

**LEGISLATIVE COUNCIL  
BUDGET ADDRESS 2003**

Delivered by the  
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Introduction
Global Perspective
Central Government and Treasury Figures
Financial Services
Tourism
Recurrent Budget Estimates of Revenue and Expenditure
The Public Debt
Capital Estimates of Revenue and Expenditure
Prospects for 2003/2004
Acknowledgement

**INTRODUCTION**

1. Mr. Speaker, I move that the Bill shortly entitled the Appropriation Act, 2003 be read a second time and in so doing, I crave the customary indulgence of this Honourable House in permitting me to read my Budget Address.
2. It is customary and expected on this occasion that the person to whom the ministerial portfolio of Finance has been entrusted, would avail himself/herself of the opportunity to present the Territory's annual blue print or series of prescriptions for continued economic and social development in these treasured islands that we call home. I therefore, Mr. Speaker, have no intentions to break with tradition and, with God's help, I trust that I will meet, if not surpass, expectations.
3. Mr. Speaker, it is my intention to firstly begin by giving a brief overview of the current and future outlook of the World's economy and what impact this may have for our local circumstances. Secondly, I will recount a few domestic economic events and capsulate the most recent Budget Estimates of Revenue and Expenditure and the Capital Budget Estimates of Receipts and Expenditure for

fiscal year 2003.

4. Less it should escape me and before we embark on the detailed Budget proposals, permit me a few moments, Sir, to openly acknowledge the support and level of co-operation that my administration and I as Chief Minister and Minister of Finance have received and hopefully will continue to receive throughout the duration of the fourteenth (14th) Legislature. This support has come from my colleagues on both sides of the aisle - Government benches as well as those of the Opposition. The general public has been no less supportive and co-operative. For this, I remain most appreciative and resolve to continue to carryout, with determination tempered only by utmost humility, that confidence and trust that you have bestowed on me.

### GLOBAL PERSPECTIVE

1. Mr. Speaker, the World's economy in the main has been sluggish at best during 2002. The various economic gurus have been locked into active debate as to how best to characterize the most recent economic performance. Has it been a slow recovery, semi recession or is it a persistent malaise characterized by inflation-free stagnation? Amidst it all, one thing is true, the World's economy has performed less favourable than most experts have predicted.
2. While it is desirable to know why economic performance has not been as favourable as predicted, it is more important, from a practical standpoint, to know if there are inherent conditions and how these affect economic performance. Has been a slow recovery, semi recession or is it a persistent malaise characterized by inflation-free stagnation? Amidst it all, one thing is true, the World's economy has performed less favourable than most experts have predicted.
3. Mr. Speaker, in these early years of the Twenty- first Century the British Virgin Islands finds itself at the zenith of a challenge. A challenge in which our development commitments and aspirations demand that we generate greater revenue flows to continue to fund our sizable infrastructural and social projects. We must do this in an environment in which the very institutions that afford us hope are under threats of extinction. I speak with specific reference to the varied international finance and economic development initiatives emanating, in the most part, from the more developed world. Mr. Speaker, these initiatives which include the European Union Taxation on Savings Directive, the OECD Harmful Tax Initiative, the Financial Stability Forum, the Financial Action Task Force (FATF) initiative against money laundering and the combating of Terrorist financing, to name a few, have all singled out for special attention small offshore finance centre activities in jurisdictions such as the British Virgin Islands.
4. The Challenge for us in this area is to ensure that whatever measures are adapted they are widely agreed as international standards and that we move in lock-step with the rest of the world, that is, all concerned jurisdictions implement the same

measures at the same time. Mr. Speaker if this, that is the "level playing field" cannot be sustained, we will have no choice but to witness the disappearance of our financial services industry as our services/products will no longer be competitive.

5. Needless to say, Mr. Speaker, we have enjoyed growth, development and prosperity in an era of unprecedented peace (at least in this hemisphere), however, just as peace is threatened by the recent sabre rattling and talk of war, so too is our prosperity threatened by increased spending without comparable increases in revenue. There is no doubt that increasing pressures on infrastructure and on society by crime and drug abuse also threatens our way of life in these beautiful islands that we call home.
6. Mr. Speaker, given the existing global climate, if we are to begin the process of securing, not only the future of current residents of the British Virgin Islands, but of generations of BVI Islanders yet unknown, then we must:-
  - i. vigorously pursue a system of fiscal reform that emphasizes, in a very eclectic way, best practices appropriately buttressed by modern financial administration legislation;
  - ii. consolidate while at the same time deepening the revenue base of the British Virgin Islands' economy; and
  - iii. continue to explore ways and/or methodologies of conducting the affairs of the country in greater transparency while respecting individual privacy.

### **CENTRAL GOVERNMENT AND TREASURY FIGURES**

1. Mr. Speaker, with respect to the fiscal situation the provisional (unaudited) out-turns as of the last day of business in 2002 show that the Government had collected recurrent revenues of one hundred eighty-two million, five hundred and thirteen thousand dollars (\$182,513,000 for the year under review. Honourable Members will recall that we estimated that our collections on which our expenditure was predicted should have been two hundred and one million, three hundred and sixty-six thousand (\$201,366,000) dollars.
2. Our recurrent expenditure or outlay in 2002 have been provisionally recorded as two hundred and twenty four million, two hundred and forty-eight thousand (\$224,248,000) dollars. This recurrent expenditure figure includes a total contribution during 2002 to the Capital Fund of seventy-three million, seven hundred and eighty -two thousand (\$73,782,000) dollars. Of this seventy-three million, seven hundred and eight-two thousand (73,782,000) dollars to the credit of the Capital Fund, we spent thirty-six million , three hundred and seventy-three thousand, six hundred and fifty-two (\$36,373,652) dollars during the 2002 fiscal

period. Simple arithmetic will show that our actual expenditure on the recurrent operations of this administration in 2002 was one hundred and fifty million, four hundred thousand (\$150,400,000) dollars.

3. Mr. Speaker, my preliminary summation of the year's (2002) outturn is that we have realized an estimated recurrent deficit of some forty-two million, three hundred and fifty-four thousand (\$42,354,000) dollars. In terms of actual monies spent compared to revenue collected in the period under review, the overall deficit (Capital and Recurrent combined) is estimated at eleven million, one hundred and forty thousand(\$11,140,000) dollars.
4. It behooves me to offer some explanation as to why this administration has within a year's time moved from a small surplus position of three million, four hundred and eighty-five thousand (\$3,485,000) dollars to a deficit of eleven million, one hundred and forty thousand (\$11,140,000) dollars. Mr. Speaker, it is now common knowledge that even before the events of September 11, 2001 (9-11) the US economy and the World's economy in general were mired in what is now seen as the longest lasting recession that capitalist economies have faced since the late 1920's. It was in these circumstances that this Administration took a conscious policy decision to ensure that the local economy would not contract to the point of collapse. There is no secret that, given the size of the importance of the public sector in the BVI's economy, it would have been foolhardy for us as managers of the economy to sit idly and do nothing. In the face of the economic malaise, we have fueled the economy through government spending realizing that our take in terms of revenue was less than initially anticipated. To do otherwise would have been tantamount to throwing up our hands in despair.
5. The beneficial impact of public expenditure of approximately seven hundred and fourteen million, three hundred and fifty-four thousand(\$714,354,000) dollars over the years 1999-2002 was felt throughout the entire community from Anegada to Jost Van Dyke and per capita income increased from thirty-two thousand, nine hundred and twenty-six (\$32,926) dollars to thirty-seven thousand, one hundred and eighty-six (\$37,186) dollars. Never before has an Administration ushered in or made it possible for so much construction activity, so many roads opening up new lands and in so doing, increasing the value of real estate holdings of British Virgin Islanders.
6. Mr. Speaker, despite global economic turbulence, recession, financial fluctuations and trade restrictions, we have managed not only to maintain, but more so, to enhance economic growth, development and stability and to place our country within the leading cadre of developing countries.

## FINANCIAL SERVICES

1. Mr. Speaker, I turn now to Financial Services and the overall performance and prospects of our Financial Services Sub-sector.
2. Notwithstanding the spectra of anxiety and, uncertainty occasioned by the global initiatives targeting offshore financial centres, the BVI Financial Services Sector performed admirably. New IBC incorporations of fifty-one thousand, four hundred and sixty-one (51,461) exceeded the 2001 figures by some fourteen (14) new companies. This reinforces the BVI's global dominance in the offshore company market. Fifty (50) New Captive Insurance Companies were licenced during the year, bringing the total number of captives under active management within the territory to two hundred and eighty-two(282) and firmly establishing the BVI as the world's fifth largest domicile for Captive Insurance Companies.
3. In the Mutual Funds Sub-sector, the BVI continues to be one of the most attractive jurisdictions for Offshore Collective Investment Schemes. By the end of the year some three hundred and Thirty-one (331) certificates of recognition and registration of Mutual Funds had been issued compared with three hundred and thirty-three (333) the previous year bringing the total number of funds approved under the Act to two thousand, six hundred and seventy-seven (2,677). In addition, ninety-nine (99) Fund management and administration licences were granted in 2002 bringing the cumulative number of managers and administration licences issued under the Mutual Funds Act to Five Hundred and eleven (511).
4. It will not have escaped Honourable Members' eyes that revenue from the sector at ninety -nine million , seven hundred thousand (\$99,700,00 dollars continues to be the main story of Government Revenue in 2002. This expected to continue in 2003 when the Government experts the Financial Services Commission to pay into the Government Trust Fund Account some Us one hundred million (\$ 100,000,000) dollars, which is expected to be collected by the FSC on behalf of the Government of the BVI.
5. Honourable Members will recall that prior t the passage of the Financial Services Commission (FSC) Act setting up a property resourced independent regulatory authority in 2002- I voiced a concern shared by all Members that the public purse should not be adversely impacted by the establishment of the independent regulatory authority needed to ensure that our financial services regulatory regime complied with internationally accepted standards of best practice.

6. Mr. Speaker, the monies collected by the Commission and paid into the Trust Fund Account managed by the Treasury and the Commission is expected to be shared between the Consolidated Fund and the FSC at a percentage basis ranging from seven and one half (7 1/2%) percent to fifteen (15%) percent. Under current arrangement the actual allotment is done on a quarterly basis. There is a proposal, however, to have this done more frequently, that is, on a monthly basis given Government's cash flow requirements.
7. The Government remains resolved to do whatever is necessary to preserve, protect, and defend our financial services industry and it is on this anvil that our strategies for coping with the myriad international initiatives has been founded.
8. Honourable Members should be aware that while we have thus far withstand the onslaught of the initiatives relatively well, the "all clear" has not yet been given. Thus a massive collaborative effort involving all who a stake in the industry's survival and well being is still necessary for the economic benefit of these islands. Acting in concert with other like minded countries and jurisdictions through organizations such as the International Trade and Investment Organization (ITIO), the BVI will continue to press for a level playing field insisting that we not be asked to implement regulatory and law enforcement measures that would rebound to our detriment in advance of countries and jurisdictions with whom we are materially in competition.
9. Mr. Speaker, the British Virgin Islands is currently engaged in active negotiation with UK Treasury officials after having signaled its willingness to enter into a caveated commitment with respect to the European Union (EU) Taxation on Savings Directive. This decision has come after close consultation with the Financial Services subsector, guided by the fact that the British Virgin Islands remains committed to the principles of financial transparency and international co-operation.
10. Our commitment is premised and based on the understanding that all European Union (EU) members states and third countries with which the British Virgin Islands is in competition, will adhere without exception, to the EXCOFIN conclusions reached on 21st January, 2002 and on the understanding that:
  - i. Any significant commitment given to other parties would need to be examined accordingly by the BVI so as to ensure compatibility with their economic interests;
  - ii. The BVI shall not implement such measures before all EU member states and other territories to which the Savings Directive applies;

- iii. The BVI obtain sufficient reassurances regarding the application of equivalent measures in the named third countries; and
  - iv. A study be undertaken by the end of May on the economic impact on the BVI of the EU tax package, guided by a joint UK-BVI steering Group, on the basis of which the UK shall provide mutually agreeable compensatory benefits for the BVI.
11. Mr. Speaker, it is on the basis of this same policy that this Government continues to cooperate with the OECD and other international financial institutions to ensure a cooperative approach in effectively combating financial crimes and any circumvention of the legitimate process for maintaining financial integrity. In this regard, the BVI will safeguard its legitimate interest so as to maintain financial and social stability.
12. Mr. Speaker, and industry besieged by international initiatives will find comfort in the good news contained in this Budget that after a long period of defending our industry related programmes, the Government is now poised to enact a number of legislative measures have been under prolonged active consideration by the Government and the local industry.
13. The much anticipated Bill in respect of modern insolvency practices and processes is due to have its first reading at next sittings as well as a Bill to amend the IBC Act, providing the legal framework for immobilizing bearer shares.
14. The Attorney General's Chambers is working with feverish intensity to finalize a Bill to amend the Trustee Act. This Bill incorporates recommendations from the BVI chapter of STEP - ( The Society of Trust and Estate Practitioners) and is being designed with a view to give a special fillip to the Territory's attractiveness for trust operations. A specialist consultant has been hired to work with the Attorney General's Chambers and the FSC on the amalgamation of the old Company's Act and the IBC Act into one new, modern corporate statute.
15. I am pleased to report that this work has already commenced and that appropriate consultative mechanisms are being built into the process to ensure that the final product benefits from private sector input.
16. In addition, the Attorney General's Chambers in collaboration with the FSC is putting the final touches on amendments to other regulatory legislation. These amendment Bills in respect of the Banks and Trusts Companies Act, The Companies Management Act, The Insurance Act and the Mutual Funds Act together with the FSC's 2003 Work Plan will be brought before this Honourable House during this session. Mr. Speaker these measures are all designed to keep our financial services industry on a path of progress and

prosperity. I wish to take this opportunity to reassure the local industry that there is no resolve greater than that of this Government to guarantee the industry's economic well being. I also want to express our sincere appreciation for their outstanding work. In regard, I would like to extend a special word of thanks and appreciation to the members of the newly established Financial Service Commission Board and the Appeals Board for agreeing to serve in the respective capacities. I know that the tasks assigned are challenging, but I am confident that the individuals will rise to the challenge and make us all proud.

## TOURISM

1. Mr. Speaker, I now turn my attention to the tourism sector, one of the twin pillars of the British Virgin Islands' economy. This sector, like the financial services sector, is under going tremendous global changes that are presenting challenges never before seen by the industry. These changes, driven by the post impact of the September 11th incidents coupled with global economic and security turmoil, have caused many in the industry to have to reinvent themselves in an effort to survive. Despite their best efforts, Mr. Speaker, many in the industry continue to struggle and some have fallen by the wayside as the new world for tourism continues to take shape.
2. A new consumer psyche has emerged which is characterized by consumers who stay closer to home; don't plan too far in advance; consider safety in choosing a vacation destination; and travel on as few planes and to as few airports as possible. The performance of tourism dependent economies in this new world order is determined to a great extent by how well they adapted to the new rules. The British Virgin Islands, Mr. Speaker, was not and is not immune to the challenges facing the world in the tourism sector.
3. In the year 2002, the sector's performance reflected the turmoil of the industry. While we do not have the final statistics for the entire year of 2002, Mr. Speaker, the first half figures indicate that the British Virgin Islands fared well in the circumstances. Of course, Mr. Speaker, this all relative, as some fared better than others. During the first half of 2002 total visitor arrivals rose four (4%) percent to three hundred and thirty-two thousand, and five (332,005), compared with a decline of point ix (0.6%) percent during the corresponding 2001 period. The increase reflected a sharp rise nine point five to seventy -seven point two (9.5% to 77.2% of total arrivals) percent in the number of visitors arriving by sea, with visitors arriving by air declining by eleven percent (11%) to seventy-five thousand, seven hundred and thirty-two (75,732), continuing a pattern from 2000. The increase in total arrivals was split between visitors arriving by sea and staying at least over night in rented accommodation, and cruise passengers, with the former group accounting for two-thirds of the increase. Cruise passengers accounted for forty point eight (40.8%) percent of total arrivals during January to June 2002, the same proportion as during January to June 2001. Tourism industry performance was positive despite the September 11 events and global economic

uncertainty, reflecting both the relatively small size of operations in the BVI and the up market nature of tourism in the country together with a high repeat rate for visitors.

4. It should be noted Mr. Speaker, that a significant level of discounting took place in the industry during the year 2002 as an incentive to get travelers coming to the destination. This combined with an aggressive marketing campaign in North America and Europe helped the industry to weather the storm and keep the business open and our people employed.
5. Mr. Speaker, the Tourist Board has made plans to adapt to the changing demands of the consumer by utilizing technology. Its on-line reservation system will soon be fully-complemented by a newly updated web site. A cruise passenger conversion plan is almost ready which will seek to get cruise passengers to return to the Territory as overnight visitors. I am being informed that this is a very cost effective marketing tool. Training of staff to quickly increase their managerial and functional skills is also planned so that they will have the necessary tools to effectively implement the ambitious plans of the BVI Tourist Board.
6. There is so much more I can share regarding our plans for Tourism Mr. Speaker, but suffice it to say, that despite the extenuation circumstances surrounding the industry, I can assure Honourable Members and the people of the British Virgin Islands that this Government is committed to ensuring that the British Virgin Islands continues to enjoy the benefits that we have all enjoyed from the Tourism sector.

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

1. Mr. Speaker, Sir, with your kind permission, I will turn my attention to the 2003 Budget Estimates. The 2003 Budget Estimates envisage revenue collection of one hundred and ninety-seven million, five hundred and ninety-two thousand (\$197,592,000) dollars with recurrent expenditure of one hundred and sixty-nine million, seven hundred and twenty-four thousand (\$169,724,000) dollars. It is proposed to allocate twenty-seven million, six hundred and fifty-three thousand, four hundred and forty-five (\$27,653,445) dollars to the Capital Fund to assist in funding our capital programme for 2003.
2. Mr. Speaker, this administration remains committed to the principles of a balanced budget wherein sufficient saving is generated on the recurrent budget to not only fund our much needed capital projects but to continue to build up our surplus balances commonly referred to as our Reserves.
3. Mr. Speaker, in the past grants have been an important source of funds for capital projects. Such funding, however, has ceased. In fact Mr. Speaker, the last element of financial assistance received from Her Majesty's Government for the training of Police personnel has now ceased and the Government must now assume full

responsibility for the cost of Police training. IN short, Mr. Speaker, and to put it bluntly, the British Virgin Islands' main sources of grant/aid funding have literally dried up. Furthermore, Mr. Speaker, because of our relatively high per capita income, our access to traditional concessionary funding is severely curtailed if not totally denied. As a result of the foregoing developments, it has become painfully obvious that Government has to finance a larger portion of its capital investment from its own resources now, and in the foreseeable future.

4. Mr. Speaker, the role of the annual budget is to reflect Government's priorities as it attempts to allocate in the most efficient manner the Territory's scarce resources.
5. Mr. Speaker, let us not fool ourselves. We live in difficult and changing times and must adapt to these changes. Tough choices and difficult decisions are part and parcel of every budget as very often it is not possible, with the limited resources available, to finance all the programmes that are desirable. This budget, Mr. Speaker, is not different.
6. Like any other economic entity, Government can only spend the income, which it receives through the levying of taxes and charges, by obtaining grants and other concessionary financing, and by borrowing. It is mere folly for any Government to chart a course of spending for which it has no realistic hope of securing the requisite revenues. For these reasons and in these circumstances, priorities must be established and many worthy projects and programmes must be deferred until financing is identified and available.
7. Mr. Speaker, it is always difficult, given the numerous variables to predict with any precision the quantum of revenue to be collected in any given year. Conversely, experience has shown that we are certain to spend exactly or even more than is originally budgeted, with spending agents totally oblivious to the relationship between expenditure and revenue. This will therefore suggest that we need to seriously monitor our spending patterns if we are to continue to finance the expanding demand for Government services.
8. The Budget Estimates before this Honourable House, therefore, are not intended as austerity prescriptions but rather as a signal attesting to our recognition of the grim realities and the challenges that lay ahead.
9. Mr. Speaker, the evidence suggests that there must be some abatement in the cavalier and sometimes "carnival-like" spending behaviour of some public officers. The fact of the matter is that we, by necessity, will have to do some prudent belt tightening and this, I assure you my Honourable Colleagues, is a lot less painful if we were to do it ourselves rather than to have others do it for us. If we are to assume greater responsibility for our fiscal affairs, we must take bold and deliberate steps to reduce the incidence of tax evasion while at the same time

instituting and maintaining strict discipline to ensure the efficiency of public expenditures.

10. Mr. Speaker, Honourable Members will therefore note that there has been a deliberate effort, with few exceptions, to curtail discretionary spending in such areas as overseas travel and small miscellaneous special expenditure projects under the recurrent budget which reflects our commitment to prudent expenditures while giving Government the financial flexibility to ensure that all financial commitments are met.
11. Mr. Speaker, I do not propose to go through the estimates head by head or even try to explain the major thrust of each Ministry. What I would like to do , however, is to make some general comments and highlight a few (key) areas of the Budget Estimates.
12. Mr. Speaker, there are no new increases in taxes and charges in this Budget. Our quest for improved government revenue will focus more on strengthening and intensifying the revenue collection mechanism and re-introducing expenditure control systems. To this end, the Budget Unit in the Ministry of Finance is being asked to vigorously monitor and enforce the customary quarterly allocation to departments of the funds appropriated. In addition, Mr. Speaker, Accounting Officers will be asked to ensure that Government obtains value for money thus ensuring that supplies and services are produced through competitive bidding/shopping, that is making good use of the tendering process. Measures aimed at collecting arrears of revenue will also be enforced.
13. I should make it quite clear that my intentions when referring to competitive shopping and/or tendering is not confined to construction works but will be extended to the procurement of goods and other services demanded by Government departments and agencies. Mr. Speaker, to assist in this process, efforts are in train to strengthen the public tendering and procurement function in the Ministry of Finance. Initial steps would be to have the proper legislative framework in place and then to appropriately staff the unit so that it can effectively and efficiently carryout its functions.
14. Mr. Speaker, it would not have escaped the attention of Honourable Members that provision has been made for two(2) new departments:
  - i. The BVI Finance Centre under the supervision of the Chief Minister's Office tasked with the marketing of the Financial Services Commission; and
  - ii. The Marine Services Unit tasked with regulating the marine industry and enforcing/implementing certain parts of the Merchant Marine Act.

There are also three(3) new units namely:

- i. The Trade and Investment Promotion Unit, within the Chief Minister's Office;
- ii. The Finance and Economic Affairs Secretariat within the Ministry of Finance and Economic Development tasked with, among other things, advising the Ministry on policy options with respect to regional and international finance and economic development initiatives; and
- iii. The Financial Investigation Agency within the Deputy Governor's Office tasked with investigating "white collar" crime associated with our finance center activities.

Collectively, the BVI Finance Centre, the Finance and Economic Affairs Secretariat and the Financial Investigation Unit will be responsible for ensuring that our financial services activities remain vibrant while at the same time compliant with internationally accepted standards

15. Mr. Speaker, with your kind permission I would like to turn my attention to Government employees - Established and Non-Established Workers. In 2001 employees were given a seven and a half percent (7 1/2%) increase pending completion of a Job Classification Study. While there have been a series of meetings and deliberations with the consultants from KPMG Peat Marwick Partners Management Consultants, the Deputy Governor, senior civil servants and staff representatives the report has not yet been finalized. I am of the view that while the report may contain certain valuable recommendations, decision makers need to have ample time to decide on what aspects of the report, if any, should be accepted and, hence, implemented.
16. Having said that Mr. Speaker, I am aware that Government employees expect and eagerly await the anticipated salary adjustment promised two (2) years ago. Without prejudice to the final determination of the Job Classification Study. I have included a provisional amount of four million one hundred and seventeen thousand four hundred (\$4,117,400) dollars in the 2003 Budget to ensure that employees receive much deserved emoluments.
17. With that out of the way Mr. Speaker, I feel compelled to sound a note of warning to all persons on the public payroll. Throughout the hemisphere and indeed all around the World, Governments as well as private entities have embarked on a series of initiatives in downsizing, restructuring and reforming their organizations. Mr. Speaker, some organizations even some of our neighbouring Caribbean countries have recognized this need, and have taken bold steps to reduce their Public Services and have embarked on programmes to meet these objectives, including rationing the number of hours worked by individuals. Mr. Speaker, the British Virgin Islands cannot for very much longer escape the sweeping wind of change, but will rather have to adjust and adapt unless we find ourselves in a position not unlike that of the dinosaurs.

18. Mr. Speaker, Honourable Members will no doubt note that, with few exceptions, no new posts are being proposed in the 2003 Budget. I have resisted and will continue to resist the trend of an ever-increasing Public Service, since this can only serve as a further deterrent for paying existing employees decent salaries.

### **The Public Debt**

1. Mr. Speaker, as I have said on a previous occasion, any commentary on the public finance would be incomplete without some reference to the Public Debt and the Territory's ability to service it. Given our stage of development, from time to time it has become necessary to borrow funds to finance the much-needed physical and social infrastructural work so integral to the continued prosperity of the Territory.
2. Honourable Members would have observed from the Budget document now before you that our annual debt-servicing obligation for 2003 is some three million, eight hundred and eighty-five thousand, five hundred (\$3,885,500) dollars which is down from an estimated four million, six hundred and eight thousand, six hundred (\$4,608,600) dollars in 2002. Total Public Sector Debt of ninety million, four hundred and forty-four thousand, four hundred and thirty-one (\$90,444,431) dollars as of December 2002, with a debt service ratio of just four point three (4.3%) percent is a manageable burden. This taken into context of the Territory's estimated earnings from the export of goods and services, I am confident that our debt servicing capabilities are sustainable.
3. Having said the foregoing, however, I must notify Honourable Members that, perhaps as early as the start of the second half of this year, I will need to access financial capital resources to fund a number of necessary projects in our Public Sector Investment Programme such as, sewerage schemes in various Districts, new hospital facilities, a Law Block, construction of new schools, improvement to the Territory's highways and certain smaller yet equally important capital works.

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

1. Mr. Speaker, even with several major projects completed and being commissioned, there is need for sizable capital outlays on a number of other extremely worthwhile projects. Of the Thirty-one million, eight hundred and five thousand, one hundred and twelve (\$31,805,112) dollars locally funded Capital Budget, twenty-seven million, six hundred and fifty-three thousand, four hundred and forty-five (\$27,653,445) dollars 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 two million, nine hundred and fifty-one thousand, six hundred and sixty-seven (\$2,951,667) dollars 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 two hundred and eighty million (\$280,000,000) dollars over the next five(5) years on the following:
  - i. Hospital and major health facilities;
  - ii. Multi-purpose Sports Complex;
  - iii. Anegada Jetty Development;
  - iv. Customs Task Force- Marine Base;
  - v. Financial Services Complex;
  - vi. Law Block;
  - vii. Virgin Gorda Airport;
  - viii. Schools
  - ix. Upgrading our highways and road systems;
  - x. College facilities;
  - xi. Extension of Nurse Iris O'Neal Clinic
  - xii. Sewerage System throughout the Territory;
  - xiii. Post Offices; and
  - xiv. Police facilities

### **PROSPECTS FOR 2003/2004**

1. Mr. Speaker, it must be crystal clear to all that, amidst the winds of trade liberalization, tax harmonization, corporate inversion, heightened security concerns, and the threat of war that we in the British Virgin Islands, if we are to survive, we must do things differently. We can no longer merely announce that our seaports, airports, hotels and guest houses are open for business and expect the tourists to come in droves. We can no longer craft our financial services legislation premised only on the positive impact on our local treasury. No longer can we independently determine our borrowing priorities and then follow through on them. We can no longer leave our development activities to chance. Mr. Speaker, too great are the probabilities that things will go awfully wrong and too

costly will be the remedies.

2. In a similar vain, Mr. Speaker, no longer can we chance financial ruin, by allowing the administration of our finances to be given by an out dated legal framework. No amount of cosmetic facelift can remedy this chasm. What is needed is a modern Financial Administration Act with the attendant rules and regulations to ensure that the management of our finances keep pace with the times in which we find ourselves. To this end, Mr. Speaker, the single most important initiative going forward by the Ministry of Finance is to build on the work already started in having prepared a modern Financial Administration Bill. I look forward to introducing this Bill, if not in this Fourteenth Legislature, by all means early in the Fifteenth.
3. Mr. Speaker, without trying to bore you with details at this point, what follows is a brief outline of what my administration considers necessary to ensure the continued improved standard of living here in the British Virgin Islands.
4. Firstly Mr. Speaker, I have asked the Advisory Committee on Fiscal Matters to explore avenues with respect to:
  - i. the examination of the statutory licence fees, dues and taxes currently levied in the BVI; and
  - ii. advised on new and/or alternative revenue sources;

and to report to me as Minister responsible for Finance at the end of April this year. I am informed that the Committee has been diligently working at its task and I expect to be in a position to review its recommendations shortly. It is my intention, Mr. Speaker, to use this report as a primary reference source in our quest to consolidate, deepen and even widen in certain instances, the revenue base of our economy. I remain convinced ( even in the absence of the expected report) that there is room for greater revenue flows without the imposition of punitive taxes.

5. Secondly, Mr. Speaker, as already alluded to, I expect new and modernized Finance Administration to assist us in managing our fiscal affairs going forward. With the appropriate legislative framework detailing, how monies are collected and accounted for, how and when these can be spent and for what purpose, and if not spent, how invested, can only aid in removing the ambiguities and nebulousness surrounding the whole affair of financial accountability.
6. Mr. Speaker, work done by or via the petty-contract system is with us to stay. Short lived would be the life of any administration who would dare to prove otherwise. Having said that, however, and like most things, the system is not perfect. It behooves us therefore, to ensure that, not only should the taxpayer receive value for money when contracting with petty contractors, but the petty

contractors' capacity for effective and efficient execution and delivery need also to be enhanced.

7. Mr. Speaker, related to the issue of value for money is the matter of capacity with respect to all petty contractors. We must foster a system where petty contractors themselves as economic agents, must be able to compete if the system is to be sustained. To this end, I am already exploring with the Caribbean Development Bank (CDB) capacity building training and exposure for petty contractors in the British Virgin Islands. The Bank has embarked on its initial fact finding visit to the Territory in pursuit of this particular initiative. I look forward to the Bank's designed, and tailor made" for the British Virgin Islands unique situation, a petty contractors capacity building programme to begin to address the issues that will continue to reside with us, unless we find innovative solutions.
8. Mr. Speaker, the year 2003 presents a new set of challenges for the Tourism sector. The cautionary return of consumer confidence in travel has been further hampered by the cloud of pending war and weakened economies in some of our key markets. Intensified competition in the Caribbean region and the emergence of intra-country travel within its major markets are just two(2) factors making the current environment a most challenging one. With challenge and adversity also comes opportunity. The current world security situation has created a significant opportunity for the whole Caribbean region as it is seen as a safe region by travelers.
9. In this vein Mr. Speaker, we here in the British Virgin Islands must forever be vigilant and must grasp every opportunity to stamp out crime wherever it may raise its ugly head. The peace and tranquility which has always been our hallmark can now be marked as a rare and, hence demanded commodity.
10. Mr. Speaker, the BVI Tourist Board has prepared itself to steer the industry through this difficult period. I will summarise some of the major initiatives being undertaken in this regard.
11. First and foremost, new markets are being developed and strengthened. We are already seeing our efforts in Puerto Rico yielding more visitors as a result of a focused programme in the market. A similar programme is already developed currently being implemented for the French Caribbean Islands. A programme for the Latin America market using strategic partners familiar with that market is also being implemented. We continue to strengthen European Markets with focused cooperative programmes with key Tour Operators in those markets. I might add Mr. Speaker, that our new office in London is very much part of our plans to aggressively develop European markets. I am pleased to report that the new office is open and the Director of Tourism is currently in London seeing to it smooth transition.

12. Mr. Speaker, the way forward for the British Virgin Islands as a country cannot be charted nor embarked upon unless we have all our development partners on board with a shared vision for improving the standard of living in these islands. In these uncertain times those who think clearly, set positive goals, understand and utilize the team approach, and remain focus will ultimately prevail. When this Administration presented its first budget in 1999, we knew then that the social problems plaguing our community were deep-noted and would need time and consistent effort for any impact to be made. We have stayed course. We are in for the long run.
13. Mr. Speaker, aside from those agencies operating under the umbrella of Central Government there is the wider Public Service incorporating the activities of statutory boards and publicly owned companies. Needless to say, from time to time the operations of these boards/companies need to be examined to ensure that they are accountable to the public. After all, these boards belong to the public and while they are created to operate as private enterprises, they are not meant to be privately owned by the persons entrusted to administer them. Like Government departments they too are expected to provide. Only with these agencies' full support can be move this country forward.
14. Mr. Speaker, history has shown that in order for any developing country to succeed there must be a dynamic public-private sector partnership that is founded on the premise of mutual confidence and trust in the other sector's commitment. In the British Virgin Islands we are reaping the sweets of a successful partnership between the public and private sector, where widespread discussion and consultation are undertaken on all measures affecting the financial services sector.
15. Mr. Speaker, we must now replicate these successes through every sector of the economy. I am acutely aware of the fact that over the years growth in the private sector in the main has not kept pace with remarkably growth in the public sector. Together we need to discover ways through which we can stimulate growth and development in the private sector. The strength and degree of resilience in mixed economies depend to a large extent on the health and robustness of the private sector. Mr. Speaker, to this end I am currently engaging the BVI chamber of Commerce and Hotel Association in a series of meetings in an effort to find out, among other things, what more can we (the public sector) do, or do differently that would assist its members' economic growth and development.
16. 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 demonstrated the success of our programmes and provides the foundation for future growth and prosperity. It further identifies and provides the means now rest 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.

### **ACKNOWLEDGEMENT**

1. At this juncture, Mr. Speaker, I will like to acknowledge the contributions of all our partners in this continuing struggle for development. His Excellency The Governor, The Deputy Governor, Public Officers in the ranks of the Civil Service, daily rated employees and employees of our Statutory Boards and Companies, members of the private and public sectors who are called upon to serve on numerous standing as well as adhoc Boards, Committees and Commissions. 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), Canadian International Development Agency (CIDA), United States of America Agency for International Development (USAID), the Organisation of Eastern Caribbean States (OECS), the Caribbean Community (CARICOM), the commercial Banks operating locally, the BVI Social Security Board and all other local, regional and international donor agencies including our local Development Bank that have contributed to our development efforts thus far. We will be relying on these agencies for their continued support.
2. Mr. Speaker, I wish to make brief mention and recognise the ongoing contribution of the Overseas Territories Consultative Council established under the chairmanship of the Foreign and Commonwealth Office. This forum has been a very convenient platform on which several issues affecting the UK Overseas Territories have been aired and discussed. Notable among the recent issues, is the work done surrounding the granting of British Passports to the citizens of Caribbean Dependent Territories including the British Virgin Islands.
3. Mr. Speaker, the British Virgin Islands as a Territory has made remarkable progress over the years. In recent times when much larger economies have faltered and contracted, ours has been able to stay the course of sustained development. We owe our achievements to the cumulative efforts of past and present Governments and Oppositions, public and private sectors, the banks and other financial institutions, BVI Islanders at home and abroad, residents belongers and non-belongers.
4. Mr. Speaker, as I present the 2003 Budget Estimates, I am cognizant of the predictions for modest to low economic growth of the OECD countries and, in particular, the United States of America with whom our fortunes are intricately intertwined. We realize that the prospects for our economy attaining recent economic growth rates are as much tied to the North American and European economic fortunes as it is to cultivating at home and abroad, confidence in the British Virgin Islands, the Government and its people, and our implementing

sound and appropriate macro-economic policies.

5. Mr. Speaker, it is with great pleasure that I present the Government's Budget for 2003. I commend its provisions and policies which underlie them for the consideration and approval of Honorable Members.

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