

# 2000 BUDGET ADDRESS

## INTRODUCTION

Mr. Speaker, I move that the Appropriation Bill, 2000 be read a second time, and in so doing, I seek your indulgence, Sir, to allow me to read my Budget Address.

2. Honourable Members will recall that from the inception of my tenure as Chief Minister and Minister of Finance, I insisted that the Annual Budget Estimates be laid and debated by this Honourable House within the confines of the Constitution and Finance Act. Even though there is provision for a late submission through formal means, I never considered this acceptable unless there was a dire need or situation that could not be avoided. Mr. Speaker, since my tenure in office, this year was the first time I wondered if we would make it. This year was one in which we had a vibrant and vigorous election process, the financial structure of the Territory faced challenges from overseas authorities and hurricanes ravaged the Territory as recently as last month. These challenges Mr. Speaker, we faced as a Government and a people, and by advancing our causes we are here today. Mr. Speaker, I am proud to say that as the Minister of Finance, this is my fifth consecutive address and third consecutive year in which the Estimates were laid before year's end, and I can see no reason given the issues we faced this year, why under normal circumstances future Budget Estimates cannot be completed within such time frames.

3. Mr. Speaker, our challenges have not ceased for this current year. In a matter of mere days the entire globe faces the ever approaching year 2000. This year can be argued as the new millennium or not; however, my sentiment is that internationally it is being regarded as such whether numerically it is or not, and for the purposes of this address, I will treat it as such. The year 2000 seems to bring both joy and fear. The advent of the millennium is being prepared for worldwide and in that regard, we look forward to the celebrations. On the other hand, the issues of Y2K which are very vast are also before us. The worldwide fear of this dilemma is astounding. Mr. Speaker, with regards to both these matters, my Government has been addressing them for at least two (2) years and more. Our preparations are virtually complete and as time progresses, I trust the good work will show.

4. Mr. Speaker, I would implore Honourable Members who now have the Appropriation Bill, 2000 and the Draft Budget Estimates to peruse and scrutinize the documents carefully. It is imperative that Standing Finance Committee be administered diligently but swiftly, so that the Estimates can be debated and passed well before year's end.

5. This Budget Address will attempt to reflect on our history over the past one hundred (100) years, to recap events and financial performance of 1999, and provide some vision as to the expectations come 2000.

## Historical Review

Mr. Speaker, Sir, the approaching millennium is one which for the most part is eagerly awaited. It reflects a change in an era that most have never seen nor will see again. The past one hundred (100) years have been years of dramatic changes in the B.V.I. and for our people. The timing of this Address mandates that a brief reflection on some salient points and times in our history is warranted.

Mr. Speaker, in:-

- 1890 - Compulsory Education was introduced to this Territory.
- 1898 - A Grant of £2,250 was issued to pay off the public debt.
- 1901 - Constituent powers were surrendered by the Virgin Islands Legislature.
- 1902 - The Governor of the Leeward Islands became the sole Legislature and the Legislative Council was abolished.
- 1905 - A Government Savings Bank was established.
- 1916 - The first disastrous hurricane of this century struck (naming of storms was not a practice).
- 1921 - The first hospital "Cottage Hospital" was opened. It is now called "Peebles Hospital" after its founder, Major H.W. Peebles.
- 1926 - Disaster at sea struck with the loss of the "Fancy Me" in which fifty-nine (59) Virgin Islanders were drowned as the vessel was returning with labourers from Santo Domingo.
- 1928 - This was the height of the prohibitory period when no rum was to be taken to the United States Virgin Islands (U.S.V.I.), thus smuggling increased.
- 1931 - One hundred (100) years since the Liberation of the Africans and the building of their settlement in Kingstown.
- 1932- Disaster at sea struck again as thirteen (13) lives were lost when the "Perseverance" went down.
- 1934 - We, as a Territory celebrated one hundred (100) years of emancipation from slavery. Of particular note is the Nottingham Estate from which the first freed slaves were granted property.
- 1938 - A move was afoot to re-establish a representative Government signaled by a visit of the West Indian Royal Commission.

- 1940- In St. Thomas, large numbers of BVI Islanders were employed to assist with the establishment of United States Armed Forces installations. This of course was a compliment to the forces that fought in World War II.
- 1943- A Senior School was formed and Secondary Education was introduced.
- 1946- First Census was done in the B.V.I.
- 1947- Per Capital Income was estimated at \$64.50 (It is now \$32,927).
- 1949- A colony wide demonstration was made for the following-.-
- i) a representative Government;
  - ii) closer union with the U.S.V.I;
  - iii) the removal of the Commissioner.
- 1950 - The Legislative Council was reconstituted and General Elections were held.
- 1951 - An Inter-Virgin Island Conference was established under the joint Chairmanship of the Governor of the U.S.V.1. and the Commissioner of the B.V.1. This was the inception of the concept of B.V.I./U.S.V.1. Friendship Day.
- 1954 - Provision was made for the Election of Members to the Executive Council from the Legislature by Constitution.
- 1955 - Festival Celebrations as we know it today, began in the East End/Long Look area. Thus the significance of August Wednesday to that area.
- 1956 -
- i) The Federation of the Leeward Islands was dissolved and the Commissioner of the Virgin Islands became Administrator.
  - ii) The Blackburne Highway was opened.
- 1959 - The first local newspaper (weekly), the "Tortola Times", was established.
- 1960 -
- i) The Administrator of the Virgin Islands assumed gubernatorial powers and the office of the Governor of the Leeward Islands was abolished.
  - ii) Grant-in- Aid from the UK Government accounted for seventy one percent (71 %) of the revenue.
- 1961 - The first Commercial Bank was introduced in the colony (the Virgin Islands National Bank).
- 1963 - The first million dollar (\$ 1 M) budget was passed by the Legislature.

- 1964 - The first resort owned by Mr. Laurence Rockefeller was opened at Virgin Gorda.
- 1965 - The first radio station started operations in Tortola (ZBVI).
- 1966 -
  - i) Queen Elizabeth II visited the Territory. This was the first visit by a reigning monarch since we became a British Colony in 1672.
  - ii) Opening of the Queen Elizabeth II Bridge.
- 1967 -
  - i) A new constitution with the ministerial system was granted.
  - ii) The sole legal tender became U.S. Currency.
- 1968 - The Virgin Islands Secondary School was closed and the B.V.I. High School opened.
- 1969 - A Commission of Enquiry was appointed to investigate the leasing of lands on Anegada and Wickhams Cay I.
- 1971 - The Wickham's Cay lands were bought and returned to the people of the Territory.
- 1973 - Local Coinage was issued as Legal Tender.
- 1974 The Act to establish the Development Bank was passed.
- 1975 The Labour Code was passed.
- 1977 The New Constitution was signed. One significant aspect was the establishment of a Minister of Finance and the passing of the Finance Ordinance.
- 1978 - Grant-in-Aid was curtailed and the Territory was able to balance its own Recurrent Budget, thus not requiring substantive approval by the United Kingdom Government.
- 1979 - The Social Security Act was passed.
- 1980 -
  - i) The Social Security Board began operations.
  - ii) The Capital Fund Act was passed.
  - iii) Double Taxation Treaties were abolished.
- 1981 The substantive extension to the hospital was opened.
- 1984 -
  - i) International Business Company Legislation was passed. This was the seed for the now buoyant Financial Services Industry.
  - ii) The Adina Donovan Home for the elderly was opened.

- 1987 - The Panama crisis led to a significant increase in International Business Company Incorporations.
- 1989 - Destruction by Hurricane Hugo.
- 1990 - The H. Lavity Stoutt Community College was opened.
- 1994 - i) The Constitution was amended for the At-Large-System in General Elections.  
ii) The Central Administration Complex was completed and opened.
- 1995 - The first death of a Chief Minister in office (H. Lavity Stoutt) and the first state funeral.
- 1996 - The first one hundred million dollar (\$100M) budget was passed by the Legislature some thirty three (33) years after the first million dollar (\$1M) budget.
- 1999 - i) The first one hundred and fifty million dollar (\$150 M) budget was introduced in the Legislature;  
ii) The re-establishment of the Civil Service Association (CSA).  
iii) The appointment of the fourteenth (14<sup>th</sup>) Legislature which is the Government to lead the country into the new millennium.

These events mark the transition of the society over the years in various ways. I would like To recognize the principal source for the data "The British Virgin Islands - A Chronology" compiled by Norwell Harrigan, MBE, MPA, and Pearl Varlack, MA. I would further like to express thanks to the H. Lavity Stoutt Community College (H.L.S.C.C.) and, in particular, the Virgin Islands Studies Programme for their assistance.

### Recognition of Significant Key Posts Held by BVI Islanders as a First

Chief Minister	-	H. Lavity Stoutt
Minister of Finance	-	Willard Wheatley
First Female Minister	-	Eileen Parsons
First Female Legislators	-	Eileen Parsons Ethlyn Smith
Secretary to Government & Education Officer	-	Norwell Harrigan
Permanent Secretary	-	Elton Georges Elihu Rhymer Eugene Todman-Smith

Attorney General	-	Dancia Penn
Financial Secretary	-	Cyril Romney
Commissioner of Police	-	Vernon Malone
Speaker & Clerk of the Legislative Council	-	Henry Creque
Chief Medical Officer and Surgeon	-	Orlando Smith
President, H.L.S.C.C. & Principal, B.V.1. High School	-	Charles Wheatley
Chief Education Officer	-	Enid Scatliffe
Medical Officer	-	Reginald Georges
Labour Commissioner	-	Ralph T. O'Neal
Director, Social Security Board	-	Joshua Smith
General Manager, B.V.1. Electricity Corporation	-	Ronnie Skelton
Director of Financial Services	-	Robert Mathavious

## Global Perspective

Mr. Speaker, the events worldwide continue to be such that we must monitor them. They are vast and in no way will I try to cover them all in any great detail. The concept of globalization and the structures that are evident to effect it are a reality. The B.V.I. is no longer a few islands in the sunset and our sense of innocence as "Virgins" may also be lost. The B.V.I. is regarded as one of, if not, the largest incorporators of International Business Companies in the world. Our affairs in this Territory affect industrial countries worldwide, and we must recognize that we are part of this globalization and prepare this Territory and its people to take up their rightful roles.

2. The international financial arena though still riddled with its issues and problems, remain relatively intact. There were no major collapses worldwide and in general recovery overall is advancing. Interest rates and financial markets are fairly stable.

3. This period of stability is an opportune time for this Territory to reposition itself for the future. Some attempts to do this have started and some are to be initiated early in the coming year. This however, I will discuss later in my Address. At this time however, Mr. Speaker, the issue of the international reviews of the financial services industry continue to bother me. The concept is laudable as any financial system must be audited to ensure its integrity and prudence. However, I would caution the approach that is taken and how it is marketed. The exercise can serve to enhance the industry if well orchestrated or serve to hamper its progress if not. Attempts are currently underway to ensure that the latter does not happen and I am inspired by that. This does not mean, however that we must not keep a watchful eye and prepare ourselves to initiate contingency plans if necessary.

## Reflections of 1999

Mr. Speaker, I would briefly like to reflect on the events and accomplishments of 1999. This year was one of political resolution, financial threats, recovery from disasters and preparations for a coming millennium. These events were many for one year and some will never be revisited in most of our lifetimes.

1. The Government was able to advance or complete major projects such as:-
  - i) commenced the Public Sector Reform Programme (PSDP);
  - ii) completed the draft of the Disaster Relief Bill;
  - iii) initiated the tendering procedures for the Computerization of the Laws of the Territory;
  - iv) commenced construction of the Learning Resource Center at the H. Lavity Stoutt Communal College (H.L.S.C.C);
  - v) initiated the planning and design of the Marine Center at H.L.S.C.C;
  - vi) ratified the agreement for the computerization of the Inland Revenue Department;
  - vii) completed negotiations and agreed the Customs Reform initiative;
  - viii) introduced the Postal Study and the way forward for postal affairs of the Territory;
  - ix) completed the Annual Accounts for 1998 within the stipulated time by law;
  - x) agreed in principle the way forward to restructure the planning process of Government projects;
  - xi) virtually completed the redesign and implementation of the computer networks;
  - xii) practically completed all Y2K preparations, and I must say that for all intent and purposes the Government is Y2K ready;
  - xiii) addressed the challenges of the international initiatives on Financial Services and are well advanced on the check list emanated from the White Paper;

- xiv) advanced the Physical Planning Act which will speak to both planning and environmental concerns;
- xv) continued to increase the Government's equity position in the Development Bank;
- xvi) commenced the strategic planning process for the Development Bank of which Phase I is complete;
- xvii) commissioned an Educational Review in collaboration with external and local consultants, with the support of the Caribbean Development Bank (CDB);
- xviii) agreed to source a site for the new home for the elderly;
- xix) tendered for a pre-design study for the landfill (waste disposal) and selected a tenderer;
- xx) relocated the Road Town Clinic thus providing a better atmosphere, whilst increasing the space available for hospital use;
- xxi) selected a Functional Programmer and are well advanced with selecting a Hospital Architect to commence planning and design of a new Hospital, which will include the new hospital extension;
- xxii) commenced plans to extend the incinerator capacity;
- xxiii) completed the majority of the works required to provide dialysis services to the public;
- xxiv) completed the tendering process and substantive assignment of contracts for the Beef Island Expansion Project (Terminal and Civil Works);
- xxv) advanced the tendering for the runway extension and agreed the principal financing intermediary;
- xxvi) advanced our sea defense initiatives;
- xxvii) extended the Water Distribution System in the Territory;
- xxviii) expanded the Territory's Road Works;

- xxix) completed the Cruise Pier extension and introduced an initiative to ensure berths year round;
- xxx) commenced the Electricity Expansion Project Phase III.

Mr. Speaker, these major accomplishments are milestones that the Territory as a whole can be proud of as we prepare for the upcoming millennium. We do however, have shortcomings and I recognize that. To proceed to list them may be redundant, so therefore I would rather reflect on the initiatives in train to address them:-

- i) the new Government house has now been agreed on as regards a site, and planning and design are underway;
- ii) Phase II of the Virgin Gorda Administration Building is at an advanced stage of design and I have transferred the project to my Ministry to ensure more direct oversight by myself;
- iii) reintroducing the financial rating initiative in the second quarter of 2000;
- iv) finalize the Pension Consultancy and recommence the project in the first (1<sup>st</sup>) quarter of 2000;
- v) reintroduce the Fiscal Review Committee (combination of public and private sector persons) to review existing revenue measures and enhance them. The focus is to restructure and introduce new measures such as the potential for E-Commerce activity, National Health Insurance Scheme, Tax Initiatives to encourage savings for retirement and education to name a few in mind;
- vi) introduce new Financial Legislation and Procurement Rules by the fourth (4<sup>th</sup>) quarter of 2000;
- vii) introduce and debate the required Financial Services Legislation, the Disaster Relief Bill, the Physical Planning Act and other necessary legislation;
- viii) complete the Educational Review to enhance the entire system not only from a physical perspective;
- ix) address in a more substantial way our environmental issues coupled with agricultural and fishing development;
- x) complete the plans for the National Information System Building (NATIS);
- xi) upgrade the recreational facilities focusing on a national recreational centre;

- xii) ensure commencement of construction of the new Hospital by year's end. It will serve to note that if the project financing requires the use of the Territory's reserves I intend to do so;
- xiii) enhance road safety measures and ensure the introduction of traffic lights in key areas as soon as possible;
- xiv) finalize the technical issues with the Queen Elizabeth II Bridge to ensure construction commences in the first (1<sup>st</sup>) quarter of 2000; and
- xv) commence a study to review the sewage situation of the entire Territory to design a proper system with the concentration being on the eastern and central areas of the Territory.

### **Fiscal Domestic Performance - 1999**

Mr. Speaker, the performance of the Territory's economy continues to exceed expectations. This is attributed to the areas of Tourism and Financial Services which continue to do very well.

2. The Gross Domestic Product (GDP) for 1999 is approximately six hundred and fifty four million and fifty seven thousand dollars (\$654,057 M). This reflects a growth of forty two million and fifty six thousand dollars (\$42,056 M) or 6.87% over that of 1998. The annual rate of inflation for 1998 stood at 4.53%. The estimated rate of inflation for 1999 as at the end of the third quarter is 3.34%. This Mr. Speaker, indicates that the economy is healthy. Having said that however, I remain concerned about the involvement of the people of our Territory in the areas of Tourism and Financial Services. The robust economy stands to say little if the people are not involved and can ensure sustainability.

3. Mr. Speaker, I am reviewing options to enhance trade within the Territory and between regional partners. The relative growth in the Territory is not adequately represented by internal trade and exports to regional counterparts. The latter is more difficult to address. There however, can and must be more trade in this Territory, so that the earnings from the economy can be recycled. We are far too dependent on external affairs to determine our economic stability and growth, then in turn we do little to reciprocate it internally. To this end, I am approaching this matter with the Trade Department and the Ministry for more substantive solutions in conjunction with the Fiscal Review Committee.

4. In last year's Budget Address, I stated I would look into the matter of the introduction of an unemployment insurance scheme through the Social Security Board.

5. It is my understanding that the Actuary advised that it is a feasible concept and I will be pursuing that matter with the Social Security Board in conjunction with the Ministry of Finance next year.

## Tourism

Notwithstanding the direct contribution Financial Services makes to the public purse, Tourism continues to be a lead contributor to the Gross Domestic Product. This means that our economic growth is heavily dependent on this area.

2. Mr. Speaker, as I indicated last year, more needs to be done to develop this industry. A top priority for 2000 is to revisit the tourism study and effect an action plan to implement as much as can be reasonably done. This is pivotal to economic diversification as our industry continues to be challenged.

3. The indicator (overnight visitor arrival) is eighty six thousand, three hundred and eighty (86,380) for the first quarter of 1999 which is up 8.29% compared to 1998. The indicator for cruise arrivals is seventy one thousand, two hundred and 71,261 up 53.9% when compared with 1998

## Financial Services

Mr. Speaker, I now turn to Financial Services.

This sector continues to account for the most significant portion of Government's revenue, accounting for some 50.2% percent of public revenues in 1999. This sector is expected to contribute some sixty six million, two hundred and five thousand dollars (\$66,205M) to the public purse in the year 2000.

2. Traditionally, the Companies Registry has accounted for the greater portion of revenue and the year 2000 will be no different in this regard. At the end of September, 1999 some 41,619 companies were formed. This has already exceeded the number of incorporations as of the same time last year and portends well for the future.

3. Since 2<sup>nd</sup> January, 1998, the Mutual Funds Act has been in effect and has already proven to be an important source of revenue for the Territory. Since 2<sup>nd</sup> January, 1998 up to the end of September, 1999, some 242 entities have been licensed as managers and administrators of mutual funds. For the same period, 1494 funds have been either registered or recognized. Even though only in its early stage of regulation, this sector has already contributed over one million dollars (\$ 1 M) to the public purse.

4. Also, in 1998, the Shipping Registry was transferred from the Ministry of Communications and Works to the Financial Services Department. The B.V.I. boasts the registration of over 1,040 vessels - mostly yachts - more than any other Caribbean country. At present, the B.V.I. is limited to a category two registration status and is generally restricted to the registration of vessels under 150 gross registered tonnage. Mr. Speaker, it is the intention of this Government to work diligently with the Financial Services Department towards putting the necessary infrastructure in place, to enable the shipping register to be categorized as a Category

I register before the end of the year 2000. With this in place, the jurisdiction will then be able to market itself as a situs for the registration of luxurious Mega Yachts, once again, contributing to the diversification of the industry and the economy as a whole.

5. All in all, the sector continues to progress with the usual number of Registered Agents, Insurance Companies and Mutual Fund Companies. Managers and Administrators continue to apply to be licenced in the B.V.I. Mr. Speaker, when it comes to licensing financial services providers, we will stay the course. We will continue our selective licencing policy. ONLY fit and proper institutions whose presence will benefit the reputation of the B.V.I will be licenced to provide services in or from within the B.V.I.

6. The Director of Financial Services has also reported that the Territory is well ahead with complying to the items check listed in the White Paper. Mr. Speaker, I have every confidence that this Legislature will do its utmost to ensure that financial services legislation remains in compliance with international standards, while at the same time ensuring that the Legislation is responsive to the legitimate business needs of the private sector. The Territory's anti-money laundering laws, in particular, recently received the stamp of approval from the Caribbean Financial Action Task Force. Honourable Members, should also be aware that this Territory, along with Bermuda and the other Caribbean Overseas Territories, will be co-sponsoring with the UK an independent review of the financial sector activities within each Territory, to ascertain compliance with international standards.

I welcome the review as it will enable us to test our regulatory norms, procedures and practices against benchmarked international best practices.

7. Mr. Speaker, I am aware that there are many who are concerned about the constant scrutiny that has been placed on Offshore Centers. In particular many are upset over the OECD, G7 and EU Harmful Tax Initiatives and their potential complications for the future of Offshore Financial Centers. Whilst I favor the UN approach of white listing cooperative centers that apply international standards over the black listing of non-cooperative centers, the approach of OECD et al, I remain confident that there will always be a place in the world for reputable financial centers such as the B.V.I.

8. Mr. Speaker, while I am painting a rosy picture of our financial industry, this is not to say that we are right for all. We must heighten regulatory vigilance and due diligence to ensure that those who may wish to abuse the jurisdiction for criminal or other disreputable activities, realize that the B.V.I. is not a safe haven for nefarious activities. The B.V.I. is proud if its record for doing what is right, when it is right. That our efforts have so far paid off Mr. Speaker, is evidenced by our unblemished record as of present date and by our successful efforts to cooperate with others in the international fight to combat crime and other illegal activities.

## Banking Sector

Mr. Speaker, just by way of reference to the subject, I am pleased to see that my concerns raised in last year's address with respect to these institutions have been alleviated. This goes without saying, the fine work these institutions have been doing, I however, still would like to see more on lending to BVI Islanders in a commercial capacity.

2. At this time, Mr. Speaker, I would like to serve notice of three (3) things:-

- i) the financial rating process will be reinitiated in the year 2000;
- ii) the funding for the new hospital must be comprised of grant, concessionary and market rate based funds to obtain an average of no more than 5.5% - 6%.
- iii) There will be only one lead institution that the Government will negotiate with. If such rates are not achieved, I am quite prepared to source funds from the reserves, for this project must be advanced as top priority without being a tremendous burden on the tax payers.

### Central Government

The recurrent revenue is expected to exceed a total of one hundred and fifty million dollars (\$150M), which is an increase of approximately eight million dollars (\$8M) over that of 1998, by 5.5%. The recurrent expenditures (including contributions to the funds) are approximately one hundred and forty two million dollars (\$142M) thus expecting a net surplus of at least seven million dollars (\$7M).

2. Mr. Speaker, these figures which are very conservative in nature, reflect continued growth in Government finances. Continued contributions to the reserves ensure our viability and ability to effect contingency plans when needed.

The re-automation of the Government's accounting system, has not only enabled the accounts to be produced timely, but also were able to control over- expenditure for the most part. The 1998 accounts, that will be laid before this House during budget debate, reflect over expenditure in the Personal Emoluments area. This is an area that the system is not currently designed to control on a select basis. However, measures are being taken early in 2000 by the Personnel Department and the Ministry of Finance to introduce "position control" to alleviate the problem. This should result hopefully in no overage in the personal emoluments area of the accounts for 2000.

3. There however, remains concern with the number of posts budgeted for that remain vacant. This is one of the contributing factors to the large surpluses which in a way is good. At this time the Government needs to better utilize all available funds to address the growing needs of the Territory, especially on the social end. I am therefore commissioning a joint task force between the Chief Auditor's Office and the Ministry of Finance (Internal Audit Unit and the Treasury Department) to audit Personal Emoluments and submit a substantive report. This report and justification by the Personnel Department for continuing to fund posts will determine the continuation of unfilled posts for future budgets as well as creation of new posts.

4. Mr. Speaker, nearly fifty (50%) percent of the recurrent expenditure is spent on salaries and related costs of this nature. This means the civil service is not only a great financial burden on the public purse, but it also needs to be monitored as vigorously as we do "other charges" and various funds. I in no way mean to eliminate needed posts, but we need a far more efficient service and I trust the Public Sector Reform Programme will address this matter in a serious manner.

### **The Public Debt**

For period ending 31 December, 1999, the Public Debt (central government) is estimated to be twenty four million, three hundred and seventeen thousand, six hundred and eighty dollars (\$24,317,680M) and the National Debt (including contingent liabilities) is estimated to be seventy four million, eight hundred and sixty four thousand, four hundred and two dollars (\$74,864,402M). National Debt for 1999 has increased over that of 1998 by some twelve million, eighty six thousand, nine hundred and twenty four dollars (\$12,086,924M) or 19.4%. Contingent Liabilities total fifty million, five hundred and forty six thousand, seven hundred and twenty two dollars (\$50,546,722M), which is an increase of approximately nineteen million dollars (\$19M) or 65.4% from that of 1998.

2. Public Debt to Revenue ratio is seventeen percent (17%) and Public Debt repayments as a percentage of revenue is four percent (4%). Public Debt to Gross Domestic Product (GDP) ratio is four percent (4%). As regards potential international borrowing criteria, the B.V.I. is at fifty percent (50%) of its borrowing capacity.

3. Mr. Speaker, the increase in debt both nationally and publicly is a result of needed improvements to the Territory in general. We are falling behind slowly in some critical areas, and with the expanding economy and increases in the labour force, our resources are being drained. This is all happening very quickly and we need to make some drastic moves in limited time to keep pace. The plans are in place and the required financing in most instances is secured to effect advancement.

4. The projected increase in the National Debt is one we must manage carefully to ensure that our future is not lost in the shuffle. This is why I am pleased that the UK Government has introduced a Paper on Borrowing Criteria for Overseas Territories. It is a well-structured paper with multiple options for a Territory. We have had preliminary discussions with the UK Government representatives as the final paper was being drafted, and feel confident that the outcome would not limit the Territory in anyway, but rather foster a better relationship and more transparent process for all.

### **Statutory Boards**

Mr. Speaker, I would like to address this area briefly and highlight the salient points. Before doing so, Mr. Speaker, I would like to extend my appreciation to the management and staff (present and past) of these Boards for the excellent work they continue to do and encourage them to continue to do so. The recent Executive Council decision to have these

Boards refer tenders in excess of two hundred and fifty thousand dollars (\$250,000) to the Public Tenders Committee is not being adhered to. There is proposed legislation to effect this. However, in the interim, the decision was made to ensure greater accountability and transparency. These Boards are solely owned by the Government and are responsible to the Government. The lack of adherence in my view, is defiance that is unacceptable and needs to be reversed, thus not creating undue conflict.

2. Mr. Speaker, the Social Security Board's Annual Report for 1998 is completed and will be laid before the House shortly. The fund and administration are in order by virtue of actuarial advice. I would like to encourage this institution to activate its Appeal Tribunal as a matter of urgency given.

There will be a number of initiatives in 2000 that we featured in last year's address that will be initiated. Plans are well advanced and as they commence I will update this Honourable House.

The intent to eliminate the vote account books (manual) now in use is still valid. Upon reflection of the potential issues with the millennium bug, it was decided not to eliminate them in 1999 but rather in 2000, when all is well. All advise indicates that manual records into 2000 may be quite useful until the issues are all resolved.

the current case load and possible cases in the future given the expected growth of the scheme. The matter of the growth in the defaulters is of concern. It is inconsistent with economic activity and appears to be irresponsible behaviour on behalf of employers. Mr. Speaker, this cannot be tolerated and I intend to have an audience with the Board to discuss policy and legislative changes to address this matter. The support rendered by the legal system needs to be enhanced and to some extent, I have discussed this matter with the His Excellency, Governor and I intend to pursue it further in 2000. The upcoming year will also be twenty years (20) since the Board initiated its operations, and I would like to express my congratulations and best wishes for the future.

3. Mr. Speaker, The B.V.I. Electricity Corporation is currently expanding its capacity which is a needed project. It has my full support and as I understand, further extension will be necessary thus we need to be coordinating such as a priority.

4. The Port Authority has completed its cruise pier extension and initiative programme. From all reports, this is progressing well. Mr. Speaker, there is need to address extensive facilities on the western end of Tortola and the sister islands. Plans are underway to address these areas and I trust we can move forward no later than

5. The Development Bank of the Virgin Islands (DBVI) is currently under strategic review to effect a positive way forward. The preliminary findings have been submitted and a comprehensive plan is now being addressed. Mr. Speaker, the economic growth of this Territory is going to depend heavily on this institution in the years ahead and it must be poised to assume its rightful role.

6. Mr. Speaker, the Tourist Board in conjunction with the tourism plan is due for major attention in 2000. This is an area that I would like to see greater attention being placed. The role this institution also plays within cruise tourism needs to be expanded to ensure proper diversification of the tourism product.

7. The National Parks Trust has advanced some laudable concepts which are being financed in the 2000 Budget. Mr. Speaker, of particular interest to me, is the fee system to be introduced at the National Parks, which would eventually ensure that the National Parks Trust is self financing, thus reducing the burden on the public purse.

8. The H. Laverty Stouff Community College will be celebrating its tenth (10<sup>th</sup>) anniversary next year. The impact this institution continues to have on the advancement of Education throughout the Territory is to its credit. Projects reflected in the Budget to expand the physical capacity and curriculum are needed and I support them fully.

9. Mr. Speaker, I have in no way attempted to identify all Statutory Boards nor reflect all their issues and accomplishments, but merely to highlight some areas and institutions.

### **Recurrent Budget Estimates of Revenue and Expenditure**

Mr. Speaker, at this point and time, I would like to discuss the Budget Estimates for 2000 very briefly and present the highlights.

2. In 2000, we projected that Government will collect one hundred and fifty seven million dollars (\$157M) in revenue breaking the ceiling of one hundred and fifty million dollars (\$150M). Mr. Speaker, a milestone for us in that it was only in 1996 we cleared the one hundred million dollar (\$ 100M) mark.

This reflects a projected growth in revenue of over fifty percent (50%) in five (5) years. Recurrent Expenditure is estimated at one hundred and twenty eight million, seven hundred and eighty eight thousand, five hundred dollars (\$128,788,500M). With some management in human resources, this can be maintained if not decreased in the next budget exercise for 2001. Contributions to the Capital Fund will total twenty three million, nine hundred and thirty four thousand, and eighty five dollars (\$23,934,085M) and contributions to the Disaster Relief Fund will be one million dollars (\$1M). The estimated contribution to the reserves will be three million, two hundred and seventy seven thousand, four hundred and fifteen dollars (\$3,277,415M). Given the growth in revenue it may be said that reserve contributions should be higher. However, the growth in recurrent expenditure coupled with the demands for capital project financing renders that a virtual impossibility at this time. We must get on with the requisite improvements throughout this Territory to keep pace with the growth.

## Capital Budget Estimates of Revenue and Expenditure

Mr. Speaker, in the 2000 Annual Budget Estimates, I have made provisions for funding capital projects as follows:

Aid Funds Approved	\$7,852,250
Loan Funds Approved	\$15,783,333
Contribution from the Recurrent Budget	\$23,934,085
Contribution from the Transportation Network (Land, Air and Sea) Improvement Fund	\$2,000,000
Contribution from the Disaster Relief Fund	<u>\$1,000,000</u>
	<u>\$50,569,668</u>

The revote sum is zero, based on the fact that the monies have been appropriated to the fund and remain there. These monies are separate to other funds unless transferred by formal means. To this end, there is no need to re-appropriate them. The issue of revoting capital monies further compounds the balancing of this document with the computerized accounting system. These funds are authorized to be spent year round and do not close out to a zero balance and revert to the Consolidated Fund, as recurrent monies do. The remaining balance in the fund at year's end will be accessible in 2000 as the fund continues to function. The Capital Fund was always designed to be managed in this fashion, and now that the accounts are updated/current and the electronic system more advanced, we are in a better position to do so. This balancing of the budget document to the computerized accounting system is one the Chief Auditor has expressed concern over and these measures should alleviate this concern.

2. Mr. Speaker, of these funds, twenty three million, six hundred and thirty-five thousand, five hundred and eighty three dollars (\$23,635,583M) are from external sources and twenty six million, nine hundred and thirty-four thousand and eighty five dollars (\$26,934,085M) are from local sources.

## Ministries and Departments

Mr. Speaker, with the merging of Development Planning with the Ministry of Finance, I expect to get better project preparation and planning, more coordinated implementation and timely reports. To do this, I have created a Project Unit in Development Planning, and once staffed, this would be their primary responsibility.

2. Under the auspices of the Deputy Governor, the Public Sector Development Programme (PSDP) is fully funded. The Government is totally committed to this project and is optimistic that the public will see and experience some change in public servants and service in general. Whilst on this matter, I would like to congratulate Mr. Louis Potter on being elected President of the Civil Service the Association (CSA) and I note the efforts of the executive to resuscitate the association.

Mr. Speaker, as a past president of this association, I know a little of the frustrations the president can experience, but in an effort to improve the situation there is need for an active and lively association. One can not reasonably imagine a public service of over one thousand (1000) employees without an association, and I hope that efforts will be made to impress upon the Public Service the need for impartiality in dealing with the public, and that in carrying out their duties, they are first and foremost servants of the public. Mr. Speaker, characteristics such as good manners, courtesy, respect, honesty, kindness and sympathetic attitudes are expected from all those who come into direct contact with the public. I am pleased that the Public Sector Reform has identified training as a high priority. Funding is provided for such and more funding if need be will be identified to ensure the people of this Territory get the best possible service.

3. Mr. Speaker, in conjunction with the Performance Management Programme, it is intended in this budget cycle to introduce a Performance Pay System which will provide for salary increments to be paid **only** as a result of demonstrated satisfactory performance. This Performance Pay System will also provide for high achievers to be recognised by a performance bonus or "Merit Award". All salary adjustment decisions will be based on demonstrated performance.

The performance evaluation, conducted in accordance with the Performance Management Programme, identify those who have performed satisfactorily and those who have performed meritoriously. This is a further effort to strengthen the Performance Management Programme and restore performance accountability.

4. The Chief Minister's Office and its related departments will be keen on addressing the matter of trade, better physical planning including environmental concerns; a more focused Tourist Board and capital projects such as the Learning Resource Centre, the Marine Centre and the Virgin Gorda Administration Building to name a few.

5. Mr. Speaker, the Ministry of Finance and its related departments will be addressing matters such as appointing a Fiscal Review Committee, working on pension reform, new finance legislation and procurement rules, establishing better procedures for administering petty contracts, policies on management of public assets (especially vehicles), ratifying the borrowing criteria; supporting the Financial Services Department on the overseas initiatives; better planning and implementation of projects, initiating the Customs Reform Programme; computerization of the Inland Revenue Department; advancing Accrual Accounting; continuing to improve the Management Information System and implementing the Postal Study. Capital Projects to emanate from this will be the new General Post Office to be situated across from Port Purcell (Old Vinomar Site) and other satellite branches.

6. Mr. Speaker, Sir, I can remember some years ago when we were receiving capital aid from the United Kingdom Government, projects like the Ridge Road of Tortola, the Lee and Mountain Roads in Virgin Gorda were built with funds provided by the Capital Aid, but the roads were cut into short pieces and these were surfaced by several contractors. The system worked well and at that time the petty contracts were increased from twenty thousand dollars (\$20,000) to forty thousand dollars (\$40,000). Now, the petty contract sum has been increased

to sixty thousand dollars (\$60,000). At that time there was a Chief Engineer and a Chief Auditor of European descent and the system worked very satisfactorily. We have BVI Islanders in the posts of Director of Public Works and Chief Auditor and the petty contract system is under attack. Neither the Ministers of Government nor I condone any underhand action. We are all in favour of value for money, accountability and transparency, but if the many projects are to be completed, the way must be found so that we can have no doubt about the petty contract system. Public tendering is good and we might say it is the fairest way of awarding jobs and ensuring value for money. However, the situation where every job or project valued over sixty thousand dollars (\$60,000) must go on tender would create a need for a department of procurement and supply, with a huge staff in order to be considering tenders every day. The Executive Council would have to meet perhaps two or three times a week to consider the award of tenders. This is unlikely to happen and a way must be found to have an accepted system of petty contracts that is accountable, transparent and fair to all. The present Financial Regulations are archaic and do not take into account the kind of money that is now available and the size of projects. Indeed, I am inclined to think, that supporters to limit the system are from the early part of the century when one hundred pounds spent for capital works was a big, big effort made. Furthermore, the petty contract system has helped to develop several of our tradesmen and some women have started to take petty contracts. We must bear in mind, that petty contracts are not only for construction, but departments spend huge sums ordering goods from the various merchants, without a formal public tender process and I wonder if this is considered.

7. Mr. Speaker, from a cursory glance at the 1998 auditor's report which I hope to lay on the table soon, Honourable Members of this House, will be surprised to see the underspending for that year. As a result of this, several thousand dollars that could have been spent on projects or schemes for the Territory were left unspent. The lack of manpower and the failure of some departments to have plans properly prepared caused some works not to be executed.

8. The Ministry of Natural Resources and its related departments have numerous environmental projects to be implemented coupled with the continued support of agricultural and fisheries development. The attention being placed on expanding the B.V.1. Fishing Complex is laudable and it is hoped that pelagic fishing will soon be introduced in the Territory. Capital projects to be effected include rectification of the Nibbs Estate and Steven's Land, the new abattoir and the development of the Sea Cow's Bay Harbour. I must note that funding for this Ministry has increased by some 80% overall.

9. The Ministry of Education and Culture and its related departments will be concluding the Educational Review to effect substantive improvement to the Territory's Educational System. Legislation for the zoning of schools is under consideration. The Library Services will be expanded and the automation improved. A department of Sports and Youth Affairs will be established and I most eagerly await this initiative. Improvements to recreational facilities will continue. Capital projects forthcoming will be new school facilities, new recreational facilities and hopefully even construction of the new library facilities known as NATIS. Mr. Speaker, I recently attended the British Virgin Islands High School concert and I must say I was elated with the performance. The

diversity this program offers is welcomed and I want to publicly announce my continued support for this programme and others of its kind.

10. The Ministry of Health and Welfare and its related departments will be concentrating on priority one of this Government which is to complete the planning and design stages of the new hospital. It is intended that construction will commence in the year 2000. Mr. Speaker, I would be disappointed if we do not achieve this goal in the year 2000. A new hospital is needed and must be advanced swiftly. I have already stated that whatever financing is necessary will be effected with all haste and I trust this entire Honourable House will vote positively when the time comes. I have placed two million dollars (\$2M) in this draft budget as mere seed money for this project to ensure things can continue to be moved along without any problems (at least as regards to funding). A public relations campaign will accompany this project so that the public can be kept abreast, for if there is no other project the people are calling for, it is this one. I have heard the voices of the people and the Government is answering with full force to ensure their needs are addressed. Having said that Mr. Speaker, there are other areas to be addressed such as increasing the incinerator capacity, training of health sector personnel, establishing a new home for the elderly, commissioning the dialysis services so that our people do not have to traffic to other islands for treatment and the advancement of the landfill (waste disposal) project.

11. Mr. Speaker, Sir, turning to the Ministry of Communications and Works and its related departments the list is long. The first contract (construction) for the Airport Expansion Project was signed this week and other contracts are to be signed for commencement of the project early next year. Of concern, is the matter of traffic safety. Accidents are on the rise and tragedy has overtaken us. I intend to see to it that traffic lights are introduced in this Territory next year to help mitigate this growing problem. The Queen Elizabeth II Bridge, Mr. Speaker, is a sore point. It should have been completed by now, however, technical issues continue to plague this project.

I have been given the assurance that the methodology and the way forward have been agreed and I expect that by the second quarter of 2000, this project will be underway. Sea Defense efforts must be increased to protect the Territory's coastlines. The recent hurricane "Lenny" seriously damaged the Drakes Highway and the Government is currently in dialogue with a Geologist and other Engineers to study the redesigning and protection of this highway. Funding for an alternate road is included in this budget document and as soon as a proper plan is in place the highway will be addressed. The Sea Defense works at Baugher's Bay did us proud as we did not lose one inch of asphalt during the hurricane. Solutions to our problems can be sourced and I intend to do just that. The dual carriageway and alternate roadways in Road Town are being funded to alleviate the traffic congestion in this area. We have to continue to extend the water distribution system. The heavy rains and disasters also require a closer look at road design and supporting structures such as walls and drainage. We intend to address these matters as we progress.

12. Mr. Speaker, Sir, the problem of sewage is grave. The situation is such that it is embarrassing when the public complains of encountering sewage as they commute, or that

tourist who graces the streets of Road Town at times have to encounter the fumes. As a priority, I intend to commission a national study to encompass the entire British Virgin Islands with concentration on the eastern and central areas. This study has been advanced to the Caribbean Development Bank as a possible joint project and to effect speedy and low cost funding. I expect to have the study completed and work commenced in the year 2000. The impact of this project is needed from the tourism perspective, completion of the airport expansion project and general well being of the people.

### Addressing the Sister Islands

Mr. Speaker, it would be remiss of me not to feature briefly some projects for our sister islands which are needed.

2. On the island of Anegada, we must remember that this island is the second largest in the Territory and our efforts to bring Anegada on the front burner will be accelerated during the year 2000. I propose that the Public Works Department on the island will be strengthened by having a Superintendent of Works appointed and at least six men employed, even if they have to be recruited from abroad. It is also proposed to allocate one hundred thousand dollars (\$100,000) for the rehabilitation of the public facilities on Anegada, including a renovation of the Administration Building and the Public Works Department depot. The sum of two hundred thousand dollars (\$200,000) has been included in the estimates to begin a water scheme for the island so that there can be a dependable supply of water. It is also proposed to appoint someone to look after the airport and to ensure that there is always Customs and Immigration Services available. This is essential if the airport is to operate properly. Road paving on the island will continue from the village to Setting Point and from the village to Loblolly Bay.

3. In Virgin Gorda, consideration has been given to getting the island free of loose livestock and funds have been made available to the Department of Agriculture to purchase the animals and keep them at the livestock station at Paraquita Bay. Adequate notice will be given and it is hoped that cattle owners will cooperate in an effort to get rid of the loose livestock. The Public Works Department will be relocated shortly so that more room can be given to the Senior Citizens Home. The relocation of Public Works has commenced with the site preparations and design. This project is expected to be completed early 2000.

The National Sewerage Scheme for which a study will be undertaken will include The Valley, Virgin Gorda and this should begin early in 2000. When the study is completed, the priorities will be accorded to the various districts. The proposal to purchase the airport has not changed and in fact is moving towards completion. The report of the company hired to do the study of the airport will be received soon, and this will be given early consideration by the Government. Plans are underway to upgrade the Iris O'Neal Clinic. It is hoped that the hospital planners will be able to advise what steps should be taken to expand the Clinic.

4. Mr. Speaker, the island of Jost Van Dyke continues to strive. The recognition internationally, as one of the premier sites to witness the millennium is testament to its continued tourist appeal. The island will continue to develop through projects such as a new police station, road works and a water extension programme. The developments on this island warrant a District Officer and I trust that the Deputy Governor's Office will recruit someone early next year.

### **Broaching the New Millennium**

Mr. Speaker, with all that has been delivered today, I have covered a vast amount of time with respect to our history, the recent activity in 1999 and the way forward for 2000. There is little need to recap, for the details are available by copy of the address to be distributed once I close.

2. Upon reflection, we have truly advanced as a people. This advancement is evidenced by great struggle and determination by our fore fathers. As we broach the millennium, we must take stock of these efforts to enable us to move forward. Collectively, we accomplished a lot and to do even greater things, we must bond as a Government and people. Such unity is not a matter of personal desire but national calling, for the goals and objectives to be accomplished are greater than any one of us.

3. Mr. Speaker, as I close, I feel that we have moved past the dawn and into the break of the morning. This is to be reflected upon in the new millennium and thus I have as a theme for this address **"Morning Breaks"**

4. Mr. Speaker, by way of acknowledgment, I wish to thank the staff of the Ministry of Finance and the Development Planning Unit who spared no effort and braved the recent hurricane to ensure the Annual Budget Estimates could be presented today. The Ministries and Departments of the Government that contributed to the exercise in so many ways, again I say, thank you.

5. Mr. Speaker, the challenges the international initiatives posed for the Territory this year were of concern. A team comprised of Government Officials and Private Sector concerns went "all out" to prepare our defense. I wish to thank them for their efforts and support. Of particular note, I would like to thank the Director of Financial Services, the then Attorney General, the Financial Secretary, Mr. Michael Riegels and Mrs. Louise Chippendale, who not only contributed to the exercise but travelled extensively to represent and defend the Territory.

6. I would like to recognize the contributions by the Local Financial Institutions and Agencies, Regional and International Financial Institutions, the Statutory Boards and other Committees, the Government and all Institutions and Agencies that have assisted with the development of the economy of this Territory. To my Honourable Colleagues, I wish to thank you for your support thus far and welcome your continued support during the process into 2000.

Mr. Speaker, to you and your staff, I say, thank you for your efforts during the course of this year and into 2000, and wish you every success.

7. To the people of this Territory, I thank you for your support and confidence. I wish you God's blessings as we deliberate this document and move forward towards the Christmas Season and a New Year featuring the new millennium.