycle of producing a late budget, it logically follows that, given the level of consistency, we can theretofore introduce and approve the Budget for the upcoming fiscal year consistently within the previous financial year. I am confident that with the co-operation and support of all Honourable Members the laudable objective of beginning each financial year with the relevant Budget in place is an attainable goal.

3. Mr. Speaker, one cannot over emphasize the benefits to a developing economy like ours of a timely budget. History will show that when the journey is charted early and the relevant resources identified, a lot less energy and money is expended in arriving at the desired destination.

4. Mr. Speaker, it is my intention today to firstly take a bird's eye view of the global economic and social environment in which we find ourselves; review with you the likely impact or implications which this environment holds for us and how we can attempt to turn some of these problems and/or challenges into opportunities.

5. Secondly, I will report on the domestic economic performance of the British Virgin Islands during fiscal year 1996. In doing so, I will capsulate how certain events have contributed to and/or altered our fortunes.

6. Thirdly, Mr. Speaker, I want to spend some time outlining the main thrusts and their attendant strategies of this Administration to ensure that the Government provides the goods and services necessary for the continued welfare of all the citizens of the Territory.

7. Fourthly, I will present the Recurrent Budget Estimates of Revenue and Expenditure for fiscal year 1997. Similarly, I will present the Capital Budget Estimates of Receipts and Expenditures detailing some of the reasons for the provisions and assumptions embodied in the estimates.

8. In the final section of the Address, Mr. Speaker, I will explore with Honourable Members prospects for 1997 and how this Administration intends to provide leadership in ensuring that the British Virgin Islands avails itself of the best opportunities attainable.

A GLOBAL PERSPECTIVE

Economic data at the end of 1996 has pointed to a reacceleration in growth in the United States and Japan but subdued activity in continental Europe. As a matter of fact, most persons expected the first half of 1996 growth rates in the United States to slow down appreciably in the second half, but once again the experts were confounded. The economy appeared to have sped up in the fourth quarter of 1996, back into the three (3%) percent range. Right now, the trends in much of the economic data is for a forecast of stronger-than expected growth rate of 2.1% in the first half of 1997. The legitimate question with respect to the United States economy therefore remains, will excessive growth in an economy already near full employment, fuel inflation and spur interest rate hikes by the Federal Reserve?

2. Mr. Speaker, economic growth during 1996 in the Organisation for Economic Co-operation and Development (OECD) and in particular those countries making up the European Union Block has remained exceptionally subdued. For example, in the European Union countries all governments have announced tough deficit cutting budgets to meet the Maastricht criteria for the European Economic and Monetary Union. Even with relatively loose monetary policy, with such tight fiscal policy one cannot expect growth in Western Europe in 1997 to exceed the 1.5% - 2.0% range.

3. Similarly, Mr. Speaker, the East Asian 'miracle economies' slowed down in 1996. In almost every country in this group, trade balances have deteriorated and growth forecasts have been shaved by as much as two percentage points. 'Mere is hope, however, for renewed growth in East Asia as they look to fundamental reform in their political, financial, educational and certain other social institutions to offer some impetus. Japan is expected to lead in this resurgence as it states to emerge from four (4) years of stagnation.

4. Mr. Speaker, closer to home here in the Caribbean, our neighbours' way of life and the stability of the small nation states are repeatedly challenged as a result of the sweeping away of world trade preferences. Mr. Speaker, in lamenting the hardship of the stark realities facing the Caribbean, one leader was quoted as saying that the world's smallest and most vulnerable group of nations (the Caribbean), was involved in "a race against time" because of the "very short period in which the changes being forced on us by globalization have to be carried out".

5. The task or the rallying cry for us here in the British Virgin Islands as well as our Caribbean neighbours, is to unleash all our peoples' creative and innovative energies to aid in transforming our economies into lean flexible "hotbeds" for information technology.

6. Mr. Speaker, the task before us is not an my one, but w muster the courage to try. To do otherwise is to accept failure willingly. We must realize and internalize the lessons which globalization of the world's economy teaches, that is, what we do here in the British Virgin Islands is necessarily constrained by what our foreign competition do. We must therefore, engender an internal discipline such that our services and industries are competitive globally.

7. With the prospect among our partners (Europe and the United States) being moderate to good economic growth in 1997, we can realistically, all things are equal, expect similar GDP growth in the British Virgin Islands for the same period. However, given that we operate an open, fragile service economy, we are more than casually interested in what occurs in our key markets of the United States and Europe. We remain cautiously optimistic that in 1997 the BVI economy, which has shown remarkable resilience over the years, will attain GDP growth rates in the range of 2.4% - 2.9%.

DOMESTIC ECONOMIC EVENTS AND PERFORMANCE

Tourism

1. Honourable Members will recall that we began last year (1996) with a significant part of our hotel stock being temporarily unavailable due to for rehabilitation following hurricane damage in 1995. As a result stop-over visitors during the first half of 1996 declined to 122,084 some 15.2% below the arrival numbers during the corresponding period in 1995.
2. Fortunately for us, Mr. Speaker, the loss in stop-over visitors was partly offset by a 19.5% increase in cruise ship visitors which rose to 67,182 during the first half of 1996 as compared to 1995. This substantial increase mainly reflected the diversion of ships from other regular ports of call in the area which had been temporarily closed for repairs as a result of hurricane damage. Of course, the BVI's good fortune was partly attributable to swift and decisive action of our Tourist Board and the Ports Authority in ensuring that not only were our cruise ship facilities open and ready for business, but that the appropriate message got out.
3. Mr. Speaker, the Statistics Division in the Development Planning Unit in my office has not yet publicized the tourism data for the second half of 1996. However, given that by the end of the second quarter of 1996 all damaged tourist plants had been rehabilitated and re-opened for use, and our success in persuading American Eagle to increase its flights into Beef Islands; any grounds lost by way of stopover visitors in the first half of 1996 have been recouped in the second half. Similarly, Mr. Speaker with the sheer number and frequency of cruise ships and mega yachts calling at our ports, one can realistically argue, even in the absence of compiled statistics, that the number of cruise visitors to our shores has been rising and will continue to increase in the medium term.
4. When the statistics for total visitor arrivals to the Territory during 1996 are finally published, I am confident that we will see an overall increase over 1995 levels.

Financial Services

- Mr. Speaker, 1996 was a year of significant development and accomplishment for the Territory's Financial Services Industry. The Mutual Funds Act, 1996 and the Partnership Act 1996 were passed in this Honourable House. Work on a Bill for the Proceeds of Criminal Conduct was completed. This Bill which has had its first reading at the most recent sitting of this House is designed to criminalize all forms of money laundering and is testimony to our commitment to assist in combating the international scourge of money laundering. The Registered Agents Association, and the Financial Services Department have collaborated to establish a revised code of conduct as a means of ensuring that all BVI licensees exercise due care and due diligence with regard to accepting business and that they strictly adhere to the "know your customer principle".
2. Available data suggests that 1996 was the strongest year on record for the industry which directly accounted for approximately fifty-five million dollars (\$55m) or 49.12% of total revenue receipts. The figures reflect the faith which the international business community has reposed in the BVI as a major player in the international financial services arena.
 3. Forty-one thousand six hundred and eighteen (41,618) new International Business Companies (IGCs) were incorporated in 1996, an increase of 27.96% over the thirty-two thousand five hundred and twenty-three (32,523) incorporated in 1995. Thus at the close of 1996 the cumulative total of IBCs registered in the British Virgin Islands exceeded two hundred and ten thousand (210,000). At the close of 1996 the total number of licences granted under the Company Management Act and the Banks and Trust Companies Act had increased to twenty-one (21) company management

licences, seventy (70) general trust licences, eighty-nine (89) restricted trust licences, six (6) general banking licences and six (6) restricted banking licences.

4. Licences granted under the Insurance Act of 1994 as of 31 December, 1996 were sixty-eight (68) credit life companies, fifty-six (56) captives, twenty-five (25) domestic insurance companies and two (2) reinsurance companies.

5. I have little doubt that competition for this type of legitimate cross border business that we seek will become even more intense in the future. This competition requires us not to become complacent or to rest on our laurels but rather to continue to work assiduously and relentlessly to make our Financial Service offerings more internationally competitive. For this to happen the partnerships which have long existed between the Government and the industry and between the British Virgin Islands Government and Her Majesty's Government must be reinvigorated.

6. The ability of the British Virgin Islands to attract mutual funds to be domiciled, administered and managed right here could very well have a profound impact on our continued development as a Financial Centre. Mr. Speaker, I am advised that one of the leading Financial Services publication hailed the British Virgin Islands Mutual Funds Act as one of the most significant developments in the industry during 1996.

7. I have every confidence that the Government and the industry will work together to effectively implement and exploit the opportunities the Act creates. The Mutual Funds Division of the Financial Services Department will be commissioned next month when the newly appointed Registrar of Mutual Funds assumes the post. I am cautiously optimistic that the preconditions exist for another British Virgin Islands' success story.

8. Mr. Speaker, I remain bullish about the future of the Financial Services Industry. This Government is committed to doing-whatever is necessary to improve the Territory's fortunes as a reputable first-rate Financial Services Centre -: the provision -of three million one hundred and fifty thousand three hundred dollars (\$3,150,300) earmarked for the activities of the Financial Services Department is evidence of our commitment to devote the requisite resources to enable the Department to fulfill its remit.

Banking Sub-sector

Commercial banks deposits exhibited continuous growth in 1996. Total deposits-increased by-one hundred and forty-three million dollars (\$143) or 3 2. 1 % to reach five hundred, and. eighty-nine million dollars (\$589) as compared to four hundred and forty-six .million dollars (\$446) recorded in 1995. At the same time loans and advances by commercial banks,, in 1996, grew by twenty-five million dollars (\$25) or 8.9% over the 1995 level of two hundred and eight-two million dollars (\$282). Unfortunately, and, notwithstanding the .notable liquidity within the banking system, there has been an apparent reluctance by banks to extend credit or as it were, take a chance on commercial business lending to small local enterprises.

2. As we are all aware, economic growth and development cannot be accomplished in an environment of tight credit. We urge the commercial banks to review their credit policies within the context of the British Virgin Islands and seek to ease credit restrictions as far as possible for those sectors of the economy which have been traditionally strong and will continue to be strong.

3. Mr. Speaker, following up on my announcement in my last budget address, I have already embarked on a programme of micro enterprise lending to entrepreneurs who are so inclined. I am informed that at least one commercial bank has expressed interest and is willing to actively participate. I urge the other commercial banks to spare no effort in getting on-board as this is one way in ensuring that BVIslanders are afforded the opportunity to assist and share in the development of this Territory.

4. At this juncture, Mr. Speaker, this administration will like to acknowledge publicly the support which the commercial banks operating locally have rendered to Government and the people of the Territory over the years in the partnership for development. At the same time we challenge them to continue to develop and market new and competitive products to meet the ever growing needs of the community, especially the financial services community.

Construction Trades

1. Mr. Speaker, this administration recognizes the importance of a healthy and vibrant construction sector for the continued development of the British Virgin Islands. Construction not only create the physical structures necessary for socio-economic well being, such as roads, ports, schools, businesses, as well as homes, but the level of activities in this sector act as a gauge for economic activities in others.

2. With Financial Services and Tourism being the twin pillars of our economy and the major growth areas, the construction trades have responded by providing additional office spaces and additional hotel rooms to accommodate the expansion, in. overnight visitors and financial services activities. Mr. Speaker, in the British Virgin Islands it is a well known fact that as the construction industry-grows so does the British Virgin .Islands' economy.

3. The data compiled. by the Town and Country Planning Department, in my office tends to suggest that. the number of development applications in 1996 two hundred and seventy-three (273) were down by 18.26% from its 1995 level of three hundred and thirty-four (334). Of the three broad categories of development applications being recorded (Residential, Commercial/Industrial & Institutional), the only category showing a slight increase over 1995 level was residential with. three, (3) more applications in 1996 moving the number of residential development applications to. sixty-six (66).

4. Closely related to development applications are subdivisions applications which were recorded as 145 in 1996; This is a 23% reduction on the number of applications in 1995. However, the 145 applications in. 1996 related to 793 lots, which is far in excess of the number of lots developed in any single year indicating that the supply of land: available for development is increasing. This Mr. Speaker, given the importance of construction to our developmental efforts, can only augur well for us here in the British Virgin Islands. To this. end, this administration remains steadfast in its resolve to continue to provide the environment in which the construction trades can expand and flourish.

Agriculture

1. Mr. Speaker, although agriculture in the Territory only accounts for a small proportion of our GDP, it nonetheless makes a very significant contribution to our-ability to provide sustenance for lip our existence. In a situation in which we have to import just about everything; any attempt to reduce our huge import bill can only augur well for the economy.

2. Notwithstanding the ravages of frequent hurricanes on agricultural sector, production has continued steadily. This has come about with the implementation of appropriate Government policies and the hard work of our farmers and staff of the Department of Agriculture.

3. Mr. Speaker, we are now a full member of the Caribbean Agricultural Research & Development institute (CARDI). They (CARDI) are now in the process of establishing an office in the British Virgin and will be providing technical assistance in production and export of Virgin Islands white sheep to the entire Caribbean. Arrangements are now being made to seek Associate Membership in the Food & Agricultural Organization of the United Nations. The reason for seeking membership

in these regional and international organizations is to transform our traditional agricultural production pattern into a modern commercial system, and to empower our farmers to compete in the markets dominated by large scale producers.

4. Furthermore, with technical assistance from the Caribbean Environmental Group, the Department is now conducting a detailed survey of the British Virgin Islands' soil. The survey will provide the much needed information, on land capability, for the proposed development plan.

CENTRAL GOVERNMENT

1. Mr. Speaker, revised fiscal data for Central Government indicates a recurrent surplus of twenty-nine point five million dollars (\$29.5) showing a 26.4% increase in recurrent revenue collections for 1996 over 1995 levels. Of this recurrent surplus we spent twelve point four million dollars (\$12.4) to fund out Public Sector Investment Programmes (PSIP) in the form of our Capital Budget for 1996. The Treasury's out turns on the year's operations are therefore a provisional surplus of seventeen point one million dollars (\$17.1).

2. On the surface this is indeed a laudable performance. I am, however, very displeased that the Estimates for 1997 (currently before us) contain so many items, or projects for which money was appropriated earlier but were never undertaken and, hence, those funds must be revoted. To give some indication of the magnitude of the problem, one only need to look at the figures for 1996 in which we appropriated nineteen point five million dollars (\$19.5) to fund our Capital programmes for that year. From this amount, less than 59% or eleven point five millions dollars (\$11.5) was actually expended. When the figures are closely examined one will discover that there has been a number of-projects appearing in successive budgets, three and four years running.

3. I can only give a strong warning that the old practice of revoting monies for the same projects for three and four years will not continue. We-must begin to address our problems in-the way we conceptualize, develop, programme and hence, implement projects. The current situation and our inability to implement projects timely and efficiently is intolerable and I need not emphasise the result of such. More money could have been put into the economy and our people and visitors could have benefited from a much improved road system. water distribution systems and general improvement in the maintenance of our public structures.

4. Mr. Speaker, I have been conducting on going discussions with His Excellency, the Governor with respect to the need to ensure that Heads of Departments are no longer appointed and put to manage a department without orientation. I am convinced that before any officer assumes so important a role, he- or she will need to spend some time in key central departments such as the Ministry: of Finance, the Treasury Department and the Personnel Division to get acquainted with the role of a Head of a Government Department.

5. Similarly, Permanent Secretaries must begin to take their responsibilities very seriously. After all they are the ones responsible to see that the departments under the Ministries function as they should. There has been a complete disregard for the submission of annual reports and this unfortunate trend must stop. Permanent Secretaries must ensure that these reports are submitted on time a not four or five years later. By these reports, departments give an annual account to the public through the Legislative Council.

6. Mr. Speaker, aside from those public agencies operating under the umbrella of Central Government there is the wider Public Service incorporating the activities of statutory boards and publicly owned companies. Needless to say, from time to time the operations of these boards/companies need to be examined to ensure that they are accountable to the public. After all, these boards belong to the public and while they are created to operate as private enterprise, they are not meant to be privately owned by the persons entrusted to administer them. Like Government departments they must respond to the needs of the community and provide the

services needed or that they are expected to provide.

The Public Debt

1. Mr. Speaker, as I have said on a previous occasion, any commentary on the public finance would be incomplete without some reference to the Public Debt and the Territory's ability to service it. Given our stage of development, from time to time it has become necessary to borrow funds to finance the much needed physical and social Structural works so integral to the continued prosperity of the Territory.

2. Honourable Members would have observed from the Budget document now before you that our annual debt servicing obligation for 1997 is some four million, seventy-two thousand five hundred dollars (\$4,072,500) down 9.40% from an estimated four million, four hundred and seventy-seven thousand, five hundred dollars (\$4,477,500) in 1996. Total Public Sector Debt of seventy-one million dollars (\$71,000,000) as of 31st December, 1996, with a debt service ratio of just 6.3% is a manageable burden. This taken in context of the Territory's estimated earnings from the export of goods and services, I am confident that our debt servicing capabilities are sustainable.

3. Having said the foregoing, however, I must notify Honourable Members that, perhaps as early as the start of the second half of this year I will need to access financial capital resources to fund a number of necessary projects in our Public Sector Investment Programme such as, the, Beef Island Airport Improvement and Expansion Project, sewerage schemes in various District, new hospital facilities, a modern Post Office, construction of new schools, construction of the Financial Services Complex, Improvement to the Territories highways and so on.

OUR MAIN THRUST AND FOCUS THE POLICY AGENDA FOR 1997

1. Mr. Speaker, to ensure continued growth and perhaps add some impetus to the process we need to further develop and forcefully implement a fiscal consolidation programme. Admittedly, we have gained some efficiency savings in our expenditure programmes by bringing into sharper focus, our procurement policies which are ably supported by computerized accounts. The figures which I outlined to you earlier tend to support these expenditure or efficiency-savings.

2. However, if increases in existing tax rates are to be avoided, we must widen the tax base and strengthen the enforcement and compliance effort. I am convinced, Mr. Speaker that if we were able to collect all the monies legally due and payable to Government, there will be sufficient funds for us to deliver the goods and services, on a sustained basis, necessary for the continued welfare of our people. Hence, no reason to interfere in terms of increasing tax rates. As a matter of fact with such a scenario, I believe we may very well be placed in a position where we could reduce or even abolish some of the tax rates. This can only happen if all concerned, collectors as well as payees, become "good citizens".

3. Mr. Speaker, in order not to thwart economic expansion in the Territory, we who are entrusted with the management of the economy, must ensure an adequate supply of investments capital to continue to fuel the growth.

4. To do this however, we must further rationalize the level and structure of our recurrent expenditure programme so that we can:

- (i) increase the level of public sector savings to finance an expanded Public Sector Investment Programme (PSIP);

- (ii) place greater emphasis on improving social and economic infrastructure;
- (iii) devote additional resources to rehabilitating, modernizing and expanding the physical infrastructure to provide the necessary environment for further Development
- (iv) place more emphasis on investment in people, particularly in health and education; and
- (v) set aside larger amounts to our reserves to act as a cushion in times of adverse economic circumstances.

5. Mr. Speaker, the foregoing is a formidable task, but attainable if we resolve to stay the course on which we have already embarked.

6. Mr. Speaker, over the last five year our recurrent expenditure has increased at an annual average rate of approximately 13.6%. An increase in recurrent outlays is expected in an expanding economy. As we commission more and larger capital projects an appreciable increase in the recurring or operating cost of Government is expected. However, we have to continually demand value for money in our expenditure programmes and expect the desired "bang" for every buck spent.

7. Accounting officers and all other public officers incurring expenses against the public purse are encouraged to practice competitive shopping by exploiting all the benefits of the tendering process. Mr. Speaker, I am only too aware of the vagaries of unproductive public expenditure. Entrenched instances of avoidable, and unproductive spending have for ages plagued Third World countries and will threaten to stymie the remarkable progress that we have made over the years, unless we take resolute action to obliterate any and all such signs. Examples of unproductive expenditure often run the gamut from poorly trained and over staffed Civil Services to inefficient public enterprises, excessively generous and/or untargeted social programmes, low quality, investment projects, inadequate budgetary institutions and processes, and corruption. Needless to say, Mr. Speaker, in the British Virgin Islands we can ill afford to squander our scarce resources in unproductive areas. If we have not yet developed zero tolerance for such behaviour I assure you that we are well on our way to doing so.

8. To ensure that we steer a course far away from the numerous pitfalls of unproductive spending, in this Budget I propose to continue the aggressive programme of training and retraining the Civil Service. To this end, I count on His Excellency, the Governor in assisting us in creating a Civil Service of which we can be justly proud. The British Virgin Islands deserves a Public Service that is keenly analytical decisive and anxious to facilitate and assist in guiding our development.

9. Coupled with these efforts is an initiative to assist the Ministry of Finance in building the capacity to utilize a programmed approach to budgeting. It is expected that with a concerted effort to clearly define or even redefine the roles and missions of central government agencies, while at the same time capsulating most of government's activities into purposeful programmes, much benefit can accrue. We are convinced that under the old line item approach to budgeting there is pervasive duplicity, untargeted and ineffective programme spending.

10. Similarly, I have commenced the process of strengthening the Internal Audit Unit within the Ministry of Finance. An empowered Internal Audit Unit will ensure compliance with financial dictates and procedures through continuous monitoring of the Government's accounting practices. This in and of itself should go a long way in ensuring value for money spending.

11. Mr. Speaker, leakages to public expenditure such as those associated with corruption and nepotism are as costly and unproductive as under allocation of spending for primary health care and education. In this year's budget proposal we are careful to focus our attention on Government's fiscal discipline, human resource development and the expansion of the "social safety net" to offer assistance to the most vulnerable of our citizens the young and the aged.

12. On the issue of fiscal discipline or tight control over programme spending, research by organizations such as the International Monetary Fund (IMF) has shown that fiscal restraint arising from expenditure savings is more successful in achieving growth and a permanent improvement in the fiscal situation than that arising from revenue increases.

13. Mr. Speaker, this budget proposal, like that of 1996, proposes allocating resources to high priority initiatives within an environment where everyone and all programmes are demanding more. We must, however, reallocate resources to invest in the British Virgin Islands' future. As part of the Government's growth and development strategy, this budget announces actions that will increase the ability of BVI Islanders to seize opportunities arising from changes in both the domestic and global economics. These include initiatives to enhance education and employment opportunities of the young, foster fiscal prudence and realize BVI's trade potential.

14. Mr. Speaker, ever since 1992 the BVI Government under its Civil Service training programme, has spent on an annual basis upwards of half a million dollars (\$0.5m) on direct scholarships or grants tenable at overseas institutions, the sum when added to the monies for the Scholarships Abroad programme being administered by the Ministry of Education and Culture culminates in an annual average outlay in excess of one point five million dollars (1.5m). These monies supplement and are in addition to funding under various other training programmes, say for nurses, police, teachers and other civil servants utilizing the Overseas Travel votes to pay for short term courses and seminars.

15. Mr. Speaker, the foregoing commentary was intended to draw attention to government's demonstrated commitment to training and educational development, in general. The budget proposal before Honourable Members is replete with provisions for educational enhancement throughout the Territory.

16. In dealing with the issues of human resource development, Government will continue to allocate funds for the continued training of the Civil Service at all levels and I stress all levels. With the increase in technology and with the speed with which change comes about, our professionals and administrators need to be able to cope and cope effectively. Those Civil Servants at the lower level need also to be aware of what is happening around them and to cope with the needs of a community that is very close to the most modern, technological and scientific country in the world - United States of America.

RECURRENT BUDGET ESTIMATES OF REVENUE AND EXPENDITURE

1. Mr. Speaker, Honourable Members will note, that the 1997 Budget Estimates envisage total revenue collection of one hundred and thirteen million, seven hundred and four thousand four hundred dollars (\$113,704,400). Of this, an estimated ninety-eight million, forty-one thousand dollars (\$98,041,000) is slated to fund the Recurrent Budget. It is being proposed to contribute thirteen million, three hundred and sixty-eight thousand, three hundred and seventy three dollars (\$13,368,373), and one million dollars (\$1,000,000) towards funding our capital programme (Capital Fund) and Emergency/Disaster Fund, respectively.

2. You will recall that in my 1996 Budget address, I pledged to recommence building government's surplus balances commonly referred to as the Reserves. The budget proposal today is in keeping with that promise to ensure that we provide some cushion for the local economy in the event of adverse economic shocks. I am, therefore, proposing to contribute from our estimated surplus one million, two hundred and ninety-four thousand, two hundred and twenty-seven dollars (\$1,294,227) to the Reserves, currently estimated at an un-audited level of forty-six point one million dollars (46.1m).

3. Mr. Speaker, at this juncture I do not propose to go through the Recurrent Estimates head by head, since I know that the respective subject Ministers along with other Honourable Members will

do a thorough job at the appropriate stage in these proceedings. What I will do, however, is highlight a few areas that I consider of significance in this year's Recurrent budget proposal.

4. You will find, Mr. Speaker, that a sizeable sum has been allocated to education and I am sure that all Honourable Members will welcome this. We cannot escape the fact that we operate a service oriented economy, and this is going to call for heavy investment in human resource development. Some of the revenues raised from tourism and financial services sectors will have to be ploughed into the education sector in order to help to better prepare our people. A new look will have to be taken at the education system especially in the field of curriculum development to ensure that what is being taught in school is relevant and really necessary. After all, we are near the end of a millennium and we must now make sure that we are, fully prepared and equipped for the, beginning of the next in this connection, the Community College will have a large part to play and we must be prepared to make the sacrifice to give the college the full support so that our history will not record, or we would not be judged by future generations as being worse than our colonial predecessors.

5. Mr. Speaker, of the ninety-eight (98) new positions or posts, both Established and Non-Established, being proposed in this year's Estimates, twelve (12) are slated to work in the area of health services. The Budget proposal contains provisions for approximately one hundred, and sixty-nine (169) health professionals and another one hundred and sixty-four (164) administrative and support staff. Included in this group of Public Officers are twenty (20) Medical Officers (Doctors), one hundred and two (102) Nurses and forty-seven (47) Medical Technicians of varying descriptions.

6. Needless to say, Mr. Speaker, given that the Territory's population is estimated at eighteen thousand, eight-hundred and sixty-seven (18,867) persons the aforementioned numbers are impressive indeed. I am not for one second, however, lulled into a sense of false security that numbers in of themselves are a panacea for all ills. The numbers, among other things, are tangible evidence of Government's willingness to provide the necessary resources to ensure access to, or the delivery of adequate health services. What is needed now, is for those groups of persons and individuals tasked with advising on, designing and delivering health-services to our people, to get on with the job. We can ill afford to allow ourselves to be drowned in a sea of indecisiveness, while at the same time an entire country perishes in the midst of economic prosperity because we could not deliver, health services in an efficient. and cost effective manner.

7. Mr. Speaker, it would not have escaped the watchful eyes of Honourable Members that the Estimates are replete with provisions for the refurbishment and improvement of health facilities established earlier, and commissioning of new facilities to be opened in various Districts. We are concerned with the plight of persons, especially the elderly, having to trek from their homes in the countryside and the smaller sister islands to the major facility in Road Town, Tortola.

8. Similarly, Mr. Speaker, there is an initial provision for the inauguration of a Domestic Home Care programme to offer basic home care for the infirmed elderly and those persons who are "shut in" and experiencing difficulties in accessing help. Likewise, there is a token provision under the Ministry of Health and Welfare targeted to provide financial assistance to widows, widowers and others in circumstances.

9. There is no doubt that there is a need for a well planned hospital in the Territory to meet the needs of an ever expanding society. Such a facility as this cannot be taken lightly and discussions have already started with an architect specializing in hospitals to assist with such a project. We must be prepared to the bold step to use the services of a specialist in such a field if we would like to produce an asset of which we would be justly proud.

10. Mr. Speaker, also included in this Budget proposal are provisions for the operating cost of a Children's Home programme. These specific provisions are intended to provide an institutionalized home-like environment for those of our children who for whatever reasons have to be taken from their original home environment which may be less than conducive to the up-

bringing of a productive citizen.

11. Mr. Speaker, once again in keeping with our commitment of ensuring a "safety net" for the most vulnerable in our society, this Administration late last year and earlier this year has attempted to restore some of the purchasing power (eroded by inflation) of former public officers on fixed income. As you will recall, pensioners were paid increased pensions, with those retiring earlier benefiting from higher percentage increases. Albeit, these payments were made than we originally anticipated, but with all the attendant retroactivity dating back to first April, 1995. Persons in receipt of ex-gratia transfer payments were also granted their increases.

12. On the continuing matter of trying to alleviate some of the economic hardship of our pensioners, I have been persuaded to await the outcome of an actuarial review to advise the Ministry of Finance and the Deputy Governor's Office on the current and projected cost of a proposed funded pension scheme. Mr. Speaker, as soon as I am in receipt of that actuarial report and have had a chance to review the findings, I will report to this Honourable House as to what changes, if any, are deemed necessary to our pension scheme.

CAPITAL BUDGET ESTIMATES OF REVENUE AND EXPENDITURE

1. Mr. Speaker, the draft Capital Budget of \$27,675,856 contains the minimum provision necessary to fund our Public Sector investment programme (PSIP) for 1997. Our PSIP for 1997 is funded by way of:

- (i) previous appropriations that were brought forward to the tune of 8,050,962 dollars;
- (ii) development Aid and grant funds of 2,469,749 dollars;
- (iii) domestic and external loan funds of 3,786,772 dollars; and
- (iv) contributions from the Recurrent Budget of 13,368,373 dollars.

2. Mr. Speaker, as is the case with any Budget, tough choices and difficult decisions are the order of the day. Since there is always greater demand than available resources may valuable programmes and project had to be phased or deferred. You will not have failed to see the sizeable allocation for the construction of a new bridge between Tortola and Beef Island; and smaller allocations as follows:

- (i) Road Improvement and Maintenance Programme - Dual carriage way from Port Purcell Roundabout to Wickham's Cay Roundabout;
- (ii) Territorial Highways - Improvement to major and primary roads throughout the Territory. For example, widening the Jean Hill Road and re-alignment of Brewers Bay/Mount Healthy, Cane Garden Bay and Meyers, etc;
- (iii) Beef Island Air terminal expansion; and
- (iv) Road Improvements on Virgin Gorda, Anegada and Jost Van Dyke.

PROSPECTS FOR 1997

Mr. Speaker, the liberalization, globalization and technological innovations taking place in every corner of the hemisphere have profoundly changed the way business is transacted. In deciding where to channel their resources, investors make their decisions on the quality and sustainability of economic policies of the host countries, including the perceived level of stability in the political

systems, labour market policies and other structural reforms.

2. In the BVI, if we are to attract increasing levels of investment capital both domestic and foreign, the task before us, therefore, is to continue to lay the foundation for an improved economic environment, consistent with our growth objectives. Mr. Speaker, my Administration through the Ministry of Finance is currently exploring the possibility of an inaugural bond issue - the proceeds of which are to assist in financing much needed physical and social infrastructural projects.

3. I am persuaded that, if as a result of the prudent management of our affairs over the years, we were able to attract a solid investment grade rating as a sovereign entity from one or more of the internationally recognized rating agencies, we could appreciably lower our cost of raising investment .capital internationally, regionally and. locally. Furthermore, I have always craved the day when BVIslanders from all walks of life could actively participate in the Development of their country through a broadened based of investment opportunities.

4. Of course, Mr. Speaker, to make any, or all of the above investment opportunities available requires a deepening and widening of the domestic capital market; increasing the range of available financial instruments; and the establishment of strong economic and financial fundamentals. Mr. Speaker, as we continue to explore the possibilities of raising additional financial resources more cost effectively and providing a wider range of investment opportunities for our citizens, I pledge to keep all Honourable Members duly informed. I am only too aware that no matter how laudable the initiative, it can only amount to nought without the support of Honourable Members.

5. Mr. Speaker, it has become crystal clear, that in spite of all the good intentions of Government, the state cannot for much longer continue to assume an increasing Proportion of the national education bill. For this reason, I am currently considering a proposal for an income tax credit for persons who can tangibly demonstrate that they have set aside up to a predetermined amount of savings for educational purposes. Based on representation from the Fiscal Advisory Committee, I am considering extending similar tax credit privileges for retirement purposes. Of course, any individual withdrawing monies form these special savings accounts for any, purpose other than educational and retirement, such withdrawals will attract a tax penalty.

6. Mr. Speaker, I intend to introduce, in this Honourable House, the necessary amending legislation to the Income Tax Act during the course of this year. I am confident that when that time comes, the Bill will have the full support of all Honourable Members.

7. Once again, I am persuaded that by such an approach as detailed earlier, we will not only encourage private savings but we will also be establishing a new pool of domestic investment funds.

8. Similarly, and again given the direct economic relationship between savings and investment, representations have been made to me by the business community, that my Administration should perhaps consider similar treatment for business/corporate savings as is meted out to private individual savings accounts. Of course, such proposals are seldom as simple as they first appear. Invariably, they are very complex and deserve detailed study to ensure that when and if effected, they will bring about the desired results at nothing more than the optimal cost. In this regard, I pledge to give the matter due consideration, and if the proposed change is deemed desirable to ensure the country's continued development, I will petition the support of Honourable Members in legislating the change.

ACKNOWLEDGEMENT

1. At the juncture, Mr. Speaker, I will like to acknowledge the contribution of all our partners in this continuing struggle for development. Donor agencies such as the United Kingdom (LW,)

Caribbean Development Bank (CDB), European Investment Bank (EEB), European Economic Community (EEC), United Nations Development Pro (LTNDP), Commonwealth Fund for Technical Co-operation (CFTC), Canadian International Development Agency (CIDA), and United Nations Educational Scientific and Cultural Organization (UNESCO) have all contributed to our development efforts thus far, and we will be relying on these agencies for their continued support.

2. Mr. Speaker, I would like to record my thanks to the many persons who cooperated in helping to produce the Estimates including the Deputy Governor, the Permanent Secretaries, Departments and their staff. Without their cooperation it would not have been possible to present these Estimates today, and I will be seeking and depending on greater cooperation as the Ministry of Finance pushes to complete the 1998 Estimates much earlier.

3 . The Financial Secretary, Mr. Glenroy Forbes, and the staff of he Ministry of Finance have worked extremely hard and new concepts and systems have been introduced including an internal auditing system, stressing the importance of obtaining value for money, impressing on Accounting Officers, financial accountability and enforcing the financial rules and regulations of the Territory.

4. Mr. Speaker, the British Virgin Islands as a Territory has made remarkable progress over the years. In recent times when much larger economies have faltered and contracted, ours has been able to stay the course of sustained development. We owe our achievements to the cumulative efforts of past and present Governments and Oppositions, public and private officers, the public and private sectors, the banks and other financial institutions, BVI Islanders at home and abroad, residents - belongers and non-belongers.

5. Mr. Speaker, as I present the 1997 Budget Estimates, I am cognizant of the predictions for modest to low economic growth of the Organisation for Economic Corporation and Development (OECD) countries and, in particular, the United States of America with whom our fortunes are intricately entwined. We realize that the prospects for our economy attaining recent economic growth rates are as much tied to the North American and European economic fortunes as it is to our implementing sound and appropriate macro-economic policies.

6. Mr. Speaker, it is with great pleasure that I present the Government's Budget for 1997. I commend its provisions and policies which underlie them for the consideration and approval of Honourable Members.

Hon. R. T. O'Neal
Minister of Finance

Glenroy A. Forbes
Financial Secretary

L. Allen Wheatley
Deputy Financial Secretary

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