

2004 BUDGET ADDRESS

“Empowering Our People”

INTRODUCTION



1. Madam Speaker, I move that the Bill shortly entitled “The Appropriation Bill 2004”, be read a second time, and in so doing, I crave the indulgence of this Honourable House in permitting me to read this Government’s Budget Address.

2. Madam Speaker, when this Government was elected by the people of the British Virgin Islands we made a solemn pledge before the citizens of this Territory: to ensure value for taxpayers’ money, to bring new focus and energy toward growing our economy, and, above all, to give our people the tools they need to realize their fullest potential. This commitment has been and will continue to be the fundamental principle guiding our policies and our priorities.

3. Madam Speaker, as you are aware, I was entrusted with the portfolio of Finance. This challenge I have assumed with determination and humility, mindful of the fact that divine providence is that of The Almighty and His alone.

4. Madam Speaker, it is the duty of any Minister of Finance to use the resources of the country to improve the lives, increase the prosperity and maximize the happiness and well-being of the people. Madam Speaker, it is an awesome responsibility; and it is this Government’s highest resolve. This Government will work to ensure that all persons working and living in these islands share in the benefits of our Territory’s good fortunes. We know that our greatest natural resource is our people therefore, the most important step we can take toward future prosperity is to empower them to achieve. That means opening the doors of opportunity for all. It also means demanding that all share equitably in shouldering their rightful responsibilities. In other words, Madam Speaker, equal treatment for all, special privilege for none, and no district will be left behind.

A Global Perspective

1. Before getting into the details of the proposed budget, Madam Speaker, it is worth taking a moment to review the major global developments that have impacted our economy and to look ahead to the conditions we can expect in the coming year.

2. The year 2003 began with uncertain prospects for the economies of the World's developed nations. This was based on a number of factors, chief among these were instability and conflict in the Middle East, the hovering threat of terrorism and the lingering effects of the U.S. recession and global economic slow-down of the past two years.

3. Despite these challenges the economies of the developed world, led by the United States, are showing clear signs of recovery. As this year draws to a close, there are good indications of a much more optimistic outlook for 2004.

4. Expansionary monetary and fiscal policies facilitated a robust recovery of economic activity in the United States, which has now experienced two consecutive quarters of impressive growth. The U.S. stock market is on the rebound with the Dow Jones once again back above the 10,000 level. Markets and economies around the world are beginning to respond in kind.

5. To be sure, the global economy still faces some real challenges. The United States still maintains important imbalances in its external accounts with its currency (the US Dollar) losing ground to most major currencies. Coupled with this is a growing deficit in the American Government's finances that threatens to widen as a result of the Iraq conflict. The European economic performance appears to be improving, albeit at a slower pace than anticipated. Latin America continues to experience negative growth reflecting adverse international financial conditions, the lack of dynamism in the United States' economy and the unfavourable evolution in the terms of trade.

6. Madam Speaker, taken as a whole, most experts are cautiously optimistic that 2004 will be a year of growth in the global economy. We share in this optimism; and we are confident that our Territory is well positioned to benefit from this rising tide. But even as we look to the opportunities ahead, we must also be cognizant that the defining feature of the modern global economy is rapid change and sometimes this change is unpredictable.

7. Madam Speaker, new technologies have brought us closer together than ever before. They have opened the door to new opportunities, and they have also created an unprecedented level of competition. In this rapidly changing world the single most important rule is **adapt or pay the consequences**. Whether one is speaking of a nation, a corporation or an international institution, failure to anticipate these developments or failure to respond swiftly will destroy these organizations. Madam Speaker, the situation in the BVI is no different. As a matter of fact, given our small size and open economy, the challenge of coping with and managing change is an even greater imperative. This Administration is committed to making sure that the British Virgin Islands is equipped to rise to the challenges of the new and fast-changing global economy.

8. Madam Speaker, one of the most important changes that we see on the horizon stems from developments in the arena of international trade negotiations. We live in an era in which the Monterey Conference and its aftermath, the follow-up of the Doha ministerial meeting, and the implementation of new frameworks underlying preferential trade arrangements have all conspired to shape international negotiations.

9. The recent collapse of the World Trade Organization (WTO) trade talks in Cancun due to the failure of developed countries to recognize the concerns of developing countries, such as debt relief and greater protection for Small Island Developing States (SIDS), suggests a potential threat to territories such as the British Virgin Islands. We must recognize these threats and prepare ourselves to respond accordingly.

Domestic Economic Events and Performance

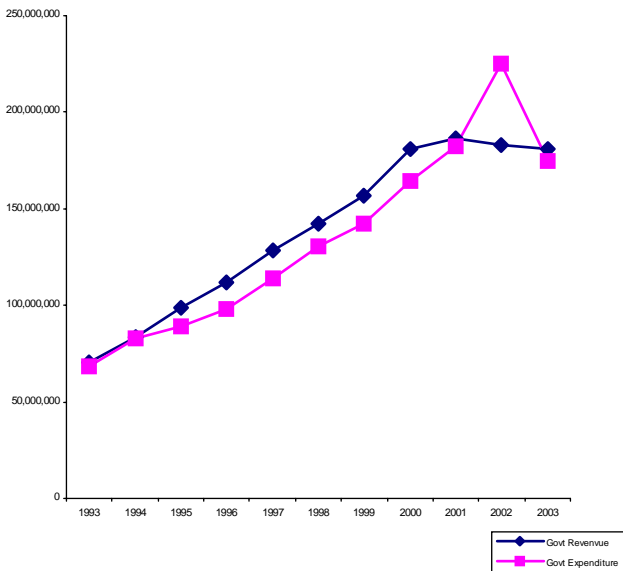
1. While we keep a vigilant eye on the international scene, on the domestic front, Madam Speaker, we

see reasons for real optimism. The fundamentals of our economy are sound and the enterprise and hard work of our people continue to be the best guarantor of our prosperity and economic security. As the global economy continues to recover, we see opportunities for long-term development and growth. Seizing these opportunities will require responsible stewardship, sound management, and forward-thinking policies.

2. Madam Speaker, this Administration’s commitment to providing the leadership necessary to grow our economy begins with our resolve to ensure that our Financial Services Centre activities, and all our financial dealings, continue to be conducted in accordance with internationally accepted standards. Let it be perfectly clear Madam Speaker, the BVI has no intention of doing business with “dodgy” or illegal business entities. We have confirmed this position in several local, regional and international fora, and we will continue to back up these words with determined action.

3. We should all derive great pride in being an internationally recognized, well-regulated Finance Centre jurisdiction. It is to the credit of every member of our community that our little country stands so large among the finance centres of the world.

ACTUAL REVENUE & EXPENDITURE - TEN YEAR PERIOD



4. Madam Speaker, with respect to the fiscal situation it is important to note that revenue collection has been less than we estimated across just about all revenue heads. Despite this shortfall, it is estimated that on the last day of business in 2003 Government would have collected one hundred eighty million, six hundred thousand dollars (\$180,600,000) in revenue and expended one hundred seventy-four million, nine hundred thousand dollars (\$174,900,000); for a provisional surplus on its operations of five million, seven hundred thousand dollars

(\$5,700,000).

5. From all accounts, and given the constraints under which we operate, this is a commendable fiscal performance. This Government remains concerned, however, over the responsiveness and speed with which the Administration transacts its business with the private sector. When this Government purchases goods and services from a private vendor, it is incumbent on the requisitioning government agency to quickly prepare a voucher and dispatch it to the Treasury for payment. This is a basic and fundamental process. But our experience shows that too often it does not work smoothly. There are too many delays, too many glitches, and too little responsiveness. Understandably, this leads to frustration for our vendors, especially those residing on the sister islands who are forced to make several appearances at the Treasury only to be disappointed.

6. Madam Speaker, this Government demands efficiency and professionalism from those with whom it contracts. Those vendors deserve nothing less from this Government, therefore, Madam Speaker, this Government is resolved to get to the bottom of this matter. I assure Honourable Members that very early in the New Year we will take whatever steps are necessary to eliminate this non-business like practice and create a new standard of conduct.

7. Madam Speaker, we recognize the need to improve areas of our Government's conduct. The ability to be self-critical and to constantly seek ways to improve ourselves is the sign of a healthy organization. At the same time, let us not lose sight of the fact that day in and day out the talented and hard working men and women of our Civil Service are delivering for the people of this Territory. Never was this truth clearer than during the recent rains, when so many public servants went above and beyond the call of duty in their efforts to protect the safety and well-being of our people and quickly restore normal activity.

8. So, Madam Speaker, on behalf of this Government I would like to take this opportunity to recognize these outstanding organizations and individuals and thank them for their dedication and skills:

- Public Works Department;
- Department of Disaster Preparedness;
- BVI Electricity Corporation;
- Royal Virgin Islands Police Force;

- BVI Fire and Rescue; and
- Numerous contractors from the private sector.

We are depending on you and will continue to depend on you 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.

Recurrent Budget Estimates of Revenue and Expenditure

1. Madam Speaker, as we went through the process of developing this Budget, my colleagues and I remembered the many meetings and discussions we had with BVI Islanders at home and abroad. Madam Speaker, you would recall our community meetings early in this Administration where we heard from belongers, residents, and non-belongers from all walks of life and in all segments of this country - the construction workers, shopkeepers, hoteliers, farmers, housewives, senior citizens, young people, bankers, lawyers, students, taxi drivers, and civil servants. In short, the men and women who make up the fabric of our community and whose work powers our economy. Out of these discussions, we learned much about the aspirations and objectives that our people value. We have been told by the people that:

- quality health services must become more accessible;
- more attention must be paid to education in general and improving school facilities and curriculum development specifically;
- sewerage treatment and disposal systems need improvement;
- our existing highways, bridges and drainage systems need repair;
- more must be done to provide access to public spaces for the physically challenged;
- British Virgin Islanders must be afforded every opportunity to participate fully in the development of

the Territory and to reap the benefits of such participation;

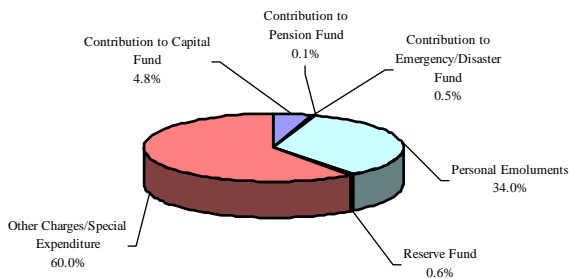
- the courts must be well equipped to effectively perform their role as one of our indispensable democratic institutions; and more specifically, we need a commercial court in the British Virgin Islands;
- the people are anxious to work with a professionally run and trustworthy Police Force to ensure law and order in these islands;
- we need better road traffic laws and regulations; and more consistent and pragmatic enforcement;
- farmers need Government's assistance in being guaranteed an adequate and reliable supply of water; and they need more accessible and better markets for their produce.

2. Madam Speaker, the people have given us a job to do. This is the people's agenda. It is broad and it is ambitious. And it is our commitment to see that their will becomes the road map for our actions. The Budget presented here today is another step toward fulfilling that commitment.

3. Madam Speaker, with your kind permission I will like at this time to turn my attention to the draft Estimates currently before this Honourable House. While it is not my intention to comment on, or detail all the provisions in the document, I am compelled to highlight certain matters that I consider significant.

4. In framing the draft Estimates, careful consideration was given to ensure that all centers of population of the Territory will be served fairly and equitably. Madam Speaker, we have said it and we mean it: **"No District will be left behind"**. We are well aware that it is not possible to answer every need in one budget, or solve every problem with one stroke, but we intend to meet our shared challenges with energy and resolve. Above all, we remain cognizant of the fact that our development efforts should remain targeted at and for the benefit of the people of this Territory.

DISTRIBUTION OF REVENUE



5. The draft Budget Estimates before Honourable Members anticipate revenue collection for fiscal year (FY) 2004 of one hundred ninety-eight million, four hundred and forty-three thousand dollars (\$198,443,000). Expenditure to cover the recurrent operations for the Government for 2004 is estimated at one hundred eighty-six million, five hundred and sixty-two thousand, five hundred dollars (\$186,562,500). The draft Budget,

therefore estimates a recurrent surplus of eleven million, eight hundred eighty thousand, five hundred dollars (\$11,880,500).

6. Of this estimated surplus, we intend to contribute nine million, five hundred and eighty-six thousand, seven hundred dollars (\$9,586,700) to the Capital Fund to assist in financing the Capital Budget for 2004.

7. Madam Speaker, it would not have escaped the watchful eyes of Honourable Members that I will today, introduce the Public Finance Management Bill. Without trying to contravene the rules of this House in appearing to be explaining the provisions of the Bill, I think it is fitting at this point to inform Honourable Members that the Bill makes provision, among other things, for the establishment of Special Funds – one such fund is the proposed Reserve Fund.

8. In this Budget proposal, Madam Speaker, this Government plans to make an initial contribution of one million, one hundred and ninety-three thousand, eight hundred dollars, (\$1,193,800) to the Reserve Fund. Madam Speaker, we all can vividly recall the spirited debate in and out of this House concerning the level of our surplus balances commonly referred to as the Reserves. The statutory establishment of a Reserve Fund will provide an open and transparent mechanism for determining the size of our Reserves. Madam Speaker, it is this Administration's collective resolve to systematically build up the Reserve Fund over the next three years to serve as a cushion or temporary safety net in the event of adverse shocks to the economy.

9. Honourable Members will also note that the draft Budget includes a contribution of one million dollars (\$1,000,000) towards the Emergency/Disaster Fund. Madam Speaker, the recent experience with the monsoon type weather of the 9th through the 14th November, 2003, have further strengthened our resolve that we must always stand prepared to facilitate quick access to relief financing in the event of natural or manmade disasters.

10. Madam Speaker, now, more than ever we need to ensure that our scarce resources are effectively utilized and not frittered away. We have stated it before and we will state it again: this Administration is committed to obtaining **value for the people's money**.

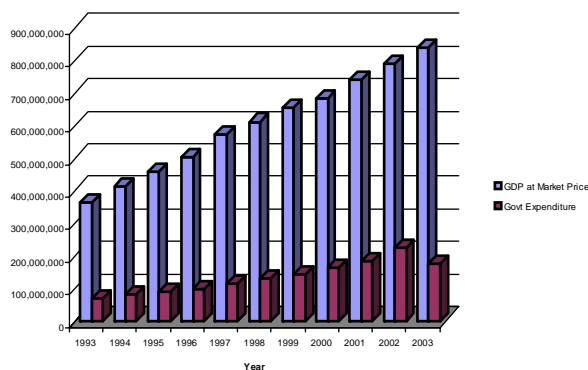
11. Accordingly, during the course of the year added emphasis will be placed on improving the cost effectiveness and efficiency of public expenditure and on improving the effectiveness and administrative efficiency of our revenue collecting departments. At this critical time, every effort must be made by the various departments to collect and promptly pay into the Treasury the revenue envisaged in these Estimates.

12. Accounting Officers are now reminded that their primary function is to ensure that all public funds are properly safeguarded and applied for the purposes intended by the Legislative Council, and that public programmes are efficiently executed.

Public Debt

1. Madam Speaker, it would not have escaped the vigilant eyes of Honourable Members that our annual debt servicing obligations of four million, nine hundred and forty-six thousand, one hundred dollars (\$4,946,100) for 2004 is just 2.49% of estimated revenue and is up 27.3 % from three million, eight hundred and eighty-five thousand, five hundred dollars (\$3,885,500) in 2003.

Government Expenditure vs GDP



2. Madam Speaker, by necessity, this Government, will need to avail itself of loan funds to ensure our continued economic growth. However, Honourable Members should be assured that this Administration will undertake further borrowing only after rigorous examination and careful study. Every dollar borrowed must be dedicated toward projects that are judged to be critically essential, economically viable, as far as possible self-liquidating, and above all, of clear and demonstrable benefit to the people of this Territory.

Capital Budget Estimates of Revenue and Expenditure

1. Madam Speaker, the Capital Budget, sometimes referred to as the Development Budget of the Territory, is financed through a combination of loan funds and local revenue. The Capital Budget of sixteen million, eight hundred and thirty-seven thousand, seven hundred dollars (\$16,837,700) anticipates new borrowing of seven million, two hundred and fifty-one thousand dollars (\$7,251,000) from the Caribbean Development Bank (CDB), and nine million, five hundred and eighty-six thousand, seven hundred dollars (\$9,586,700) from local revenue.

2. As I have indicated before, Madam Speaker, this Administration has pledged itself to operating on the basis of forward-thinking and sound planning. We must set goals, determine the best means of achieving those goals, and allocate our resources to reflect our priorities. In that spirit, I must signal this Government's displeasure with the sizeable revotes reappearing in the Capital Budget.

3. What is greater cause for concern, however, is that a large percentage of these revotes are for projects that have not seen any activity for the last three to five years. In order to rectify this situation, we have already begun the process in reasserting this Administration's commitment to the reallocation of these funds to finance projects of higher priority. This approach, Madam Speaker, is the primary method employed in financing this Capital Budget proposal.

4. Once again in determining our Capital programme priorities, we have been guided by our responsibility

to all sections of the community. Tough choices and difficult decisions are part and parcel of any budget, and good budgeting requires responsible choices and balanced priorities. These decisions have not been easy. But we were elected by the people of this Territory precisely to make these difficult choices.

2004 Programmes

1. Madam Speaker, I would now like to turn my attention to the substance of some of the programmes and policies reflected in this Budget. I caution, that by necessity, I will not be detailing every item in this Budget, but rather providing an overview of the priorities that are reflected in it.

Health Care

1. Madam Speaker, I begin with an area that is of the highest concern to the people of this Territory, and a top priority of this Government: assuring quality healthcare for all our people.

2. As part of the ongoing effort to improve the delivery of health care, work has already commenced leading to reform of the administrative structure of Peebles Hospital. A Statutory Body is to be set-up, that will be called *The Peebles Hospital Management Board*, to manage the operation of Peebles Hospital. Work continues at the Peebles Hospital Expansion Project. This includes providing new space to relieve cramped conditions and allow for improved services.

3. Provision is also being made to upgrade the various clinics to facilitate the work of the staff and improve the comfort and convenience of patients. Government places great importance on addressing the needs of the elderly. In 2004, Madam Speaker, the Ministry of Health and Welfare in conjunction with the Pan American Health Organization (PAHO) will launch a survey to assess the status of the elderly in our population. This survey will lead to the development of a National Policy on the Elderly. This policy will underwrite and enhance all our services and programmes to this valued sector of our society.

4. Madam Speaker, in addition, design work on the new Geriatric Centre at Greenland will begin in the New Year and we expect that it will be completed in time for it to become operational by mid 2005.
5. Madam Speaker, in 2004, Government will also focus its energies on addressing the HIV/AIDS epidemic. The Ministry of Health and Welfare working in close conjunction with the other Ministries, especially the Ministry of Education and Culture, will move with all possible speed to facilitate the development and implementation of the National Plan on HIV/AIDS.
6. By the middle of 2004, Madam Speaker, the new residential facility that is located in Purcell for drug addicted persons will be completed and fully operational. It will respond to the growing need among individuals for assistance in curbing their drug addiction and will be able to accommodate a total of 24 residents, (18 men and 6 women). The new Sandy Lane Center will conduct a six month programme that will respond to the needs of those among us, who require this service.
7. Taken together, Madam Speaker, these steps will begin the work of building a healthcare infrastructure that can meet the broad healthcare needs of our people. These will encompass improvements from preventative medicine, to health education; from proper pre-natal care, to dignified care for the elderly. That has been and will continue to be a key area of focus for this Administration.
8. Management and disposal of solid waste is also being addressed. In mid 2004, work is scheduled to commence on the enlargement of the existing building to accommodate a new incinerator.

Education

1. Madam Speaker, in the area of education and culture the focus for 2004 will be on four main areas: improving the physical infrastructure, modernizing the curriculum, expanding access to higher education, and providing expanded opportunities for personal expression and growth for all our people, and for our young people in particular.

2. Madam Speaker, in order to realize this vision, this Budget allocates approximately \$47M for education and training at all levels – primary, secondary and tertiary educational facilities including the HL Stoutt Community College.

3. In addition, we will build, in the near term, at least one additional high school. We plan to improve handicap access to school buildings, bathrooms and classrooms and this investment reflects the pivotal role this Government places on preparing our people to meet the challenges of the 21st century.

4. Investments in Information Technology will be expanded with the implementation of Phase 1 of the networking of public schools. Madam Speaker, work is currently under way to review the national curriculum and this work will continue through the year.

5. In addition, there will be a special focus on Early Childhood Education with the implementation of the first Early Childhood Curriculum in all preschools in the upcoming year.

6. Madam Speaker, The Ministry of Education and Culture will continue its efforts in general teacher training as well as the continuation of the Alternative Secondary School Programme. The Scholarship Programme will be closely monitored and managed to ensure that the Territory's young people are provided every opportunity to prepare themselves. Reading and literacy is expected to be further enhanced with continued implementation of the River Deep Reading Programme. Madam Speaker, in our focus to develop our Youth and Sports Department, the Ministry of Education will develop and implement plans to improve recreational grounds and facilities throughout the territory with an immediate focus on the A.O. Shirley Grounds, the Old Recreation Grounds, and the Greenland Recreational Ground.

7. With the completion of the Multipurpose Sports Complex, the Ministry of Education and Culture will embark on a strong marketing campaign, in conjunction with the Tourist Board to develop sport tourism in the Territory.

8. Madam Speaker, between Education (\$46.7M), Health and Welfare (\$37.3M) and Youth Development (\$1.02M), there are appropriations of over \$85.02M to begin to address the various social issues concerning our community

Natural Resources

1. Madam Speaker, this administration is also committed to the goal of better use of our natural resources to meet the needs of our people. Towards that end, the Government will be purchasing new lands at Long Bay, Beef Island; and continuing payments for lands at Spooners Estate, Paraquita Bay and Brewers Bay.

2. Additionally, in an effort to ensure that our Cays and smaller islands remain in the hands of our people, we will purchase Green Cay and Sandy Spit.

3. Madam Speaker, the purchase of these lands will also tie in with our Home Ownership Programme. We believe that every British Virgin Islander has the right to decent housing. Therefore, the 2004 Budget Estimates will reflect monies for our Pilot Project for the home ownership programme. Simultaneously, Madam Speaker, we have begun to develop a full scale Housing Policy.

4. As we work to develop and use our land for the good of our people, we are also committed to assisting our farmers and fishermen to similarly benefit from our natural bounty. As a first step in this direction, this Administration conducted an Agricultural Census that has been completed. This project provides vital information to make sound technical decisions. We will continue the cutting of feeder roads to ensure that our farmers have access to their plots. This Budget provides funds for a new Poultry Processing Unit and the completion of a new Nursery at Paraquita Bay.

5. Madam Speaker, with our Fisheries Regulation now on the Books, we are beginning to see important results. These regulations have gone a long way in strengthening the 1997 Fisheries Act along with protecting

and promoting the BVI Fisheries Sector. Additionally, we intend to embark on fishermen training with a view towards developing our pelagic Fishing Industry.

6. Madam Speaker, the sport fishing industry has tremendous revenue potential for the BVI and, with this in mind, we have engaged a consultant to assist in developing the industry. The Ministry of Natural Resources and Labour is doing its part and has made some important contacts in the United States in this endeavour. Madam Speaker, The Minister of Natural Resources and Labour has given his commitment that, 2004 will see a serious leap forward in this area.

7. Furthermore, Madam Speaker, we have begun discussing an Environmental Levy and we view this as another option for the protection of our environment and funding of environmental projects.

Tourism

1. Madam Speaker, the natural environment which is the centre piece of our tourism product is an endowment from our Creator. We are charged with the duty to preserve and protect this legacy so future generations can enjoy the same privileges we enjoy today. The planners call it sustainability.

1. Looking back at 2003, Madam Speaker, we characterize it as a year of severe challenges and transitions. The combined effects of war, terrorism, SARS and slumping economies heavily impacted the global travel economy. Many tourist destinations experienced their worst years in recent times due to shifts in visitor patterns driven by a new consumer psyche seeking safety first and a vacation experience second.
2. The good news, Madam Speaker, is that as the year comes to a close we are experiencing a return to what we would refer to as the new normalcy. Pent-up demand for travel, a recovering U.S. economy and improved security in air travel are getting people to put aside their concerns and get back on planes.

3. At the same time, this new normalcy is also characterized by a consumer who is demanding more value in his travel experience and more flexibility and control of travel arrangements.
4. Madam Speaker, the British Virgin Islands has weathered the challenges of this past year. We are resolved now to actively and aggressively seize the opportunities we can see in the coming year. This global optimism is supported by an outlook, which shows the Caribbean to be among the most favoured destinations for winter travel from North America and Europe. This is further enhanced by a strong Pound and Euro, which makes travel from Europe to US dollar destinations such as the Caribbean quite attractive and at the same time makes American travelers more inclined to avoid traveling to places where they will have to trade their currency at unfavorable rates of exchange.
5. Madam Speaker, Honourable Members would have noticed the increased subvention – ten million dollars (\$10,000,000) being contributed to the Tourist Board for 2004. This is an attempt to provide the Tourist Board with the resources to launch its aggressive plans for taking our tourism sector to the next level. Madam Speaker, in 2004, The Board plans to:
 - a) implement a national service training programme to provide our people with the tools they need to provide world-class service to our visitors and which will make training a pre-requisite to obtaining work permits, taxi licences and other permits required to provide services in the hospitality industry;
 - b) exploit technology as a management tool and implement a tourism statistics system to provide timely tourism data that is so essential for making informed decisions; and
 - c) Madam Speaker, additionally The Board plans to establish a Tourism Development Fund to provide easier access to financing by our small tourism properties. This financing will be used to fund capital projects for the purpose of implementing specific recommendations to improve

the physical conditions of their properties and, hence, raise the standard of accommodation in the Territory.

2. Madam Speaker, I would like to take this opportunity to commend the Tourist Board on the work it has done over this past year. The programmes noted above represent a vision of a vibrant and dynamic tourism sector. This Administration has every intention of acting as a committed partner in realizing this vision to the benefit of every family in our Territory.

Financial Services

1. Madam Speaker, I turn now to the second pillar of our economy, Financial Services. Notwithstanding increased competition, heightened international regulation and greater scrutiny of financial transactions, the British Virgin Islands continues to be the premier offshore corporate domicile centre.

2. Information on International Business Companies registration for 2003 showed a slight decrease when compared to 2002. As of 30th November 2003, 44,389 new International Business Companies were incorporated bringing the total number of International Business Companies incorporated under the Act as of 30th November, 2003 to over 550,000.

3. Efforts to diversify our financial services sector offerings and to enhance the attractiveness of the Territory as a Financial Services Centre will be intensified during the course of the year.

4. In this regard, draft legislation has been fashioned on the anvil of widespread debate and ongoing dialogue with the private sector. Government is also in the preliminary stages of considering legislation affecting the industry's regulative mechanism.

5. The Financial Services Commission will utilize approaches such as surveys - consultative papers, aide memoirs, and the like, to establish a robust consultative programme on legislation and policy initiatives.

6. They have pledged judicious use of their website to inform and keep interested parties and industry practitioners abreast of proposed new product offerings, legislative and procedural changes; all aimed at making the sector more vibrant, responsive and business friendly.

7. In addition, Madam Speaker, the Financial Services Commission plans to work with the Attorney General's Chambers and other concerned agencies in preparing for the implementation of the Insolvency Act, 2003. The Government will shortly be calling upon the customary support of Honourable Members in effecting substantial amendments to several key pieces of financial services legislation namely; The Bank and Trust Companies Act, Company Management Act, Mutual Funds Act and Insurance Act.

Preparing to Move to the Next Level

1. Madam Speaker, I would like to use the last part of this budget address today to look ahead to our prospects in the coming year, and to offer this Government's plans on the steps we will take in order to bring growth and prosperity to our people.

2. Madam Speaker, our land is singularly blessed in many respects; and we have much to be thankful for. In 2003 (so far), we have escaped the too familiar ravages of hurricanes and, save for the damages from the 7 (seven) day rains, we have been spared the suffering of any other 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. Our visitors and residents alike can live and work in relative peace and harmony. Given the turmoil that now grips so many parts of the world, we should be forever grateful for the quiet blessing of our islands' tranquility.

3. Madam Speaker, if we are to maintain and even improve on the standard of living and the degree of prosperity to which we have all grown accustomed, there are a number of things we must do.

4. Firstly, Madam Speaker, we must intensify our focus on diversifying the economy of the British Virgin Islands. This is one of this Administration's primary objectives in the near term. We should continue to foster stronger economic linkages between the twin pillars of our economy - Financial Services and Tourism. We must 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. We must encourage greater involvement in vegetable and fruit crop farming, fishing, small stock and poultry rearing. Greater self-sufficiency in basic foodstuff should remain a high priority for this and any future administration.

5. Secondly, Madam Speaker, 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 zealously so that they will remain to benefit generations of BVI Islanders yet unborn.

6. Thirdly, Madam Speaker, 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.

7. We must recognize that a fast-changing world may render some of our institutions and systems obsolete and harmful to progress. If we are to continue our progress we must revamp and retool when needed. We must be prepared to eliminate waste and inefficiencies. We must not allow ourselves to become mired in the comfort of the known – rather, we must be prepared to try new approaches and encourage new thinking. In the end, our only benchmark should be success measured in terms of meeting our obligations to our people.

8. Madam Speaker, one area where new thinking is critical to the future success of this Territory is the provision of an affordable and competitive telecommunication infrastructure. Madam Speaker, the Minister of Communications and Works has specifically asked that I inform this Honourable House that 2004 will be the year that this Territory will commence the process of formulating the deregulation regime that will liberalize telecommunications in this Territory.

9. Fourthly, Madam Speaker, 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.

10. Through the efforts of past Administrations, significant improvements have been made in the physical, social and human infrastructure of the BVI. But there is still much that remains to be done. The Government has its responsibilities and we intend 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 on the things that unite us. Securing our shared future means getting the best out of all our people. Our Creator has endowed all of his children with talents and strengths. It is our duty before him and our responsibility to each other to make the most of these for the benefit of all.

11. Madam Speaker, building a strong and vibrant economy and promoting the well-being of our people is not just about Government. More than ever, we must enlist the support and cooperation of the private sector. This Administration recognizes that businesses, large and small – the restaurants, shops, offices, hotels, banks and other private enterprises – are the true engine of growth in our economy.

12. Madam Speaker, one of the first steps in growing the private sector is that of increasing the disposable income in the hands of the consumer. In this budget proposal, Madam Speaker, this Government is proposing to lift the ceiling of tax exempt income from three thousand dollars (\$3,000) per annum to seven thousand, five hundred dollars (\$7,500).

13. Honourable Members will note that the Income Tax (Amendment) Bill on today's Order Paper proposes, among other things, to grant all persons subject to income tax an exemption on the first seven thousand, five hundred dollars (\$7,500) earned per annum beginning January 1, 2004. Allowing workers to keep more

of their hard earned wages will give them the option to either spend or save – both activities being a prerequisite for expanding the economy.

14. In addition, Madam Speaker, this Bill will allow for equal deduction of PAYE through out the year.

15. Madam Speaker, many people have made representation about the need to synchronize the age of retirement from the public service with Social Security age of eligibility for benefits. This Government will take the appropriate steps to correct this imbalance.

16. Madam Speaker, on the matter of the National Health Insurance and the National Pension Scheme, I am pleased to report that this Government expects to receive the final report on these two most important areas of our social infrastructure by the middle of the second quarter of fiscal 2004.

17. Madam Speaker, the rehabilitation of Road Town is another priority of this Government, and will continue with the removal of the mounds of dirt commonly referred to, as Mt. Peebles and Mt. Savage by the end of the first quarter of 2004. The completion of parking lots, road development to allow for better traffic flows, beautification, sidewalks and other planned programmes to make Road Town the capital it should be will continue.

18. Madam Speaker, this Administration proposes to increase the national housing stock over the next four (4) years by facilitating access to mortgage financing; involving contractors, bankers and realtors in augmenting the capital stock of private housing and, hence, promoting home ownership and the attendant economic activities.

19. Madam Speaker, this Administration is currently exploring the cost and benefits of granting certain concessions to taxi operators to provide some much needed assistance to this essential service area of our economy. This may include a custom duty exemption on the importation of vehicles to be used as taxis.

20. Madam Speaker, Honourable Members will recall that we have established an Economic Recovery Advisory Committee (ERAC). This Committee has shared with me a preliminary report of its deliberations. Contained in this report are a number of recommendations intended to energize our economy. These recommendations which I endorse wholeheartedly, include, references to the following :

1. that the Government approaches the BVI Bankers' Association to solicit the cooperation of its members to provide special assistance to clients affected by the recent 7 day rains. I am aware, and I take special note, that the USVI banks are giving similar assistance to their clients;
2. that the Government seeks the support of the Social Security Board for the establishment of a special line of credit to be used solely for the purpose of assisting members of the public whose properties including retaining walls were damaged during the recent 7 day rains. Madam Speaker, it is imperative to emphasize that this special facility should be available only for reconstruction or rehabilitation arising out of damages incurred during the bad weather.

I agree that this facility should be managed by the Development Bank of the Virgin Islands (DBVI) with appropriate checks and balances including the development of a means-test to ensure that the facility is available to the most deserving persons;

3. that the Government announce a 3-month "holiday" during which penalties on all outstanding arrears of government revenue would be stayed provided the account is either immediately settled or an effective and binding payment plan is agreed;
4. that the Government commences immediately an exercise aimed at improving efficiency and cost savings in Government expenditures; and
5. that the process of trade licences be streamlined and made more efficient to facilitate both local and foreign investments. BVI Islanders not only have the right, but also should indeed be en-

couraged to engage in economic activity.

We must make sure that no roadblocks undermine this basic right.

21. Madam Speaker, this Government intends to implement these recommendations from the committee.

ACKNOWLEDGEMENT

1. In concluding, Madam Speaker, I will like to acknowledge the contributions of all our partners in our continuing struggle for development. The statutory bodies and parastatals, such as the Financial Services Commission, Social Security Board, The Development Bank of the Virgin Islands, BVI Electricity Corporation, BVI Ports Authority, BVI Tourist Board, H.L. Stoutt Community College, National Parks Trust and Wickham's Cay Development Authority all of which we rely on to assist us in designing, producing and delivering all the goods and services necessary to foster development and prosperity.

2. Donor agencies such as the United Kingdom (UK), Caribbean Development Bank (CDB), European Investment Bank (EIB), European Economic Community (EEC), United Nations Development Programme (UNDP), Commonwealth Fund for Technical Co-operation (CFTC) 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.

3. Madam Speaker, I would like to record my thanks to the many persons who cooperated in helping to produce the Estimates. The list includes my colleagues and fellow Ministers, the Deputy Governor, the Permanent Secretaries, Heads of Departments and their staff. Moreover Madam Speaker, I would like to thank my staff at the Ministry of Finance for without their cooperation it would not have been possible to present these Estimates today, six (6) months and Six (6) days following this Administration's assumption of office.

4. Madam Speaker, we have a long road ahead. Together, let us reaffirm our commitment to building a

strong, vibrant and secure future for our people. Our creator has blessed us with His grace. Let us take pride in our labor and let us remain steadfast in our resolve to lifting up and empowering all our people.

5. Madam Speaker, it is with great pleasure that I present this Government's Budget for 2004. I commend its provisions and policies for the consideration and approval of Honourable Members.

Financial Secretary

Glenroy A. Forbes

Deputy Financial Secretary

Neil M. Smith

Director of Financial Management

Lucia C. Lettsome

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