

The British Virgin Islands

LEGISLATIVE COUNCIL

BUDGET ADDRESS 1998

By the  
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Chief Minister and Minister of Finance

Delivered on 5 December, 1997

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## **1998 BUDGET ADDRESS**

### **INTRODUCTION**

Mr. Speaker, I move that the Appropriation Bill, 1998 be read a second time, and, in so doing, I seek your customary indulgence, Sir, in permitting me to read my Budget Address.

2. Honourable Members will recall that it was approximately eight (8) months ago (10th April, 1997) that I introduced the 1997 Budget three (3) months plus after the close of the previous financial year. On that occasion I pledged to reverse the trend of introducing the Budget late.

3. Today I can proudly report that the Territory's draft Budget for 1998 was in the hands of Members on 1st December, 1997. Given the co-operation of the Council, I have no doubt that

we can complete the processes required for the approval of the 1998 Appropriation Bill before the start of the new financial year; and, indeed, before the House rises for the Christmas holiday period. This would be another small, but significant, piece of evidence, attesting to the business like approach adopted by this administration in getting on with the peoples' work.

4. In introducing the 1997 Budget earlier this year, I attempted to set the scene in which the Country found itself as the 1997 Estimates were being prepared. I propose a similar approach on this occasion, and to consider the issues of fiscal and economic importance which have affected us since I presented the 1997 Budget to the House.

### **A GLOBAL PERSPECTIVE**

Mr. Speaker, we live in an increasingly competitive world with tremendous pressures being exerted on our institutions and systems. These pressures emanate from internal as well as external forces. More and more organizations of varying complexities are finding it necessary to adapt embrace and be responsive to rapidly changing circumstances, if only to ensure their very existence. The situation in the BVI is no different. As a matter of fact, given our small size, fragile open economy and the attendant vulnerabilities, the problem of coping with and managing change is even more acute. This Administration's major thrust, therefore, is to ensure that the British Virgin Islands is equipped to rise to the challenges of the new and fast-changing global economy.

2. We approach the threshold of the new millennium amidst a sea of global uncertainty.
- The Asian crisis and its implications for the recent "miracle economies" of the Pacific Rim
  - The fear of a possible economic melt down in the ASEAN Countries, and the extent to which this may reverberate throughout the world's economy.
  - The future of the European Union and whether some austerity measures introduced on the national level to meet the time table for Economic Monetary Union (EMU) will not prejudice the opportunity to boost greater economic competitiveness of the Union.

3. Within the region we agonize over the disappearance of external financial assistance to the Caribbean as traditional aid is directed towards Eastern Europe and the former Soviet Block countries. This all coincides with the end of the Cold War and the drop in strategic importance of the region. The uncertainty with respect to the final ruling in the European Courts concerning quotas and access to Europe of the EU Member States' Overseas Countries and Territories'

(OCT) products such as rice; and the World Trade Organization's ruling against preferential access of Caribbean bananas to European markets, all combine to exacerbate an already tense situation in the Caribbean.

## **TAKING STOCK – FOCUSING ON WHAT IS IMPORTANT**

Mr. Speaker, there is no doubt that uncertainty abounds across the globe. However, in the midst of this uncertainty we must forever aspire to economic and political stability. These should be held out as the vanguard for our continued prosperity.

2. Our land is singularly blessed in many respects; and we have much to be thankful for. In 1997, we have escaped the too familiar ravages of hurricanes and have been spared the turmoil of any natural or man-made disasters. We have been able to pay our bills; and ever since 1987 we have been able to realize a surplus on our recurrent operations. There is a responsible, democratically elected Government. Our visitors and residents alike can live and work in peace and harmony in a relatively crime free environment.

3. Mr. Speaker, if we are to maintain and even improve on the standard of living and the degree of tranquility to which we have all grown accustomed, there are a number of things we must continue to do and insist on their continuation. Firstly, we must be prepared to fight to maintain the institution of democracy. We must look for ways to advance our constitutional status and make adequate plans in preparation for steps towards self-sufficiency and self-determination. Secondly, we must intensify our focus in our continuing efforts to diversify the economy of the British Virgin Islands. This should be and is this Administration's primary objective in the near term. We should encourage greater involvement in vegetable and fruit crop farming, fishing, small stock and poultry rearing. Greater self-sufficiency in basic food stuff should remain a high priority for this and any future administration. We should continue to foster stronger economic linkages between the twin pillars of our economy - Financial Services and Tourism. Our educational institutions and their curricula should be sharply focused towards preparing the minds and honing the skills of our people to play their rightful roles in promoting these industries. We should be prepared to allocate resources to encourage and nurture micro enterprises and small entrepreneurs to share in and ensure the continuation of our economic success thus far.

4. Thirdly, we must protect our natural resources; the very attributes on which our way of life depends. Our water-ways, beaches, coastlines, our seabeds and lands with their fauna and flora must be guarded jealously so that they will remain to benefit generations of BVI islanders yet unborn.

5. Fourthly, if we are to continue along the path of economic prosperity and political stability we must be prepared to take the bold initiative to critically review our institutions and systems to ensure their appropriateness and functionality. We must bring ourselves to the realization that the dynamics of time has rendered some of our institutions and systems obsolete and inimical to

progress. The fact of the matter is, if we are to continue on the road of progress we will need to revamp, abandon, retool, reconstruct, dissolve, disband, reengineer or whatever is deemed appropriate in the specific circumstance; but all our institutions and systems will need to be conducive to progress and consistent with our development objectives.

6. Fifthly, for any of the foregoing to happen we must have the involvement of the people - all the people. We must continue to search for the right mix of British Virgin Islanders and foreign residents with-in the context of the optimal mix of foreign and local investment. Our labour and immigration policies must be informed by our development objectives which in turn should reflect the aspirations of the people.

7. Mr. Speaker, over the last several months, to better enable us to respond to the needs of the people, my colleagues and I have spoken with and listened to BVI Islanders at home and abroad, at their work places, in their homes and on the streets. We have spoken with and listened to belongers, residents, and non-belongers from all walks of life and in all segments of this country - the construction workers, shopkeepers, hoteliers, housewives, senior citizens, young people, bankers, lawyers, taxi drivers, Civil Servants etc. I believe that as a result of those discussions, there exists today a better shared understanding of both aspirations and objectives and of the limits and constraints we now face.

8. We have been told by the people that:

- our sewerage treatment and disposal systems threaten the environment; and there is a need to improve and expand these;
- our health services and our airport facilities need to be extended and upgraded;
- greater resources should be allocated to education in general and improving school facilities and curriculum development specifically;
- our existing highways, bridges and drainage systems are in need of massive capital injections;
- our sea walls, protective barriers for our mountain roads and general road signage could do well with some increased attention;
- our existing recreational facilities are inadequate to provide for the health, physical and mental development of our children and leisure activities for our young people;
- additional scholarships need to be provided to enable BVI Islanders to pursue their educational careers at home and abroad in preparation for their contribution to the country's development;

- there is a need to increase the number of programmes and courses being offered at the Community College to ensure educational advancement for more mature persons already in the work force;
- British Virgin Islanders must be seen to be participating fully in the development of the Territory and afforded the opportunity to reap the benefits of such participation;
- the courts must be well equipped with qualified manpower, as well as other resources to ensure that they retain the capacity to effectively perform their role as one of our indispensable democratic institutions;
- they are anxious to form an alliance with a professionally run and trustworthy Police Force to ensure law and order in these islands;
- a greater number of British Virgin Islanders want to be involved in charting the direction of the Territory by becoming active on the various statutory boards and committees in the Territory
- additional expenditure needs to be targeted towards opening up new roads for agricultural and residential purposes;
- we need increased surveillance and enforcement of existing regulations governing the monitoring of our beaches, fishing zones and coastal development;
- farmers need Government's assistance in being guaranteed an adequate and reliable supply of water for their animals and cultivation;

9. Through our development programmes, significant improvements have been made in the physical, social and human infrastructure of the BVI over the last ten (10) years. Yet in spite of marked improvements, using the ambitious targets that we have set for ourselves, there are obvious deficiencies and shortages of social provisions in all our islands; in our educational system; in our roads; in our water and sewerage services and in our health services. At the cultural level, while it may be true that greater use could be made of existing facilities, there is need for new ones and the reinvigoration of different avenues for cultural expression. We must seek to find ways of integrating our tourists' experiences with our cultural expressions.

10. The Government has its responsibilities and we are prepared to meet them. But so too, each individual in the Community, each section and sector of the Community, and each island within the Territory also has its responsibilities. As a people we are few in number and this underscores the need for us to work together for the things that unite us. We can ill afford at this time to dissipate our energies on non-productive or counter-productive activities. All of us have our contributions to make and our benefits to enjoy. In this regard, trying to reap short term gains and advantages at the expense of others is neither productive nor conducive to national development. What is needed and necessary in our struggle for sustainable

development is for one to try and utilize one's talents and abilities, not only for self improvement, but also for the improvement of the country as a whole.

## **DOMESTIC ECONOMIC PERFORMANCE - 1997**

Mr. Speaker, bearing in mind the influence which the performance of the international economy has on our domestic fortunes, I am pleased to report that while other economies, supposedly superior to ours, faltered and declined, ours was able to expand and improve. All indicators tend to suggest that in 1997 the BVI economy would have grown by 4.5%; 0.5% better than that which I predicted earlier in the year. This is no small accomplishment, given that the international economy continues to go through a difficult phase of adjustment, and the recent volatile fluctuations on the international capital and stock markets have not been comforting.

2. Once again the local economy's performance was based on the activities of a rebounding tourist trade, a better than expected performance by the financial services sector; a strengthening of the construction trades and increased government spending.

## **TOURISM**

Tourism continues to be a significant cog in the wheel of our economic machine. It is incumbent on the newly appointed Board of Directors to consolidate and build on the accomplishments of past boards; modify where necessary, but be guided by the vision contained in our Tourism Development Plan; and advise on a charted course for entrance into the 21st Century, capitalizing on the presently high consumer demand for the BVI travel product.

2. In 1997 we have witnessed the continued resurgence of the tourist trade. The Tourist Board's strategy of leading the destination's marketing in a distinguished and high-profiled manner; expanding its core image marketing while also developing programmes/partnerships to enhance key tourism sectors such as the locally owned "Intimate Inns and Villas and Water-sports", is bearing fruits.

3. Tourism Statistics compiled by the Development Planning Unit, in my office, show that stop over visitor figures for the first quarter of 1997 reached seventy-nine thousand, nine hundred and thirty-one (79,931); a 25.3% increase over the 1996 first quarter figures. This increase can be attributed to the increase in hotel stock which was unavailable in 1996 because of hurricane damage in 1995 and the promotional efforts of the Tourist Board. Preliminary estimates for 1997 show an increase of 10% over the 1996 figures.

4. Continuing with the trend of the past two years, cruise ship tourism continued its miraculous increase. Cruise ship visitors for the first quarter increased 63.4% over the same period one year earlier as diverted ships made the BVI a regular port of call. Significant promotions by the Tourist Board and private firms also attracted a number of new ships.

## **FINANCIAL SERVICES**

Mr. Speaker, I am pleased to report that as a result of the collaborative efforts of the local financial community and the Government, the Territory's financial services industry continues to grow and to make sterling contributions to the growth and development of the islands. Preliminary indications are that the 1997 performance of the Financial Services subsector will be even more robust than in 1996. The industry is expected to contribute approximately sixty-three million dollars (\$63,000,000.00) or 51.8% of Government's total revenue receipts in 1997.

2. Some forty-seven thousand, three hundred (47,300) new IBCs have already been incorporated during 1997 - thus enabling the total number of IBCs on the BVI Register to surpass the two hundred and fifty thousand (250,000) milestone. However, Mr. Speaker, the BVI Financial Services Sector is not only comprised of IBCs; there are presently twenty-one (21) Domestic Insurance Companies; one hundred and twenty-nine (129) Captive Insurance and Credit Life Insurance Companies; ten (10) Insurance Management Companies, twelve (12) authorized Banking Institutions and sixty-two (62) authorized Registered Agents licensed to transact business from within the BVI.

3. Mr. Speaker, recent evidence suggests that the local industry is reaching maturity and will continue to be forward thinking and progressive thereby enhancing the international competitiveness of the BVI as an international financial centre. The evidence further suggests that our attempts at:

- (a) diversifying the local industry by providing additional product offerings, that is, mutual funds, limited partnerships, etc. that compliment our international Business Companies (IBCS) activities; and
- (b) marketing the jurisdiction as a situs for legitimate cross border international business are reaping benefits.

Both the Government and the local practitioners are aware that we cannot rest on our laurels. In the face of fierce and increased competition, for the very type of business we are keen to attract to BVI we are resolved to work even harder to preserve, protect and enhance the attractiveness of our financial services offerings to the global financial community.

4. Mr. Speaker, I have always maintained that there can be no sustained future for any offshore jurisdiction which is not effectively regulated. This Administration is therefore committed to providing the Financial Services Department with the resources to enable it to safeguard and protect our reputation as an innovative and progressive international business centre. The provision of three million, seven hundred and seventy-two thousand, three hundred dollars (\$3,772,300.00) earmarked for recurrent operation of the Financial Services Department in 1998 is evidence of our commitment in this regard.

5. We further believe Mr. Speaker, that regulation and supervision must be reasonably expeditious, transparent, evenhanded and implemented with a light hand but unrelenting vigilance to safeguard our reputation and this all important industry. Already the Banking Inspectorate has initiated on site inspection visits to ensure that licensees are conducting their business with the expected due care and due diligence. There will be zero tolerance for illegal or nefarious use of the BVI financial entities. The Financial Services Department will continue to place emphasis on quality business and the reputation of financial institutions as opposed to sheer numbers. The objective has always been to ensure that only fit and proper institutions owned, managed and effectively controlled by fit and proper individuals are authorized to provide services to the global community from the BVI.

6. We believe Mr. Speaker, that it is this cautiously pragmatic approach to developing our financial services industry that has enabled the BVI to gain universal recognition as the right place for the right business for the right reasons.

### **BANKING SUBSECTOR**

Available banking statistics tend to suggest that the banking sector had been very active in 1997. Loans and advances grew by twelve million, five hundred and eighty-three thousand dollars (\$12,583,000.00) in the first quarter of 1997 reaching three hundred and forty-three million, four hundred and eleven thousand dollars ( \$343,41 1,000.00). This represented increases of 3.8% and 8.61/o, respectively over total deposits at the end of 1996 and the end of the first quarter 1996 respectively. This figure, three hundred and forty three million, four hundred and eleven thousand dollars (\$343,41 1,00.00) represents 50% of the total increase in loans and advances in 1996. This is significant for it was accomplished in just one quarter. It must be noted that the liquidity in the banking system continues to be high.

2. Estimates from 1997 indicate increases of 101/o and 5% respectively in total deposits; loans and advances. This is indeed a welcome sign, that is, credit by banks are less restrictive than last year.

3 . As I have said earlier this year if our development is to be fueled, the banks must be in partnership with us. Commerce, industry and development will only occur in an environment in which credit is accessible and the rules governing such accessibility are clear, impartial and give due weight to economic fundamentals.

### **CENTRAL-GOVERNMENT**

With respect to the fiscal situation it is estimated that on the last day of business in 1997 Govenument would have collected one hundred and twenty-one million, five hundred thousand dollars (\$121,500,000.00) in revenue and expended one hundred and fifteen

million, four hundred and ninety-seven thousand dollars (\$115,497,000.00); for a provisional surplus on its operations of six million, three thousand dollars (\$6,003,000.00).

2. From all accounts, and given the constraints under which we operate, this is a commendable fiscal performance. I remain concerned, however, over the responsiveness and speed with which the Administration transacts its business with the private sector. My understanding of the new purchasing and accounting system is that once a purchase order is raised for a particular transaction, the goods or services received or invoiced, it is then incumbent on the requisitioning government agency to, as it were, instantaneously prepare the voucher and transmit/despatch it to the Treasury for payment. In my view this seems simple and almost rudimentary. But for some reason it does not appear to work smoothly. There seems to be endless delays, leading to the frustration of our vendors especially those residing on the sister islands who are forced to make several appearances at the Treasury only to be disappointed. Mr. Speaker, I resolve to get to the bottom of this matter. I assure Honourable Members that very early in the new year I will take whatever steps are necessary to eliminate this non-business like practice.

3. We are all aware that no matter how well thought-out how sound, how well intended any policy or programme may be, unless the persons employed to implement these do justice to the policies or programmes, failure is inevitable. In this regard, I take this opportunity to thank all those members in the Public Service who have contributed in helping this Administration deliver the goods and services to the people. We have depended on you in the past and will continue to depend on your commitment and dedication in the future. If we are to progress the business of this country and improve the welfare of all residents, we need the full support of everyone.

## **The Public Debt**

At the end of 1997, total outstanding public debt excluding contingent liabilities, will stand at sixty-three million, four hundred and ninety-six thousand, and thirty-five dollars (\$63,496,035.00). While Central Government's disbursed and outstanding debt to revenue ratio in 1997 stands at 52.3%; our total public sector debt, including contingent liabilities ratio to Gross Domestic Product is as low as 18%.

2. I must at this juncture, inform Honourable Members that the international financial community consistently holds up the BVI as a model to be emulated by other developing countries. We continue to receive commendations on our stewardship. Several financial houses have expressed interest in assisting by providing financing to bridge the finance gap of our Public Sector Investment Programme (PSIP).

3. Mr. Speaker, it is obvious that given the size and extent of our capital programme we will not be able to finance it in its entirety from our local resources; but would need to borrow to ensure the implementation of the proceedings, I propose to introduce a measure seeking Honourable Members approval to afford us the wherewithal to continue our development effort.

4. Be assured, however, that this administration takes its responsibilities seriously and no borrowing will be undertaken unless unbiased analysis has judged the projects to be worthy and as far as possible, self liquidating.

## **RECURRENT BUDGET ESTIMATES OF REVENUE & EXPENDITURE**

At this juncture Mr. Speaker, I turn my attention to the Budget Estimates before the House. Tough choices and difficult decisions are part and parcel of every Budget; as very often it is not possible, with limited resources, to finance all the desirable programmes. In these circumstances, priorities must be established and several worthy projects must be invariably deferred until the requisite financing is available.

2. The Budget Estimates for fiscal year 1998 project central Government revenues of one hundred and twenty-seven million, three hundred and thirteen thousand, dollars (\$127,313,000.00). Of this sum one hundred and eight million, three hundred and fifty-eight thousand, one hundred dollars (\$108,358,100.00) is estimated to cover current account expenditure which is three million, nine hundred and seventy-two, five hundred and eighty-three dollars (\$3,972,583.00) or 3.7% more than the revised current account expenditure figure for 1997. With an estimated surplus on this year's recurrent operations of some eighteen million, nine hundred and fifty-four thousand, nine hundred dollars (18,954,900) I am proposing to contribute seventeen million, four hundred and thirty-four thousand, five hundred and thirty-four dollars (\$17,434,534.00) to partially fund our local Capital Budget for 1998 and five hundred thousand dollars (\$500,000.00) to the Emergency/Disaster Relief Fund.

3. Mr. Speaker, over the years, at least since 1986 we have had successive "unplanned" surpluses on the respective years' operations (up to 1994 are audited). We, therefore, have been building up our Surplus Balances, commonly referred to as the "Reserves". Today, in this Particular Budget proposal I am estimating a planned contribution of one million, twenty thousand, three hundred and sixty-six dollars (\$1,020,366.00) -the estimated surplus on 1998 operations, to our Reserves in the event of the proverbial rainy day. The estimated Reserves stand at an unaudited amount of thirty-six million, forty-eight thousand dollars (\$36,048,000.00).

4. On this occasion I have no intention of going through the Expenditure Heads in the Budget document head by head. Suffice it to say, however, it may be appropriate to focus your attention on certain key issues.

5. Mr. Speaker, for the first time the Territorial Budget will feel the full brunt of an entire year's operating costs of a number of recently completed capital projects.

6. The Administration Building, Virgin Gorda, Police Barracks and the Prison at Balsam Ghut completed earlier this year, are expected to place the greatest new demands on our Operating Budget.

7. Mr. Speaker, Sir, you will recall that earlier I stated that one of this Administration's major goals is "to ensure that the British Virgin Islands is equipped to rise to the challenges of the new and fast changing global economy". In this regard, my Government considers education as the main vehicle in fulfilling this particular goal.

8. We have already commenced the process whereby several primary, secondary and tertiary education improvement programmes have been developed to help to improve the quality, flexibility and creativity of the human resources in this Territory. Such programmes, although not limited to, include a major concentration in the areas of curriculum development and training.

9. Mr. Speaker, in the area of curriculum development, it is realized that the existing curriculum, especially at the secondary level, has to be critically examined to determine its relevancy and appropriateness as befitting the needs of the Territory now and into the 21<sup>st</sup> century. As a result, the harmonization of the curricula at the secondary level was a major initiative this year and will continue into 1998.

10. Given that all students need to be equipped/prepared to make their maximum contribution to self advancement as well as country development I am quite pleased to make mention of the recent introduction of three (3) pilot programmes:

1. A student remediation programme in four primary schools;
2. The incorporation of a special mediation programme for fourteen (14) years plus students at the secondary level; and
3. The evening school cooperative programme for sixteen (16) years plus students.

11. Of course training of the educators and facilitators of these programmes is essential to the success of the educational effort. The Estimates therefore are replete with provisions for workshops, seminars, materials and personnel costs to ensure the full implementation and continuation of these educational programmes.

12. It would not have escaped Honourable Members' attention the sizeable subvention proposed for the Tourist Board. Tourism will continue to be the primary generator of economic activities in the BVI in the medium term. We must therefore ensure that the Territory as a destination remains an attractive and competitive player. Government must be prepared to promote and position our product in the primary markets for quality leisure experiences.

13. I am heartened by visible signs that the private sector is willing and prepared to play its role by ensuring a high quality service and product. I am speaking specifically to examples of recent renovations and refurbishing by establishments such as Little Dix Bay Hotel, Peter Island Resort, Maria's By the Sea, Fort Burt Hotel, Long Bay Hotel and Biras Creek Hotel, just to name a few.

14. Mr. Speaker, this Administration is aware of the concerns that have been raised regarding the quality of our health services and the need to improve such services to safeguard the health of our people. To this end, in August of this year Executive Council approved a planned extension to Peebles Hospital that will provide for an expanded laboratory, pharmacy, casualty ward, maternity ward and general office space. Accommodations for hemodialysis services and improvements for delivery of other existing services have also been incorporated in the plan. An ability to provide hemodialysis treatment locally is a priority of Government and we anxiously look forward to making this possible within the near future. A construction contract for the extension to Peebles Hospital should be let early in 1998.

15. The long-term solution to greater improvement of our health services requires the construction of a new hospital. Feasibility studies have already begun on this and further developments will take place as 1998 unfolds. This will not be a project that can be done overnight, but must be carefully conceived and will be quite expensive in terms of time and money. Nevertheless, as the Territory develops, we must also ensure that the quality of our health care keeps abreast of such developments.

### **CAPITAL BUDGET ESTIMATES OF REVENUE AND EXPENDITURE**

Mr. Speaker, even with several major projects completed and being commissioned, there is need for sizeable capital outlays on a 16.3% number of other extremely worthwhile projects. Of the twenty-five million, one hundred and thirty-six thousand, five hundred and thirty-eight dollars (\$25,136,538) locally funded Capital Budget, seventeen million, four hundred and thirty-four thousand, five hundred and thirty-four dollars (\$17,434,534) in local capital receipts is needed to ensure the implementation of our locally funded Capital programme.

2. In addition, Mr. Speaker, this Budget proposes to raise another nine million, five hundred and fifty thousand, eight hundred and ninety-nine dollars (\$9,550,899) by way of grants and loans to complete the funding requirements for this year's Capital Budget. It goes without saying that increasingly we are being required to fund from our own resources, a greater portion of the Territory's development.

3. Mr. Speaker, in addressing the Territory's overall infrastructure needs, Government will indeed have to spend upwards of one hundred and fifty million dollars (\$150,000,000.00) over the next five (5) years on the following:

1. upgrading our highways and road systems;
2. improving our airport facilities - terminal building and runway;
3. Queen Elizabeth 11 Bridge;
4. Sewerage System throughout the Territory;

5. Hospital and major health facilities;
6. Schools;
7. Post Office;
8. Financial Services Complex;
9. Law Block; and
10. College facilities.

4. Mr. Speaker, all will agree that our country is on the move and making great strides socially, economically and in the finance world. While others have chosen the path of policies of discord among the people, we have chosen the path of performance for the people. This Budget demonstrates the success of our programmes and provides the foundation for future growth and prosperity. It further identifies and provides the means to accomplish the ambitious targets we have set for ourselves. The end to those means now rests with the combined efforts of Government the Legislative Council, the private sector and the people of these Islands. These goals will only be achieved if there is unity and dedication to their achievement.

### **PROSPECT FOR 1998**

Mr. Speaker, dynamic linkages of tourism and improving linkages of financial services to other sectors of the economy are expected to persist in 1998. These linkages coupled with the expectations of controlled inflation in both the domestic and external markets; significant activities in tourism and financial services; moderate expansion in commercial bank credit; and a general up-swing in public sector outlays should continue to drive aggregate demand at increased levels. The end result anticipated is that the BVI economy should attain a growth rate of approximately 4 - 4.2% in 1998.

2. Within an environment of fiscal expansion we will grasp the opportunity of strengthening the balance of payments position. This Administration realizes that development must be private sector driven. Yes, Government has a role to play in promoting and ensuring an environment which is conducive to legitimate business. But we will not become directly involved in areas and activities that are more efficiently and effectively performed by the private sector.

3. In the area of Financial Services, Mr. Speaker, and notwithstanding the recent dislocations and instability, particularly in our critical far east market, I remain particularly bullish about the future performance of our Financial Services Industry. It is in this regard that

the Government is committed to building in 1999 a Financial Services Building to bring under one roof all the activities of the Financial Services Department.

4. Our financial services programmes and policies will continue to be fashioned on the anvil of exhaustive consultation and dialogue with the industry. And we will continue to revise, fine tune and customize our legislative programmes, policies and practices to ensure that they remain fully compliant with internationally acceptable standards and are at the cutting edge of the global financial industry.

5. In an effort to foster and encourage private savings, I will be introducing in this House by the end of second quarter of 1998 a Bill to amend the Income Tax Act. The intention of the amending Bill would be to give a tax credit for specified amount of income set aside or used for educational or retirement purposes.

6. Similarly, it is my intention to have the Ministry of Finance pursue with some degree of vigor, a credit rating for Central Government as a sovereign entity. I am persuaded that if as a result of our good stewardship we were able to acquire a better than investment grade rating from one or more of the international rating agencies this can only help our cause in assessing more favourable terms in raising development financing locally and internationally.

#### **ACKNOWLEDGEMENT'**

At this 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 (UK), Caribbean Development Bank (CDB), European Investment Bank (EIB), European Economic Community (EEC), United Nations Development Programme (LJNDP), 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. The list include the Deputy Governor, the Permanent Secretaries, Heads of Departments and their staff. Moreover Mr. Speaker, I would like to thank the Financial Secretary and his staff for without their cooperation it would not have been possible to present these Estimates today, eight months (8) after presenting the 1997 Estimates.

3 Mr. Speaker, it is with great pleasure that I present the Government's Budget for 1998. I commend its provisions and policies which underlie them for the consideration and speedy approval of Honourable Members.

**Hon. Ralph T. O'Neal**  
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