



Turks & Caicos Islands

CITIZENS' GUIDE TO THE BUDGET

2019/20





Message from the Hon. Premier and Minister of Finance, Trade and Investment

On the occasion of my Government's 3rd Budget, I am pleased to present the biggest Budget yet again. I give God thanks for His many blessings on these our beautiful by nature Turks and Caicos Islands. We recognize and acknowledge that it is truly the hand of God at work in these Islands and it is only through God's mercies are we able to continue to meet all of our financial obligations, address pressing and urgent recovery needs and address many of the issues that our people have told us are priorities.

This year we project further growth for our economy and whilst my Government celebrates our growth, we recognize that this growth does not always trickle down as it should. To this end, we aim to pursue an economic growth model which not only illustrate strong positive fiscal balances but which can help to bring about positive changes for the residents of the Turks and Caicos Islands.

Our beloved country is not without challenges and whilst we are happy with the progress towards real progressive change, we are not satisfied and will not be satisfied until we are able to deliver on all of the commitments made to our people in our Change Document. We hold this as our contract with the people of this country and are led by it each step of the way. Even though resources are having to be diverted to recovery and continuing mounting trial costs, we are delivering on the promise of real, progressive change: change for the better.

This Budget presents another opportunity for us to deliver live changing initiatives for our people and we are pleased to be able to do just that.

We will continue to engage our citizens and we ask this year that we move to become more intentional citizens: keep informed, respect our laws, build up one another, remain focused and passionate, know how your Government works, protect our environment, do not waste resources, work honestly and fairly, care for the next generation and hold us, your Government into account but "pull your weight."

God bless us all.

#doingplentyin2019/20



Recurrent Expenditures are planned at \$247.5m, 84.1 percent of the total expenditures and 80.9 percent of revenues

The Budget In Focus

The Revenue envelope for 2019—20 is \$305.9m

The Expenditure envelope for 2019-20 is \$294.3m.

Recurrent Expenditures are planned at \$247.5m, 84.1 percent of the total expenditures and 80.9 percent of revenues.

The Recurrent Expenditures is the Government final consumption expenditure that will be used to directly satisfy your individual and collective needs as a resident of these beautiful

islands.

Non-Recurrent Expenditure of \$10.3 m is 3.5 percent of expenditure and 3.4 percent of revenue. This allocation is mainly for the ongoing corruption trials.

Capital Expenditure allocation of \$36.6m or 12.0 percent of revenue is being returned to the economy in the form of Government Investment. Despite the known challenges that we have encountered with the execution of the

investment plan, the Government will continue to set aside more than 10 percent of revenue for the economic development of these Islands. This area of Government spending is intended to create future benefits for our children and the unborn population - better roads, world class health care system, adequate and appropriate transportation, water, communication and border protection.

GOVERNMENT'S STRATEGIC PRIORITIES

- Vision Document
- Trade School
- Border Protection Agency
- Chance for Change Program
- National Security Strategy
- Prison Redevelopment
- Recovery and Delivery Unit
- Revenue Authority
- Reestablishment of Communities through Programs and Projects
- Local Government
- Business Sector Support
- Cost of Living and Country Poverty Assessment
- Progressive environmental Policies
- Enhancement of Tourism Product
- Progressive Health & Sports Programs

**STANDARD
& POOR'S**

Rating: BBB +



MINISTRIES	KEY PROGRAMME STRATEGIES 2019-20
Governor's Office	Co-ordinate with MoF to oversee the implementation of the recommendations of the Statutory Board/Bodies review report
Police	Optimise the use of technology to tackle incidents of crime through modern technology
	Intelligence led policing and networking to tackle crime and anti-social behaviours
Attorney General's Chamber	Continue the establishment of an electronic filing system
	Computerization of the law library
Judicial Administration	The establishment of a case management system for the courts.
	Video conferencing available in all courts and a video link with the prison
Immigration, Citizenship, Labour and Employment Services	To continue to fully implement the Advance Passenger System (APIS)
	Digitization of Registration and Citizenship Records
Finance, Trade and Investment	Finalization of Credit Union Regulations
	Reconfiguration of Statutory Boards/Arms-Length Bodies.
Deputy Governor's Office	Procurement and implementation of an E-procurement and Contract Management System
	Productivity and Efficiency Audit of the Public Service
Education, Youth, Culture, Library and Social Services	Establish a National Technical and Vocational Education and Training (TVET) Council
	Implement the Nutrition Policy to support student and family health by September 2019
	Implement the Alternative Education Policy to provide mechanisms for supporting 'at risk' students
	Set up an Inspectorate to provide Quality Assurance in the Provision of Education Services
	To progress policy and legislation on Family Law Bills
Home Affairs, Public Utilities and Transportation	To facilitate reconstruction of the Yellow Wing at HM Prison
	To support new initiatives of the post office, such as the use of ICT and revitalization of the Philatelic Bureau
Infrastructure, Housing, Planning and Development	Continue with development of critical and robust guidelines for managing Capital Projects
Tourism and Environment	Strengthening of the cruise industry through the establishment of a tourism Steering Committee
	To oversee and continue visibility of the DDME through training and increased public awareness whilst improving shelter management to ensure that international standards are met
	To monitor and support the three year implementation of a Gaming Commission, through the formation of a 5 member commission
Health, Agriculture, Sports and Human Services	Continue the implementation of the National Health Sector Plans: National Health Sector Strategic Plan, Primary Healthcare Renewal Strategy, National Non-Communicable Disease Action Plan, and Monitoring & Evaluation Plan
	Conduct a nation-wide STEP Wise NCD Risk Factor Surveillance
House of Assembly	To reinstate the Inter High School Parliamentary Debate
	Spare head the Parliamentary Roadshow
Premier's Office, Local Government and Community Affairs	Coordinate the recovery efforts for the Turks and Caicos Islands
	Consultancy on National Security Council

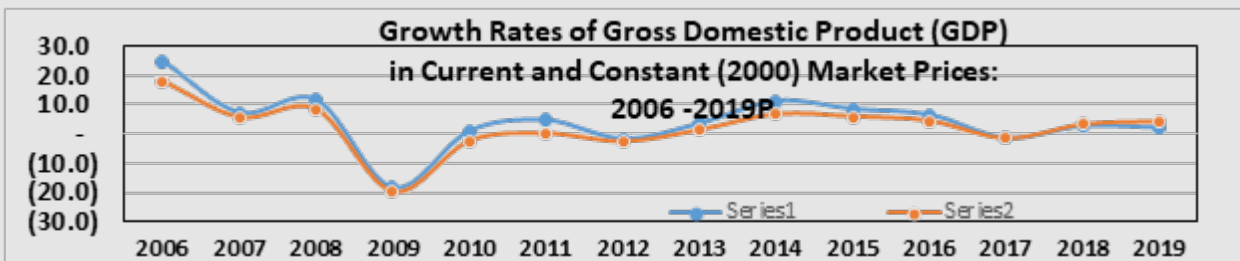
MACRO-ECONOMIC INDICATORS

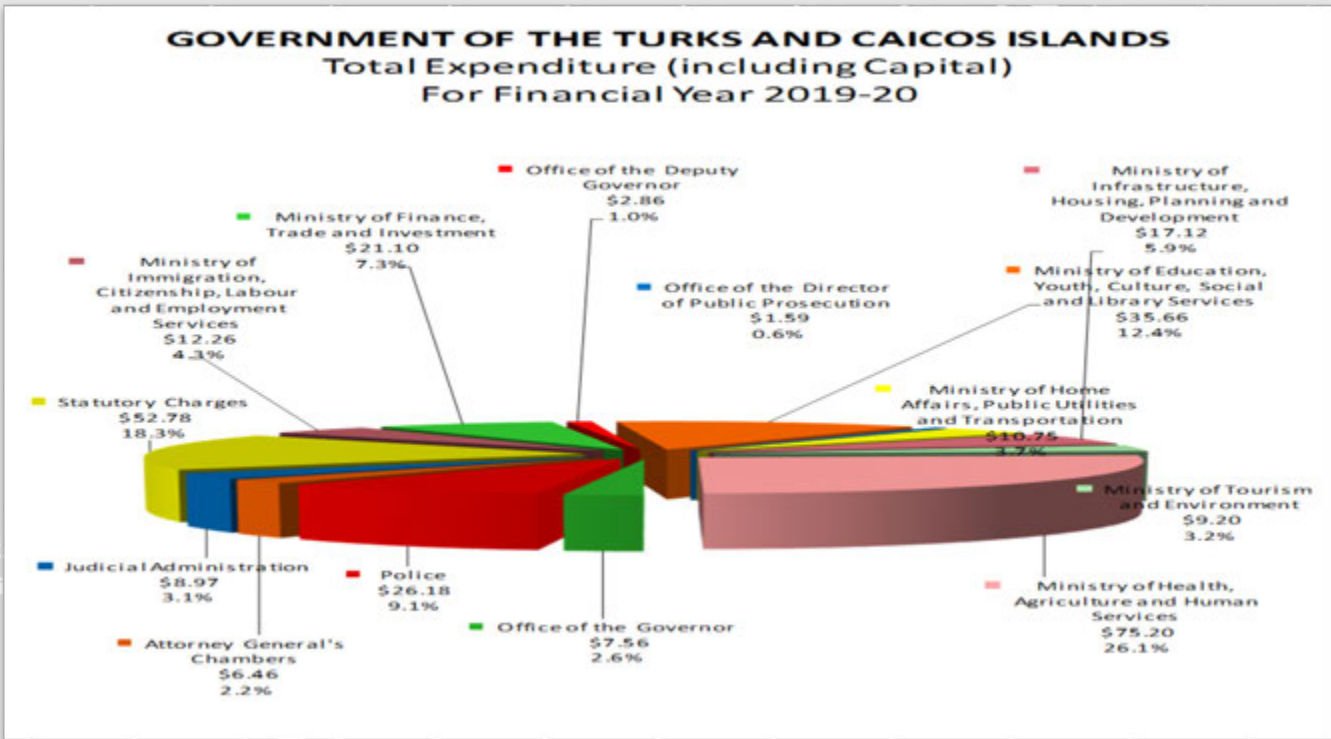
	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast
	2014	2015	2016	2017	2018	2019
Nominal GDP (bill. US\$)	0.82	0.89	0.95	0.96	1.01	1.09
Nominal GDP Growth (%)	11.2	8.4	6.4	1.3	4.7	6.6
Real GDP (%)	6.7	5.9	4.4	-1.5	2.5	3.8
CPI (%)	2.3	2.2	2.0	2.1	2.2	2.2
Population	35.2	36.7	37.9	39.8	41.4	43.0
Nominal GDP per capita (\$)	22,656	24,049	25,075	24,184	24,366	25,380
Value of Imports (\$)	406.3	409.7	389.3	432.5	483.7	499.6
Exports (\$)	6.5	4.6	4.5	2.3	5.8	7.5
Balance of Trade	-399.8	-405	-384.8	-430.3	-477.9	-492.1
Foreign Direct Investment (\$m)	250,000	200,000	200,000	200,000	200,000	200,000
Unemployment (%)	12	11	7	6	7	7

Levels of Real GDP and Real GDP Per Capita

“To catch the reader’s attention, place an interesting sentence or quote from the story here.”

Year	Real GDP \$m	Real GDP Per Capita (\$)
2009	522.80	14,522
2010	527.90	15,302
2011	552.30	16,487
2012	538.30	16,719
2013	545.70	16,203
2014	582.30	16,557
2015	616.90	16,737
2016	644.00	16,992
2017	634.40	15,941
2018	650.93	15,738
2019	671.20	15,626
2020	684.62	15,370





Debt Sustainability Targets

PRINCIPLES	DEGREE OF COMPLIANCE																				
<p>Operating Surplus: should be positive all years</p> <p>Operating Surplus = Total Operating revenue - Total Operating expenditure</p>	<p style="text-align: center;">Complies in all years</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">2013/14</td><td style="width: 50%; text-align: right;">25,851</td></tr> <tr><td>2014/15</td><td style="text-align: right;">67,781</td></tr> <tr><td>2015/16</td><td style="text-align: right;">47,395</td></tr> <tr><td>2016/17</td><td style="text-align: right;">30,803</td></tr> <tr><td>2017/18</td><td style="text-align: right;">45,553</td></tr> <tr><td>2018/19</td><td style="text-align: right;">49,850</td></tr> <tr><td>2019/20</td><td style="text-align: right;">11,508</td></tr> <tr><td>2020/21</td><td style="text-align: right;">32,289</td></tr> <tr><td>2021/22</td><td style="text-align: right;">37,667</td></tr> <tr><td>2022/23</td><td style="text-align: right;">43,494</td></tr> </table>	2013/14	25,851	2014/15	67,781	2015/16	47,395	2016/17	30,803	2017/18	45,553	2018/19	49,850	2019/20	11,508	2020/21	32,289	2021/22	37,667	2022/23	43,494
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<p>Debt Service: Debt servicing cost for the year should be no more than 10% of core revenue by the end of fiscal 2018/19</p> <p>(Debt servicing = interest + principal repayments + other debt related expenses + transfers to the Sinking Fund)</p>	<p style="text-align: center;">Complies by the end of Fiscal year 2016/17</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">2013/14</td><td style="width: 50%; text-align: right;">17.0%</td></tr> <tr><td>2014/15</td><td style="text-align: right;">33.9%</td></tr> <tr><td>2015/16</td><td style="text-align: right;">20.4%</td></tr> <tr><td>2016/17</td><td style="text-align: right;">6.3%</td></tr> <tr><td>2017/18</td><td style="text-align: right;">5.2%</td></tr> <tr><td>2018/19</td><td style="text-align: right;">3.6%</td></tr> <tr><td>2019/20</td><td style="text-align: right;">2.3%</td></tr> <tr><td>2020/21</td><td style="text-align: right;">0.8%</td></tr> <tr><td>2021/22</td><td style="text-align: right;">0.1%</td></tr> <tr><td>2022/23</td><td style="text-align: right;">0.1%</td></tr> </table>	2013/14	17.0%	2014/15	33.9%	2015/16	20.4%	2016/17	6.3%	2017/18	5.2%	2018/19	3.6%	2019/20	2.3%	2020/21	0.8%	2021/22	0.1%	2022/23	0.1%
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<p>Net Debt : Should be no more than 110% of core revenue by fiscal 2015/16 and 80% of revenue by the end of 2018/19</p> <p>(Net debt = Government debt balances + weighted outstanding balance of statutory entities guaranteed debt - government cash balances)</p>	<p style="text-align: center;">Complies in 2014/15 and 2014/15</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">2013/14</td><td style="width: 50%; text-align: right;">129.9%</td></tr> <tr><td>2014/15</td><td style="text-align: right;">75.9%</td></tr> <tr><td>2015/16</td><td style="text-align: right;">44.0%</td></tr> <tr><td>2016/17</td><td style="text-align: right;">32.8%</td></tr> <tr><td>2017/18</td><td style="text-align: right;">7.9%</td></tr> <tr><td>2018/19</td><td style="text-align: right;">-11.9%</td></tr> <tr><td>2019/20</td><td style="text-align: right;">-18.3%</td></tr> <tr><td>2020/21</td><td style="text-align: right;">-30.3%</td></tr> <tr><td>2021/22</td><td style="text-align: right;">-43.0%</td></tr> <tr><td>2022/23</td><td style="text-align: right;">-53.5%</td></tr> </table>	2013/14	129.9%	2014/15	75.9%	2015/16	44.0%	2016/17	32.8%	2017/18	7.9%	2018/19	-11.9%	2019/20	-18.3%	2020/21	-30.3%	2021/22	-43.0%	2022/23	-53.5%
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<p>Liquid Cash Reserves: Should be no less than 90 days of estimated expenditure by the end of financial year 2018/19</p> <p>At least 90 days in 2018/19: Liquid cash reserves = government cash balances + Sovereign Wealth Fund balance</p>	<p style="text-align: center;">Complies by the end of Fiscal year 17/18</p> <p style="text-align: center;">(DAYS)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">2013/14</td><td style="width: 50%; text-align: right;">30</td></tr> <tr><td>2014/15</td><td style="text-align: right;">32</td></tr> <tr><td>2015/16</td><td style="text-align: right;">56</td></tr> <tr><td>2016/17</td><td style="text-align: right;">88</td></tr> <tr><td>2017/18</td><td style="text-align: right;">141</td></tr> <tr><td>2018/19</td><td style="text-align: right;">215</td></tr> <tr><td>2019/20</td><td style="text-align: right;">199</td></tr> <tr><td>2020/21</td><td style="text-align: right;">239</td></tr> <tr><td>2021/22</td><td style="text-align: right;">289</td></tr> <tr><td>2022/23</td><td style="text-align: right;">345</td></tr> </table>	2013/14	30	2014/15	32	2015/16	56	2016/17	88	2017/18	141	2018/19	215	2019/20	199	2020/21	239	2021/22	289	2022/23	345
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<p>Financial Risks: Should be managed prudently so as to minimise risk</p>	<p style="text-align: center;">Complies in all years</p> <p>Insurance coverage exist for key assets and major potential liabilities. Hurricane and other natural disaster preparedness strategy in place</p>																				

CAPITAL EXPENDITURE ALLOCATION

The Capital Programme this year will have a heavy focus on community development and youth facilities around the Islands. Focus will also continue in the areas of recovery and national security. The Development Fund, has proposed \$26.4m in new Capital Projects. These include:

Projects totaling \$732k relating to border protection such as equipment for immigration, the radar station and the reinstatement of the Customs Canine Unit..

A Total of \$5.6m is budgeted to assist with enhancing the TCI Education Sector infrastructure. This will be done through the school infrastructure phase 3 projects, the establishment of a specialist classroom in the Adelaide Omler Primary School and the construction of a youth development centre 34% of the new projects or \$10m will be designated to improving TCI infrastructure, of which, \$2m has been allocated for the road development and boat ramps.

The Government plans to start works on the construction of a Government Complex in Providenciales, repair and upgrade the NJS Francis Building in Grand Turk, Public Tank and Salt Shed in Salt Cay, rehabilitate the South Caicos Regatta Village and Wharf, repair the DECR and Treasury buildings.

\$800k has been budgeted to assist with the development of TCI's tourism project and upgrading the Fish Fry site.

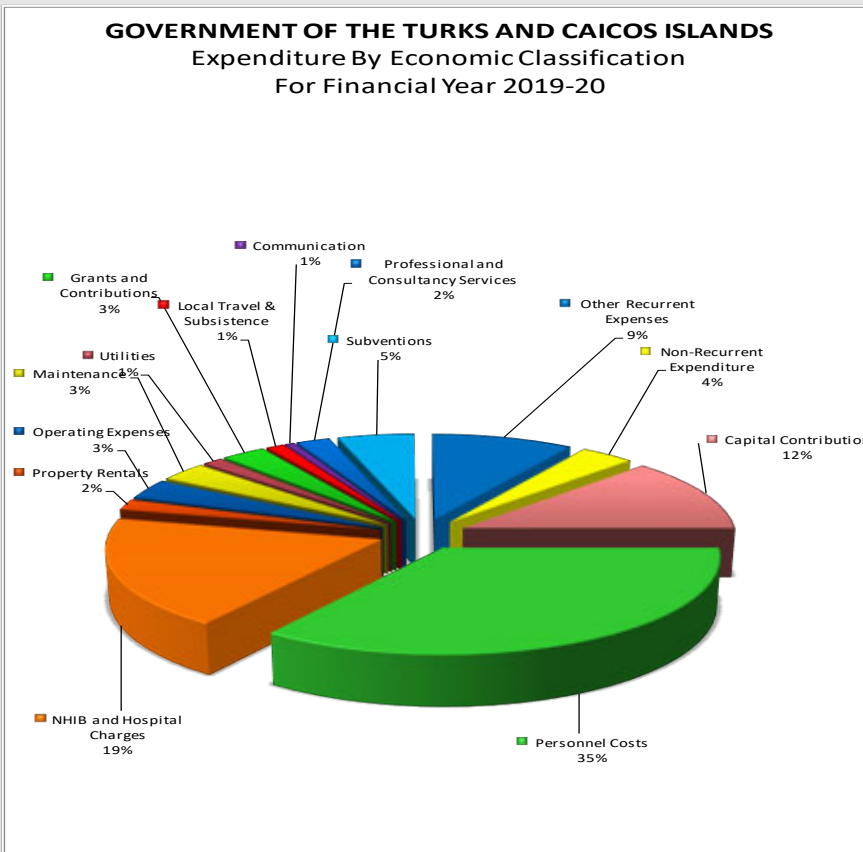
\$600k has been allocated to assist with the development of the agriculture sector through the development of a farmer's market and farm equipment.

\$1.8m has been assigned for the removal of the Mega One Triton. This is along with the \$1.5m that has been approved from the Infrastructure Account.

TCIG Funded Projects are:

- Renovation to the NJS Francis Building**
- Police Building Repairs for all Stations**
- Youth Development Centre in Grand Turk**
- Government Office Complex in Providenciales**
- Central Storage for Government Departments**
- Renovation of Governor's Residence at Waterloo**
- Improvement of Basketball Courts across the TCI Green Parks**
- Improvement of Fish Fry Site, Providenciales**
- Morgue in South Caicos**
- Management and Control of Informal settlements**
- Homes for Domestic Violence**
- Renovation of Residence at Waterloo**
- Infrastructure Development Account Funded Projects are:**
- GDT Library**
- Removal of Vessel**
- Tourism Booth at GTCC**
- Governors Beach**
- Downtown Tourism Building**
- Demolition of South Base Buildings**
- JAGS McCartney Memorial Park**
- Animal Pound**
- Crab Tree Corner Re-development**

GOVERNMENT OF THE TURKS AND CAICOS ISLANDS
Expenditure By Economic Classification
For Financial Year 2019-20



NATIONAL WEALTH FUND

ORDINANCE

“Section 9(1) Where in any financial year the actual revenue exceeds the estimated revenue by— (a) 5% but is less than 20%, then 50% of the excess of the revenue for that financial year shall be withdrawn from the Consolidated Fund and deposited to the Fund; or

(b) 20% or more, 70% of the excess of the revenue for that financial year shall be withdrawn from the Consolidated Fund and deposited to the Fund.”

Reinstatement of Increments and Productivity and Efficiency Audit

‘Notwithstanding, the award of an increment is not an entitlement, but rather strictly linked to an officer’s performance and the Performance Management System’.

The salary increments are being reinstated at an estimated cost of \$2.4 million annually. Albeit, the award of an increment is not an entitlement, but rather strictly linked to an officer’s performance and the Performance Management System.

Staff in an incremental scale will be eligible to move to the next point in the scale following the successful completion of performance appraisals for 2018/2019. Thereafter,

all increments will be based upon the completion on two consecutive performance appraisals. Staff that do not meet the required performance standard will not qualify for an increment.

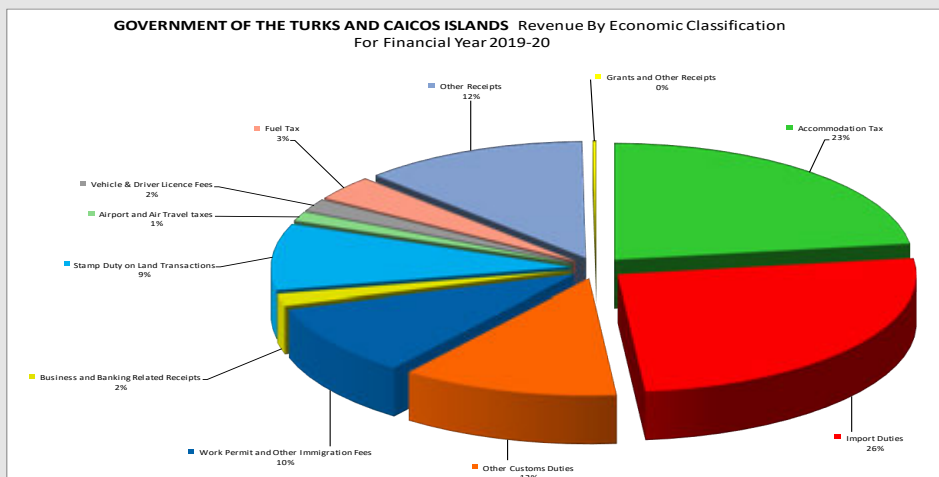
The Increment Policy has been disseminated via an official circular from the Office of the Deputy Governor and will be included in Appendix 9 in a revised version of the Public Service Handbook.

Another major objectives for the Office of the Deputy Governor during financial year 2019/2020 will be spear-heading and facilitating a ‘Productivity and Efficiency’ audit of the TCI Public Service.

FINANCING THE EXPENDITURE PLAN

The Recurrent and Investment plans, Expenditures and Transfers are being funded through existing revenue streams. The forecast of \$305.9m is approximately, 26.2m or 9.3 percent greater than the approved estimates for 2018-19 and 12.3 percent lower than the unaudited performance.

Import and other Customs Related duties are forecasted to contribute \$114.4m (38 percent) or approximately 2.5 percent greater than the 2018-19 outturn. Whilst, Accommodation Tax at \$69.4m, will account for 23 percent of the receipts, this is just about 3.25 percent greater than the unaudited outturn for 2018-19.



Revenue by Economic Classification

Revenue Reform and Restructure

The Revenue Department, with assistance from CARTAC, will be conducting a feasibility study in line with TCI Government’s objective of enhancing government’s capacity in raising and sustaining revenues. The ultimate objective of this transition is to increase autonomy in revenue administration. The intention is to improve performance by removing impediments to effective and efficient management while maintaining appropriate accountability and transparency.

If formulated and used effectively, this transition can be a catalyst to enable broader revenue administration reforms. In this regard, several technical assistance sessions with CARTAC are expected to take place in 2019/20 budget year to determine the most effective course of action and the effective date of this transition which is expected to extend into 2020/2021 budget year.

Trade Department in Focus



Conch being prepared for export.

The Government is committed to further improve the trade and business environment in the Turks and Caicos Islands. The timeliness of this undertaking is especially significant given the anticipated impact

on our access to the European market on account of the UK's planned withdrawal from the European Union. We have commenced discussions with the UK

Department for International Trade on participating in future UK free trade agreements should the UK cease to be a member of the European Union.

A Department of Trade, Industry and Consumer Affairs will respon-

sible for facilitating the increase in exports from the Turks and Caicos Islands, improving trade relations, increasing participation in domestic and international trade and improving the standard of goods and services being offered in and by the Turks and Caicos Islands.

The proposed Department of Trade, Industry and Consumer Affairs would be subdivided into three units. That is to say: (1) Trade Administration; (2) Business and Enterprise Unit; and (3) Consumer Affairs Division

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The Housing Department in Focus

We are re-establishing the **Housing Department** and will be hiring 6 staff members to carry out the functions. Following the hurricanes of 2017, the need for this Department became increasingly evident. The Housing Department is being re-established to assist in addressing the serious housing needs throughout the Islands.

More specifically it will help to formulate a Housing Policy that will seek to increase home ownership by improving access to housing through public and private ventures and will assist in keeping the housing stock in good state of repair.

EU BLACK LISTING

European Union list of non-cooperative jurisdictions for tax purposes, TCI passed the required Companies and Limited Partnership (Economic Substance) Legislation on 31st December, 2018 along with other tax reform measures, which resulted in TCI being removed from the EU's 2019 list of non-cooperative jurisdictions and avoided blacklisting.

The Financial Intelligence Agency in Focus

The Financial Intelligence Agency (FIA) is a statutory body established in October 2014 upon the proclamation of the Financial Intelligence Agency Ordinance 2014. The FIA is responsible for the receipt, storage and analysis of information such as suspicious activity reports (SARs); and the dissemination of intelligence relating to Money Laundering, the Financing of Terrorism (ML/FT) and connected crimes.

The establishment of the FIA, also referred to globally as a Financial Intelligence Unit (FIU) is a requirement under the Financial Action Task Force (FATF) international standards on combating money laundering, the financing of terrorism and the proliferation of weapons of mass destruction. The FATF global standards are observed by the Turks and Caicos Islands. For further information about the FIA please visit the website at www.fia.tc.

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Ministry of Finance, Investment and Trade

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