

CHARTING OUR COURSE:

Positioning the Virgin Islands for the Future



2017-2019

Government of the Virgin Islands
Medium Term Fiscal Plan

MESSAGE FROM THE HONOURABLE PREMIER AND MINISTER OF FINANCE

Dear Citizens and Friends,

The Virgin Islands like most other territories and states, face a world that is seeing many changes to the status quo. The tensions faced in many countries and the evolution of the information highway, serve to both inform us and make us vulnerable to ideologies or ideas that may have taken years to proliferate around the world and can now do so within minutes. With this comes both the unpleasant and the inspiring. As a small Territory in this environment, the Virgin Islands is certainly not isolated from the challenges that this reality brings, but unfortunately we lack the resources of many larger states to confront some of these issues head on. The Virgin Islands then must utilise its only inherent advantage – its small size – to navigate with agility in an increasingly complex world. Our exposure to the issues that confront the world means that we are a part of the global village, not merely a spectator, yet our inherent agility and resourcefulness means that we cannot merely survive, but thrive in this environment. Part of the way that we intend to realise the potential for continued and increased success in this environment is to proactively plan into the medium and long term.

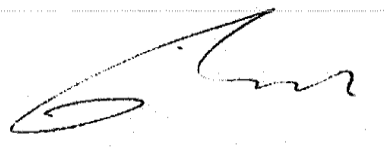
With planning comes a lower level of uncertainty, and with a lower level of uncertainty about our future comes hope. With hope the people of the Virgin Islands can be more confident that their dreams and aspirations for themselves and their children can be realised. With hope our people will be more willing to invest in the future of this Territory, and with hope confidence in the strength of the Virgin Islands economy will provide a springboard for investment from investors inside and outside of its boundaries.

This Medium Term Fiscal Plan is intended to illustrate the plans that the Government of the Virgin Islands has for ensuring that the economy of the Virgin Islands continues to experience positive social and economic development and that the Government of the Virgin Islands in its role to manage this process, remains able and competent to do so.

A core component of this MTFP is our development strategy SEED (Social, Economic, Environment, Direction/Government), which we believe contains the elements that must be developed for the required and desired advancement of the Virgin Islands and its people.

I hope that you take the time to digest the contents of this document as we “Chart our Course” into the future.

Sincerely,



Dr. the Honourable D. Orlando Smith, OBE

INTRODUCTION

This year's Medium Term Fiscal Plan (MTFP) presents the Government of the Virgin Islands' (GoVI's) economic and fiscal strategies for "Charting our Course". With uncertainty prevailing in global markets and existing challenges to our economic stability, we are committed to meeting these challenges with the resilience and determination endemic to us as people of the Virgin Islands. Our Medium Term Development Strategy embodies the social, economic, environmental, and direction/governance (SEED) aspects of our development, prioritising improving the standard of living for all. In "Charting our Course," we set out our medium-term goals to invest in infrastructural development for sustainable growth, secure socioeconomic progress for our people through health and education strategies, be good environmental stewards: simultaneously mitigating and adapting to climate change, and enhance structures which advance good governance for the people of the Territory.

This MTFP presents the economic and fiscal context and expected results of specific policy decisions we are making in the medium term to strengthen economic growth and ensure that growth corresponds to improved wellbeing for our people. We are indeed "Charting our Course" and thereby "Positioning the Virgin Islands for the Future".

As its core functions, this MTFP:

- Assesses the macroeconomic performance and fiscal sustainability of the Territory based on past trends and future development priorities;
- Provides a clear link between our development strategy and our fiscal obligations;
- Promotes fiscal discipline by establishing specific targets and strategies for revenue collection, expenditure prioritisation, and debt management which will grow revenue, prioritise expenditure, build our Reserves, and maintain low levels of debt;
- Manages fiscal risk by closely examining our current and future debt obligations based on development objectives and fiscal space;
- Provides transparency and accountability in managing the affairs of the Territory;
- Supports our multi-year, programme performance-based budget process by providing the framework for medium-term planning; and
- Guides our decisions in promoting effective and efficient allocation of resources.

The MTFP contains:

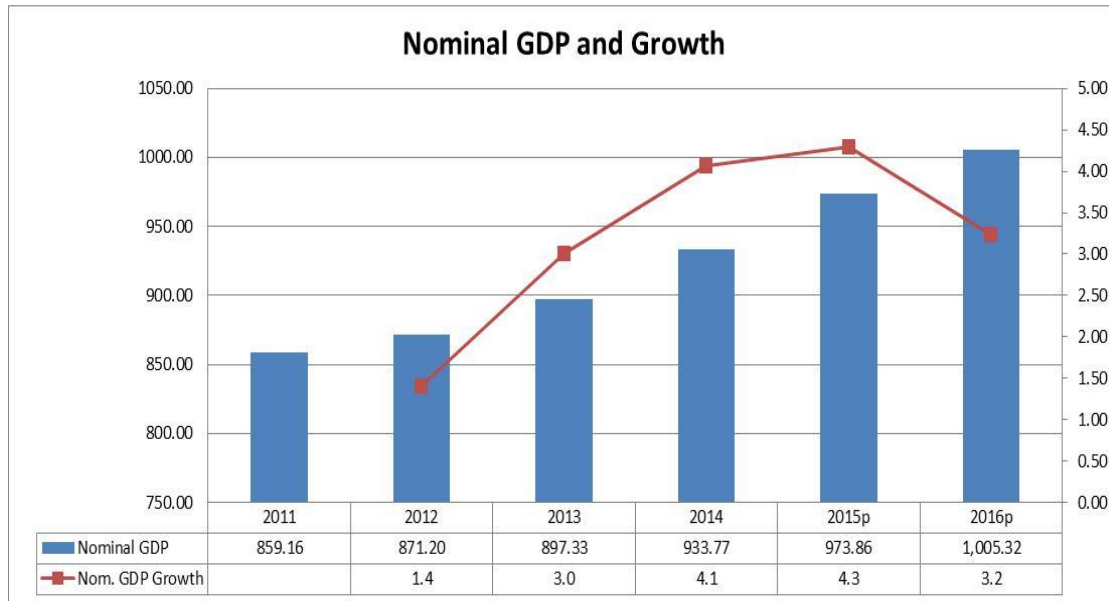
1. **Economic Review and Outlook** summarising our recent economic performance and outlining our predicted macroeconomic performance in the medium term, specifically analysing Gross Domestic Product (GDP) growth, inflation and employment.
2. **Development Strategy** outlining GoVI's development priorities within our medium-term strategy which embodies Social, Economic, Environmental and Direction/Governance dimensions.

3. **Fiscal Review** summarising the recent performance of revenue, recurrent and capital expenditure, and debt.
4. **Fiscal Strategy** explaining and demonstrating the expected results of our strategy to ensure fiscal sustainability in the medium-term, which involves generating increased revenues, improving expenditure efficiency, and meeting the Protocols for Effective Financial Management (the Protocols).
5. **Ratio Analysis** demonstrating the performance of our key ratios of net debt, debt servicing, and liquid assets, indicating our fiscal sustainability in the medium term.
6. **Budget Framework** presenting aggregate figures for revenue, expenditure and debt which set the framework for the 2017 Budget.

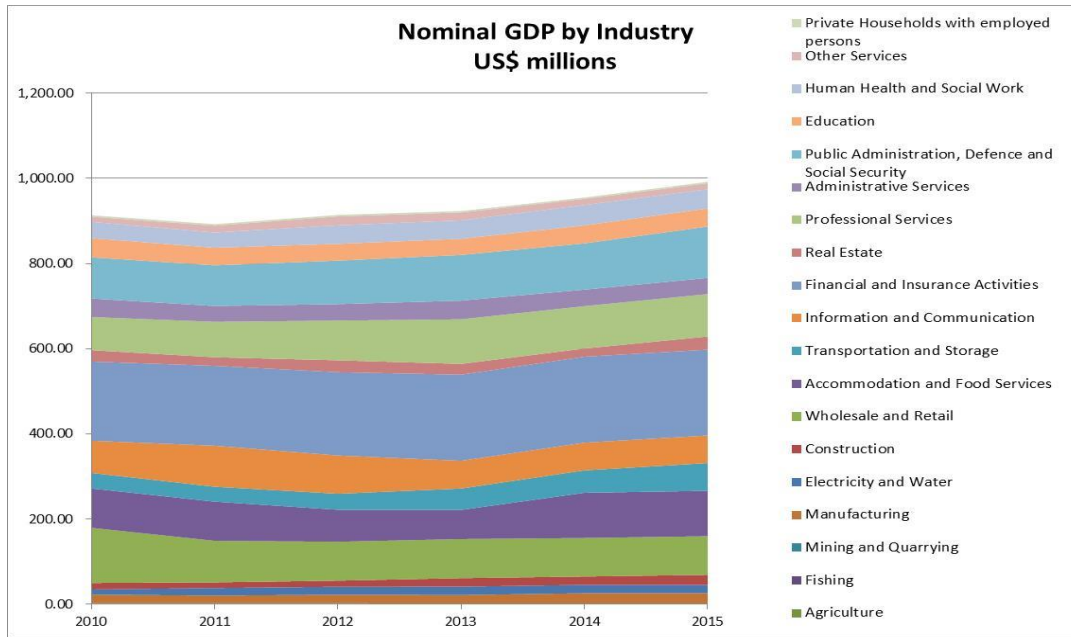
ECONOMIC REVIEW AND OUTLOOK

Economic Growth

Since 2011, the Virgin Islands economy has enjoyed a positive trajectory of economic growth, demonstrating modest recovery from the impacts of the global economic crisis. This trajectory continued in 2015, as our Gross Domestic Product (GDP) was estimated to increase approximately 4.3% in nominal terms from the previous year. This estimated growth was higher than the 4.1% growth observed in 2014, and sets the stage for levels of growth of over 2% in the coming years.



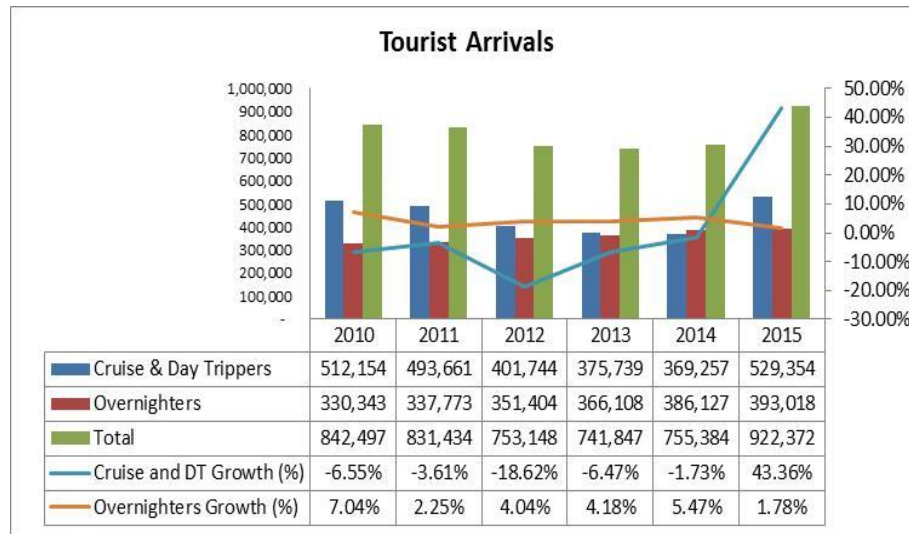
Positive output growth in 2015 is attributed specifically to growth in the Construction, and Transportation & Storage industries of our economy. The construction industry demonstrated significant growth of approximately 20.1% while the Transportation & Storage industry grew 23.4% in 2015, reflecting both public and private sector investment in major infrastructural projects in the year. For the public sector, the landside development of the cruise pier, Tortola Pier Park, dominated public sector investment in the year. While, private sector investments in establishing and upgrading accommodation properties also propelled growth. The investments noted have been aimed at strengthening our tourism product, thus buttressing the state of one of our two economic pillars: tourism.



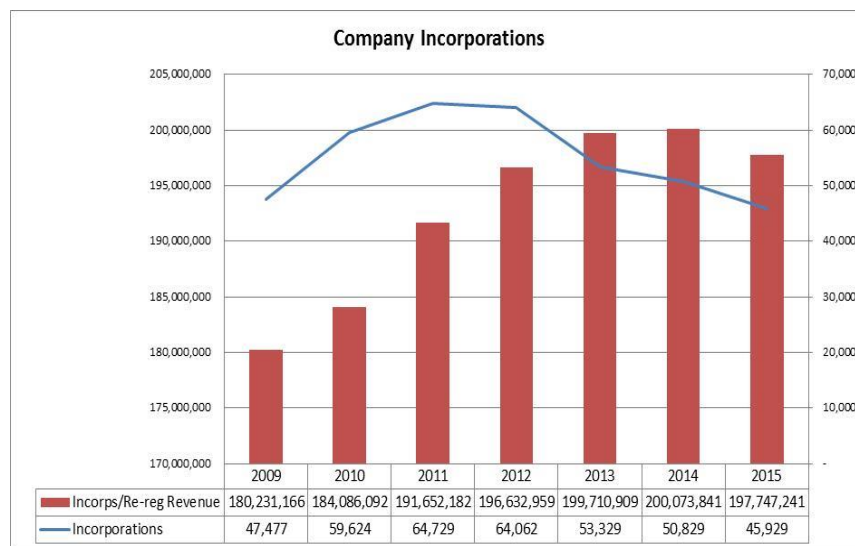
Reflecting the impact of investments, tourist arrivals in 2015 increased 22.1%, far outstripping the 1.8% growth in tourist arrivals observed in 2014, and reversing the negative trend of tourist arrivals from 2008-2013. The number of cruise passengers entering the Territory in 2015 increased significantly, at 43.1%, while the number of overnighters, driven by charter boats, increased 1.8%.

Investments in our tourism infrastructure have already begun to bear fruit as it relates to tourist arrivals, and we expect these to translate into propelled growth and improved well-being for our economy and society. 2007 was a peak year for cruise arrivals in the Territory, following which the performance of this segment of the industry declined each year until 2014. Indeed, it was the observation of this decline which spurred our commitment to expand the cruise pier and create landside upgrades. Since these investments, cruise tourism has significantly rebounded and we have returned to enviable levels of cruise arrivals, as shown in the resounding 43.4% growth recorded in 2015.

While cruise tourist arrivals grew significantly in 2015, growth in overnight tourist arrivals is notably slowing. This slowdown was further evidenced in 2016 with the closure of hotel properties on Virgin Gorda. Historically, overnight tourists contribute more to overall tourism expenditure, which makes a direct contribution to economic output. Going forward, emphasis will be placed on buttressing both land and sea-based overnight tourist arrivals. Our commitment over the last year to facilitating direct commercial flights from Miami, Florida in the continental United States to our Terrance B. Lettsome International Airport, and to expanding the airport's runway in the coming years reflects this mandate, and will assist in propelling growth in 2017 and beyond.



In terms of our second economic pillar, financial services, the last several months have witnessed increasing international regulatory pressures and unwarranted negative attention, combined with heightened uncertainty in global financial markets, posing challenges to our internationally renowned, well-regulated financial services industry. The prevailing headwinds facing this industry are evidenced by a decline in new company incorporations. Prior to 2015, revenue from financial services had remained resilient despite decreases in new incorporations, driven by the strong performance of re-registrations. For the first time in 2015, however, with new company incorporations decreasing 9.6%, revenue from incorporations and re-registrations decreased 1.2%¹.



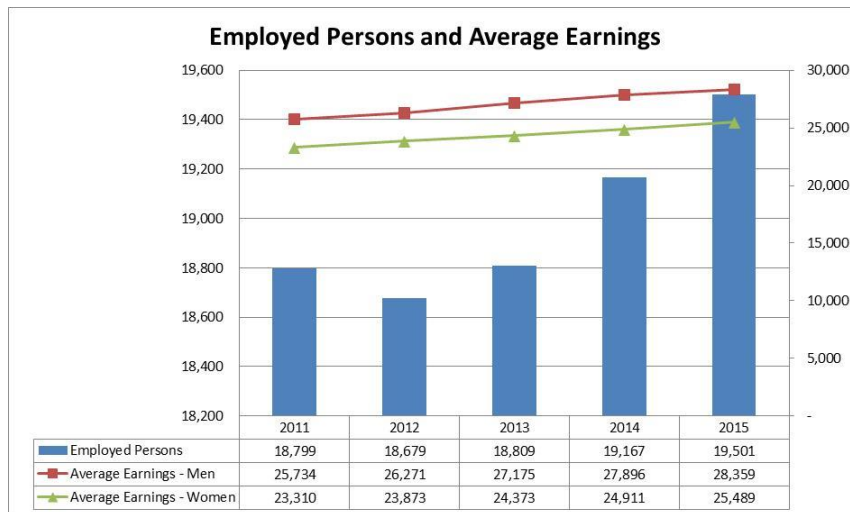
Recognising the vital nature of this industry, we are committed to advancing our position in this global space, by implementing the findings of the 2014 McKinsey Report towards further diversifying the financial services sector to provide more value-added services. Already efforts to fortify the industry

¹ In 2015 and 2016, the proportion of financial services revenue remitted to Central Government and the Financial Services Commission is 88.5% and 11.5% respectively.

using findings from the study have begun to bear fruit, as we are rolling out reformed processes in immigration and labour, as well as an extensive public education campaign to bring the people of the Virgin Islands along in the modernization and extension of our financial services industry. The recent establishment of the International Arbitration Center has also opened significant opportunities for deepening our footprint in the legal and financial business spheres. We expect our efforts in buttressing and steering expansion of the financial services industry to result in improved macroeconomic outcomes for both the overall economy, as well as employment indicators.

Employment

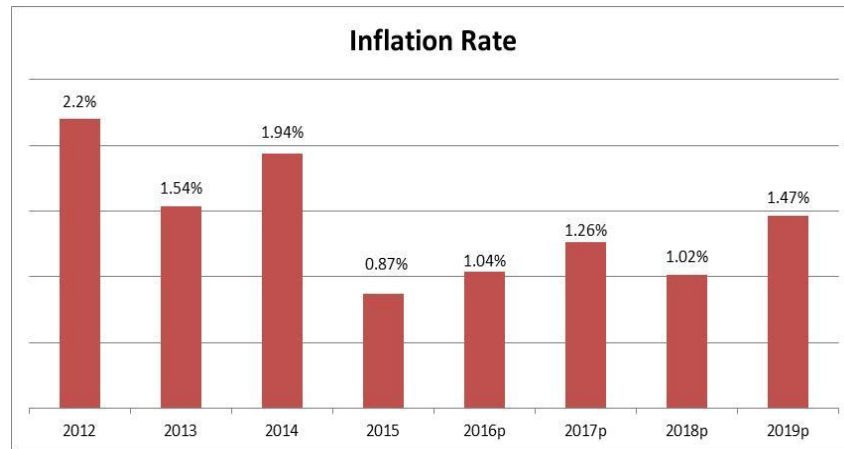
Mirroring the positive movement in economic growth, and providing some evidence for an improved standard of living for the people of the Territory, both employment levels and average earnings have been increasing since 2013. From 2012 to 2015, the number of persons employed in our economy grew by approximately 4.4% to 19,501 persons, while average earnings increased 6.3% to approximately \$26,600. With the implementation of an increased minimum wage of \$6.00 an hour in October 2016, we expect to see an increase in average earnings in the Territory, and a corresponding improvement in the standard of living for our people. As consistently noted, we are committed to ensuring that economic growth recorded over the last few years, and fostered over the medium-term horizon, corresponds to an improved wellbeing for the people of the Virgin Islands.



Inflation

Our relatively low and stable inflation rate was maintained in 2015, albeit lower than inflation recorded over the previous decade. Inflation in 2015 was 0.85%, down from 1.94% in 2014. The lower inflation rate is explained by declining global oil prices, which drove negative movement in the transportation price index (at -3.2%). Inflation for clothing and footwear and for services were the highest groupings, at

3.7% and 3.3% respectively. In the medium term, inflation is expected to return to its usual levels between 1% and 2% as global oil prices rebound.



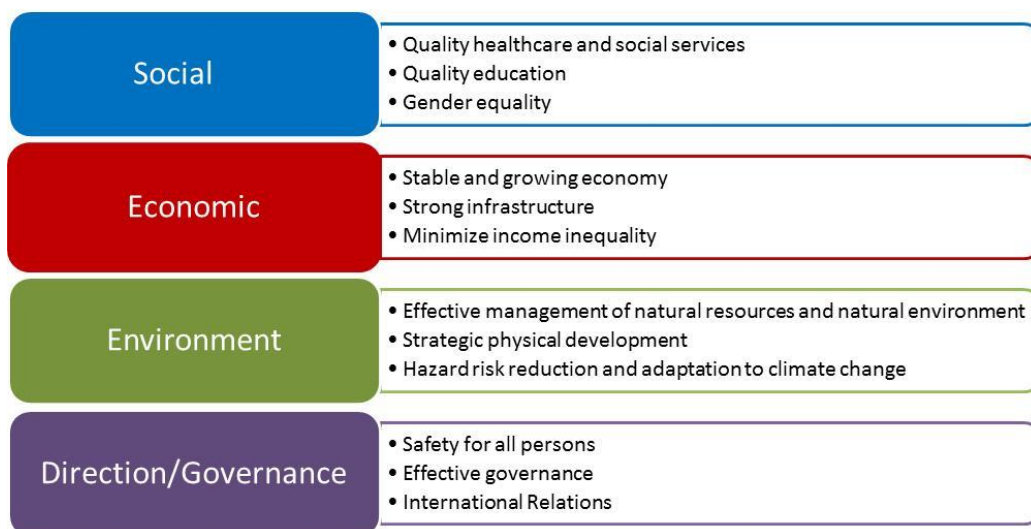
Recent developments in the global economy have suggested some uncertainty in global markets, including impacts from the United Kingdom's decision earlier this year to leave the European Union. The Virgin Islands' economy remains open to impacts from changes in global economies to which our trade is linked. It is through steadfast monitoring of our economic and fiscal outturns, as well as the implementation of our development strategy that we will be able to engender greater certainty in terms of the Territory's economic development, in the midst of the current reality of global economic uncertainty. Continued implementation of our development strategy is expected to result in improved economic outcomes which will assist in meeting our development and fiscal objectives, enumerated in the sections below.

DEVELOPMENT STRATEGY

We continue to rigorously pursue the vision of our development strategy, SEED (Social, Economic, Environment, Direction/Governance) to build a prosperous Virgin Islands that is ideal to live, work, visit and do business. While our overarching goals remain the same, we have expanded our result areas and indicators to better represent existing and emerging development challenges in a holistic manner, and to meaningfully center us within the context of the global Sustainable Development Agenda.

We have expanded our result areas to include promoting gender equality, reducing income inequality and specific environmental goals referencing the natural environment. It is vital that we pay keen attention to our natural environment. Not only is this key to the attractiveness of our tourism product, but its deterioration works in opposition to our long-term economic growth. Our natural environment is also a cornerstone of our existence as the Virgin Islands and our identity as Virgin Islanders.

A prosperous Virgin Islands, ideal to live, work, visit and do business.



The following section highlights our strategic priorities over the next three years (2017-2019) that will bring us closer to achieving the result areas outlined above.

Social: We are a healthy, vibrant and engaged populace, well-prepared to fully participate in the development of the Territory.

- Strengthen the leadership, governance, and performance of the health and social services system

The 1 January 2016 marked the implementation of the National Health Insurance (NHI) System which is the major policy keystone in our goal to ensure that all Virgin Islands residents have access to quality

healthcare services. The NHI's funding model is based on receiving contributions from Government allocations, as well as mandatory contributions from employers and employees. Early results from the NHI system are currently being reviewed and will shape how the system is administered in the medium term. It is already clear, however, that the NHI has expanded healthcare access for all residents of the Territory, and that its success is crucial to our aims to improve the standard of living for all.

Having largely guaranteed access to quality health care, health policies for the short to medium-term are focused on targeting specific segments of the population: children, the aged and the disabled. We have drafted a National Programme of Action for Children (NPAC) following stakeholder consultations and work done by UNICEF in analyzing the status of children in the Territory. This policy's focus is to ensure that the wellbeing of children remains central to our socioeconomic policymaking processes, given that their development speaks most loudly to the future potential of the Territory. Similarly, we have created a Healthy Ageing Policy as well as a National Policy on Persons with Disabilities to ensure that adequate structures are in place to care for our most vulnerable citizens, namely children, aged persons and persons with disabilities.

- Promote gender equity, social justice and the progressive realisation of human rights

With an addition to the result areas, in promoting gender equality, we have included levels of disaggregation to output and outcome indicators within the public sector's framework for programme performance, having started with programmes across the Ministry of Education and Culture in 2015. Across all policymaking areas for the 2017 budget year, including importantly, health, education and public safety, the aim is to collect and analyse gender sensitive statistics which will assist Government programmes in developing and implementing policies tailored to meet the needs of distinct groups in the population. Our National Gender Policy, which will underpin these efforts, is currently being developed.

At Her Majesty's Prison, we will continue to work on strengthening the rehabilitation programme where we are preparing inmates to become successful citizens on their return to society and thereby decrease recidivism. We have a social responsibility to our prisoners and the society to ensure that they are prepared with the necessary tools to become productive citizens upon release and we must find ways to do so.

- Increase (and expand) access to quality Early Childhood Development Services (ECDS)

We recognise and prioritise the importance of our students having a solid educational foundation from a very early age. Thus, significant focus has been placed on improving and expanding access to quality early childhood development services, with regular inspection of all centers to ensure that they maintain required quality standards. In conjunction with the H. Lavity Stoutt Community College, we strive to

institute a certification programme for all teachers at the early childhood level to ensure that they are well-equipped to provide the necessary foundation for our youngest students.

- Improve curriculum and strategies for assessment across primary and secondary education levels

Using the recently implemented Key Stage Assessment framework, we are continuing to develop structures which allow us to monitor the progress of our students from kindergarten through Grade 12. In addition to key stage assessments at grade 4 in the primary level, we will introduce the CXC Caribbean Primary Exit Assessment (CPEA) for grade 6 and the Caribbean Certificate of Secondary Level Competence Assessment at grade 9, which will serve as the key assessments for those grades. These two assessments will provide a regional bar by which we can gauge our students' academic readiness, ensuring that they are well-prepared to participate in our Territory's socioeconomic development.

To facilitate our students' rounded development, we have introduced Financial Services, Virgin Islands History, Tourism and Civics to the curriculum over the last several years. The 2016-2017 school has seen the official beginning of the newly implemented Grade 12, with students at this level completing Caribbean Secondary Education Council (CSEC) examinations, the first level of the Caribbean Advanced Proficiency Examination, and/or Advanced Placement courses held at the H. Lavity Stoutt Community College.

Economic: Our economy is thriving and buoyant, fostering growth through entrepreneurship and trade.

- Grow the tourism sector to maximise economic output in a manner that balances economic opportunity with environmental sustainability and social harmony

The recent extension of the cruise pier and completion of the landside Tortola Pier Park has undoubtedly increased cruise tourist arrivals, with arrival numbers increasing approximately 25.0% to June 2016 in comparison to arrivals figures to June 2015. This year's increase was on top of a 43.0% increase in annual cruise tourist arrivals in 2015 compared to 2014. Contrastingly, we have seen a slowdown in the growth in overnight tourist arrivals, with the lack of direct access to the Territory from the mainland USA hindering the growth potential for this subsection of the industry.

Therefore, the key to our strategy in buttressing the tourism sector, specifically in relation to overnight visitors, is improving access to the Territory. The agreement signed earlier this year with BVI Airways will facilitate the provision of direct commercial airline access to the Territory, the introduction of which will undoubtedly be a "game-changer". Having direct flights to the Territory will encourage growth in our arrivals for leisure as well as business, acting to directly and indirectly stimulate economic growth across several sectors of the economy including accommodation and food services, and wholesale and retail.

The extension of the runway at the Terrance B. Lettsome International Airport will provide an additional boost to air arrivals in the Territory, expanding the market offering direct flights to the Territory, and thereby stimulating an increase in overnight tourist arrivals. With expected growth in tourist arrivals, we are investing in our tourism infrastructure. An example of this is work being done at the Brandywine Bay beach which will offer entertainment as well as consumption options, thereby alleviating any overcrowding at our popular beaches such as Cane Garden Bay and the Baths on Virgin Gorda. Fostering other niche sectors within tourism, we look forward to the opening of the football, track, and volleyball/netball stadium through a joint venture between our Government, FIFA, and the local football association, which will facilitate the growth of sports tourism. Similarly, we continue to explore available possibilities to expand medical tourism in the Territory, which will foster overall economic growth.

- Build a thriving and sustainable financial services sector where BVI remains a world leading corporate domicile, expand value added services, and build best in class enabling mechanisms to facilitate the sector's continued growth

Given the uncertainty in global markets and recent events including unwarranted negative attention stemming from the release of the Panama papers, we have redoubled our continuous efforts to maintain the sustainability of the financial services sector. The Financial Services Implementation Unit, under the Premier's remit, has led necessary transformations in the industry and in the public service, which will support the growth of this vital sector. So far this team has undertaken initiatives based on recommendations from the McKinsey Report which include: revamping the International Finance Centre; strengthening the business development function; engaging the entire BVI population on financial services related matters and reforms; building BVI Islander capability and participation in the industry; pursuing Tax Initiatives; enhancing customer service at the Financial Services Commission; attracting and offering value-added services; reforming Immigration and Labour Policies; and investing in infrastructure.

The addition of the International Arbitration Center to our enviable suite of legal and business structures in the Territory, will undoubtedly be a boon to our goal to increase value-added services for the financial services sector in the Territory. By both widening and deepening the footprint of the Territory in this industry, we will ensure that our success as an international finance center continues to grow from strength-to-strength, despite prevailing headwinds.

- Promote a prosperous and diversified small business sector that drives greater economic output and provides opportunities for Virgin Islanders

Having rebranded the Department of Trade, Investment Promotion and Consumer Affairs, we recognise that the economic success of the Territory is dependent on a successful and productive trade and investment sector. The expanded role of the rebranded department will help us to strategically align the

Virgin Islands to benefit from a globalised trading system through local, regional and international relationships. To foster these relationships with both local and foreign investors, we will implement an Investment Act which will drive domestic and foreign investment in the Territory.

Similarly, through the National Business Bureau, the Department will positively impact the domestic market by fuelling the entrepreneurial spirit of the Virgin Islands. This acknowledges the importance of local entrepreneurs, thereby affording assistance to their visions. Efforts to foster this spirit will continue to be made through programmes such as the Loan Guarantee Programme and the Business of the Month initiative, both designed to strengthen local businesses, given that these comprise an important engine for economic growth in the Territory.

The Department of Trade, Investment Promotion, and Consumer Affairs will continue to host training sessions in collaboration with the SMART Business Academy in building the capacity of local entrepreneurship. Course offerings cover a range of principles including foundational concepts, quality management, finance management, and developing seamless customer-centered businesses. Truly believing that the key to our future economic development lies in innovation driven by our human capital, we have sought to foster that innovation by providing budding entrepreneurs with financial as well as technical assistance in their quests to build their businesses, thereby building the Territory's economy. In this vein, we will also soon embark on an EU-funded Territorial Strategies for Innovation (TSI) project, aimed at making innovation a driver of economic growth as we seek to diversify the economy.

- Construct or upgrade roadways for improved vehicle and pedestrian flow of traffic in the Territory

The Public Works Department with assistance from private contractors, continues to execute our major Road Improvement and Development Programme, using funds from both recurrent revenue as well as the Road Infrastructure loan from the Social Security Board. Ongoing works have involved the installation of curbs, slipper drains, sidewalks and edge of road; lengthening of culverts; construction of manholes and road paving. This reengineering and reconstruction of our roads promises to bring relief to our motoring public, improving safety and resilience of our road network, and facilitating economic growth opportunities. Road works are ongoing or have been completed from East End to West End on Tortola, including Spring Ghut to Belle Vue, Carrot Bay, Slaney to Sea Cow's Bay and Soldier's Hill to Windy Hill. Road works have also taken place and will continue on the outer islands of Anegada, Virgin Gorda, and Jost Van Dyke.

- Improve telecommunications, water and sanitation infrastructure

In September of this year, the Telecommunications Regulatory Commission (TRC) awarded the three mobile operators with spectrum used to deliver high speed mobile broadband services using LTE technology. Indeed, the implementation of this technology in the Virgin Islands will provide enterprises,

consumers and citizens with better quality mobile broadband services in line with developments that have already occurred in North America and Europe and which are currently being implemented elsewhere across the Caribbean.

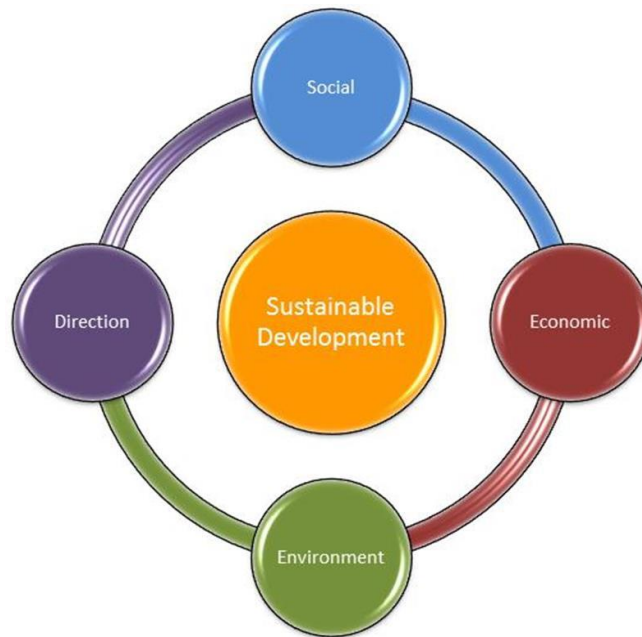
First class telecommunications infrastructure is a requirement for a modern economy, especially one poised to lead in financial services and tourism spheres. The Telecommunications Regulatory Commission (TRC) will continue to work with all licensed operators to ensure that the Territory benefits from far greater broadband speeds, available at regionally competitive prices.

As part of ongoing improvements to the Water Distribution Network, we will install energy efficient booster pumps, and reduce unaccounted-for-water by intensifying leak detection in identified leak-prone areas. While many homes and businesses are equipped with water catchment systems, the importance of access to potable water across the Territory through the public water system cannot be overstated. As such, we continue to invest resources towards strengthening the public water distribution system, especially in light of our increased desalinated water purchase. Ensuring that purchased water can be efficiently and effectively distributed across the Territory is vital to achieving the outcome of strengthened infrastructure.

Also towards strengthening the water infrastructure, in October 2015 a contract was signed with Aqua Designs for the upgrade of the water plant on Virgin Gorda. Upgrades to that facility will help to guarantee reliable access to potable water through the public water system on Virgin Gorda, and should be completed within the next few months. In terms of sanitation infrastructure, the sewerage treatment plant in Road Town is now fully operational, with sewerage being treated at a safer and cleaner tertiary level. Having reached this important milestone, the focus of the National Sewerage Programme is now on completion of the sewerage project in East End/Long Look. The Sewerage Treatment Plant at Paraquita Bay has passed the inspection test and we are proceeding with the installation of force mains from Long Swamp to Paraquita Bay. Revamping the sewerage network in Cane Garden Bay will accommodate a new design which requires fewer pumps and will facilitate greater connections of properties in the area.

- Minimise income inequality

To alleviate income inequality in the Territory and ensure that work corresponds with improved living standards, with commencement from 1 October 2016, the Territory's minimum wage has been increased from \$4.00 to \$6.00 per hour. The impact of the minimum wage increase will be greatest for low-income earners, thereby acting to reduce income inequality in the Territory. As is customary, the new minimum wage will be enforced through the Labour Department using inspections, work permit cross-checking, employer orientation sessions and employee awareness and reporting. The decision to increase the minimum wage dovetails with our commitment to ensure that the economic growth we have experienced over the last few years corresponds to an improved standard of living for all of the residents of the Territory, and especially so for those most vulnerable amongst us.



Environment: We value our natural resources and promote sustainability in physical planning and management.

- Promote sustainable fisheries and ensure management of natural resources in the BVI, including restoration of our natural ecosystem to maintain the unique ecological features.

The year 2016 saw the end of an eighteen-month seabed mapping project and hydrologic survey on an area off the coast of Tortola. Executed through the partnership of the National Parks Trust, UK Hydrographic Office and the Centre for the Environment, Fisheries and Aquaculture Sciences, critical underwater areas in relation to biodiversity have been surveyed such as the Wreck of the Rhone Marine Park, the hurricane shelter at Paraquita Bay, and Hans Creek fisheries protected area. The benefits of this will be felt across Government departments and will result in improved safe vessel access of Road Harbour, as well as protection of coral reefs and seagrass beds for future generations.

The importance of maintaining the pristine nature of our environment cannot be overemphasised. Our natural environment is central both to our socioeconomic destiny, as well as to our identity as Virgin Islanders. Recognising this, our we have aimed to establish and maintain natural ecosystems through the Coral Restoration Pilot Nursery Project where live coral fragments and coral heads are transplanted in order to reestablish coral reefs. Through this project, we have been able to establish two coral reef nursery sites on the islands of Virgin Gorda and Little Thatch. Coral reefs have been proven to be crucial to climate change mitigation, as they help to protect flood-prone shorelines and are also important for biodiversity.

- Develop agricultural sector through use of greenhouses to improve food security and reduce vulnerability inherent in high reliance on imported food

We have already made significant investments in developing greenhouses at Paraquita Bay. Through an agreement with the private firm International Business and Trade (IBT), we will complete construction of the greenhouses, readying them for improving production of fruits and vegetables within the Territory. Our goals to enhance food security and encourage healthy-living among our population will undoubtedly be furthered by our investments in the agricultural sector. To this end, we secured a \$1.5 million loan with Deutsche Bank this year to complete this project, and we look forward to reaping the first harvest from the greenhouses.

- Maintain and develop beaches to ensure safety and comfort of residents and visitors accessing the beach

Our beaches are internationally renowned as great tourist attractions. As tourists continue to utilise our pristine beaches, especially with increased tourist arrivals from cruiseships, it is imperative that we maintain beach safety through flag warning systems and beach safety signage on all beaches. The installation of necessary bathroom facilities will also help to ensure that our beaches are kept as pristine as nature intended.

- Hazard risk reduction and adaptation to climate change

In relation to emergency response to national hazards, our efforts to reduce hazard risks have included communication, training, and simulation exercises. Monthly testing of the National Emergency Broadcast System now includes a mass texting platform through all three cellular phone providers as well as established partnerships with radio stations ZCBN and ZCCR. Ensuring that persons can be readily notified of changing circumstances or any instructions during an emergency is crucial to our resilience as an island Territory which is vulnerable to environmental impacts.

The simulation exercises we conduct on a regular basis help to increase public awareness and participation, and to build capacity within emergency-respondent agencies. Also, we conduct training and certification sessions through the Territory, including on our islands of Anegada, Virgin Gorda and Jost Van Dyke. Increasing public participation in these exercises and training sessions bodes well for our preparedness to respond to emergencies, a critical component of our resilience as a Territory.

We have also worked with the OECS to undertake European-funded Global Climate Change Alliance (GCCA) adaptation projects which improve our resilience to climate change impacts in terms of our

natural coastal infrastructure. Following on from this, the establishment of the Climate Change Trust Fund facilitates our resilience to climate change impacts by financing important adaptation activities. Our readiness to face the impacts of climate change to which we are particularly vulnerable - including heavier rainfall, stronger and more frequent storms and coastal erosion - will be strengthened by the adaptation projects funded through the GCCA and the Climate Change Trust Fund.

Direction/Governance: We govern transparently, ensuring the safety, security, and cohesion of our populace.

- Safety for all persons

The Royal Virgin Islands Police Force has undertaken several initiatives to increase public safety, with increased emphasis on community policing efforts. With the aim of improving public trust and confidence in the police, the RVIPF has been reaching out through community engagement, expansion of neighborhood watch schemes and improvements in contact and support for victims.

We are also keen to ensure that the infrastructure and capacity of the Police, Customs, and Immigration Departments are commensurate with the community needs they are tasked with meeting. Reflecting this, we have begun to train law enforcement officers in the Territory through a local Law Enforcement Academy. Already thirteen recruits from the Police, Immigration, and Customs Departments have been trained through this Academy. Our ability to locally train our law enforcement resources will ensure that the Territory continuously benefits from quality public safety services.

- International Relations

The year 2016 has marked significant improvements in our immigration processes to better facilitate international trade and transactions. We have implemented a visa waiver system for persons in possession of US and Canadian visas. Also, the implementation of e-Visas will allow applicants to obtain visas electronically after entering required information and making payments, thereby reducing the cost of administering the visa system, and making the Virgin Islands more accessible to persons requiring a visa to visit. Through fostering international relationships, we will be able to promote the economic development of the Territory, thereby resulting in an improved standard of living for the residents of these islands.

- Effective governance

Recently the launch of the One Government initiative has underlined the importance of Government's presentation and provision of services to the public in a holistic manner. In ensuring that accessing Government services is a seamless process, One Government has provided a new vision and mission for the public service, launched internet and intranet services, and helped to streamline Government services. In conjunction with the ongoing e-Government initiative, we aim to provide services to the public at a level which reflects our socioeconomic situs and meets the needs of a growing twenty-first century economy.

Similarly, the reform of our public financial management system has continued with the annual production of this Medium Term Fiscal Plan, with which we have strengthened the linkages to the multi-year programme performance-based budget as well as to the reporting functions of the Treasury. Indeed Treasury functions are currently being reformed to ensure that we can effectively and efficiently process payments as well as accurately predict the availability of cash, thereby reducing instances of cash shortages. Our recent procurement of a \$25 million line of credit will also assist us in alleviating cash shortages which result from the seasonal pattern of revenue inflows.

Charting our Course

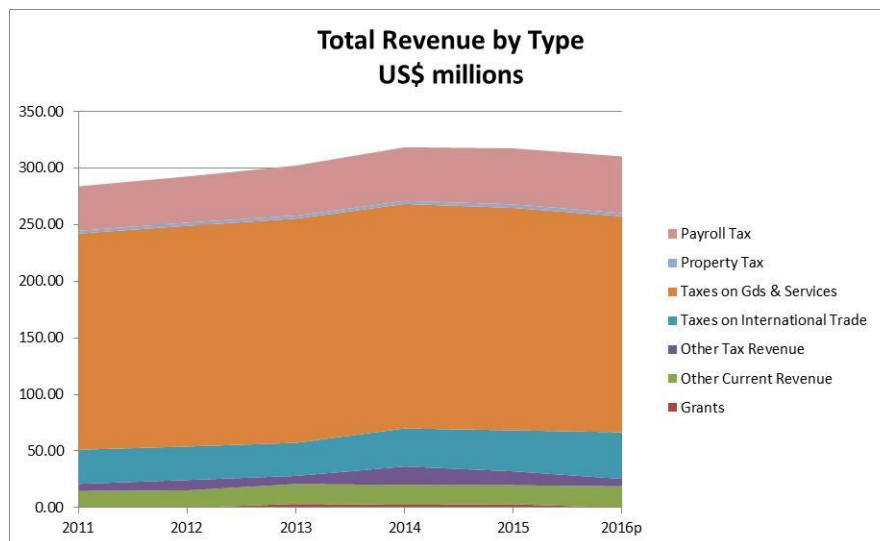
Through our medium term development strategy focused on sustainable development, we aim to chart a course which will help us to maximise our potential in meeting our fiscal and economic targets, thereby positioning our Territory for the future. The following section reviews our fiscal outcomes, including an analysis of recent revenue, expenditure and debt trends, thereby setting the stage for our fiscal forecasts and forecast fiscal position over the medium term.

FISCAL REVIEW

Revenue

Following 2014, a year with record revenue receipts, in 2015, our total revenue collections once again outstripped budgeted expectations. Revenue in 2015 reached \$317.6 million, approximately \$1 million or 0.3% less than revenue received in 2014. Once again, receipts from stamp duty late in the year drove the higher than anticipated revenue, with \$12 million received in other taxes. The largest category of revenue collected at 61.9% was Taxes on Goods and Services, the majority of which, namely 91.8% were receipts from financial services. Specific to revenue from the incorporation and reregistration of companies, \$175.0 million or 89.0% of Taxes on Goods and Services were receipts from company incorporations and reregistrations in 2015, down from \$178.1 million in 2014. Financial services receipts accounted for 56.8% of total central government revenue in 2015, down slightly from 57.6% in 2014.

Given the additional scrutiny and international pressures placed on our financial services industry, 2015 collections retained from financial services were only slightly less than recorded in 2014, at 1.7%. In 2015, collections from financial services totaled approximately \$180.5 million, down from \$183.6 million collected in 2014. Given that the number of new incorporations has been decreasing over the last three years, it is anticipated that revenue from incorporations and re-registrations will likewise decrease in coming years. Our efforts to expand the financial services industry into more value-added services are expected to help to support and provide a boost to revenue receipts going forward.



Property tax, taxes on international trade and payroll tax all registered increases in 2015, at 20.7%, 7.5% and 4.3% respectively. The significant increase in property tax collections last year was driven by an amnesty implemented at the end of the year, during which the Inland Revenue Department waived late fees on outstanding property tax payments. This helped to boost property tax collections to the highest ever, at \$3.2 million. The policy which reversed the decision to charge import duties on freight on board (FOB) rather than cost insurance freight (CIF) value of goods helped to increase import duty collections which make up the vast majority of taxes on international trade and transactions in 2015. The increase

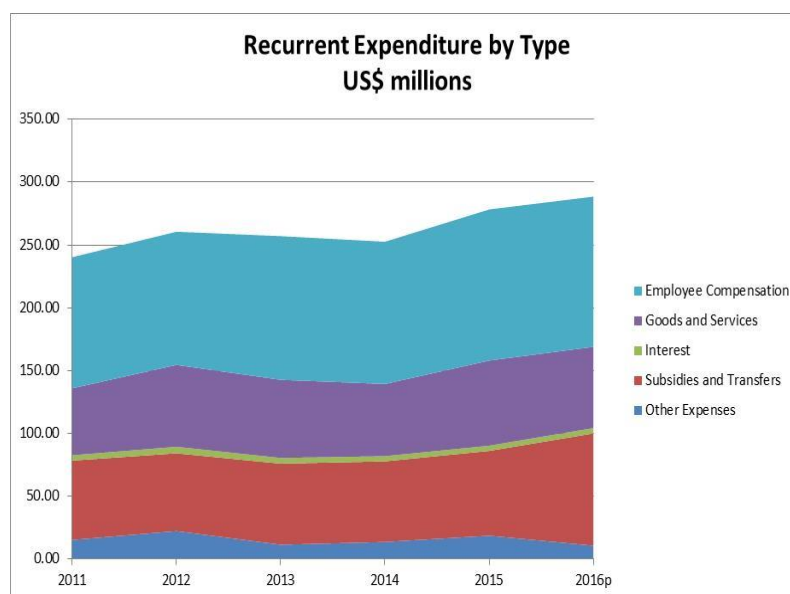
in payroll tax collections is partially attributed to increased employment and average wages, as well as heightened collection efforts undertaken by the Inland Revenue Department. In this way, the result of direct policy decisions increased collections in these three categories.

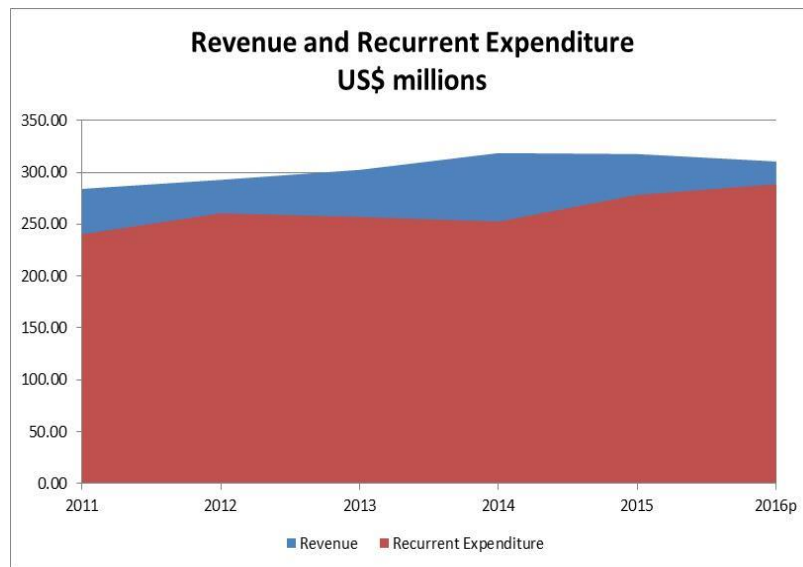
With increasing demands for recurrent expenditure and ongoing development needs requiring infrastructural investment, we are making efforts to increase our revenue receipts. We are implementing initiatives to generate revenue, improving systems which facilitate compliance, and strategically pursuing economic growth. These efforts will result in increased revenue receipts for the central government over the next three years.

Recurrent Expenditure

Recurrent expenditure increased 10.2% in 2015, to \$278.6 million, driven by increases in employee compensation, goods and services, and transfers and subsidies. With all outstanding increments to civil servants paid in 2015, employee compensation increased 6.2% to \$120.2 million, while the commencement of the additional water purchase agreement increased costs for water purchase by approximately \$10 million, with a corresponding 17.9% increase in the cost of procuring goods and services.

Efforts to curtail recurrent expenditure in 2013 and 2014 were impacted by specific policy decisions resulting in significant increases in recurrent expenditure in 2015. With 2016 marking the implementation of the National Health Insurance system in the Territory, as well as the implementation of a \$7 million subsidy to BVI Airways for direct flights from the United States, recurrent expenditure costs are expected to increase even further, to \$288.6 million in 2016.



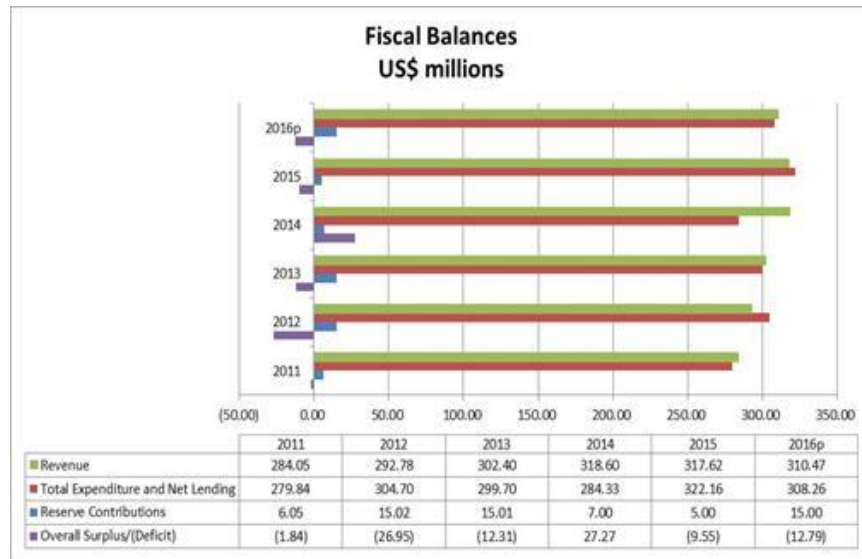


To accommodate anticipated increases in recurrent expenditure, Ministries and Departments have consistently been encouraged to prioritise programmes and activities, and work to eliminate waste and maximise use of our limited resources.

Capital Expenditure

Our investments in updating our infrastructure to reflect the demands of a growing population and economy have continued. In early 2016, the landside development of the Cruise Pier, Tortola Pier Park, was officially opened, offering an unparalleled shopping and entertainment experience to visitors and residents alike in the Territory. This investment in conjunction with the extension of the pier has opened the door to increased cruise tourist arrivals and accompanying increases in economic activity across several industries, mainly accommodation and food services, and transportation.

Continuing with financing from the Caribbean Development Bank (CDB) and Social Security Board's (SSB) road infrastructure development loans, significant work was done in 2015 and 2016 on improving our road network on Tortola, reengineering roads and bridges to improve drainage and result in a longer lifespan of quality for our roads. Other notable capital projects carried out over the last two years include expansion of the electricity grid by the Electricity Corporation, completion of the Queen Elizabeth II Park, ongoing work on the water and sewerage network infrastructure, efforts to modernize the Brandywine Bay Beach and the East End/Fat Hog's Bay Harbour, and investments in schools and recreational facilities. Capital expenditure was approximately \$34.0 million in 2015, and is expected to total \$21.0 million in 2016 financed by the recurrent surplus and existing loans.



Capital investment in the medium-term involves completing several projects which we have embarked on, namely the completion of the Iris O’Neal Medical Centre on Virgin Gorda, the Brandywine Bay Beach and the Fat Hog’s Bay Harbour Development, and continued work on our roads, water, and sewerage networks. With a combination of recurrent surpluses, existing loans, and proposed new borrowing in the form of additional loans in the total amount of \$23.15 million for infrastructural improvements, with approval from the UK’s Foreign and Commonwealth Office, the Virgin Islands will still maintain relatively low levels of debt as a percentage of nominal GDP in the medium term.

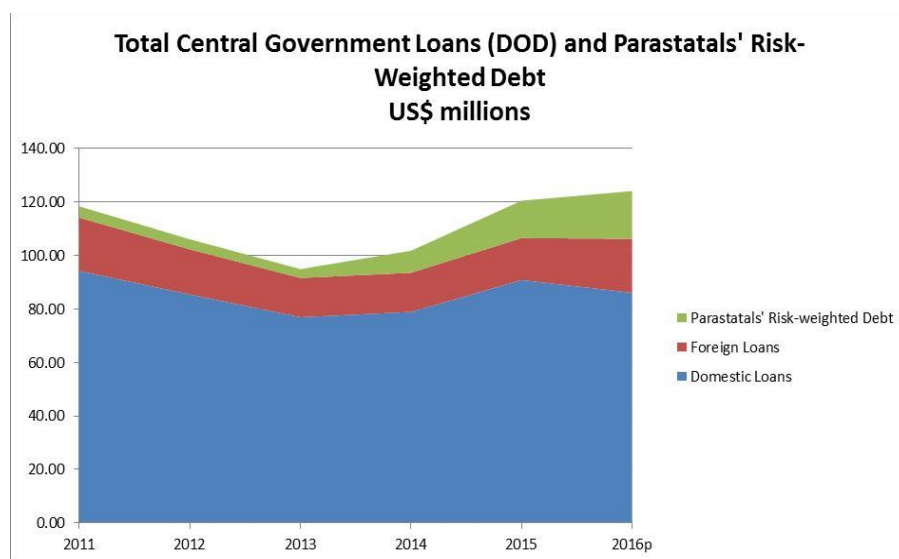
The next significant infrastructural investment on our development agenda is the expansion of the runway at the Terrance B. Lettsome International Airport. Economic growth in the medium to long term is undoubtedly hinged on the successful completion of this crucial development. Given that the BVI being more accessible to tourists, potential investors and clients is crucial to the growth of our financial services and tourism industries, this Government has placed priority on the expansion of the runway which will propel economic growth and create entrepreneurial and employment opportunities for the people of the Virgin Islands. The 2016-2018 MTFP demonstrated the affordability of this project given our ability to maintain recurrent surpluses and service our existing and proposed new debt. Even with the acquisition of new debt to finance the runway expansion in the amount of \$153.5 million, the Virgin Islands will still maintain relatively low levels of debt as a percentage of nominal GDP in the medium term, with total public borrowing (which includes central government and risk-weighted parastatals debt) at approximately \$216.1 million or 19.8% of nominal GDP at the end of 2019.

Debt

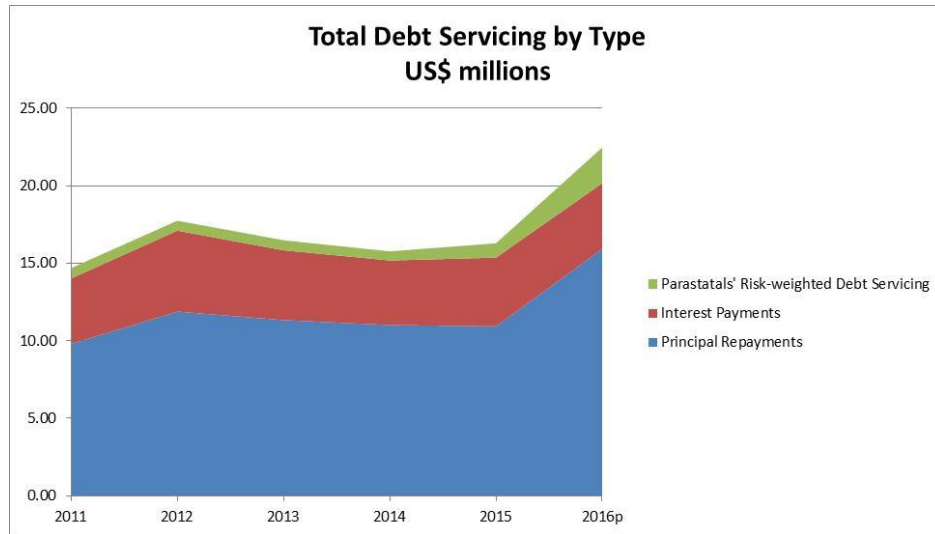
At the end of 2015, central government disbursed outstanding debt (DOD) reached \$106.5 million or 10.9% of nominal GDP. Several central government loans were disbursed in 2015, namely financing for road improvement and rehabilitation, as well as financing for water and sewerage infrastructure development. The combination of repayment of existing loans and continued disbursement of newer

loans meant the increase in central government DOD from \$93.5 million at the end of 2014. With continued repayment of our existing loans, we expect central government DOD to decrease to \$106.3 million by the end of 2016, which corresponds to approximately 10.6% of nominal GDP.

On the guaranteed debt side, the Phase V development project by the Electricity Corporation as well as full disbursement of the Ports Authority loan for the completion of the landside development has meant an increase in overall public borrowing, from \$149.4 million in 2014 to an expected \$178.3 million by the end of 2016. Even with disbursement of these loans and acquisition of new debt for the expansion of the airport runway, we will still be able to maintain sustainable debt levels with implementation of our fiscal strategy; evidenced by compliance with the borrowing ratios in the medium and longer terms.



The increase in our total public borrowing since 2013 has been necessarily accompanied by an increase in debt servicing costs. Still, with relatively low debt levels, we have been able to also maintain relatively low debt servicing costs. In 2015, principal repayments and interest payments on central government debt amounted to \$15.3 million or 1.6% of nominal GDP, up slightly from \$15.2 million or 1.6% of nominal GDP in 2014. With the use of our newly acquired line of credit facility in combination with servicing our existing debt, we expect principal repayments and interest payments on central government debt to increase to \$20.2 million or 2% of nominal GDP in 2016.



As we pursue our development strategy, which necessitates the acquisition of additional debt, mainly in the form of financing for the expansion of the T.B. Lettsome International Airport, we will vigilantly maintain our debt and debt servicing at sustainable levels. Our fiscal strategy to increase revenue and promote expenditure efficiency will assist us in ensuring that public money is targeted towards maximising our potential for shared, sustainable growth.

FISCAL STRATEGY

Our fiscal strategy in the medium-term involves maintaining and increasing our positive recurrent balance, contributing to our Reserve Fund to buffer public finances, and maintaining low and sustainable levels of debt and debt servicing. Specifically, we continue to pursue the following objectives over the medium-term:

1. Maintain and increase the recurrent surplus balance by implementing revenue generating and expenditure efficiency measures;
2. Build the Reserve Fund balance as a means of buffering public finances from unexpected future shocks;
3. Manage our pension liability; and
4. Maintain the borrowing ratios within limits outlined in the Protocols for Effective Financial Management.

Revenue generating initiatives

Over the last two years we have been able to enact and implement several revenue generating initiatives including reversal to charging import duties on the cost insurance freight (CIF) rather than the free on board (FOB) value of goods, increase in import duties on alcohol and tobacco products, and the increase in the hotel accommodation tax from 7.0% to 10.0%. These initiatives will have buttressed revenue receipts in the taxes on international trade and transactions, and taxes on goods and services categories of revenue.

Implementation of several other initiatives approved through recent MTFPs is ongoing, including the marine fee/cruising permits increase, the tourist arrival/environmental levy, and work permit fees. Conservative estimates for collections based on these initiatives have been included in projections for revenue collection in the medium term.²

In this way, no significant new revenue measures will be implemented in the medium-term. Rather than consistently introducing new taxes and fees, greater emphasis will instead be placed on improving collections systems for existing taxes and fees, thereby avoiding placing increased burden on the tax-paying public, instead ensuring that outstanding receivables are collected.

Encouraging expenditure efficiency

Alongside generating revenue and ensuring compliance with the Protocols, we recognise the importance of improving expenditure efficiency. As such, we are committed to prioritising expenditures, and

² The list of approved revenue generating initiatives which have been added to the base case of the Medium Term Fiscal Frame are included in the Appendix.

improving procurement and project management practices to ensure that the people of the Territory are receiving value for money in the way we conduct business on their behalf.

1. Managing the Public Service to improve performance and enhance efficiency and effectiveness in the delivery of services to the public. The new performance management system, launched this year, sets out clear individual objectives and enforces accountability while identifying areas for skills assessment and development. Fostering greater linkages between performance and remuneration in the form of increments ensures that those who excel within the public service are adequately recognised while managing expenditure on personnel emoluments. In the medium-term employee compensation costs will be held constant, putting emphasis on our need to ensure that the public service operates efficiently.
2. Offsetting the Cost of Goods and Services by reviewing and revising the Government's current fee structures to close loopholes, renegotiating the cost of obtaining goods and services and ensuring that fees at least cover the costs of providing services by introducing new fees for existing services. This will assist in reducing Government's significant subsidisation of public goods and services and the current cost associated with procuring goods and services. For instance, renegotiating existing water contracts will assist in reducing the costs associated with purchasing water.

The Ministry of Finance continues to play an active role in monitoring Government's costs of procuring goods and services, ensuring that we receive value for money. Budget monitoring which continued in earnest in 2016, has helped to identify areas of overspending and has assisted in curbing the need for supplementary appropriations, except in emergency circumstances. Ensuring that programmes are appropriately prioritised and costed during the more rigorous multi-year budget preparation process has already yielded efficiencies and savings. With the continuation of these efforts, we expect to put downward pressure on the costs of procuring goods and services.

3. Improving financial management of parastatals. Implementing a framework which monitors the financial and operational performance of all parastatals is an integral part of managing the growth of transfers and subsidies and ensuring that they are achieving the overarching development goals of the Government. The framework has been prepared, and with Cabinet approval, will be implemented by 2018.
4. Capital expenditure levels depend on the development policy initiatives of the governing administration. To help promote the effective and efficient use of resources on capital projects, we have begun to implement improved project appraisal and assessment processes. This will help ensure that the Government achieves value for money on all projects and forms part of the Government's public financial management reform programme.
5. Preventing 'Budget Creep'. During the 2017 budget process, Ministries and Departments were required to reduce their budgets by approximately 7.0% based on revised revenue projections. Additionally, Ministries and Departments were required to identify areas of potential savings

which are used to offset any new spending approved by the Cabinet. Our reformed budget processes, with rolling forward estimates, have helped in containing expanding expenditure budgets.

Addressing contingent liabilities

We are committed to creating a National Pension system. Towards this, we will prepare Terms of Reference (ToRs) for proposals for the creation of a National Pension System, largely based on the findings of a recent report³ commissioned by the Government. All new civil servants will be required to contribute to their pension plans under the new national pension system, with special provisions made for incorporating existing employees into the contributory scheme. With this approach, our intention is to freeze the current pension liability, requiring contributions to fund any future growth in that liability.

Building our Reserves

Towards meeting the liquid asset ratio requirement of 25.0% of recurrent expenditure by the end of 2017, we have contributed \$7 million in 2014, \$5 million in 2015, and \$10 million in 2016 to the Reserve Fund. This has brought the reserve fund balance to approximately \$59.5 million to the end of 2016. With an additional \$12.5 million contribution slated for 2017, the Virgin Islands will be in full compliance with the borrowing guideline ratios set out in the Protocols for Effective Financial Management, thus able to independently seek funding, and more importantly, having a fiscal buffer available in case of future shocks.

Maintaining the borrowing ratios

The GoVI has been able to maintain low levels of debt and thus, debt servicing while still meeting development imperatives and accessing necessary funding for capital projects. In this way, we have stayed well-within borrowing ratio guidelines for net debt and debt servicing outlined in the Protocols. With anticipated compliance with the liquid assets ratio by the end of 2017, we look forward to greater autonomy in making borrowing decisions based on the unique context of the Virgin Islands.

Financing the deficit

GoVI has consistently met its debt obligations, and has run overall deficits in the past to invest in much needed infrastructural development for the Territory, including roads and ports, the water and sewerage network, and healthcare facilities. It is through these prudent investments that economic

³ "Proposed System of Supplemental Pension Plan for the Virgin Islands", Pension Management Interact PMI.

growth is fostered and, more importantly, the quality of life for the Territory's residents is improved in a sustainable manner.

Our Capital Investment Plan over the next three years will be financed through annual recurrent balance surpluses, loan disbursements (including an additional proposed \$23.15 million loan for infrastructural development once approved), and excess unsecured debt/liquid assets⁴.

Unsecured Debt/Liquid Assets

Unsecured debt flows in any given year are approximated in the medium-term fiscal frame as the difference between the Government's overall deficit and its net borrowing (loan disbursements minus principal repayments) in that particular year.

If net borrowing (loan disbursements minus principal payments) in a given year is greater than the deficit, unsecured debt flows will be negative, meaning there are excess funds or liquid assets available at the end of the year subsequent to financing the deficit. Conversely, if net borrowing (loan disbursements minus principal payments) is less than the deficit in a given year, unsecured debt flows will be positive, meaning arrears have been incurred in order to finance the deficit.

Likewise, a negative unsecured debt stock would be equal to the liquid assets on hand at the end of the year and a positive unsecured debt stock would be equal to the cumulative arrears balance.

⁴ See definition for unsecured debt/liquid assets in Box above.

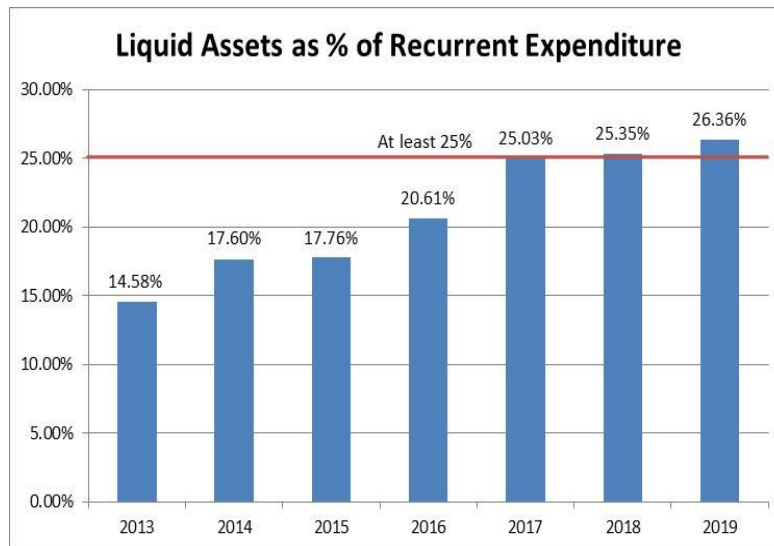
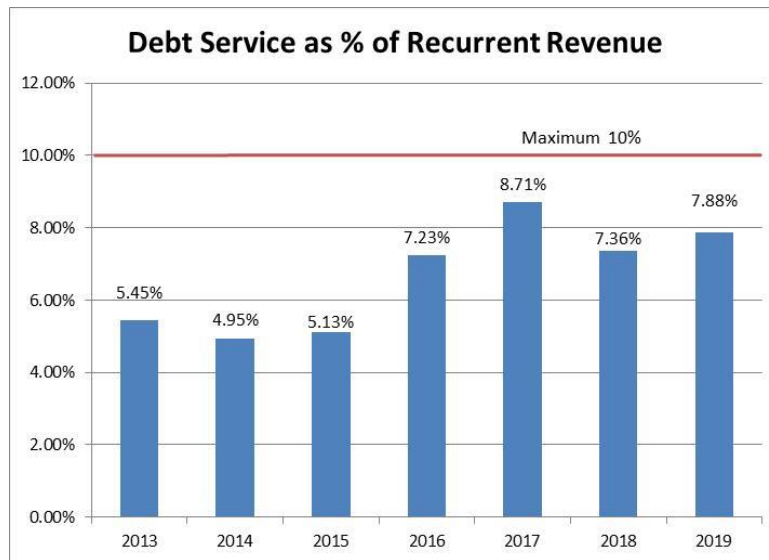
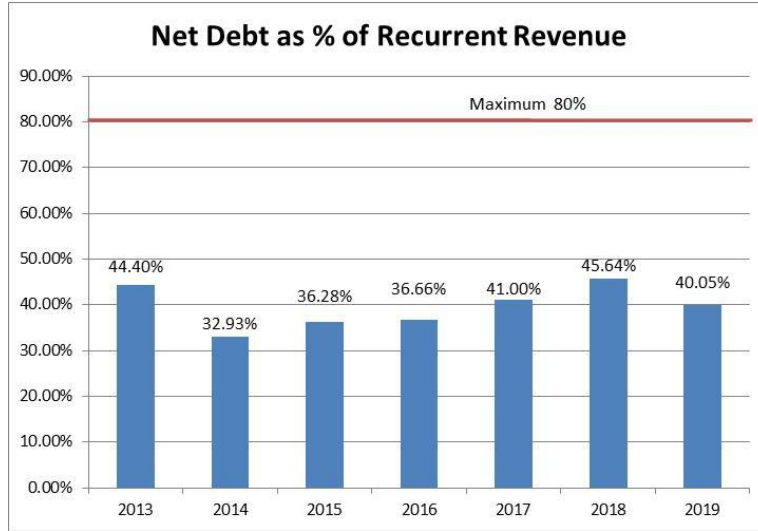
Medium-Term Fiscal Frame mn \$				EST'D	PROJECTIONS		
	2013	2014	2015	2016	2017	2018	2019
Total Revenue	302.40	318.60	317.62	310.47	325.34	333.03	337.23
Total Current Rev	299.10	316.08	314.59	310.42	325.34	333.03	337.23
Total Tax Revenue	281.44	298.46	297.75	291.59	302.35	309.95	314.07
Payroll-Inc Taxes	44.26	47.42	49.48	50.11	51.78	53.87	55.89
Property Tax	2.72	2.66	3.21	2.82	2.40	4.96	5.08
Taxes on Gds & Services	198.07	198.50	196.59	190.89	196.66	197.50	198.35
Tax-International Trade	29.25	33.65	36.18	41.26	46.63	48.20	49.48
Other Tax Revenue	7.15	16.22	12.29	6.52	4.89	5.43	5.28
Other Current Revenue	17.66	17.62	16.84	18.83	22.99	23.08	23.16
Grants	3.30	2.52	3.02	0.05	0.00	0.00	0.00
Total Expenditure	300.00	284.33	322.16	308.36	325.01	320.48	314.77
Total Primary Expenditure	295.50	280.16	317.73	304.12	319.52	314.74	309.47
Total Recurrent Expenditure	257.08	252.66	278.58	288.64	287.55	295.74	295.84
Total Interest Payments	4.50	4.16	4.43	4.24	5.49	5.74	5.30
Interest payments - Domestic	3.97	3.66	3.96	3.80	4.64	4.77	4.29
Interest payments - Foreign	0.53	0.50	0.48	0.44	0.85	0.97	1.01
Total Non-Interest Recurrent Expenditure	252.58	248.50	274.15	284.39	282.06	289.99	290.54
Employee Compensation	114.30	113.17	120.22	119.57	119.57	119.57	119.57
Goods & Services	62.22	57.44	67.74	64.72	62.54	63.23	64.04
Subsidies & Transfers	64.52	64.19	67.49	89.33	88.96	95.98	95.49
Total Other Expenses	11.55	13.70	18.70	10.77	10.98	11.21	11.43
Total Capital Expenditure and Net Lending	42.91	31.67	43.58	19.72	37.46	24.75	18.93
Capital Expenditure	42.91	31.67	35.58	21.00	39.11	26.52	20.82
Net Lending	0.00	0.00	8.00	-1.28	-1.65	-1.77	-1.89
Contribution to Reserve Fund	15.01	7.00	5.00	10.00	12.50	3.00	3.00
Total Surplus/(Deficit)	-12.60	27.27	-9.54	-7.89	-12.17	9.55	19.47
RECURRENT BALANCE	45.32	65.94	39.03	21.83	37.80	37.29	41.40
RECURRENT BALANCE LESS RESERVE CONTRIBUTION	30.31	58.94	34.03	11.83	25.30	34.29	38.40
Financing	12.60	-27.27	9.54	7.89	12.17	-9.55	-19.47
Net Borrowing	-10.66	1.93	12.95	-0.16	6.61	-5.05	-11.66
Loan Disbursements	0.67	12.94	23.88	15.75	26.72	9.37	4.00
Loan Disbursements - Domestic	0.00	10.30	20.24	12.46	15.00	3.15	0.00
Loan Disbursements - Foreign	0.67	2.64	3.64	3.29	11.72	6.22	4.00
Principal Repayments	11.34	11.01	10.93	15.91	20.11	14.42	15.66
Principal Repayments - Domestic	8.51	8.32	8.32	13.32	16.15	11.42	12.51
Principal Repayments - Foreign	2.83	2.69	2.61	2.59	3.96	2.99	3.15
Unsecured Debt Flow - Change in Cash	23.26	-29.20	-3.40	8.05	5.56	-4.50	-7.80

RATIO ANALYSIS

Through revenue generating and expenditure efficiency initiatives in conjunction with growing our Reserves, we will ensure compliance with the borrowing ratios set out in the Protocols for Effective Financial Management by the end of 2017. Our impressive trajectory for reaching and maintaining compliance and, thus, ensuring fiscal sustainability is demonstrated below.

The Medium Term Fiscal Frame indicates that we will be in full compliance with the liquid assets ratio at the end of 2017 with a \$10 million contribution to the Reserve Fund in 2016, and an additional \$12.5 million contribution in 2017. This will result in greater autonomy for our Government in making borrowing decisions, and more importantly, offer a significant buffer for our finances, thereby reducing our fiscal risks in the medium and longer-term.

Borrowing Limits	2013	2014	2015	EST'D 2016	PROJECTIONS		
					2017	2018	2019
Total Disbursed Outstanding Central Gov. Debt	91.60	93.52	106.47	106.31	112.92	107.87	96.21
Unsecured Debt Stock	31.86	2.66	-0.74	7.32	12.87	8.38	0.57
Total Disbursed Outstanding Central Gov. Debt and Unsecured Debt	123.46	96.19	105.73	113.63	125.79	116.25	96.78
Total Disbursed Outstanding Debt of Parastatals	16.48	41.08	69.87	89.12	131.65	198.99	214.33
Total Risk-Weighted Disbursed Outstanding Debt of Parastatals	3.30	8.22	13.97	17.82	41.33	77.45	88.17
Capitalized Value of Public Private Partnerships	45.00	45.00	45.00	41.83	38.25	33.29	28.10
Total Public Borrowing	171.76	149.41	164.71	173.29	205.38	226.98	213.04
Reserve Fund Balances/Liquid Assets	37.48	44.48	49.48	59.48	71.98	74.98	77.98
Parastatals' Interest payments	0.87	0.79	1.89	4.02	4.64	7.61	9.73
Parastatals' Principal repayments	2.36	2.15	2.73	7.48	8.16	8.16	8.59
Parastatals' Risk-Weighted Debt Service	0.17	0.16	0.38	0.80	1.10	2.71	3.90
Total Debt Service of Central Gov. and Parastatals	16.48	15.77	16.29	22.46	28.32	24.50	26.58
Net Debt	134.28	104.93	115.23	113.81	133.40	152.00	135.06
Net Debt as % of Recurrent Revenue (max 80%)	44.40%	32.93%	36.28%	36.66%	41.00%	45.64%	40.05%
Debt Service as % of Recurrent Revenue (max 10%)	5.45%	4.95%	5.13%	7.23%	8.71%	7.36%	7.88%
Liquid Assets as % of Recurrent Expenditure (at least 25%)	14.58%	17.60%	17.76%	20.61%	25.03%	25.35%	26.36%



BUDGET FRAMEWORK

This MTFP has presented GoVI's development and fiscal strategies for the next three years, relaying the narrative of the figures contained in the Medium Term Fiscal Frame (MTFF). In doing so, the plan promotes effective and efficient allocation of resources, and guides the compilation of the 2017-2019 Budget Estimates.

The 2017 annual budget will be based approximately on the following framework, in accordance with the broad parameters presented in the MTFF:

	US\$ millions
Revenue	\$325.34
Recurrent Expenditure	(\$287.55)
Contributions to Reserve Fund	(\$12.50)
Capital Expenditure and Net Lending	
Capital Expenditure	(\$39.11)
Net Lending	\$1.65
Surplus/(Deficit)	(\$12.17)
Net Borrowing/Deficit Financing	
Loan Disbursements	\$26.72
Principal Repayments	(\$20.11)

APPENDIX

Revenue Generating Initiatives added to Medium Term Fiscal Frame (US\$ millions)

Revenue Initiative	Annual Yield	Risk-weighted 2017	Risk-weighted 2018	Risk-weighted 2019
<i>Taxes on Goods and Services</i>				
Cruising Permits	3.40	1.91	1.91	1.91
Transportation Maintenance Fee	0.34	0.17	0.17	0.17
TRC Royalties	3.00	2.25	2.25	2.25
<i>Taxes on International Trade</i>				
Tourist Arrival Levy	4.00	1.50	1.50	1.50
Passenger Tax (Sea)	2.45	2.45	2.45	2.45
<i>Property Taxes</i>				
Property Tax	5.10	0.00	3.00	3.00
<i>Sale of Goods and Services</i>				
Improved Water Rates Collection	4.80	3.60	3.60	3.60
TOTAL	23.09	11.88	14.88	14.88

Parastatals Risk-Weighted Debt Schedule (US\$ millions)

Statutory Authority / Government Company	Risk Weight	2013	2014	2015	2016	2017	2018	2019
Tourist Board	100%	0	0	0	0	0	0	0
Health Services Authority	80%	0	0	0	0	0	0	0
HL Stoutt Community College	80%	0	0	0	0	0	0	0
Prospect Reef Management Company	80%	0	0	0	0	0	0	0
Airports Authority	50%	0	0	0	0	25.00	62.75	75.50
National Bank of the Virgin Islands	20%	0.20	0.17	0.14	0.11	0.09	0.07	0.05
Electricity Corporation	20%	3.10	2.70	3.84	8.32	7.45	6.58	5.32
Financial Services Commission	20%	0	0	0	0	0	0	0
Ports Authority	20%	0.00	5.35	10.00	9.39	8.79	8.05	7.30
Social Security Board	20%	0	0	0	0	0	0	0
Total Risk-Weighted Debt of Parastatals		3.30	8.22	13.97	17.82	41.33	77.45	88.17