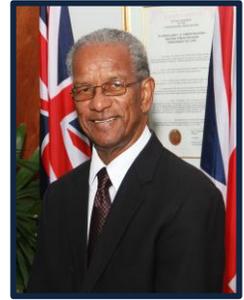


2015 BUDGET ADDRESS

“Strengthening Growth; Securing our Future”



Introduction

1. Madam Speaker, I move that the Bill entitled, Appropriation Act, 2014, be read a second time and in so doing, I invite this Honorable House to extend its customary courtesies, in permitting me to deliver the Budget Address.
2. Madam Speaker, I thank God for the opportunity to deliver this, my fourth Budget Address as Premier and Minister for Finance in the Territory of the Virgin Islands. I am also most grateful to our people for expressing the confidence they did in my colleagues and me when they sent us here to manage their affairs.

Overview of the Economy

1. I, thus, crave your indulgence today, Madam Speaker, in permitting me to give the people of these Virgin Islands an account of my stewardship over the past three years. In so doing, I will set out our accomplishments, plans, challenges and vision for the further development of our people and of this Territory.
2. Madam Speaker, before I delve into the Budget Address in its usual structured way, there are some matters which must be highlighted simply because they have created serious impacts--some severe, some unprecedented--on our finances and way of life.
3. On these matters, Madam Speaker, I will elaborate later in the address.
4. Madam Speaker, we truly live in a global village, and we are not immune to a wide range of issues that impact it. These issues may be health issues, as in the case

of Chikungunya in the sub-region and the threat of Ebola, mostly in Africa; economic issues, such as the impacts of the worst global economic recession of the past few years; global regulatory changes, tax transparency and tax competition issues, or geopolitical strife resulting in terrorism or struggles for world dominance.

5. Whatever the issues, Madam Speaker, we in the BVI are affected to some degree.

6. Madam Speaker, we are a small Territory of some thirty thousand (30,000) people. However, the fact that we have a Gross Domestic Product just shy of one billion US dollars, a company register which lists in excess of four hundred thousand companies and nationals residing here from over one hundred and ten (110) countries, tells me that the BVI is operating on the world stage.

7. Madam Speaker, as members of that global village, and as players on the world stage, we must then realise that when we make comments on issues that affect us, those comments are open to the scrutiny of the world. The manner in which we conduct our political and domestic affairs is constantly being reviewed around the globe, and the world makes judgments about us based on what they are seeing, hearing and reading. Determinations are made as to whether these Virgin Islands may be a good place to vacation, to live, to invest, or to do business.

8. We owe it to ourselves and to future generations of BVI nationals to conduct our affairs responsibly, to respect the rule of law, to prepare ourselves well for the roles we occupy in the Territory and to have a highly developed sense of service.

9. Madam Speaker, it is service, - -be it in Tourism or Financial services--that is our business.

10. Over the course of these four (4) budget addresses, Madam Speaker, you would have noted a recurring theme; that is, my Government's resolve to make the right decisions in the interest of our present and future development as a Territory.

11. Madam Speaker, some of those decisions were not popular, but we took them because of our expectations for a better day. We accepted the short term 'pain' in favor

of the long term gain; we are sure that these would accrue to the benefit of all in the BVI.

12. Madam Speaker, it is important that we have signed off on borrowing guidelines with Her Majesty's Government (HMG). This is in our Territory's best interest because we now have a blueprint to order ourselves in our financial realm and which also respects the very real contingent liabilities of Her Majesty's Government and at the same time, allows us to operate, within the guidelines, in an autonomous manner. This has meant, placing some emphasis on building our reserves.

13. As a result of this, we will be able to, as of 2017, once again, secure loans for our various capital investments without seeking the direct approval of Her Majesty's Government. This was our objective from the start, and I am thankful that we are well on our way to restoring a level of autonomy we once enjoyed in the past, but was lost during our absence from office.

14. Madam Speaker, this positive outlook is as a result of our sound stewardship over the last three years.

15. Madam Speaker, my Government has held firmly to the age old philosophy that government is a continuum, a trust, if you will. We accept that contractual decisions taken by a predecessor Government that may have even significant financial implications going forward must be dealt with. In this vein, my Government has paid off all the bills created by my predecessors, and have honoured the commitments they created. Madam Speaker, in this difficult economy, this created challenges in moving my agenda for prosperity and growth forward at the pace that I wanted.

16. Despite this, Madam Speaker, and as the numbers will show, we have still managed to arrest the downward slide of the finances of the Government of the Virgin Islands and have returned the BVI Economy to a path of positive growth.

17. Madam Speaker, the evidence demonstrates that our people can now look forward to a brighter future.

18. Madam Speaker, the Bi-Water contract has serious implications for our fiscal position. We are contractually obligated by the previous Government to pay some seventeen-point-four million dollars (\$17.4MM) per year to Bi-Water, whether or not we consume the water, with the consequence of disenfranchising locally-owned water providers who now currently provide this service. We are also obligated to provide Bi-Water with electricity free of charge.

19. Unfortunately, Madam Speaker, the dramatic and prolonged impact of the Bi-Water commitment to the Territory's budget may cause an increase in water rates. Be that as it may, I have honoured the tenets of the Bi-Water contract and I have done so because, doing otherwise would have been more costly due to the construct of the negotiated contract and because we live in a country of laws--a country where this Government will always uphold the rules of good governance.

20. Madam Speaker, the new hospital will soon be officially opened to the public. It is a project that bears the imprint of both the former Government and my Government. It is a costly project, both in its capital investment of over one hundred million dollars, as well as its projected recurrent operational costs of over forty million (40MM) dollars annually.

21. We can all be proud, though, Madam Speaker, that from this facility, health care of a world-class standard, can now be provided to our people.

22. You are aware, Madam Speaker, that for some time, a National Health Insurance Programme has been under discussions. Like the hospital, it bears the imprint of both the former Government and my Government. The objective of the programme is to ensure that our people have the kind of health coverage needed to support the quality of life which our Territory now offers its citizens, and to which they have become accustomed.

Facing Our Realities

1. Madam Speaker, you will recognise this opening as a continuation of a conversation with the people of this Territory that took shape some twelve (12) months

ago, but started more than three years ago when I revealed my Government's continuing commitment and road map for prosperity for this Territory. I have been discussing the things that we need to do with respect to improving the quality of life for all BV Islanders and the path that we must take towards stability and growth.

2. Among these was a call to solidarity and support for the completion of a few key important projects which would provide for us a solid infrastructure and foundation upon which future generations can build.

3. Madam Speaker, my job as Minister of Finance in this administration is to manage the finances of this Territory well and, at the same time, to be an advocate for and on behalf of the people of this Territory.

4. I face the challenges as they arise and formulate solutions to overcome these challenges.

5. I ensure that our hard working men and women of the Civil Service are being equipped with the tools they need to carry out the demands of their jobs of assisting the public with the multiplicity of goods and services provided by Government. In addition to this, Madam Speaker, I ensure that our Civil Servants are paid regularly, even in difficult economic times. Without a steady, guiding hand, our ship-of-state would enter very rough and turbulent waters to her detriment and that of her precious cargo.

6. Madam Speaker, it is important to note that I have mandated and established, with personnel in place, a strong analytical function within the Ministry of Finance to look at our current macro-fiscal realities in order that the members of this House would be able to make better and informed decisions for the benefit of the people of this Territory.

7. The increased knowledge that has come about as result of this mandate has made it clear that the previous fiscal trajectory of Central Government, which we met on assumption of office in 2011, could not be sustained. Firm choices had to be made on how we will utilise our current fiscal resources, maintain them and into the future, improve on them.

8. Madam Speaker, the Medium Term Fiscal Plan that forms the basis for this budget illustrates that our economy is strong and the outlook for the future is optimistic. However, Madam Speaker, the future of the BVI does not merely rest on the shoulders of my Government, but requires each and every one of us to put aside our differences, and, as citizens and as members of this Honourable House, draw on our common commitment to do good by this Territory and its people.

9. Madam Speaker, I challenge all Honourable Members of this Honorable House to adopt this as their mantra.

Economic Performance

1. Turning now to our economic performance, Madam Speaker, I am pleased to announce that the British Virgin Islands returned to positive growth in 2013, with the Gross Domestic Product (GDP) increasing from \$909.4 million in the previous year to \$923.2 million in 2013. This growth was driven largely by growth in the tourism and construction sectors, with communication, real estate and rental and business services playing a role, and accompanied by sustained performance of our financial services sector.

2. Madam Speaker, this means that this Territory has turned the corner.

3. In 2011, when this Government took over the reins of this administration, the prospects were bleak. However, we set ourselves a strategy to find our way out, and we did.

4. I thank the people of this Territory for their patience, for their understanding and, indeed, for their support as we set our course to prosperity.

5. How did we achieve this? By creating an environment for progress and investment!

6. The result was that the hotel and restaurant sector grew by three-point-nine percent (3.9%) in 2013, in contrast to the average two-point-two percent (2.2%) decline experienced by this sector in the previous five years.

7. Overnight tourist arrival figures for 2013 were four-point-two percent (4.2%) higher than 2012, bringing a record three hundred and sixty-six thousand, one hundred and eight (366,108) overnight visitors to our shores in the year.

8. Although overall tourist arrival numbers declined by one-point-five percent (1.5%) in 2013 due to the challenges experienced in the cruise season, overall tourist expenditure increased in 2013 from the previous year.

9. Performance thus far for 2014 promises to yield another strong year for tourism in the BVI. Overall, tourist arrivals at the end of September this year grew by four-point-eight percent (4.8%) compared to the same period last year. This growth continues to be driven by a buoyant overnight tourist market.

10. Madam Speaker, we expect that with the completion of the cruise pier expansion project in 2015 the number of cruise passengers will show positive growth.

11. It is clear that our focused and strategic efforts in tourism have yielded much fruit, with this sector now promising to grow and be a stronger contributor to our economy in the years to come. Ultimately, this means increased opportunities for our people.

12. Madam Speaker, the financial services sector remains resilient, and continues to make significant contributions to overall economic activity, as well as Government revenue.

13. Very importantly, Madam Speaker, although we have seen a small decrease in new incorporation figures, revenue, to date, has yet to be adversely impacted. Furthermore, the strong performance of re-registrations in 2013 saw revenue from financial services to Central Government actually increasing by one-point-four percent (1.4%) when compared to 2012. Revenue from incorporations at the end of September 2014 was up by one-point-eight percent (1.8%) over that of the same period last year.

14. Madam Speaker, our inflation rate has remained largely stable over the past few years, decreasing slightly from two-point-five percent (2.5%) in 2011, to two-point-one percent (2.1%) in 2012, and eventually to one-point-six percent (1.6%) in 2013. The

United States, from which the majority of our imports come, affects this to a very large extent, as does the ebb and flow of global oil prices.

15. Madam Speaker, we are now seeing an increase in employment, fuelled by more job opportunities, as our economy grows and we expect employment figures to continue to increase towards 2017.

Fiscal Performance

1. Madam Speaker, 2013 total revenue outperformed expectations, reaching three hundred and two million dollars (\$302MM), three-point-one percent (3.1%) higher than projected, and three-point-three percent (3.3%) higher than revenue in 2012 which was at two hundred and ninety-two-point eight million dollars(\$292.8MM). Taxes on goods and services comprised sixty-five-point-five percent (65.5%) of all Government revenue in 2013, and increased some one-point-five percent (1.5%) over that of 2012 to one hundred and ninety-eight million dollars (\$198MM)

2. Madam Speaker, revenue from payroll taxes reflected the highest percentage increase of all revenue categories, at eight-point-five percent (8.5%) and contributed fourteen-point-six percent (14.6%) of all Government revenue collected in 2013. Property tax, taxes on International Trade, and other revenue all registered decreases in yield in 2013 in comparison to 2012.

3. On our current path, our conservative revised projection for 2014 revenue stands at approximately two hundred and ninety-eight million dollars (\$298MM). This was largely because we held back on instituting several revenue raising initiatives that we concluded would have been inappropriate to implement at the time due to the need to stimulate further growth in the economy.

4. Madam Speaker, our efforts to cut recurrent expenditure over the last two years in order to deliver more efficient and less costly services to the public are beginning to show good results. Ministries and Departments have been strongly encouraged to be more efficient, and achieve greater value for money in procuring goods and services.

5. In 2013, total recurrent expenditure decreased by one-point-four percent (1.4%) to two hundred and fifty-seven million dollars (\$257MM).

6. Notwithstanding that drop in expenditure last year, we anticipate that recurrent expenditure will increase to two hundred and sixty-five-point-two million dollars (\$265.2MM) in 2014.

7. This increase, Madam Speaker, is as a result of increased investments towards improving our tourism and financial services product, honoring the Bi-Water Agreement, and additional administrative costs associated with the development and the commissioning of the New Peebles Hospital.

8. Based on our performance thus far, we expect recurrent surplus in 2014 of approximately thirty-two-point-four million dollars (\$32.4MM). This is lower than the forty-five-point-three million dollars (\$45.3MM) of 2013 a result of a lower revenue forecast, and additional expenditure incurred in the areas of health care, infrastructure, financial services and tourism, just described.

9. Madam Speaker, capital expenditure totaled forty-two-point-six-three million dollars (\$42.63MM) in 2013 and was funded by a combination of the recurrent surplus and previously approved loan funding. Fifty-eight percent (58%) of capital expenditure; some twenty-four-point six million dollars (\$24.6MM), was spent on completing works at the new Peebles Hospital. Other capital projects conducted in the year included work on the Road Town Sewerage Project, road repair, schools rehabilitation and recreational parks.

10. Due to the late start of many of the projects in 2014, particularly the East End/Long Look Sewerage Project, and the CDB loan-funded infrastructural development project, capital expenditure exclusive of the cruise pier project is expected to reach only \$17.4 million by the end of this year.

Challenges Ahead

1. Madam Speaker, although we are at a stage where we must continue to be vigilant in maintaining the buoyant economy of the BVI, the hard work and determination of the people of this Territory over the past challenging three years have resulted in a better situation than the one which this Government inherited.
2. As the numbers have shown, the tourism sector in the British Virgin Islands is growing at a laudable rate and demonstrates that our efforts over the past years have been well spent.
3. We have expanded our reach into the South American market and have more targeted and efficient marketing efforts in our existing United States and European markets as well as the very large Asian market.
4. Madam Speaker, we believe that the BVI, is one of the premier destinations for tourists on this planet, but we can only achieve our fullest potential by protecting and adding value to our existing natural endowments.
5. With a few infrastructural improvements and enhancements, Madam Speaker, we expect this industry to blossom to unparalleled levels. One of these enhancements, the Cruise Ship Pier, is currently under construction and is due to be fully completed in 2015.
6. Madam Speaker, this is a much needed enhancement to our ability to remain competitive in this industry, and the pier park which accompanies it will result in a product offering unparalleled in the history of BVI, to date. Unique about this facility, Madam Speaker, is the fact that it will be owned by the people of the BVI who have been offered the opportunity to invest in and receive very good dividends from their investments.
7. Madam Speaker, our taxi drivers, tour operators, vendors, restaurateurs, retailers and entrepreneurs stand to benefit significantly from this greatly enhanced facility; we are all excited at the prospect of opening day by the second quarter of next year.

8. To further support the economy, Madam Speaker, we continue to pursue the T.B. Lettsome Airport project, with a view to having works beginning in late 2015.

9. Madam Speaker, in order to facilitate the greatest utility for our fiscal resources, we have discussed various ways of financing this project with the current short list of bidders and are now involved in the groundwork necessary to allow them to provide workable solutions for financing and expanding this much needed piece of infrastructure as soon as possible.

10. I am advised by industry leaders that, while in the past the important thing for tourism was the destination, this has now been eclipsed by a more important factor given the fast-paced world in which we now live. The defining factor, Madam Speaker, is access--and specifically in this case--air access.

11. The BVI must have easy air access as an important part of its economic future going ahead, and we will do everything possible to ensure that is realised in our very immediate future. Madam Speaker, remaining on the path to “Strengthening Growth and Securing our Future” requires that we do this.

12. Madam Speaker, we expect the other major sector of the economy, financial services, to remain buoyant, and we are supported in this view by the optimism of our service providers, and by the groundwork we have laid with the establishment of our office in Hong Kong, BVI House Asia, and the outreach to promising markets in South America.

13. Yes, there will continue to be challenges in this industry; In today’s new environment, we are faced with leaks of Data by the ICIJ and the challenges associated with the banks. But in this regard, we are not alone, as within recent months both Jersey, in the Channel Islands, and Luxembourg have also been attacked by the ICIJ.

14. But, Madam Speaker, these are challenges we have faced before and have overcome.

15. Going forward, Madam Speaker, the British Virgin Islands must continue to equip itself for an environment which promises to be very much unlike what we operate in

today. In this regard, I am proud of the accomplishments of our International Tax Authority, established in July of 2012 to respond to the many requests for tax information in accordance with signed agreements. The fact is that the prior absence of such an Authority placed us in significant difficulty with a number of our treaty partners.

16. We have already put the wheels in motion to prepare this Territory for this new environment to ensure that we continue to be a major player in the international business arena. Since taking office at the end of 2011, we have had extensive consultations with a wide spectrum of stakeholders on the topic of the continued viability and growth of the sector.

17. I am grateful for their insight and various perspectives. Additionally, we have just completed the initial part of an exercise to lay out a pragmatic strategy and implementation plan to further strengthen our financial services industry and, in the coming months, will ramp up activities to deal with this very important matter

Looking After the Wellbeing of our Citizens

1. Madam Speaker, in addition to ensuring that the economic base of the economy remains strong, we must also provide for the well-being of our citizens. Our population is getting larger and the need for more comprehensive health care services and a social protection system is ever more prevalent.

2. Two very significant initiatives are now coming into their own; the new Peebles Hospital which is slated to be opened on 17th December of this year, 2014, to be followed immediately by the full transfer of clinical services to this new facility by the end of the year.

3. Madam Speaker, we will continue to build on our current foundation with:

1. the merger of the administration of the Adina Donovan Home on Tortola with the Virgin Gorda Elderly Home. Madam Speaker, with greater efficiencies and protocols to assist our dedicated staff we expect our senior citizens will be able to have a higher quality of care in their golden years.

2. organisational restructuring to create an Elderly and Disability Services Division of the Social Development Department.
3. the establishment of a robust Mental Health and Substance Abuse Rehabilitation Programme within the BVI Health Services Authority under the provisions of the new Mental Health Act.
4. the establishment of a Transitional Living Programme in the Ministry of Health and Social Development to provide direct support for persons experiencing homelessness.
5. and the development of a Social Protection Policy Framework to help rationalise and more effectively target social assistance grants and other transfers to break the cycles of multi-generational poverty.

4. Madam Speaker, with respect to those, we see as the future of this Territory--our children--various agencies are working together to strengthen and expand the juvenile justice system in areas such as delinquency prevention, early intervention, and restorative justice, as well as treatment and rehabilitation services that will refocus them in a more positive direction. We are also working to secure suitable accommodations for the safe custody and rehabilitation of young offenders.

5. In addition, Madam Speaker, we are facilitating measures for the entire wellbeing of our citizens. These measures include improving the conditions for higher levels of physical fitness, consumption of healthy foods, health promoting school and work environments, and reducing exposure to alcohol and tobacco products.

6. Madam Speaker, we also face the reality that crime and criminality is trying to raise its head in what has historically been a very peaceful and law abiding society.

7. Madam Speaker, we have no intention of indulging this menace. It represents an assault on our citizens and residents which we will not permit; it threatens our

businesses and undermines our Jurisdiction as one that holds dear, the rule of law. It goes against all we stand for as a people.

8. We are therefore resolved to continue to give our law enforcement and legal services the strongest support to ensure that our visitors and citizens alike are safe.

9. We are also pursuing the implementation of tougher laws on the possession and use of firearms and ammunition, with draft legislation now currently being reviewed.

The Development of Our Youth

1. Madam Speaker, I need not reiterate the importance of education in the development of a society and its economy, and indeed this is perhaps the most critical part of this process. As a result, we are continuing our bold efforts to improve our education system in addition to providing for the positive development of our young people.

2. Madam Speaker, my Government will continue to ensure that we improve the quality of education in our Territory. Significant work will be carried out at the Elmore Stoutt High School, as well as other schools and there will be continuous maintenance throughout the year.

3. Madam Speaker, as we address the physical infrastructure and continue the much needed improvements, we will also concentrate on the areas of policy formulation, strategic planning and management, and strengthening the regulatory framework to ensure a quality education system.

4. Training of our education officers, principals and teachers must continue and will continue as we strive to strengthen the leadership instructional competence in our education system.

5. Madam Speaker, we will also continue to work towards strengthening our Technical High School, the Virgin Islands School of Technical Studies. We are so proud of this facility!

6. Technical/Vocational education and training is an area of our agenda that we have struggled with for a long time. It is an area that often carries an unwarranted stigma and one in which we have had difficulties getting our people involved. We must break this cycle, Madam Speaker, as we need persons with high competencies in these skilled areas to contribute to our Territory's development.

7. Madam Speaker, we will also continue to move forward with building programmes aimed at developing the youth of this Territory.

8. The National Youth Policy will guide the development of the Youth Council and the Youth Parliament. Sports facilities and programmes will be enhanced where possible to assist in engaging our youth in more sporting activities.

9. The continued development of the Rehabilitation Programme at Her Majesty's Prison will help to ensure that the inmates are prepared to return to their communities with much more positive attitudes as well as knowledge and skills to earn a living and make positive contributions to our society. This programme, Madam Speaker, will have to expand and be strengthened to give the inmates as many positive opportunities as possible. We must also ensure that the staff in institutions such as Her Majesty's Prison is equipped to deal with the everyday realities of working in a prison. To this end, training will also be an important dimension for staff in the coming years.

10. We also expect that the Ministry of Education will complete the restructuring process in the coming months as it merges the Department of Education with the Ministry.

11. Madam Speaker, this merger promises to bring higher levels of efficiency and service delivery.

Protecting Our National Assets

1. Madam Speaker, the importance of our natural resources cannot be overstated. Indeed this goes to the heart of why we enjoy the success we do today, whether it be

the beauty of our natural environment or the resilience and ingenuity of our people; and as such it is paramount that we protect them.

2. We have participated in numerous international fora, aimed at learning more about and increasing the profile of the British Virgin Islands on the world stage as one of the thinkers and proponents of the protection of our environment for generations to come.

3. Madam Speaker, we must as a matter of high priority ensure that in developing this Territory for our people today, that we do not destroy it for our children tomorrow. This Territory's turquoise waters, emerald hills and ivory sands are a vital part of the inheritance that we have from our parents and must pass on to our children. We absolutely must ensure that it is available for them to enjoy.

4. As islands, we are bound to be very heavily impacted by the effects of climate change and have been significantly involved in the work that has been going on in the region and internationally in that arena. Equally, we have been significantly involved in renewable and green energy activities.

5. That being said, Madam Speaker; we must also learn how best we can add value to what we have now. Though controversial, we have now declared sharks and rays protected in the waters of the British Virgin Islands; not as some pie in the sky idea, but as a realisation that sharks and rays play an important role in the ecology of the British Virgin Islands and without them the balance that exists and allows our natural environment to thrive will no longer exist.

6. More to the point Madam Speaker, in order for our fishermen and other participants in our marine industry to have a sustained livelihood, and for there to be fishermen and fishing in BVI's long term future, we have to protect our coral reefs. The same can be said for our ponds, as without them the brilliance of our beaches throughout the Territory would not be.

7. The development of the fishing and agricultural industries hold much promise and we are doing our best to improve the facilities wherever possible. The BVI Fishing Complex has been upgraded to function better.

8. This upgrade which was completed during the first quarter of 2013 included the addition of four (4) vacuum seal machines, increase in the storage capacity, and the overall enhancement of the esthetics of the building.

9. Additionally, the Treasury Department has been making a special effort to ensure that the fishermen are paid in a timely manner. The sum total of these efforts puts the BVI Fishing Complex in a better position to serve the public as well as provide the necessary impetus for the industry.

10. Madam Speaker, our recent discussions with International Business and Trade LLC, the company from whom the greenhouse technology was purchased, resulted in a signed Memorandum of Understanding, which clearly outlines the responsibilities of both parties going forward. The successful execution of this MOU places the Territory in a position to begin production during the last quarter of 2015. We intend to have one of these Greenhouses dedicated for teaching purposes and another available for rent by local farmers.

11. Madam Speaker, we will continue to respect the rights of all the inhabitants of this Territory and will forge ahead with the production of regulations to accompany the Labor Code now in effect. The launching of the Labor Arbitration Tribunal which deals with dispute resolution signaled the significant progress that we are poised to make in this area. The efficiencies now present in the Labor Department will be improved upon, and, in the coming year, we expect to see higher service delivery standards being met.

Building a Solid Infrastructure

1. Madam Speaker, though a vexing problem, we have taken the tiger by the tail and are moving swiftly towards the delivery of a working National Sewerage system during the next twelve (12) months, both in the local communities of EastEnd/Long Look and surrounding areas and Road Town. We have made major upgrades to our aging sewerage system in the Road Town area and have installed new sewerage and gravity transmission feeds in the areas between Chapel Hill and Greenland.

2. Madam Speaker, new and larger pipes are now replacing the old 10 inch pipeline, and are currently being installed in Road Town. This work is now approximately forty percent (40%) complete and is expected to be completed and commissioned very soon.

3. Works will also continue with gravity transmission and force main feeds along Blackburn Highway from the pump station at Long Swamp to the treatment plant at Paraquita Bay, as will the installation and commission of the outfall and required pump and lift stations at the requisite locations in East End/Long Look communities. Within the coming year, we expect to have house connections and a system that is in use by the citizens of these communities.

4. Madam Speaker, during my last Budget Address, I stated that my Government had completed all conditions precedent in relation to the Bi-Water (Water Purchase Agreement) and that we expected to receive water by the fourth quarter of 2014. Madam Speaker, despite the heavy financial commitment it brings, we remain on target and are expected to receive and commence with the distribution of water before the beginning of this budget cycle 2015 -2017.

5. Madam Speaker, works have commenced on the rehabilitation of our major roads and drains on Tortola, Anegada, Virgin Gorda and Jost Van Dyke. These works

are expected to pick up pace with the delivery of the new equipment that has been purchased and put into commission by the Public Works Department.

6. In addition, Madam Speaker, we continue to execute projects through funding from the Caribbean Development Bank with approximately Two Million Dollars spent and another Thirteen Million expected to be spent over the course of the next twelve to eighteen months.

7. Madam Speaker, we remain steadfast in our pledge to reduce the Territory's dependency on traditional fossil fuel energy generation. As a Territory, we must modernise our energy efforts.

8. For several months of this year, due to mandatory load shedding, residents on Tortola, especially those outside the corporate area of Road Town, suffered frequent power outages. I thank you for your patience and am pleased that that period is now behind us as both of the engines have now been repaired.

9. We have committed to moving forward with the BVI Electricity Corporation Phase V Development. Phase V will add two new propane gas engines and two new transmission lines to BVIEC's arsenal. Madam Speaker, the propane engines utilise approximately 66 percent of fuel consumption of the traditional diesel engines and are more environmentally friendly. Madam Speaker, Phase V will increase the Territory's power generation capacity by 13.6 MW or approximately 33 percent.

10. Madam Speaker, as we continue to advance our renewable energy potential, we have conducted several studies and have been in dialogue with industry experts on the way forward. In 2015, it is intended that we will be tendering for the replacement of the Territory's street lighting and will add an additional 20 percent of light fixtures. This will be by a combination of LED's and solar powered lights which, while increasing lighting, will reduce our public street lighting bill by approximately 30 percent.

The Budget

1. Madam Speaker, we project revenues to be in the region of three hundred and eleven million, one hundred and thirty six thousand dollars (\$311,136,000) and have budgeted to contribute five million dollars (\$5,000,000) to the reserve fund in 2015. Of this, Madam Speaker, we expect to spend two hundred and seventy-eight million, three hundred and thirty-nine thousand six hundred dollars (\$278,339,600) on operations, that include:

- Employee Compensation at one hundred and fifteen million, seven hundred and sixty-five thousand five hundred and twelve dollars (\$115,765,512),
- Goods and services at sixty-seven million, eight hundred and thirty nine thousand four hundred and eighty eight dollars (\$67,839,488),
- Grants at sixty nine million, nine hundred and ninety one thousand five hundred dollars (\$69,991,500),
- Social Benefits at nine million, five hundred and fifty thousand eight hundred dollars (\$9,550,800),
- Property and other expenses at ten million, seven hundred and nine thousand, eight hundred dollars (\$10,709,800), and,

we also expect to give out some three hundred thousand dollars (\$300,000) in subsidies.

2. Madam Speaker, we also have an aggressive capital investment programme to the tune of forty-six million, two hundred and seventy-eight thousand dollars (\$46,278,000) of which sixteen million three hundred and twenty-eight thousand (\$16,328,000) will be funded from recurrent surpluses and twenty-nine million, nine hundred and fifty thousand dollars (\$29,950,000) will be loan funded. The budget also accounts for some eleven million, sixty-three thousand dollars (\$11,063,000) in principal repayments on our outstanding loans, and some four million, one hundred and eighty-two thousand, five hundred dollars (\$4,182,500) in interest payments.

3. With respect to the capital investment programme for 2015, I would like to name ten projects which we have made provisions for:

1. The National Sewerage Project: Eight-point-six million dollars (\$8.6MM)
2. Infrastructure Rehabilitation project: Nine million dollars (\$9MM)
3. Water Network Improvement Project: One-point-five million dollars (1.5MM)
4. Peebles Hospital Project: Four-point-five million dollars (\$4.5MM)
5. Rehabilitaion of Schools: Two point two million dollars (\$2.2MM)
6. Various development projects in education and works: Three-point-one million dollars (\$31MM)
7. Road Infrastructure: Four-point-six five million dollars (\$4.65MM)
8. Completion of the Greenhouse Project at Paraquita Bay: Two million dollars (\$2.0MM)
9. East End/Fat Hogs Bay Harbour development: One million dollars (\$1.0MM)
10. Iris O'Neal Medical Centre: Two-point-five million dollars (\$2.5MM)
11. Greenland Stadium: Five-hundred thousand dollars (\$.5MM)

4. Madam Speaker, we are very much aware that the infrastructure of this Territory is very much in need of repairs, and, pursuant to my statement earlier that our infrastructure is the foundation on which our future development will sit, we hold our capital investment programme as very high priority.

5. In this vein, Madam Speaker, I would like to point out that we are full steam ahead in getting a mini hospital on Virgin Gorda. We have opened the park and soon will open the new basketball court on Virgin Gorda while, on Anegada, there has been the very successful lobster fest last year, the upcoming one in less than two weeks and some additional roads built. Also, by transferring the garbage generated in Jost Van Dyke to the incinerator in Tortola, it is no longer necessary to burn garbage there; I am sure that this is a welcomed convenience for the residents of Jost Van Dyke.

Debt

1. Madam Speaker, the Government of the Virgin Islands continues to maintain relatively low levels of debt, with total public borrowing at only sixteen-point-two percent (16.2%) of GDP in 2013. At the end of 2013, the total value of Central Government loans was ninety-point-nine million dollars (\$90.9MM). Of this amount, seventy-six-point-nine million dollars (\$76.9MM) or eight-five percent (85%) was domestic debt with the remaining fourteen million dollars (\$14MM) or fifteen percent (15%) as foreign debt.

2. Parastatals' debt decreased each year between 2010 and 2013 as loans were paid down. In 2013, the risk-weighted value of parastatals debt was three-point-four million dollars (\$3.4MM), and this amount increased to six-point-eight-nine million dollars (\$6.89MM) in 2014 with the approval of a thirty-five million dollars (\$35MM) loan taken out by the Ports Authority for the Cruise Pier Project.

3. Also in 2014, we were able to secure an additional twenty-two million dollars (22MM) for financing the National Sewerage Project, equipping the New Peebles Hospital and facilitating improvements to various docks in the Territory.

4. The partial disbursement of these two loans will bring total public borrowing to the low level of approximately fifteen percent (15%) of GDP at the end of 2014. Total disbursed Central Government loans will equal ninety-two-point six million dollars (\$92.6MM) at the end of 2014.

5. Madam Speaker, our debt servicing costs are also comparatively low with principal repayments and interest payments on Central Government debt amounting to fifteen-point-eight million dollars (\$15.8MM) in 2013, down from seventeen-point-one million dollars (\$17.1MM) in 2012. The expected cost of servicing Central Government debt for 2014 is fifteen-point-one million dollars (\$15.1MM), while the risk-weighted value of parastatals debt servicing is expected to be approximately six hundred and ten thousand dollars (\$610,000). Total Government debt servicing across both Central Government and risk-weighted parastatals values will amount to only about one-point-seven percent (1.7%) of GDP at the end of 2014.

Fiscal Responsibility

1. Madam Speaker, the past decade has seen expenditures growing at a much faster rate than revenues, and every year since the maturing of the Financial Services Sector here in the BVI the gap between revenue and expenditure has been closing. We are now at the point where action must be taken in order to provide for the continued financial sustainability of the Government of the Virgin Islands, and its ability to provide for the people of this Territory. Pursuant to this we have very carefully devised a fiscal strategy that should enable us to do this without placing a further burden on the taxpayers of this Territory. First is the augmentation of our current revenue streams. To do this we have decided to:

1. Change the current Work Permit structure such that fees will be based on occupation type with consideration given to average income by occupation type;
2. Change Water Rates to more closely align with increased cost of purchasing and providing water;
3. Introduce a Tourist Arrival Levy in 2016;
4. Reverse the charging of import duties on FOB rather than CIF value;
5. Adopt a more aggressive approach to the collection of current taxes and fees and arrears by reviewing current legislation to give revenue collecting agencies greater authority to enforce compliance; and
6. Conduct an ongoing, comprehensive review of Government's tax and fee structures with a view to closing loopholes, ensuring that fees at least cover the costs of providing services, and fostering the overall coherence of Government taxes and fees to advance transparency and fairness.

2. Madam Speaker, in addition to this we are also placing downward pressure on all expenditures mandating that departments and ministries are much more careful in how and what they spend money on, in addition to identifying savings of five percent (5%) or more in their year to year budgets over the three-year-budget cycle.

3. Madam Speaker we are duty bound to the people of this territory to provide the best fiscal and economic management possible, and to this end will continue to make the hard and necessary choices required do so, while at the same time making sure that the good honest hardworking people of this territory are in a better position to provide for themselves and their families.

Closing Thoughts

1. Madam Speaker, I hope you can agree that my Government has managed the affairs of our Territory well. We understood the needs of our people on the home front and fought hard to provide them with jobs and training opportunities.

2. In the face of the global economic downturn which threatened our economy, we held the ship of state steady while making the tough decisions that returned solvency to our economy. We maintained a good working relationship with Her Majesty's Government which continues to benefit the BVI in our various interactions, globally.

3. We grew the number of overnight visitors to our shores even in the midst of airlift constraints. We embarked on the cruise pier expansion which benefits our entire economy but, especially the fine men and women of the various taxi associations and tour operators in the Territory, as well as our Ports Authority.

4. On the international scene, we continued to support and give clear directions to our BVI-London Office to further our work with Her Majesty's Government.

5. We saw the need to open an office in Hong Kong to attract more of those businesses to our portfolio and to improve the quantity, quality and variety of work for our Jurisdiction. This has translated into jobs.

6. Under my Administration, Madam Speaker, we wiped out the fear the Civil Service previously felt about the possibility of payless pay days. With a steady hand on the wheel of the ship of state, we have moved out of the dangerous waters of uncertainty into the safe harbor of hope.

7. It helped significantly, that we maintained good faith with petty contractors and contractors left with unpaid bills by the previous Administration.
8. We are steadily getting back the level of savings in the reserves where we could borrow without having the United Kingdom look over our shoulders.
9. We are making sure that our citizens enjoy world class health facilities and treatment in the new hospital.
10. We have done much to improve our local education standards to meet regional and international standards to maintain our economy on the cutting edge of development and innovation.
11. We have invested in our network of roads.
12. We are hard at work in building a proper sewerage system and working diligently with the situation we inherited to ensure that there is running water in our pipes.
13. We also sought to ensure that our visitors continue to enjoy the tranquility and beauty of the BVI.
14. We worked hard with our farmers and fishermen to help them to lead productive, lucrative and fulfilled lives.
15. We did all this, Madam Speaker, under a torrent of abuse, trumped up and unfair criticisms, misleading statements, deliberate attempts to undermine our hard work and a constant manipulation and misrepresentation of the facts.
16. Despite this, Madam Speaker, we were not deterred because we came here to serve the people of these Virgin Islands, and serve them we did.
 - Madam Speaker, are we better off today than we were just over three years ago?
 - Is the BVI a better place to live, work and do business than it was three (3) years ago?
 - Are the affairs of the Territory better managed than they were three (3) years ago?

17. Madam Speaker, clearly the answer to these questions, is a resounding, ‘YES!’

18. In closing, I would first like to begin, giving thanks to God for watching over this Territory and seeing us through challenge and adversity.

19. I also thank you, the people of this Territory, for your patience and for your support. Today we can stand together and say, it was well worth the effort.

20. Madam Speaker, I am grateful for and would like to thank those who have held different views for our development path and have expressed such views. Your constructive suggestions have, at times, caused us to rethink our plans and to change course when warranted.

21. We owe a debt of gratitude to our medical practitioners and support staff, and our border protection and enforcement agencies who toil endlessly to protect us in our homes and care for us when we need assistance. On behalf of a grateful BVI, I would like to convey a heartfelt thank you.

22. To the Civil Servants who work day and night to support us and run the machinery of the Government of the Virgin Islands, I would like to convey, on my own behalf and that of my colleagues, our deepest appreciation for the sacrifices and work that you do on behalf of the people of this Territory.

23. To my colleagues, here in the House of Assembly, I would also like to express my sincere appreciation for the work you do in representing the people for this Territory and ensuring that in doing their business that no stone is left unturned. Madam Speaker, the Leader of the Opposition has displayed true statesmanship in the past several years, and I would like to express my sincere appreciation for his candid and insightful contributions to the debate and also for his nonpartisan support on important national issues, when it was required.

24. Finally, Madam Speaker, I am grateful for your leadership in this Honourable House and pledge my support to you in the days ahead.

25. Thank you Madam Speaker. May God bless these Virgin Islands and her people.

General

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