



Press Release

Current annual capital expenditure budgets would not meet the infrastructure funding needs for the next five years, according to new report by KPMG

In the first report of its kind on infrastructure in island economies, KPMG provides a unique comparative analysis of the state of the infrastructure and the challenges currently faced by local governments. The report entitled “*Island economies and their infrastructure: An outlook 2010 and beyond*” investigates key areas of government infrastructure such as policy and strategy, procurement, financing and execution of public sector projects. The KPMG survey was conducted during 2009 in conjunction with Island Analysis across the British Virgin Islands and 15 other island countries through desktop research and interviews with 40 senior government officials. KPMG’s Caribbean Region Head of Corporate Finance, Simon Townend, says “the report highlights the rising infrastructure challenges faced by local island governments – an issue that is not unique to any one island. With the world population forecast to increase to 9-11 billion people by 2050, can governments meet the needs of the people and their economies?” According to the KPMG survey, the short to mid term outlook for infrastructure needs far exceeds the total annual revenue budget of all participating countries. Mr. Townend also adds, “it is a common factor amongst island communities that tourism and financial services play an integral role in the generation of local revenues. Governments are now looking to diversify their revenue sources. Alternative financing arrangements need to be seriously considered as options to overcome the present and future challenges.” However, this is not the only major challenge faced by the islands.

The report reviews how government officials view the execution of public sector projects - 89% of government respondents believed the state of the existing infrastructure in their jurisdiction to be average or below average. Reasons cited included a lack of clear long term strategy and a lack of experienced project management personnel. For example, 66% of officials interviewed believe the execution of infrastructure projects is either average or inefficient in their jurisdictions. Almost 60% of respondents say they never or rarely finish a project on time, and more than 60% either never complete on budget or only sometimes complete on budget.

The question is, are governments getting 'Value for Money' and efficient services? Without a clear long term strategy and an efficient procurement process to address overruns,

governments will continue to struggle with deficits and ongoing infrastructure development requirements.

To obtain a copy of the KPMG report please contact William Callewaert at wcallewaert@kpmg.vg or download a copy at: www.kpmg.vg

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About the survey, *“Island economies and their infrastructure: An outlook 2010 and beyond”*

Using both qualitative and quantitative data, our methodologies were based on primary and secondary research. In cooperation with Island Analysis, a third party research agency, KPMG member firms in the islands surveyed conducted desktop research across 16 islands in Europe and the Caribbean. The methodology was based on the collection/analysis of information and data derived from a combination of independent bodies and local public sources available as at mid-November 2009. All research was then analysed and benchmarked.

KPMG professionals proceeded to hold 40 interviews with senior government officials across nine of the 16 islands for a more detailed analysis. The officials interviewed varied from island to island including the Minister of Finance and Works, Senior Officials in these Ministries, Infrastructure Officers, Procurement Officers, Utilities Officers and Heads of Social Departments of government amongst others.

In calculating country debt levels, KPMG professionals have relied upon reported national debt, which includes central government debt as well as contingent liabilities of the central government. Five year forecasted infrastructure need is based on five year historic reported data as provided in budget statistics, communications and local public sources as at the time of preparation of this report. Following the interviews, some countries have held general elections and therefore comments made by the previous administration may not be the views of the new government.

About KPMG:

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 146 countries and have 140,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

About Island Analysis:

Island Analysis provides a range of research facilities to organizations which have a responsibility for, or depend upon, the long term sustainability of an island community. The in-depth island experience within the Island Analysis team added to the extensive database of island information held by the company and provided a unique resource in the identification and analysis of island related issues.

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