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BEFORE THE
COMMITTEE ON ECONOMIC
DEVELOPMENT AND AGRICULTURE

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Good day, to the Honorable Hubert L. Frederick, Chairperson of the United States Virgin Islands 36th Legislature Committee on Economic Development and Agriculture, other Committee members, other members of the Legislature present, legislative staff, fellow testifiers, members of the media, persons in the viewing and listening audience, ladies and gentlemen. My name is Haldane Davies, and I am Director of the Bureau of Economic Research (BER), Government of the United States Virgin Islands. With me today, is Ms. Bernesha Liburd, Senior Project Analyst in the Bureau of Economic Research.

I welcome the opportunity to provide testimony on “Sustainable Economic Development: Improving Lives Today While Protecting the Planet and Resources for Future Generations.” Our fore parents took this matter seriously, and so must our and future generations to ensure that while these beautiful and still pristine islands expand and modernize, preservation in the face of expansion must be maintained with thoughtful balance. This Hearing today is in line with the seventeen (17) Sustainable Development Goals (SDGs) of the United Nations adopted in 2015, of which the United States is a signatory. The SDGs aim to end poverty, protect the planet, and ensure peace and prosperity for all people by addressing the interconnected social, economic, and environmental challenges faced by societies around the world.

The economic strength of any country, nation, or territory is dependent on and determined by several interconnected globally recognized factors. Promotion of responsible consumption and production of goods and services, preservation of terrestrial and marine ecosystems, and establishment of strong institutions and governance systems – are but some of the factors. They also include advocacy for peace and justice for all individuals, ensuring access to clean water and sanitation, advancement of clean and affordable energy solutions, support for good health and overall well-being, and facilitation of quality education for all. The Virgin Islands of the United States is no different in this regard. We need most, if not all, of these factors to be present and

resonate across the Territory in a manner that meets the needs of today while preserving resources for the future.

According to the International Economic Development Council (IEDC), “economic development is programs, policies and activities that seek to improve the economic well-being and quality of life for a community by creating and retaining jobs and providing a stable tax base.” This includes business attraction, business retention and expansion, education and workforce development, infrastructure development including water and waste management, affordable and reliable energy and communication systems, excellent healthcare and insurance coverage, and a strategic approach to investment promotion. It also means a revenue and spending strategy supported by business-friendly legislation, efficient and effective processes, and a balanced governance mindset that keeps the growth and well-being of people at the forefront of every agenda.

It is important that the Territory adopts a clearly stated definition of economic development (and by extension – sustainable economic development) that honors tradition and culture while specifying drivers that advance the wellbeing of Virgin Islanders across generations. Intergenerational equity must be preserved by not spending and developing enough today that there is too much for tomorrow, or by spending and developing too much today that there is not enough to replenish and sustain tomorrow. Natural, human, and economic capital must remain available for future generations. Sustainability must be incorporated into responsible corporate and government decision-making, and the continued transition to renewable energy (solar, wind, geothermal) power must be maintained. We need to focus more on economic resilience and stability and social equity and inclusiveness to ensure economic gains are shared fairly, thus leading to healthcare, education, social mobility including housing, and decent work for all.

With respect to our current economic situation, the Territory's GTP/GDP stands at approximately \$5.2B, up from \$3.9B in 2018. Inflation continues to be a challenge, rising to 7.6% in 2025, up from 7.1% in 2024, due primarily to a 22% increase in housing costs. When compared to 2025 inflation rates of 5.1% in Washington DC, 5% in Hawaii, and 4.9% in California- Washington- Massachusetts, shipping costs play a significant role in our rate of inflation. The lowest recent inflation was recorded at 3% in 2019. In addition, we must be mindful of having monitoring systems in place to avoid or limit greedflation. Greedflation is the economic concept that corporations and vendors exploit inflationary periods to hike prices far beyond their rising cost, knowing that consumers will expect higher costs, thus boosting inflation even more.

Visitor arrivals have rebounded from a pandemic era low of 0.8M in 2021 to 2.7M in 2025 – on par with 2015 performance. Cruise arrivals on St. Croix increased from 3.8K in 2021 to 241K in 2025. Civilian employment has remained generally steady at 40K, and the unemployment rate has been constant at 3.6% since 2023. Overall, the economy is stable and resilient, especially considering strong visitor arrivals, persistent low unemployment, and significant infrastructure development. Private sector investments in both districts are also contributing to the strength and robustness of the economy.

However, we must remain mindful that long-term stability and growth is tempered by high energy cost, labor shortage from a dwindling population, and our ever-present vulnerability to natural disasters. We must improve our cash-flow situation, better manage expenditure, and reduce revenue leakage through stronger regulated enforcement of shared services. We must focus more on real property appraisal, revenue collections, parity in marine/maritime opportunities across the greater Virgin Islands, and the possible phased implementation of a consumption tax on sales and services. This measure would help to further capture an additional 2% to 3% of revenue, dedicated to specific purposes for a determined period, from visitors and residents, while

making our energy systems more cost-effective and reliable. Sustainable economic development must be at the forefront of what we do in the USVI.

The Virgin Islands Virtual Information System (VIVIS) is currently undergoing a comprehensive audit to assess current functionality and identify areas for improvement. The goal is to reconstitute and strengthen partnerships with key data providers and stakeholders, to revamp and expand the existing online portal to improve user experience and integrate additional data points that inform the public and support decision-making processes, while linking the birth to workforce and sunset data pipelines. The anticipated expanded value of VIVIS would support the goal of BER to warehouse administrative data from across government departments and agencies and vastly expand the availability and usage of data across the Territory to guide future legislative actions and support grant writers in making the case for more resources to flow to the USVI.

Economic development and expansion, both nationally and globally, involves the enhancement of communities' economic performance through increased investments, spending, and exports. This is achieved by strengthening existing businesses and attracting new entities that generate well-paying employment opportunities, while simultaneously prioritizing environmental sustainability. To make these happen, governments, legislatures, and civil society work closely together to agree on a vision for sustainable economic development. That vision includes the provision of incentives, amendment of laws and regulations/rules, thoughtful removal of barriers and obstacles, and the introduction of workable solutions to attract investors and encourage the flow of local, regional, national, and foreign direct investment to their region.

In the USVI we are blessed (blest), albeit after unfortunate circumstances, to have approximately \$25B in disaster recovery funds available to us as a Territory. This is a “windfall” that we did not see coming and

we should harness every effort to ensure each dollar is effectively and appropriately spent within the prescribed timeline. Not even one dollar should be left on the table. Therefore, now is the time for a continued cooperative approach by the executive and legislative branches of government to forge ahead with the collective foresight and vision to maximize our potential and responsibly utilize the billions of dollars (public and private) at hand for the good of the people. We are being watched and assessed far and wide, by residents, visitors, funders, investors, and the diaspora to see how we respond to the realities of this opportune time.

We have made progress, but more is needed. This is a unique time for more innovative thinking, thoughtful communication, strategic risk taking, bold leadership, entrepreneurial action, and responsible stewardship to be the hallmark of this Territory. The establishment of the Super Project Management Office (Super PMO) in the Office of Disaster Recovery (ODR) is a tangible example of creative insight for project bundles and execution. The implementation of a line of financial credit to facilitate the timely execution of projects and improve the timeliness of government financial operations, including payment to vendors, is a step jointly taken to accelerate the pace of efficiency across government. Additional revenue receipts through improved collection of corporate, excise, individual, gross receipts, property and other taxes will also help to provide salary adjustments, improve healthcare and education, upgrade water and sewer systems, repair infrastructure, ensure reliable and affordable energy, and absolve the territorial debt – which has been reduced by 25% (from \$2.2B to \$1.6B) over the last seven years. Although we may not like debt, it represents approximately 30% of our GDP, which is well below the 120% national debt to GDP of the United States and the 80% debt to GDP of the European Union.

In 2023, the USVI imported \$4.1B (down from \$4.8B in 2022) and exported \$3.9B in goods and services. In 2024, \$3.6B (same as in 2021) was imported and \$2.58B exported in goods and services. Higher exports than

imports are usually an indicator of a stronger economy and the more we can do by facilitating sustainable development opportunities the stronger our economy will become. Getting the oil refinery into full operation (although somewhat controversial) will significantly boost exports and improve the economic and financial position of the Territory. Thus, development opportunities through the USVI Economic Development Authority (EDA) in the declared economic zones, UVI Research and Technology Park (RTPark), and direct government negotiated initiatives should continually be encouraged and monitored. Modernization of the laws, rules, and regulations governing these entities should also occur to better meet the needs of free trade and opportunity zones together with other evolving global economic development trends. If we continue to snooze, we will lose to the stiff regional and global competition.

As we are faced with growth and expansion opportunities, we need to thoughtfully amend laws, rules, regulations, processes, and procedures to meet the demands of the times in a sustainable economic development manner. Whether it be in the areas of core law (VI Code), coastal zone management, historic preservation, permitting, procurement, or leadership and management - creative adjustments are needed to provide a stronger and more resilient society. Our Caribbean neighbors are forging ahead with new and innovative approaches and products, and we cannot afford to be left behind. Our people expect and deserve the best from us who have been placed in positions of trust and leadership to innovatively and responsibly steer and steward “our ship” to safe harbor.

Tourism, which is a service export, is a greater Virgin Islands staple and while efforts are afoot to further diversify the economy, much attention must be given to the product to ensure the strategic preservation and expansion of this economic pillar of our society. Service exports are funded on money spent by visitors on services like food, accommodation, local goods, transportation, and attractions, etc. Other service exports include consulting, international

students enrolled at the University, healthcare/medical tourism services, arts and entertainment, intellectual property registrations, open international maritime flag registrations, and financial services, among others.

We must continue to invest strategically in workforce development, infrastructure improvement, housing, resource and technology utilization, and business development. We must also expand our efforts to again being the economic mecca of the region (as in the 1960's and 1970's) by attracting and growing businesses, fostering private sector investment, investing in natural resources, and implementing and amending policies, rules, and regulations that lead to sustained growth and prosperity for the people of the USVI. In essence, sustainable economic development for us is the process of improving the Territory's economic and social well-being by increasing wealth through the overall output of goods and services, creating jobs by helping existing businesses thrive and attracting new businesses, and improving the quality of life and living by way of education, healthcare, infrastructure, and public safety, etc., for residents. It also includes allocating land, labor, and capital to foster growth and attract private investment in our semi-autonomous agencies and other sectors. It is "moving the needle" for holistic improvement.

We must explore greater balanced opportunities in our exclusive ocean economic zones consisting of approximately two hundred (200) miles of ocean to our north and south and see what blue economy ventures could be explored and harnessed. I am mindful of the concerns of our fellow brothers and sisters who promote sustained efforts to preserve the environment. I concur that preservation is important, albeit within the bounds of responsible development. Just as we need population growth and housing expansion, we also need to establish more water-based attractions, enact legislation to attract more bareboat and term charter companies, build more mariners and boatyards, adjust fees and enhance incentives, and arrive at a place of parity for USVI and BVI tourism through a collaborative MOU – perhaps similar to what exists between Puerto Rico and the Dominican Republic.

In summary, sustainable economic development is a prudent and thoughtful approach to economic growth that provides balance between meeting current needs while protecting future resources. It is a balance between creating prosperity and opportunities, assuring safety for everyone, improving health and education outcomes, improving infrastructure, ensuring equal opportunities, conserving natural resources, and mitigating climate change all while protecting ecosystems. It is a long-term vision that seeks to improve the quality of life and living for everyone across the Territory by fostering growth that is socially inclusive, environmentally sound, and economically viable, both now and for the future.

Now is the time for Gentle, Honest, Open, Specific, Talk (GHOST conversations) to advance the goals and aspirations of this Territory. Let us do it and exercise our potential, capacity, and capability to significantly “move the needle” of sustainable progress along the path of prosperity with improved life and living for residents and visitors alike. The direct, indirect, and induced economic impact would be significant.

The Bureau of Economic Research remains fully committed to doing its part to assist in the economic research, development, and expansion of the Territory, of which sustainable economic development is pertinent. The task ahead is great, and we all have significant work to do to continuously improve the quality of life and living for our residents and visitors alike. We applaud the efforts of this “august body” to emphasize the importance of a balanced approach to economic development in the interest of Virgin Islanders and those who visit our shores. As always, the challenges along the path are many but the vision to create an improved Virgin Islands is achievable.

Thank you, Senator Frederick, for your stewardship in holding this Hearing and for keeping the economic wellbeing of our Territory high on the

agenda of the 36th Legislature. It is certainly an investment of time and resources that will pay great dividends in the years to come.

We welcome the opportunity to answer any questions regarding this important Hearing. Thank you for your attention.