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EXECUTIVE SUMMARY



Photo Source: U.S. Virgin Islands Department of Tourism



Photo Source: U.S. Virgin Islands Department of Tourism

VISION 2040

Vision 2040 is the most ambitious long-term economic strategy and action plan ever attempted in the U.S. Virgin Islands. It is built on the positive efforts and contributions of several thousand people who care deeply about the Territory. In the last months of 2020 they came together, during a worldwide pandemic, for a planning process unlike any other to help determine the priorities and strategies that would shape a new reality for themselves and future generations.

VISION 2040

Our Community. Our Economy. Our Future.

A Vision of Prosperity for All

✓ Public Engagement

Public Outreach & Engagement

- Created Vision 2040 Website
- Public Kick-off Presentation
- Territory-wide Public Forum
- St. John Community Survey
- St. Thomas Community Survey
- St. Croix Community Survey
- Diaspora (Live Abroad) Survey
- Diaspora Town Hall Events (2)
- Virgin Islands Association Meeting
- Survey of USVI Businesses
- St. John Virtual Open House
- St. Thomas Virtual Open House
- St. Croix Virtual Open House
- St. John Town Hall
- St. Thomas Town Hall
- St. Croix Town Hall



Stakeholders

- Four (4) Task Force Meetings
- Three (3) Focus Group Sessions
- Five (5) Industry Working Group Meetings
- 60 Stakeholder Interviews

✓ Community Outreach



Media Campaign

- TWO VIDEO COMMERCIALS
- 180 PROMOTIONAL RADIO SPOTS
- 6 RADIO INTERVIEWS
- RADIO & TELEVISION BROADCAST OF PUBLIC MEETINGS
- ELECTRONIC BOARD ADVERTISING
- PRINT NEWSPAPER ADVERTISEMENTS
- INFLUENCER PROMOTION OF VISION 2040
- SOCIAL MEDIA PAGE AND ENGAGEMENT
- DEDICATED VISION 2040 WEBSITE
- VISION 2040 SUBSCRIBER LIST E-MAIL BLASTS
- FIVE (5) PUBLISHED NEWS ARTICLES

Vision 2040 Website

5,700 Sessions
4,300 Users
560 Email Subscribers

Social Media

31,113 People Reach
735 Page Followers

Based on sound principles and anchored by hard facts, Vision 2040's most powerful messages are the truths revealed by the people who helped develop the plan. Throughout 100 days of interactive, participatory exercises and dialogue, their voices helped guide research, shape aspirational goals, and influence recommendations and new initiatives designed to bring about economic prosperity.

Participants spoke directly about their hopes and dreams, and of those things that they love about living in the U.S. Virgin Islands: the deep sense of community, the natural beauty, friends, family, and more. At the same time, they did not sugarcoat the problems of living in the Territory, such as lack of

opportunity and family-sustaining jobs, high cost of living, food insecurity, poverty, inadequate health care, and crime.

Participants expressed hope that Vision 2040 would position the U.S. Virgin Islands as a vibrant, desirable place to live and visit, and as a prosperous business location that is competitive based on its abilities to develop, retain, and attract talented workers who are creative and imaginative.

The participants expressed hope that Vision 2040 would position the U.S. Virgin Islands as a vibrant, desirable place to live and visit, and as a prosperous business location that is competitive based on its abilities to develop, retain, and attract talented workers with creativity and imagination.

Survey Responses: 3,116

Residents: 1,922

Diaspora ("Expats"): 706

Businesses: 488

Hope for the Future

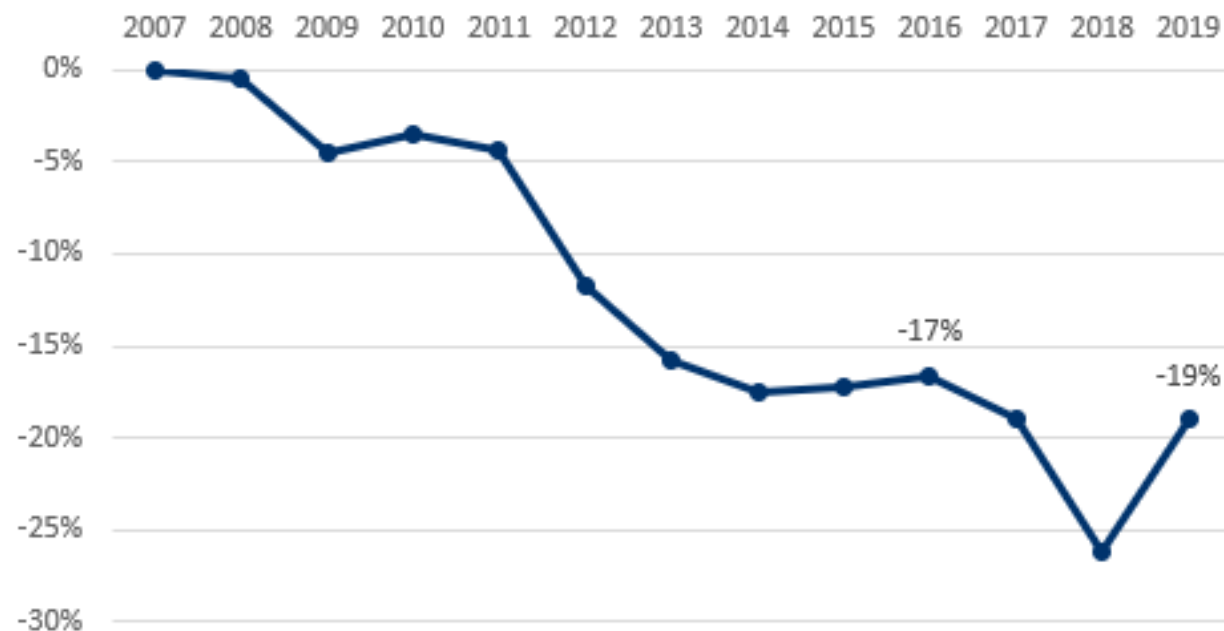
Most residents of the U.S. Virgin Islands are optimistic about the future, which says a lot about a community that has suffered one devastating setback after another. This comes from a survey completed by more than 1,900 residents as part of the Vision 2040 project.

Between 2007 and 2019, the U.S. Virgin Islands lost 8,700 jobs: a net job loss of 19%.

Within the past decade the economy of the U.S. Virgin Islands has experienced a series of setbacks. Still reeling from the closure of the Hovensa oil refinery in 2012 that put thousands of residents out of work and the financial crisis that followed, back-to-back Hurricanes Irma and Maria in 2017 delivered even bigger blows to the fragile economy. The hurricanes caused widespread destruction and hardship for individuals, communities, and businesses. It took years to see visual evidence that the community was on the mend, and then the U.S. Virgin Islands was impacted by a global pandemic that halted tourism—its primary industry.

The success of Vision 2040 rests on making difficult decisions to reverse more than a decade of economic decline and gain a foothold to move in a new direction. This began well before Vision 2040 with honest assessments of the challenges facing the Territory that were accompanied by conclusions from numerous reports written by experts who were called upon to help deal with the aftermath of the hurricanes.

U.S. VIRGIN ISLANDS PERCENTAGE JOB CHANGE SINCE 2007



Invariably, study after study came to the same conclusion: the best safeguards against economic catastrophe involve fundamentally restructuring and diversifying the USVI economy so that it is less dependent on any single industry base, is able to produce good paying jobs that lift residents out of poverty, and can provide new sources of revenue so the Territory can better manage future challenges. More than ever, strengthening capacity at all levels, beginning with how government functions, is critical.

In short, it is past time to change direction. The Territory must become more competitive by reducing costs of doing business. It must develop

and leverage its educational resources and separate from its Caribbean neighbors by providing livable wages that will attract and retain talent.

The unique value proposition for the U.S. Virgin Islands is to be recognized as a dynamic, innovative location. For this to happen it must foster a supportive business climate and better leverage its vast known and hidden resources to ensure that more of its residents are employed and contribute to the well-being of the larger community.

The Territory's economic development professionals, public and private sector leaders, must be viewed as trusted catalysts for change and honest brokers for private investment. A unified coalition must be forged from and embraced by multiple public and private stakeholders, all of whom are doing their parts to nurture economic growth.

Vision 2040 was initiated to move beyond traditional modes of thinking and operating that tended to protect turf and erect barriers—real and imagined—so that new voices could be heard, transparency assured, and bold and creative ways of thinking introduced into the public domain.

What Does Economic Growth Look Like?

To begin to change the trajectory of its economy, the U.S. Virgin Islands needs to add 1,100 jobs over the next decade (see chart on following page). In other words, the USVI would need to add 115 net new jobs annually over the next ten years. This translates to an investment (measured by Gross Domestic Product) of \$11.4 million per year for the next ten years (\$114.4 million in total).

That is a conservative scenario that will only marginally impact unemployment rates for the better and is unlikely to have a dramatic impact on poverty rates.

Instead of sporadic marginal changes, Vision 2040 seeks a transformative scenario whereby the Territory reaches rates of full employment and positive job growth. To reach 4.0% unemployment,



Photo Credit: U.S. Virgin Islands Department of Tourism

which is in a range at which the Territory could achieve full employment, the USVI needs to add 1,093 net new jobs annually over the next ten years. This translates to an investment (measured by Gross Domestic Product) of \$113.8 million per year for the next ten years (\$1.1 billion in total) and annual economic growth of between 2-3%.

This is illustrated in the graph on the following page. With the transformative scenario (green line), unemployment levels (currently at least 10%) and the level of residents living below the poverty line

(approximately 22%) can theoretically be expected to drop considerably, assuming there are proper educational and social supports provided.

Unfortunately, the Caribbean has few recent examples where dramatic economic growth occurred. An exception, Turks and Caicos Islands managed to achieve 4.4% average GDP growth over five years prior to the pandemic largely due to construction and related investments in the travel and leisure sectors.

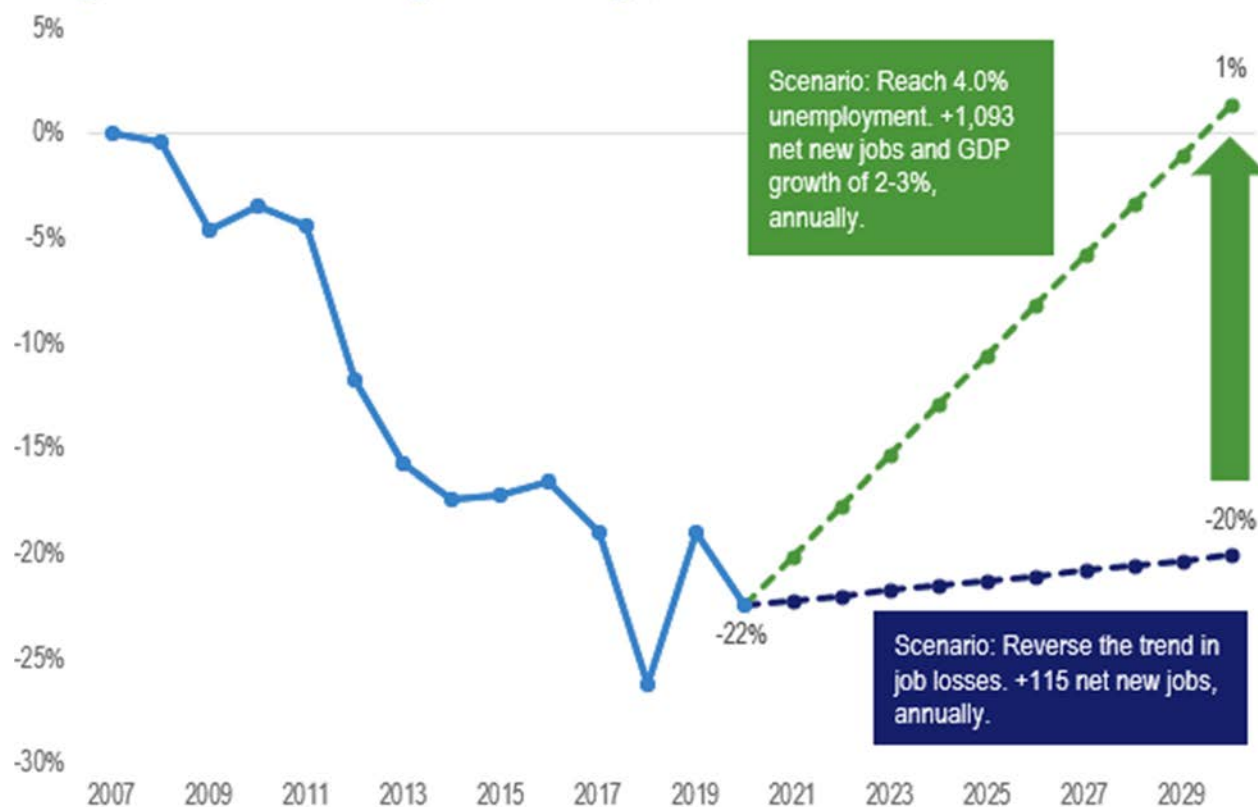
The pre-Covid economy is history, and the challenge is not to return to a former economic state but build a more dynamic, diverse, and sustainable economy that is both fluid and resilient.

The new direction must be for the U.S. Virgin Islands to put in place an aggressive 20-year economic

strategy to not only quickly reverse direction, but to dramatically accelerate job growth and increase gross domestic product in the early years following adoption of a new strategy. The inflection point when growth reverses years of prolonged declines is still likely years out, and it will not occur with the

industries and jobs of the past but will be built on industries of the future. These job gains are unlikely to be won by “home runs” (large companies employing hundreds like Hovensa did), but rather by many “singles” and “doubles” produced by innovative small businesses and fast-growing technology-based firms.

Virgin Islands Percentage Job Change, 2007-2030



Note that this analysis assumes 4.0% unemployment, which is below the territory's unemployment rate of 5.9% in 2007, prior to the Great Recession. This is in a range at which the territory could achieve full employment. This analysis also assumes that population will increase by 5% by 2030 (from 2019 data, the most recently available population data at the time of publication).

Sustaining growth for the U.S. Virgin Islands will occur with smart, measured, and steady investments in a set of targeted industry sectors.

The Vision 2040 process confirmed that reaching the inflection point and sustaining growth for the U.S. Virgin Islands will occur with smart, measured, and steady investments in a new set of targeted industry sectors. It begins with all-out effort to improve the business climate and living conditions while preparing workers for the jobs of tomorrow. As this is achieved, businesses will take root, people will find gainful employment, and those who left the U.S. Virgin Islands will “come home.”

Aspirational and Macroeconomic Goals

We cannot predict what the world will look like in 2040. Human and technological advancements, global changes from natural and societal influences, and economic disruptions will continue to occur at an ever-faster pace.

What will not change are the basic tenets of macroeconomics. Any increases in the production of goods and services will only be possible when existing resources are allocated efficiently. For the USVI, achieving efficiencies will require fundamental changes in how residents are educated, rethinking how and why public services are delivered, and reprioritizing economic goals. That is what Vision 2040 set out to accomplish: to inspire residents to participate and demand bold changes that will lead to a better economic future.



Photo Credit: U.S. Virgin Islands Port Authority



Based on the research conducted and strong engagement and outreach, the Vision 2040 Task Force agreed on two overarching goals and eight aspirational goals for the U.S. Virgin Islands. The recommendations and initiatives included in the strategic plan relate to achieving these goals.

MACROECONOMIC GOALS

Vision 2040 set two macroeconomic goals for the Territory.

The first is to reach full employment by 2030. Full employment exists when jobs are plentiful. It does not mean that everyone has a job; rather, no one is jobless unless they do not want to be employed.

The second macroeconomic goal is to achieve economic stability by 2040. This means that growth and prosperity have taken root, there are no excessive fluctuations in GDP, and prices for goods and services are reasonable, manageable, and stable.

ASPIRATIONAL GOALS

Vision 2040 also establishes eight aspirational goals to help the Territory achieve these macroeconomic goals. They relate to the targeted industries detailed in Volume 5 of this report. These goals are presented on the following page.

ASPIRATIONAL GOALS

GOAL 1

Increase locally sourced food from 3% to **35%** of local food demand. Agriculture-related industrial production will increase from 2% of GDP to represent **5%** of GDP.



GOAL 2

The U.S. Virgin Islands will become a Blue Economy **research center of excellence** in the world for ocean-based tropical environments.



GOAL 3

Healthcare and health sciences will increase from 7% of GDP to **15%** of the U.S. Virgin Island's overall GDP.



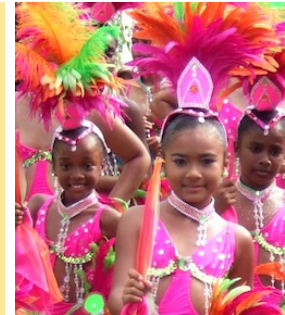
GOAL 4

Entrepreneurs will have access to support and capital to scale their businesses and the **annual net change** in establishments will increase from 14 (2019) to **50 establishments**.



GOAL 5

Population in the U.S. Virgin Islands will increase **10%** from the official 2020 U.S. Census.



GOAL 6

Renewable sources of energy will represent **75%** of total energy consumption, up from the 1% that they represent currently.



GOAL 7

The U.S. Virgin Islands will have the **highest quality education system** in the Caribbean and the UVI will attract and retain the highest caliber science and technology talent.



GOAL 8

Extended stay visits, authentic experiences, and cultural offerings will increase from 63% of tourism-related revenue to **75%**.



Target Industry Sectors

Targeted industries were selected based on their potential to contribute to economic diversification through growth and job creation in the U.S. Virgin Islands.



Agribusiness



- Aquaponics, aquaculture, hemp farming
- Specialty foods, farm-to-table



Professional/Tech Services



- Financial, IT, customer service centers/back office
- Remote work, consulting, diaspora co-ventures



Coastal/Ocean Resources



- Marine/maritime, biology, sustainable harvesting
- Medicinal, nutritional, alternative energy



Renewable Energy



- Solar, wind, tidal, wave, biomass, waste
- New sustainable technologies



Health Sciences



- Telemedicine, medical simulation
- Specialty care and education



Research & Development



- Agri-tech, ocean, climate change
- Healthcare, academic partnerships



Light Manufacturing



- Regional foods, co-manufacturing
- Resilient building materials



VI-Style Tourism



- Heritage, culture, sports, adventure, wellness
- Small conferences, casual-elegant lodging, dining



"Blue Economy" Sector



Services Technology Energy Agriculture Manufacturing

Taking Action

Vision 2040 provides 115 initiatives and recommendations for moving forward. They are organized by themes: business climate, infrastructure, diversifying the economy, education and workforce, and quality of place and life.

Business climate issues are front and center throughout the report, and with good reason. In a Vision 2040 survey of approximately one-third of all businesses in the Territory (nearly 500 respondents), three out of four businesses (75%) expressed that they would have reservations about recommending the U.S. Virgin Islands to other businesses considering opening in or relocating to the Territory. When asked to rank the business environment on a five-star rating (with 5 being best), eighty-seven percent (87%) would not give the Territory a four- or five-star rating.

Economic growth will not occur until these numbers are reversed. Interviews and focus group sessions with businesses point to government attitudes, programs, and policies as major contributors to a poor business climate. It is not a new phenomenon; in fact, it is a situation that was decades in the making.

Vision 2040 provides recommendations to address the situation, beginning with a call for all government agencies to present the governor with at least three of the most substantive things they can do immediately within their agencies to be more responsive to the needs of businesses. This would yield over 100 corrective actions (in addition to the

115 outlined in this report.) We then call for the establishment of a Business Climate Commission comprised of private and public leaders to evaluate and monitor such actions, evaluate tax and regulatory measures, and to consider other ways to mitigate weaknesses to improve the climate for conducting business.

Infrastructure needs were also front and center in the Vision 2040 discussions and survey findings of residents and businesses. Not surprisingly, electricity costs and reliability topped the list. Several recommendations address energy-related issues. We also focus heavily on the lack of sites on which to build new facilities or renovate existing buildings for business activity, and provide steps that can be taken over the next two decades to make room for business growth.

Economic prosperity requires that all systems work harmoniously to realize mutual goals.

Diversifying the economic base and moving away from a service-driven economy where most jobs are in government, tourism, and social services is important. To this end, initiatives are introduced to further the targeted industries and improve the small business and entrepreneurial ecosystem. We note the extraordinary opportunities that exist for the U.S. Virgin Islands to become a center for renewable energy and Blue Economy research and

development for the United States. In 20 years, we predict this sector will be the dominant contributor of jobs and economic activity for the Territory.

Vision 2040 targeted industry sectors requiring workers who have high levels of problem-solving and technical skills. Thus, improvements to education and workforce development are critical to achieving the aspirational goals. And finally, quality of place and life improvements are addressed to ensure that the Territory is safe, attractive, and enjoyable for living, visiting, and conducting business.

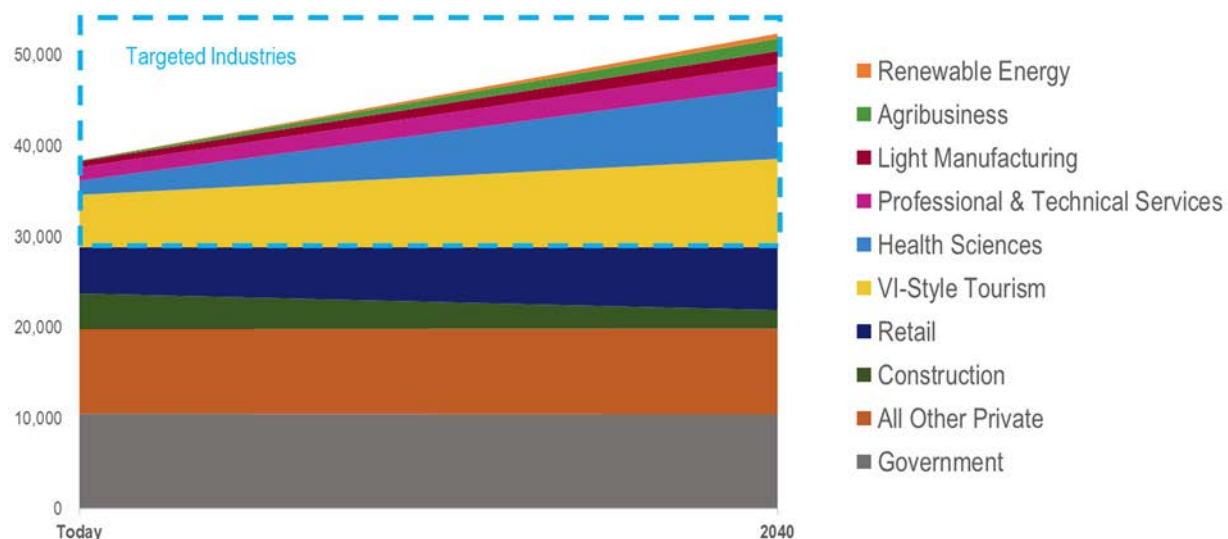
A significant finding and opportunity for the U.S. Virgin Islands rests with those who were born and raised here but had to leave for various reasons: the so-called “diaspora”. Vision 2040 conducted worldwide outreach and over 700 former residents completed surveys and many from around the globe participated in virtual town halls to provide their thoughts and ideas. Not only do these expats represent investment opportunity for the Territory, but they are also part of the solution as the majority indicated a desire and willingness to return—provided certain conditions changed for the better.

The path to reaching the 2040 destination will not be a straight line. Short-term plans and administrations will come and go—as they should to adjust to new realities. If along the way, everyone commits to moving toward the positive outcomes of Vision 2040, then a whole new generation will experience economic prosperity and enjoy a better quality of life.

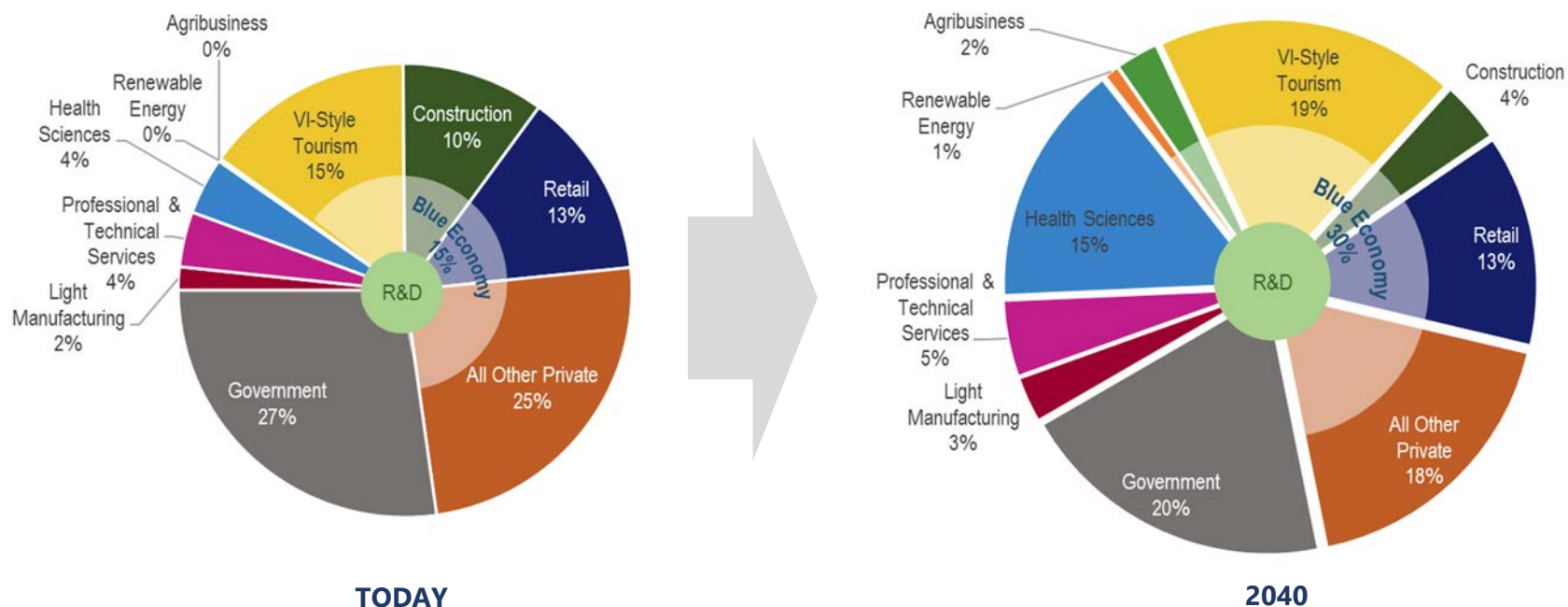
Predicting Impact

In 2040, the U.S. Virgin Islands will have a larger and more diverse economy than it does today. **By focusing efforts on the targeted industries and goals identified in this strategy, total jobs in the territory could grow by 35% from under 40,000 today to over 52,000 in 2040.** In 20 years, the number of jobs would surpass the pre-Great Recession peak, placing the territory on a path toward stable economic growth.

U.S. Virgin Islands Jobs by Sector: Today and 2040

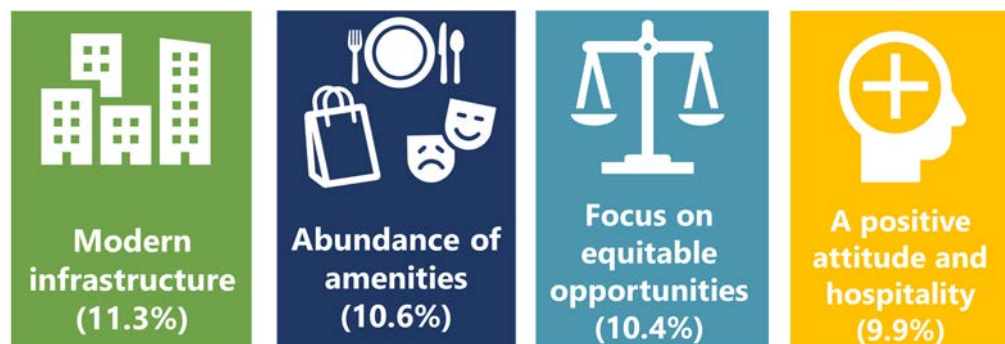


Percent of Jobs by Sector: Today and 2040



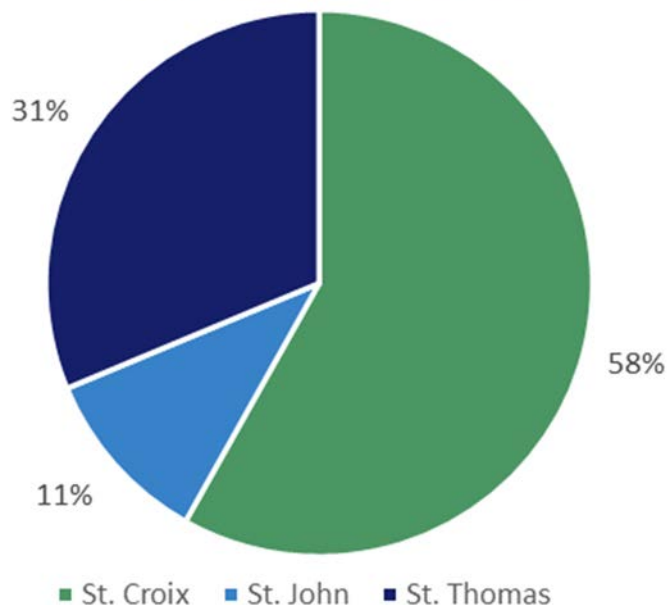
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| St. Thomas | St. Croix | St. John |
|--------------------------|--------------------------|---|
| 1. Infrastructure | 1. Cost of Electricity | 1. Housing Affordability |
| 2. Social Problems | 2. Social Problems | 2. Cost of Electricity |
| 3. Housing Affordability | 3. Crime Rate | 3. Social Problems |
| 4. Crime Rate | 4. Transportation | 4. Housing Availability |
| 5. Removal of Trash | 5. Housing Affordability | 5. Government Services and Responsiveness |



SAMPLE FINDINGS: VOICES OF THE RESIDENTS

SURVEY RESPONSES BY ISLAND



- 54% of respondents were born and raised in the USVI.
- 39% have lived on the Islands more than 10 years; 57% their entire lives.
- The USVI is the primary residence of 80% of respondents.

WHAT TYPES OF DEVELOPMENT DO RESIDENTS WANT TO SEE MORE OF IN THE FUTURE?

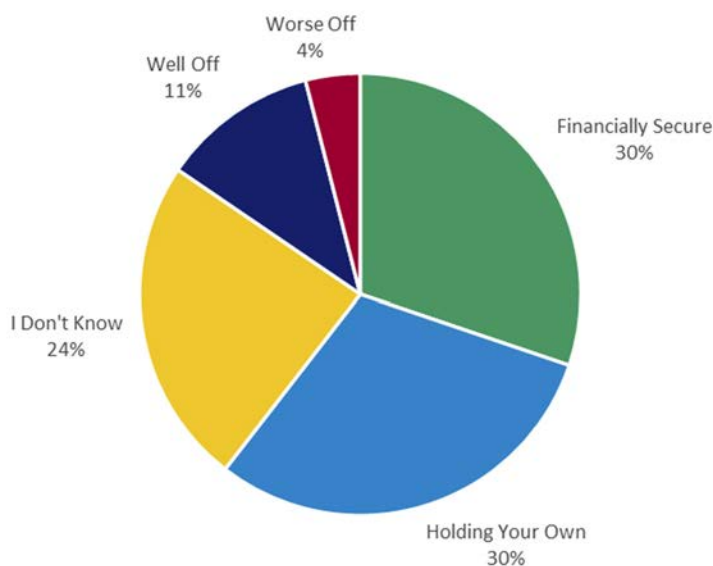
Survey says...

St. Croix | retail/commercial (31%), residential (29%), health & social services (27%) and hotel (26%)

St. Thomas | residential (36%), health & social services (24%), hotel (22%), and retail (22%)

St. John | residential (28%), health & social services (25%), retail (23%), and hotel (16%). A small number surveyed selected "No Development", of which 30% specified that they did not wish to see hotels.

HOW DO RESIDENTS FEEL ABOUT HOW THEIR FUTURE IN THE TERRITORY WILL BE?



81% of Surveyed residents selected an optimistic outlook for their future in the USVI

8 out of 10 people expect to live in the USVI 20 years from now.

SAMPLE FINDINGS: THE USVI DIASPORA

WOULD YOU CONSIDER MOVING BACK?

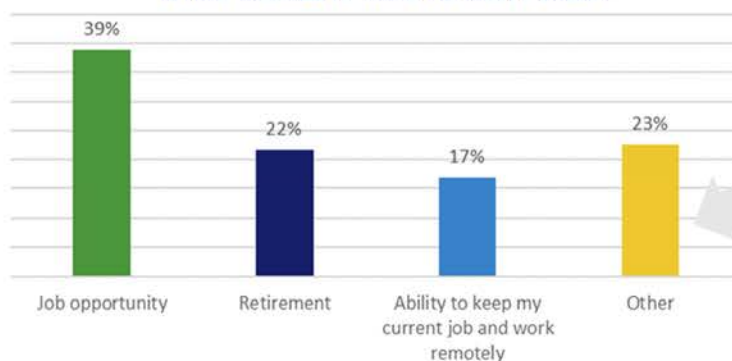


8 out of 10
people would consider moving back
(responded yes or maybe)

Of those people who would consider moving back to the Territory:

1. Their time away does not impact their interest to potentially move back.
2. They vary in age.
3. Most do not own a business.
4. They are educated.
5. A majority are tied to St. Croix.
6. Most are working. 93%
7. Most have family still on the islands.

WHAT WOULD IT TAKE TO MOVE BACK?



Top responses from the "other" category include affordable housing, better healthcare, lower cost of living, additional job opportunities, and less crime.

What PROJECTS will MOST POSITIVELY impact the economy?

(Top responses of 11 options)

Energy and communications improvements (21%)



Healthcare modernization (16%)



Education/training for residents (14%)



Physical infrastructure improvements (12%)



Small business support (9%)



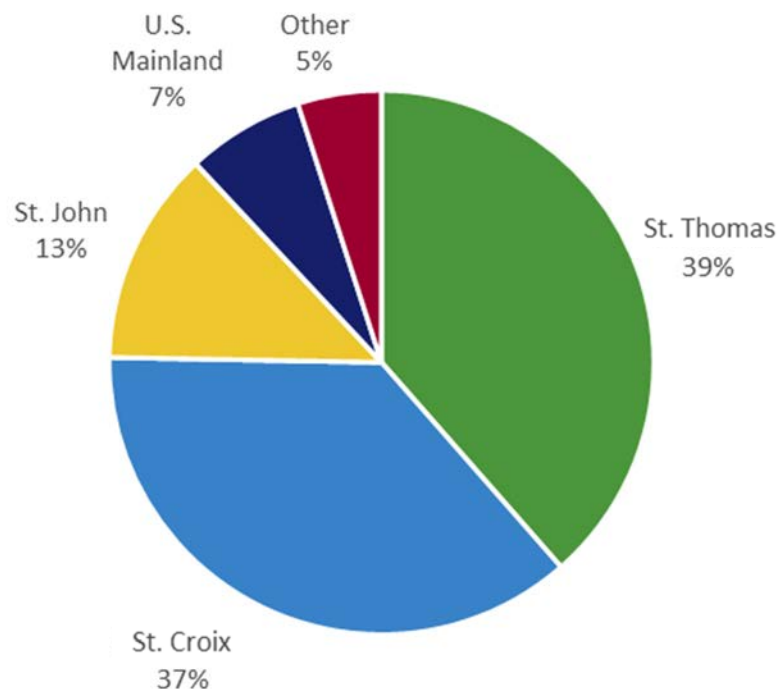
SAMPLE FINDINGS: BUSINESS OWNER VIEWPOINTS

488 Business owners completed a survey as part of the Vision 2040 research process

Most survey respondents were the founder of their company (81%).

While 32% of businesses have been in business more than 20 years, 28% have been in existence only 1-5 years

SURVEY RESPONDENTS BY BUSINESS LOCATION



CHALLENGES WE ASKED BUSINESSES TO RATE

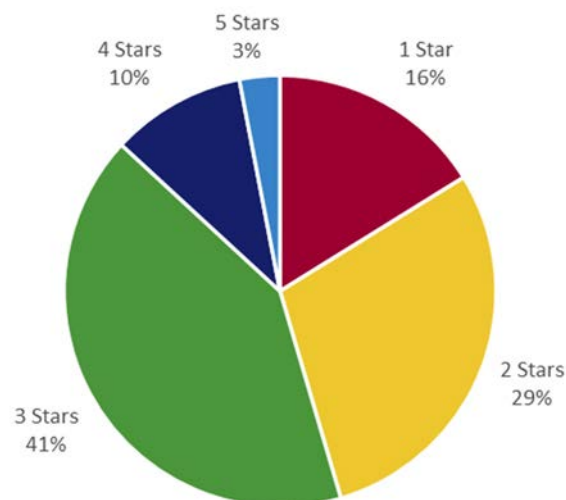
(1=Not a Challenge, 5=A Severe Challenge)

| | |
|-----|--|
| 2.6 | Acquiring new customers |
| 2.7 | Developing new high-margin products or services |
| 3.8 | Energy costs |
| 2.2 | Entering new export markets |
| 2.5 | Entering new US domestic or Caribbean markets |
| 2.3 | Having enough parking spaces at your facility |
| 2.3 | Keeping up with changes in customer preferences or needs |
| 3.1 | Lack of business support programs and services |
| 2.9 | Maintaining high margins on your existing products or services |
| 2.0 | Managing your brand |
| 3.0 | Navigating legislative and/or regulatory barriers |
| 2.7 | Obtaining growth financing and capital |
| 3.7 | Overall cost of doing business |
| 3.0 | Recruiting the best workforce possible |
| 2.3 | Responding to new disruptive technologies in your industry |
| 2.5 | Retaining high-value customers |
| 2.4 | Retaining your best workers |
| 3.5 | Taxes |
| 3.6 | Unexpected changes in economic conditions or industry demand |

Many businesses wrote in additional information that helped us understand growth challenges. Many cite Covid-19 restrictions, governmental regulations (specifically licensing and IRB), and high taxes, (specifically the gross receipt tax) as hindrances to growth. The cost of living, the need for educated/skilled workers, and obtaining capital were also cited.

SAMPLE FINDINGS: BUSINESS OWNER VIEWPOINTS

HOW WOULD YOU RATE YOUR PERCEPTION OF THE BUSINESS CLIMATE IN THE U.S. VIRGIN ISLANDS?

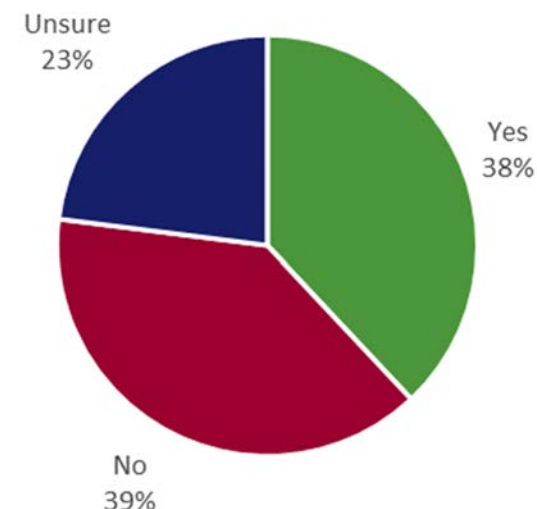


75% of businesses surveyed would have issues recommending the USVI as a place to do business, and 87% do not believe the business climate is sufficient.

Where do growing companies think USVI should focus its efforts?

- Simplify and accelerate zoning, business permitting, regulatory compliance (9%)
- Improve the work ethic of workforce (9%)
- Increase the level of technical skills, accreditation, advanced degrees of local workforce (8%)
- Provide and/or support workforce development initiatives and training programs (8%)

DO YOU EXPECT TO HIRE MORE EMPLOYEES IN THE NEXT YEAR?



WHAT FINANCIAL ISSUES HAVE BEEN DIFFICULT IN THE PAST FIVE YEARS?

(1=Not Difficult, 5=Extremely Difficult)

| | |
|-----|--|
| 2.8 | Managing cash-flow |
| 2.1 | Understanding your true total cost of product/service per unit |
| 2.1 | Making pricing decisions |
| 2.8 | Financing new equipment and/or facilities |
| 2.5 | Attracting external sources of growth capital |
| 2.8 | Boosting profit margins on existing products/services |
| 2.9 | Dealing with the increasing total cost of labor |
| 3.7 | Dealing with the increasing cost of utilities |
| 3.2 | Cost of real estate |

Only 16 respondents (6%) indicated working with a government agency in the past three years whereas 215 indicated they had not. While this is a small sample, those that were contacted by the government to discuss challenges viewed the business climate more favorably, with 31% providing a positive rank compared to 12% who were not contacted.

