

The Virgin Islands
LEGISLATIVE COUNCIL

Budget Address
1999

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Chief Minister and Minister of Finance
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1999 BUDGET ADDRESS

THE DAWNING OF A NEW HORIZON

INTRODUCTION

Mr. Speaker, I move that the Appropriation Bill, 1999 be read a second time, and in so doing, I crave your indulgence, Sir, to permit me to read my Budget Address.

2. Honourable Members will recall, that it is approximately one year ago that I introduced the 1998 budget, at which time I promised members to do whatever was within my powers to ensure that annual budget estimates will be tabled and debated before the beginning of the respective financial year. Mr. Speaker, I am pleased to say that as the Minister of Finance, this is my second consecutive year doing so, and I can see no reason why under normal circumstances future budget estimates cannot be completed within such time frames.

3. Mr. Speaker, I would implore Honourable Members who now have the 1999 Appropriation Bill and the draft budget estimates, to peruse and scrutinize the documents carefully so that the time spent in Standing Finance Committee is as brief as possible. The even earlier submission (than last year) of these documents to Honourable Members, gives credence to the diligence which my administration adheres to in addressing the affairs of this Territory and its people. Mr. Speaker, we all can lay claim to things we would like to do, but the fact remains that it is positive results that demonstrate a sense of achievement. It is hoped that by the 10th December, 1998, the budget debate will commence, thus completing this budget process well before the Christmas holidays.

4. This budget address will attempt to report on the financial performance of the government outlining the achievements and shortcomings in 1998, the fiscal performance of the economy, and point the way forward to 1999. In general, I am proud of the many accomplishments during the course of 1998 and I trust that the people of this Territory will be equally proud as we prepare for the challenges of the new millennium.

GLOBAL.PERSPECTIVE

Mr. Speaker, the now renowned "global village" is becoming an ever increasing factor with which the British Virgin Islands (BVI) must contend. The twin pillars of our economy

being Financial Services and Tourism depend very heavily on the performance of world economies. As the world economies face ever increasing challenges, so in turn does our economy and the need for us to be ever more contingent and vigilant.

2. Political and economic crises seem to be apparent everywhere from the United States of America, the Latin American economies especially Brazil, the Asian economies (better known as the Asian crisis), the Russian economy and political crises in the Middle East. These events have all pressured the world financial markets resulting in increased need for capital, devaluations in currencies and a general reduction in interest rates. It is safe to say that the management of finances in the 1990's is a "juggling act" except that, Mr. Speaker, the consequences of dropping one of the balls is much more grave than a routine circus act. Thus this means that the BVI in its attempts to be contingent, must seek to diversify within its existing pillars of strength, and also to diversify outside such pillars of strength, to source new types of revenues. I do not Mr. Speaker, want to paint a picture of gloom, however, it behooves me to put things in the right perspective, so that the people of this Territory may have a greater appreciation of the challenges we face as a Government and a Territory. The idea of an easy solution as some may think and say is not as easy as envisaged or even imagined.

3. The larger industrial countries (referred to as developed countries) are all seeking or have accomplished unification of their economies. This is evidenced in the European Union and North American Free Trade Agreement (NAFTA). The unification has forced the countries to think collectively as to what is in the best interest of the group/whole as opposed to any individual country. Such collective thinking should be the order of the day for the Territory and the wider Caribbean, for together we are strong but divided we are weak and will be conquered. This sort of collective thinking has brought increased pressure on our financial services jurisdiction to be more prudent with its policies and more transparent with its information. This pressure however, is not brought to bear as a result of each country's respective situation, but more of a lumping together of jurisdictions and being labeled as one type. The BVI has always been unique and well respected for managing its affairs, and I am sure that the Government of the United Kingdom has recognized these facts and will continue to rally our cause to the highest order. Our record should be properly reviewed and respected, the nature of business be recognized for what it is not what it seems, that countries who are pioneers in implementing legislation to protect their industries be rewarded not punished, and last but not least to be treated fairly, for our merits speak for themselves.

4. Mr. Speaker, you may ask why I have addressed this matter now and not later, but today, Mr. Speaker, I realize that my audience is not just local but also regional and international and there will probably be no better forum to address this.

5. The BVI may have been silent as we reviewed the situation but are not pleased. As I speak of collective processes abroad, the countries of the Caribbean as we continue to fight for the banana industry, must now wage an equal or even greater battle to preserve an industry that we have not created, nor does the formulation of the financial structures and deals commence with us. This is a common problem for several Caribbean countries who are already in the

financial services industry or trying to establish one. Institutions such as the Caribbean Community (CARICOM), the Organization of Eastern Caribbean States (OECS), the Caribbean Development Bank (CDB), the Eastern Caribbean Central Bank (ECCB) and others must begin to look at this situation as a threat to the economic viability of the Caribbean. Therefore, Mr. Speaker, how long will time lapse whilst we do nothing except individually, and the industrial countries continue to unite to rally against us? Mr. Speaker, is it not obvious that the wider Caribbean is under siege and thus our unity must be even stronger to ensure the greater good.

REFLECTIONS OF 1998

Mr. Speaker, at this time I would like to reflect on the events and accomplishments of 1998. This current year though not completed, was extremely crucial in that it was time to prepare for events that will shape the future of the Territory for years and generations to come.

2. Such events include:

- i Financial Services being challenged as a reputable industry;
- ii The Tourism Industry being threatened by hurricanes and slowing world economies;
- iii Preparations for a new millennium and the Year 2000 problem; and
- iv The onset of yet another political cycle;

3. The preparations for these events are all reflected in the 1998 programme. Some of these preparations even commenced before 1998. However, it is anticipated that we will collect some \$138M in 1998, up approximately \$10M or 9.2% over the actual collections for 1997. Recurrent Expenditure (including contributions to the funds) is approximately \$123M thus the government realizing a surplus of \$15M. This however, is unacceptable and you may ask why. The swm is laudable but the means to the end were not as I would have preferred such a surplus to be a reflection of increased revenue and revenue initiatives. This surplus is a reflection of budgetary funds not being utilized even though requested. Accounting Officers were asked to submit projects that should include all costs, and partially submitted projects should not have been included in the budget. The reason for this initiative in programme budgeting, was to get all projects that are included in the budget implemented within the year, without any impediments, yet this was not done and thus funds were redeposited into the Consolidated Fund. This has been happening for years and thus the Consolidated Fund has been growing by an average 7 - 10 million dollars a year for the past three to four years. This, Mr. Speaker, is a fact most people would not know for two reasons:

- i) The budget swm appropriated for the reserves is much less than that; and
- ii) The annual accounts are not kept current.

4. This is why, Mr. Speaker, I have made a deliberate effort to increase the annual budgetary contributions to the reserves and am today tabling the 1996 accounts, with the assurance of the Financial Secretary, the Chief Auditor and the Accountant General that the

1997 accounts will be tabled before the end of this year. I understand we are well underway to ensuring that this is a reality. Mr. Speaker, I intend to bring the financial affairs of this Territory in order before the close of my present administrative term, so that the record could reflect my diligence and efficiency as the Minister of Finance.

5. During the course of 1998 we were able to complete or virtually complete major projects such as:

- i Substantially completed the rehabilitation of the race track;
- ii completed the dual carriageway from the round about at Port Purcell to the round about at Wickhams Cay 1;
- iii revitalized the celebrations of the emancipation of our people from slavery (affectionately called the festival season);
- iv commenced the architectural and engineering designs for a new hospital;
- v concluded negotiations for the purchase of land at Beef Island for expansion of the airport facilities;
- vi awarded and intend to sell land to the people from the purchase of the Nibbs Estate in Sea Cow's Bay and Steven's Land in East End;
- vii expanded the roadways to our main tourism attractions to encourage more land based tourism;
- viii added classrooms where necessary to facilitate increased enrolment and expanded curricula activities;
- ix completed the tendering process for the extension of Peebles Hospital and the Learning Resource Center for the College;
- x revamped the tendering process for both the public sector and quasi public bodies to ensure greater equity and integrity;
- xi restructured the capital project exercise for inclusion of properly costed projects in the budget;
- xii identified a site and funds for a new General Post Office and Customs Headquarters;
- xiii commissioned a sewage treatment plant in Cane Garden Bay;
- xiv increased the government's equity in the Development Bank of the Virgin Islands;

- xv initiated a study to chart the way forward for the Development Bank of the Virgin Islands;
- xvi commenced the cruise pier extension to allow larger ships to berth;
- xvii advanced plans to expand the generating and distribution capacity of the BVI Electricity Corporation;
- xviii improved our national parks for locals to visit as well as tourists;
- xix expanded our facilities at the H. L. Stoutt Community College;
- xx completed other road widening and road works;
- xxi commissioned a committee to address the Year 2000 problem;
- xxii tabled the 1996 accounts of the Government of the Virgin Islands and intend to table the 1997 accounts before year's end;
- xxiii completion of clinics on Anegada and Virgin Gorda;
- xxiv completed major road works and waterworks on Jost Van Dyke; and
- xxv initiated work to construct a new bridge on Anegada.

6. Mr. Speaker, as I list the accomplishments I must say that I am disappointed that we were unable to:

- i commence phase 11 of the Administration Building in Virgin Gorda;
- ii commence construction on the Lean-ting Resource Center even though that will start by 1st February, 1999 if not sooner;
- iii finalize the procurement of the land for the New General Post Office and Customs Headquarters;
- iv complete the financial rating of the Territory by Standard and Poor's and Moody's rating services;
- v pass new financial legislation and customs legislation;
- vi initiate the works for the extension of Peebles Hospital which should have been done over two months ago and is still to be done;

- vii complete plans to revitalize the educational system for new curriculums, new buildings and equipment;
 - viii commence work on the Queen Elizabeth 11 Bridge;
 - ix complete repairs to the Central Administration Complex that affect the productivity of workers daily; and
 - x do more work on civil service reform.
7. As mentioned before Mr. Speaker, attention must be given to:
- i the diligence by which Accounting Officers perform their respective duties in terms of project preparation and implementation;
 - ii the new capital budget procedures, to ensure projects are well structured and impediments are eliminated.

FISCAL DOMESTIC PERFORMANCE - 1998

Mr. Speaker, today I am very proud as the Minister of Finance to state that our economy here in the British Virgin Islands has performed exceptionally well by local, regional and international standards.

2. The Gross Domestic Product (GDP) for 1998 is approximately \$612M.. This reflects a growth of \$3 9M or 6.8 1 % over that of 1997. The annual rate of inflation for 1997 stood at 5.9%. The estimated rate for 1998 as at the end of the third quarter is 5.26%. This Mr. Speaker, indicates that as our economy grows, the cost of living is declining, which is ideal for any economy. The fact that we use the US dollar as opposed to other currencies, allows us to avoid typical problems associated with hedging. The United States being our largest trading partner further enhances this benefit to the people.

3. During the first quarter of 1998 approximately sixty percent (60%) more trade licences were issued. Demand for increased land transportation, telecommunications and electricity has led to growth in all these areas. Mr. Speaker, it is safe to say that the economy is on the move and all this is happening despite Hurricane Georges. It is evident that if we had not sustained this hurricane the economy would have grown even more. I am, however, proud that our economy has remained ever resilient inspite of such disasters, but it finther indicates the need to diversify the economy. The recent loss of employment of individuals in the tourism industry due to Hurricane Georges, is a matter I am very empathetic to and am reviewing options to provide some relief. These options include:

- i Providing direct assistance through the Social Development Department to individuals based on criteria to be ratified in consultation with the Ministry of

Finance and the Development Planning Unit (DPU). This however, is only a short term measure.

- ii I have instructed the Social Security Board to immediately commission a study on the feasibility and structure of an unemployment insurance scheme. This I feel should be paid by employers and will not exceed six months worth of benefits, which is within the auspices of the current Social Security Scheme.

Tourism

This sector remains the most crucial to our economic survival. It disperses economic activity to a number of different areas and individuals. As the heart beat of the economy it means that we have to be more vigilant in protecting and developing this industry.

2. Mr. Speaker, I am convinced that more needs to be done to develop this industry. To this end, I have increased direct contributions by the Government in 1998 by \$1.8M. The appropriation for 1999 has not changed because I am awaiting an implementation plan for the tourism study recently completed, to chart the way forward for this industry.

3. I am stressing the importance of the tourism study because one of the focal points in the Ministry of Finance's plan to enhance the economy, is to concentrate on this industry's development, as the Ministry feels that the industry is not achieving all that can be realized. This does not reflect on efforts of the past nor current boards and/or administrations. They have had to work with limited resources in an industry that demands heavy investments to realize any positive returns. We have to inject resources into this industry for all our sakes and it needs to be done now.

4. The indicator (overnight visitor arrivals) is 79,000 for the first quarter 1998 which is equal to that for the same period, in 1997. This reveals that the industry's growth is stagnant. The indicators for cruise arrivals are also down from that of 1997. The latter may well be a result of the growth of other industries in the Caribbean as they recover from recent hurricanes (1995 & 1996), thus regularizing our figures.

5. Mr. Speaker, these indicators for 1998 actually mean that greater effort must be directed in this area in 1999. I would ask that all involved in this industry join with the government to further develop its growth.

Financial Services

Mr. Speaker, I turn now to the Financial Services sector.

2. Honourable Members will be aware of the concerted efforts on the part of the major industrial powers of the world to reduce the attractiveness of offshore financial centers. I am pleased to report that, notwithstanding these potentially adverse schemes, including the harmful

tax initiative of the Organisation of Economic Cooperation Development (OECD), the G7 and the European Union (EU), and the prolonged "Asian flu", preliminary indications suggest a robust performance of the local Financial Services Sector in 1998.

3. Earlier this month, the Companies Registry registered its 300,000 international business company since the International Business Companies Act came into law in 1984. This is a significant milestone in the Territory's development as the premier site for the registration and administration of legitimate cross-border entities.

4. Mr. Speaker, given the difficulties offshore centers are currently facing, including the threat of world recession, I would not be too surprised if the total number of international business companies incorporated during this year falls short of the record 50,000 incorporated in 1997. However, Honourable Members will no doubt be pleased to hear that, since the Mutual Funds Act came into force on 2nd January, 1998, the Mutual Funds Registry has already processed 1,700 applications for licences and certificates from mutual funds, fund managers and administrators. From all appearances we have another success story in the making as the BVI is already regarded as a leading offshore firm domicile with a responsible regulatory mechanism.

5. The Territory also continues to attract a fair share of captive insurance companies with sixteen (16) new captives already licensed for this year.

6. The Government and the local industry are united in the view that we must do whatever is necessary to preserve, protect, defend, and enhance the attractiveness and competitiveness of the Territory's offshore industry. Accordingly, we are committed to observing international standards of business conduct and our regulatory oversight of the affairs of the industry continue to be based on benchmarked best practices.

7. Mr. Speaker, the provision of \$ 4.36M earmarked for the Financial Services Department not only evidences the Government's commitment to ensuring an effectively and prudently regulated industry, it also further provides the Financial Services Department with the resources necessary to satisfy the remit of keeping the Territory at the cutting edge of the spectrum of cross-border financial services.

8. Mr. Speaker, this industry is facing two potential problems.

- i. Movement from the growth stage to a maturity stage as regards the product life cycle.
- ii The threat of the harmful tax initiatives.

9. The latter I expounded on earlier in the address and thus will not repeat myself. The movement from the growth stage to the maturity stage is the natural progression of any product. The key however, is to be contingent and recognize it early, thus preparing adequately for it. Such contingency can be evidenced by the development of the Mutual Funds and Ship

Registration industries. It is the intent that such diversification would offer a wider range of services than are currently offered by the Territory to retain the existing customer base and attract new customers.

10. This industry contributes on average over fifty percent (50%) of the government's direct revenue which totaled approximately some \$70.41M in 1998 or 51%. I am convinced that the strides currently made by the Director of Financial Services to develop and protect this industry are laudable and well guided. I wish to publicly recognize him and his staff for those initiatives. I further wish to thank, the Attorney General's Chambers as well as, the relevant institutions and agencies engaged in this sector for their valiant efforts made to further develop the industry.

Banking Sector

Mr. Speaker, I am growing concerned about some existing banking policies such as:

- i. The refusal of government cheques by institutions on which the cheques are not drawn, whilst, the government has millions of dollars deposited in all these banks on certificates of deposit. The mere suggestion that the cheques will not be honoured by the host bank once redeposited is a fallacy. Such practices make me wonder how the people of this Territory are treated on an individual basis.
 - ii. The loan policies that front load the interest and then reduce the balance of principal in latter years is one I cannot support. Persons should be charged interest on what money they use and when/for how long they use it. If penalties are charged for breaking a loan agreement before it matures, it seems like the banks have "their cake and eat it too".
2. Mr. Speaker, young BV Islanders returning from college or even leaving high school, should be offered progressive loans that allow them to build homes at the going cost, whilst repaying what they could reasonably afford (all within a structured policy) and as their careers grow, so will their repayments. Initiatives like these are the pro-active steps I would like the banking industry to take to better help our people for it is here they earn their profits and they have a social responsibility to help the BVI and its people grow.
3. I plan to further address such matters with the Director of Financial Services and the Financial Secretary in the not so distant future.
4. Mr. Speaker, at the same time I would like to thank the institutions that tendered to provide services on the financial rating of this Territory by Standards and Poor's and Moody's rating service. Some institutions not only took the process seriously, but have implemented policies within their respective institutions as regards doing business with the government. The result of this is that the government is now borrowing from the local commercial banks at rates averaging between six and seven percent (6 & 7%) depending on interest rates at the time.

5. Not only has the cost of borrowing decreased, but certain charges and fees have been eliminated. It is my understanding that the government's initiative has led to a reduction in fees and charges to BVI Islanders by at least one commercial bank. The initiative has also lowered the cost of borrowing for the Statutory Boards as well, which is evidenced in the recent negotiations by the BVI Electricity Corporation to attract a low cost of funding.

6. Therefore, Mr. Speaker, I invite the United Kingdom to assist us with advancing this initiative as it has already benefitted the BVI in a number of ways. The initial understanding of this initiative by the United Kingdom was not what we perceived it to be and our efforts were probably misunderstood. However, it is interesting that even though not supported, the BVI's efforts to pursue a financial rating has granted us financial relief, which thus reduces the contingent liability of the United Kingdom.

Central Government

As referenced earlier in this address, recurrent revenue for 1998 is anticipated to total \$138M, which is an increase of \$10M over that of 1997 by 9.2%. The recurrent expenditures (including contributions to the funds) is approximately \$123M, thus realizing a net surplus of \$15M.

2. Mr. Speaker, these figures are evidence of the growth within the economy as government's collections are based on taxes or services rendered to the public. There were no new taxes in 1998 and as a matter of fact, personal income tax was amended to reduce the rate of taxation from three percent (3%) to zero percent (0%) on the first three thousand dollars earned. The net result was an ease to the lower tier of the income base without adversely affecting revenue intake for government.

3. However, I would like to see a more concentrated effort towards revenue collection. It is my opinion that revenue is under collected by approximately twenty percent (20%). To address this under collection I am proposing to;

- i Automate the Customs, Inland Revenue and Post Office in the first instance and other departments subsequently. Such automation is to increase overall efficiency.
- ii Automate all cashiering procedures in government by the year 2000, to ensure better and more efficient processing, and increase the capacity for more scrutiny by the Ministry of Finance and Treasury Department.
- iii Introduce accrual accounting to Government's accounting system in 1999 for full implementation in the year 2000. This would enable Government to better:
 - a) Manage assets which are now currently expensed;

- b) manage liabilities such as debt, both direct and contingent, that are not part of the accounts except as foot notes;
 - c) recognize arrears of revenue that go uncollected and such systems to better address this problem must be initiated in early 1999;
 - d) recognize equity such that government can have a better idea and appreciation of its worth.
- iv Create a system whereby returned cheques are better recorded and policies implemented, to ensure that an individual or business who writes a "bad cheque", must honour it swiftly or be prohibited from presenting any additional cheques to any department within Government unless sanctioned by the Ministry of Finance. Such individuals and/or businesses will further be prohibited from offering services and/or goods to Government until duly authorized by the Ministry of Finance.
- v Conduct a review of the Customs and Inland Revenue Departments to identify strengths and eliminate weaknesses to ensure a better service.

4. The recurrent expenditure of government continues to grow at a rapid pace with the leader being that of growth within the personal emoluments. Greater utilization of existing staff along with automation must be encouraged to ensure greater efficiency and reduce cost. Currently, personal emoluments is thirty seven percent (37%) of recurrent expenditure and thirty one percent (31%) of revenue.

I am encouraged by recent discussions I have held with the Governor on civil service reform (for which the buzz word in the United Kingdom is the Citizen's Charter). Such an initiative will greatly enhance the morale and work ethics of civil servants, whilst increasing the accountability to the public. The government is convinced we have good people working for us, and I would like to state my appreciation for their dedicated service. However, if their needs are not better addressed they will never self-actualize professionally. Monies have been budgeted since 1998 for a programme to allow civil servants to attend the H. L. Stouff Community College (HLSCC) or pursue a reputable correspondence study programme to enhance their education. This programme will be reimbursable as regards expenses incurred once the individual obtains the prescribed grade. This creates an incentive for the individual to work towards good grades. No course will be fully refunded, thus ensuring that the individual has a stake in the matter. This initiative was undertaken by the Ministry of Finance in collaboration with the HLSCC; however, I would encourage the Deputy Governor and the Training Department to assist in ensuring its success.

5 . During the course of 1999, the manual vote books currently used by departments will be eliminated thus reducing the amount of redundancy in bookkeeping and increasing efficiency.

The electronic systems currently used via the JD Edwards programme for accounting will replace the vote books.

6. The reserves grew by \$14M in 1997 and is anticipated to increase by some additional \$15M in 1998. Thus this brings the reserves figure to \$68.3M. This Mr. Speaker, means that government has a reserve capacity to operate self financed for approximately four months. This is an excellent contingency measure given our vulnerability to hurricanes and the like.

The Public Debt

As of the period ending 31st December, 1998, the total public debt including contingent liabilities will be sixty one million, three hundred and eighty six thousand, seven hundred and eighty eight dollars, (\$61,386,788). This is a decrease of 3.32% from the total public debt for 1997. Contingent liabilities total thirty million, six hundred and thirteen thousand, one hundred and twenty two dollars, (\$30,613,122), which is a decrease of 11.1% from that of 1997.

2. Central government debt to revenue ratio is 57.07% and debt to GDP ratio is 10.03%. The percentage of debt financing to revenue is 2.35% for 1998 and is anticipated to be 3% in 1999, including new debt though not fully disbursed in 1999.

3. Mr. Speaker, I have always felt that the ideal debt to revenue ratio is between five and seven percent (5 & 7%). I thus consider the BVI to be in the ideal category and this was recognized in the recent tendering process for the financial rating services.

STATUTORY BOARDS

Mr. Speaker, I do not intend to dwell in this particular area because in general these agencies have been doing an excellent job. I am nonetheless concerned, however, that there is not enough accountability to the government. As such, I am proposing to introduce legislation in the near future to ensure increased accountability to the government, their only shareholder. This I understand has alarmed some agencies, however, the measure is merely going to formalize what currently exists in some legislation and policies while not with others. An equal and fair playing field is needed.

2. Recently, Executive Council agreed on a policy to require tendering by Statutory Boards in excess of \$250,000, be channeled through the Government's Public Tenders Committee. This policy is the first step in ensuring increased accountability by these Boards, whilst ensuring that the widely accepted rules of tendering are followed, and the Government is made aware of decisions before they are ratified. Before this policy takes full effect Mr. Speaker, I will be tabling new finance legislation including that on tendering and procurement procedures. I would suggest to those agencies that are alarmed by these moves, to await the outcome before being so judgmental and critical.

RECURRENT BUDGET ESTIMATES OF

REVENUE/EXPENDITURE

Mr. Speaker, at this point and time I would like to discuss the budget estimates very briefly and present the highlights.

2. In 1999, we project that government will collect \$143,000,000 in revenue. Recurrent expenditure is estimated to be \$116,079,900. Contributions to the Capital Fund will total \$22,386,882 and contributions to the Emergency/Disaster Fund will total \$1,400,300. Estimated contributions to the reserves will be \$3,192,918. 3. The sum forecasted for revenue collection is based on collection trends in 1998. I have also been deliberate in insisting that at least one million dollars be contributed to the Emergency/Disaster Fund annually. For years, we have lamented that more monies should be budgeted to be contributed to the reserves to ensure better financial prudence and contingency planning for the future. Mr. Speaker, today, I am proud to say that with all the competing demands placed on the budget, we were able to prioritize the requests and projects and still contribute \$3.1M to the reserves. This equates to over two percent (2%) of the estimated revenue for 1999. I hope that in future budgets it will be at an aggregate target of five percent (5%).

4. Included in the recurrent expenditure estimates is funding to:

- i Increase hazard mitigation and emergency response;
- ii finalize the document archival project for births, deaths, marriages and documents of importance to be electronically recorded;
- iii increase efforts to address the needs and concerns of women within the community;
- iv commission the census exercise;
- v continue with management zoning initiatives;
- vi continue with computerization efforts within government whilst ensuring year 2000 compliance;
- vii to advance the existing efforts towards implementing accrual accounting;
- viii introduce environmental studies and projects in the education system;
- ix increase the training of civil servants to enable them to cope with the developments of this era and our community;

- x commission a Haemodialysis Programme/Unit and other developments in health;
- xi upgrade the telecommunication systems within government;
- xii continue to work on educational reform as an initiative to modernize and upgrade the educational system.

**CAPITAL BUDGET ESTIMATES OF
REVENUE AND EXPENDITURE**

Mr. Speaker, in the 1999 annual budget estimates I have made provisions for the funding of capital projects as follows:

Balance Brought Forward (Revotes)	\$11,882,276
Aid Funds Approved	\$ 4,487,070
Loan Funds Approved	\$15,783,333
Contributions from the Recurrent Budget	\$22,386,882
Contributions from the Transportation Network (Land, Air and Sea) Improvement Fund	<u>\$300,000</u>
Total	<u>\$54,839,561</u>

2. Of these funds \$20,270,403 are from external sources and \$24,569,158 are from local sources (GOBVI). This Mr. Speaker indicates to all and sundry, that quite a bit of funds are available and similarly a number of projects to be completed and/or initiated. The perennial problem of non-implementation of projects still looms in our face and once again we are revoting funds in the amount of \$11,882,276. Too many years have passed with this problem not being resolved, thus I have made attempts during the course of the 1999 budget exercise and will continue into its implementation to address this problem.

3. The main cause for the lack of implementation stems from poorly prepared projects. Not enough time is spent preparing projects thus we face problems such as:

- i Incomplete drawings;
- ii no bill of quantities so the sum quoted/budgeted is incorrect which automatically leads to variations;
- iii impediments such as not acquiring land, no legal authority and the like prohibiting the process;
- iv variations made to projects that are not authorized by the Ministry of Finance thus finding is not available;
- v work being authorized without purchase orders;

4. This results in too many times the contractor of goods and/or services claiming that the government does not pay them timely. I have warned Accounting Officers and vendors about this and it seems as if I am not being taken seriously. Accounting Officers will be severely reprimanded if they continue this practice and vendors may well find themselves not being paid.

5. Mr. Speaker, Accounting Officers too many times try to get projects in the budget knowing full well that they are underfunded and then insist that the Ministry of Finance find the additional funds. Well Mr. Speaker, those were the days of old and my address is entitled, the dawning of a new horizon, here is the new horizon:

- i There are no projects included in these annual estimates that have not met the criteria as authorized in the budget call circular.
- ii Funds appropriated in 1999 will not be directly accessible in their entirety by Accounting Officers. Financing plans were required which will indicate how much funds are needed to mobilize the project, and thus progress reports will have to be remitted. This ensures that monies spent are properly accounted for and any variations are identified early.
- iii The Development Planning Unit will be transferred back to the Ministry of Finance to assist with the monitoring of projects which is the proper job of this department amongst

others. The Development Planning Unit will in turn advise the Ministry of Finance on the release of further funds.

- iv There will be a continuous process for project development with the various ministries in conjunction with the Development Planning Unit. These projects will go before Project Planning Review Advisory Committee (PPRAC) and large ones will form part of the Public Sector Investment Programme (PSIP). Future budget inclusions will be on the basis of prioritization of PSIP projects in PPRAC.

6. Mr. Speaker, I strongly suggest that Accounting Officers take heed of this process for non compliance will be deemed as a lack of performance with respect to executing their duties, and His Excellency, The Governor, is quite aware as to what such means. Some may say that this is too much bureaucracy; however, when variations range from fifty percent (50%) to two hundred percent (200%), they no longer classify as such but rather project redesigns. The local, regional and international community are now sending their own personnel to oversee us conducting our affairs with their money to ensure it is well spent. Mr. Speaker, this is a situation we must avoid as it causes me great concern.

THE WAY FORWARD FOR 1999 AND INTO THE NEW MILLENNIUM

Mr. Speaker, I would like to apologize for the length this address may have been, however, there were a number of pertinent issues I felt needed to be addressed and certainly I am sure the public is glad to be aware of the existing situation and attempts to address such in 1999.

2. The intention in 1999 is to ensure:

- i The government gets value for money by having reviewed its tendering practices for procurement of goods of services;
- ii the public receives the best possible service from the government by enhancing customer relations;
- iii the affairs of the public are handled in a just and fair manner by ensuring better work ethics and accountability;

- iv the mistakes of the past are corrected and a bright and more prosperous future for the BVI is realized by increased efforts to be more diligent.

3 . Mr. Speaker, the Government of the United Kingdom and the Government of the Virgin Islands signed a Memorandum of Cooperation and Partnership on 91 September, 1998. The intent is to foster a closer working relationship between both governments as regards the execution of works and services. As the United Kingdom does have a contingent responsibility to the Territory and bears contingent liability on our behalf, it is important that we cooperate with each other for the betterment of the Territory. I would nonetheless state that a number of initiatives outlined in this document have already commenced implementation. To however address this agreement in its entirety, it would have to be supported by action plans by the various ministries that would be incorporated fully in the budget as part of the goals and also to ensure funding. This exercise is to take place in 1999 to ensure full implementation by the year 2000 if not before.

4. To this end, I am proud to announce such initiatives as:

- i The Citizen's Charter to address the matter of public sector reform;
- ii Enhanced training initiatives for civil servants;
- iii increasing the contributions to the Emergency/Disaster Fund;
- iv increasing the budgeted contributions to the reserves;
- v initiating the action plan for the implementation of a funded pension plan for civil servants and daily paid employees, to ensure that all permanent government employees' futures are secured;
- vi reviewing existing measures to protect employees who suffer loss of employment as result of emergencies and disasters;
- vii more accountability by Statutory Boards;
- viii renewed efforts by Accounting Officers to manage government's funds;
- ix a national committee to address the year 2000 problem which by the way, the Information Systems Unit has already ensured to their credit, that government's hardwares and softwares are already compliant;

- x incorporation of the BVI Fishing Complex as a government department, as we seek to expand this industry;
- xi January 2, 1999, the Commercial Registry will be the first paper less office in the government service and may well be in the Territory;
- xii strengthening of the courts, police and other legal systems;
- xiii restructuring the existing web site of the government and other related Internet options;
- xiv increasing the funding towards education from the pre-primary to tertiary level;
- xv enhancing the efforts to improve road works and general beautification of the capital - Road Town;
- xvi commencing major capital projects such as;
 - a) new two lane bridge
 - b) new airport terminal and extended runway
 - c) new General Post Office and Customs Headquarters
 - d) new Learning Resource and Marine Centres at the HL Stoutt Community College
 - e) new Port Terminal Building at St. Thomas Bay, Virgin Gorda
 - f) construction of phase two of the Virgin Gorda Administration Building
 - g) a new financial services building
 - h) computerization of all major revenue collection departments
 - i) new post office on the eastern side of the island
 - j) new police station in Jost Van Dyke

- k) commission of a comprehensive study on education reform in the Territory
 - l) the extension to Peebles Hospital and finalization of designs for the new hospital
 - m) a new haemodialysis unit; and
 - n) a new Post Office in North Sound
- xvii initiating a study on the feasibility of a national airline;
- xviii implementation of a new Labour Code;
- xix presentation of legislation on finance and customs;
- xx expansion of national parks;
- xxi continue to encourage potential investors to establish hotels and resorts in the BVI;
- xxii continue the strategic review of the Development Bank to reposition it for the future;
- xxiii protect segments of the tourist industry for the local people of this Territory;
- xxiv acceleration of the granting of land titles to the people of Anegada and North Sound.

5. Mr. Speaker, this is a lot of work, but no one said it was going to be easy. We need to take our collective efforts as a people and move these projects and tasks forward for the benefit of all people in the Territory. I wish to thank the staff of the Ministry of Finance and the Development Planning Unit who contributed so tirelessly to the completion of these annual estimates and trust they will have the same diligence in implementing them. I want to state that the Ministry of Finance spent countless hours even into the mornings getting this job done and were always pleasant and gracious in doing so. Such support I want to publicly say was greatly appreciated by myself. Mr. Speaker, I would like to recognize the contributions by the local financial institutions and agencies, regional and international financial institutions, the Statutory Boards and other committees, the Government and all other institutions and agencies that have

assisted with the development of the economy of this Territory. To my honourable colleagues, I wish to thank you for your support thus far and welcome your continued support during this process and into 1999. Mr. Speaker, to you and your staff, I say thank you for your efforts during the course of 1998 and into 1999, and wish you every success. To the people of this Territory, I thank you for your support and confidence. I wish you God's blessing as we deliberate this document and move forward towards the Christmas Season and a New Year.

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