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TURKS AND CAICOS ISLANDS

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GOVERNMENT OF THE TURKS AND CAICOS ISLANDS



MAY 2020

FINANCIAL REPORT

Contents

KEY POINTS2

OVERVIEW2

OPERATING BALANCE3

CASH FLOW.....3

REVENUE.....5

 Recurrent Revenue5

 Import Duties.....5

 Hotel & Restaurant Tax6

 Customs Processing Fees:.....6

 Stamp Duty on land transactions:7

 Work Permits:.....7

 Fuel Tax:.....7

 Other Revenue.....7

 Non-Recurrent Revenue8

EXPENDITURE8

 Recurrent Expenditure8

 Other Recurrent Expenditure9

 Non-Recurrent Expenditure9

PUBLIC DEBT 10

HUMAN RESOURCE MANAGEMENT..... 10

 Employees 10

 Pensioners 10

DEVELOPMENT FUND..... 10

NATIONAL WEALTH FUND..... 10

NATIONAL FORFEITURE FUND..... 10

FINANCIAL OUTLOOK 11

KEY POINTS

- ❖ *The monthly Financial Report for May 2020 shows the actual position against the expected profile based on the 2020-21 estimates as well as the prior year's outturn.*
 - ❖ *The May 2020 results includes the impact of the Turks and Caicos Island's Government response to COVID-19.*
 - ❖ *The operating balance as at the end of May 2020 was a deficit of \$15.6 million against the profiled deficit of \$42.9 million which includes the \$25 million budget for cash assistance grants to individuals and businesses.*
 - ❖ *The underlying cash balance for the month ending 31 May 2020 was a reduction of \$14.7 million against the profiled reduction of \$46.3 million.*
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OVERVIEW

The Estimates of Revenue and Expenditure for FY 2020-21 were approved in the House of Assembly on April 23, 2020 and came into effect on April 30, 2020. Prior to the passage of the Estimates MDAs operated from a Provisional Warrant which was equal to one-third of the 2019-20 expenditure estimates.

The Turks and Caicos Islands Government presented a deficit budget of approximately \$73 million as a response to the global COVID-19 pandemic. The budget deficit reflects the associated economic disruption, revenue fallout and the Government's economic policy response designed to support incomes and minimize business failures to prevent greater economic damage. Included in the estimates were costs associated with the COVID-19 public health response and \$25.5 million in direct stimulus.

Fiscal actions have been announced on an enormous scale. Some of these measures include:

- *\$15 million in Cash Grants for Individuals in the tourism/hospitality sector who became unemployed or underemployed as a result of the COVID-19 pandemic. \$10 million in Cash Grants Allocated to Micro, Small and Medium Enterprises (MSME) Sector;*
- *\$500 thousand for social welfare services.*
- *The waiver of payment of HRTT which was due and payable on the 21st April 2020, in accordance with section 13 (1) of the Hotel, Restaurant & Tourism Tax Ordinance and the payment of HRTT which became due and payable on 21st May 2020 and 21st June 2020, in accordance with section 13 (1) of the HRTT has been deferred until 21st July 2020;*
- *As of 1st April, until 30th June 2020 (unless extended) the importation of construction materials were exempted from import duty chargeable under the Customs Ordinance;*
- *From the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020) a 50% reduction in stamp duty payable on real estate transactions;*
- *Suspension of the mortgage payments and accrual of ordinary and default interest on existing TC Invest mortgages during the period April 2020 to September 2020;*
- *Extension of the grace period to renew 2020/2021 Business Licenses on or before 31st July, 2020 without penalty.*

- Write off of outstanding amounts for the municipal water and waiver of charges for the period 1st April to 30th June 2020.

These economic policy responses to the COVID-19 pandemic provides support for individuals and businesses through grants and concessions and comes with substantial direct budgetary costs. All of the measures are designed specifically to support the economy through this temporary shock and shall help prevent greater economic and fiscal damage in the long term. Proper execution of these measures requires accurate accounting as well as timely and transparent disclosure.

OPERATING BALANCE

	Month			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	14,164.0	13,177.4	26,860.2	986.7	7%	(12,696.2)	(47%)	24,422.5	33,213.2	58,536.6	(8,790.7)	(26%)	(34,114.1)	-58%
Recurrent Expenditure	23,745.6	48,621.8	22,941.6	24,876.2	51%	(804.0)	(4%)	39,719.9	73,081.7	37,206.6	33,361.8	46%	(2,513.3)	(7%)
Net Recurrent Surplus	(9,581.6)	(35,444.4)	3,918.6	25,862.9	(73%)	(13,500.2)	(345%)	(15,297.4)	(39,868.5)	21,330.1	24,571.1	-62%	(36,627.4)	(172%)
Non-Recurrent Revenue	4.2	75.0	16.0	(70.8)	-	(11.8)	(73%)	29.2	97.0	38.8	(67.8)	-	(9.6)	(25%)
Non-Recurrent Expenditure	(45.0)	2,482.5	683.6	2,527.5	102%	728.6	107%	357.1	3,164.5	1,354.8	2,807.4	89%	997.7	74%
Net Operating Balance	(9,532.3)	(37,851.9)	3,251.0	28,319.6	(75%)	(12,783.3)	(393%)	(15,625.3)	(42,936.0)	20,014.1	27,310.7	-64%	(35,639.4)	(178%)

The Consolidated Fund recorded a deficit of \$9.5 million in May, comparing favorably to the projected deficit of \$37.9 million. The significant variance is mainly due to the \$25 million (Individual's Tourism and Hospitality Sector and MSME) budget for stimulus cash grants being projected to be fully spent in the month of May 2020, however, the payouts in May totaled \$4.3m for individuals and. It is anticipated that the payouts will continue into June and possible July 2020.

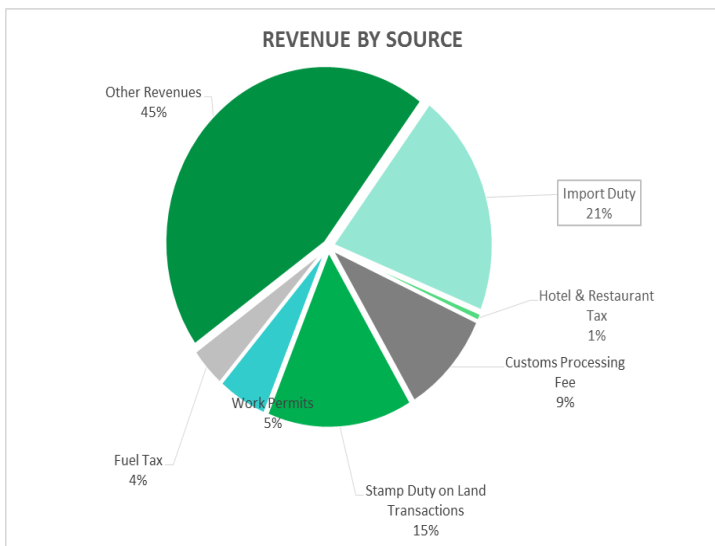
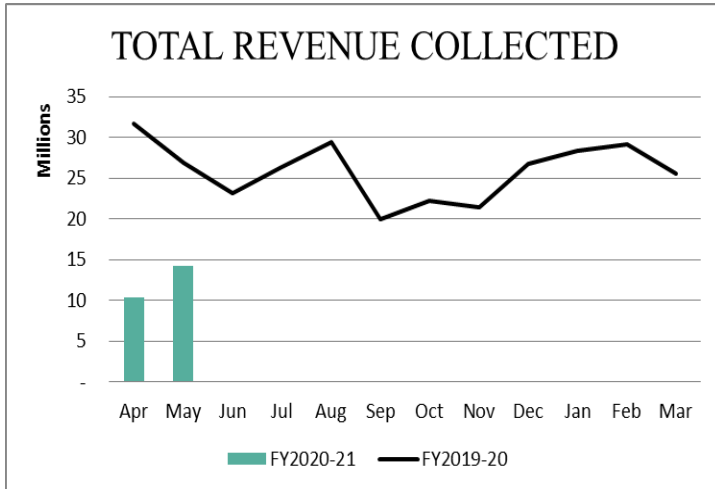
On a year-over-year basis, the Consolidated Fund saw a decrease when compared to May of the previous year by \$12.8 million. As noted, this significant underperformance is a direct result of the TCIG's response to COVID-19 which saw the closure of borders and a lockdown resulting in little to no economic activity.

CASH FLOW

	Month			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Cash Flow from Operations	(9,532.3)	(37,851.9)	3,251.0	28,319.6	(75%)	(12,783.3)	(393%)	(15,625.3)	(42,936.0)	20,014.1	27,310.7	(64%)	(35,639.4)	-178%
Less:														
Capital Contributions	(2,075.5)	(2,025.0)	(2,496.9)	(50.5)	-	421.3	-	(2,075.5)	(2,525.0)	(4,993.7)	449.5	-	2,918.2	-
Debt Repayments	-	-	(2,000.0)	-	-	2,000.0	-	-	(834.1)	(4,000.0)	834.1	(100%)	4,000.0	(100%)
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Intflows	23.1	-	23.1	23.1	-	-	-	23.1	-	23.1	23.1	-	-	-
Transfers from/(to) NWF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Working Capital	1,476.3	-	1,589.4	1,476.3	-	(113.1)	(7%)	2,967.0	-	3,202.0	2,967.0	-	(235.0)	(7%)
Net Cash Flow	(10,108.4)	(39,876.9)	366.7	29,768.6	(75%)	(10,475.1)	(2857%)	(14,710.7)	(46,295.1)	14,245.5	31,584.4	(68%)	(28,956.2)	(203%)

The underlying cash balance at the end of May was a reduction of \$10.1 million, which was \$29.8 million ahead of the estimates whilst \$10.5 million below the prior year's outturn. This resulted in a year to date amount totaling \$14.7 million which was \$31.6 million ahead of the estimates whilst down by \$29.0 million from the prior year's results.

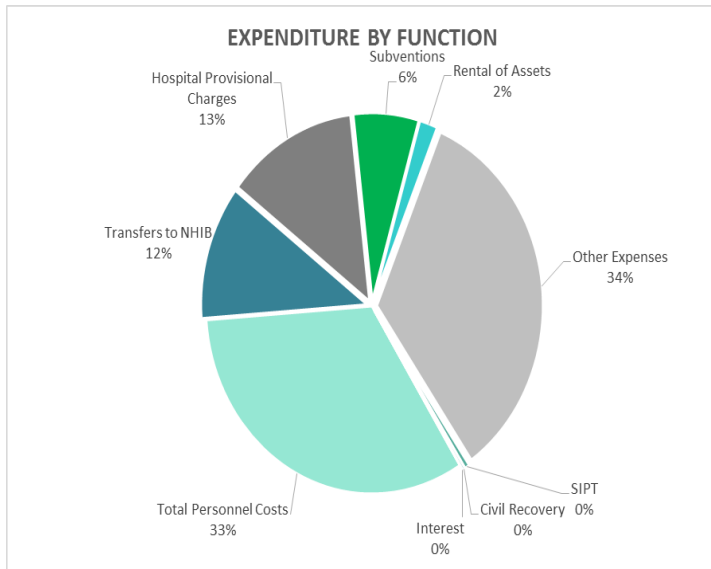
At the end of May 2020 TCIG’s total cash reserves stood at \$194.6 million of which \$83.5 million sits in an on-call money market account at Scotiabank (Turks and Caicos) currently earning interest at a rate of 0.55% per annum. and\$30.0 million in a fixed term deposit with CIBC First Caribbean International Bank currently earning interest at a rate of 0.18% for six (6) months. The cash flow forecast for the ensuing month indicates that flows should remain positive.



Aggregate Revenue for and the end of May totaled \$24.5 million, 44% of which came from excess revenue returns from Statutory bodies. This result was \$8.9 million (27%) behind projected revenue of \$33.3 million. On a year-over-year basis, Revenue was down \$34.1 million (58%) when compared to the results of the same period last year. This significant fallout in revenue is expected to continue at least until the end of the first quarter as the country’s borders remains closed and some business activity remains restricted. While the country’s borders are expected to open late in the summer months with business activity being fully restored, it should be noted that historical data will show this is usually the time of year when revenue begins trending downwards as it is the peak of the Atlantic hurricane season. Therefore, it remains uncertain whether revenue collections will begin to make any significant gains until the late fall/winter months.



Aggregate Expenditure as at the end of May was \$40.1 million, \$36.2 million (47%) below the projected amount whilst up \$1.5 million (4%) from the previous year’s outturn. The significant variance is due to the full budget for stimulus grants to both individuals and businesses in the MSME sector, being reflected in the current month’s estimates. While the process did begin during the month of May, it remains a WIP and will be utilized over the ensuing months. Overall, an underperformance against projected and prior year’s expenditure is expected over the ensuing month’s as operational activity remains at a minimum due to nationwide lockdown orders. Anticipated costs will include those related to mitigation measures put in place.



REVENUE

Recurrent Revenue: *Month \$14.2 million, Year to Date \$24.4 million*

RECURRENT REVENUE	Month			Monthly Variance		Year To Date			Year to Date Variance	
	Actual	Budget	Last Year	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Import Duty	2,947.4	4,720.7	6,454.3	(1,773.3)	(3,507.0)	4,393.0	7,564.7	13,431.8	(3,171.7)	(9,038.8)
Hotel & Restaurant Tax	96.0	-	6,859.5	96.0	(6,763.5)	613.7	-	17,961.3	613.7	(17,347.6)
Customs Processing Fee	1,368.4	2,097.1	3,343.8	(728.7)	(1,975.4)	2,226.9	2,784.9	6,364.5	(558.0)	(4,137.5)
Stamp Duty on Land Transactions	2,109.2	1,350.0	2,818.2	759.2	(709.1)	2,109.2	2,450.0	4,899.6	(340.8)	(2,790.5)
Work Permits	724.3	1,599.8	1,599.8	(875.5)	(875.5)	729.7	3,508.6	3,508.6	(2,778.9)	(2,778.9)
Fuel Tax	528.1	642.1	888.1	(114.0)	(360.0)	746.7	906.0	1,754.3	(159.4)	(1,007.6)
Other Revenues	6,390.8	2,767.7	4,896.5	3,623.1	1,494.3	13,603.3	15,999.0	10,616.5	(2,395.7)	2,986.8
TOTAL RECURRENT REVENUE	14,164.0	13,177.4	26,860.2	986.7	(12,696.2)	24,422.5	33,213.2	58,536.6	(8,790.7)	(34,114.1)

Recurrent Revenue for the month of May totaled \$14.2 million, which was \$1.0 million (7%) above projected revenue. On a year-over-year basis, Revenue was down \$12.7 million (47%) when compared to the results of the same period last year.

The major Revenue Heads are summarised as follows:

Import Duties

Import Duties collected for the month of May totaled \$2.9 million, a promising increase from the \$1.4 million collected in the previous month. This result was down by \$1.8 million (38%) from projected receipts and in comparison, to the prior year's receipts, saw a decline of \$3.5 million. Year to date outturn was \$4.4 million, 42% below the estimates whilst 67% below the prior year's outturn as the need for imported goods declined significantly due to the continued closure of ports of entry and the imposition of social distancing requirements as well as a curfew on all islands in response to the COVID-19 pandemic. According to the revenue report issued by the customs department, the commodities that contributed greatest to these collections (22% & 20% respectively) were vehicles, and alcohol. The importation of

domestic food, household/electrical and construction materials also contributed over 10% to the total collections.¹

Additionally, as part of its measures to combat the economic fallout as a result of the COVID-19 pandemic, TCIG enacted Customs (Covid-19) (Duty Exemption) Order 2020 which gives the importation of essential items and construction materials an exemption from import duty chargeable under the Customs Ordinance from 1st April until 31st May for bread basket of goods and 30 June 2020 (unless extended) for construction materials. Total duties foregone as a result of this measure was \$0.9 million.

Total revenue foregone under all Customs Procedure Codes (CPC) for the year to date \$2.3 million.²

While receipts from Import Duties are expected to perform less than optimal during the first Quarter of the FY, there will likely be gradual improvement, once country begins its phased reopening and economic activity increases.

Hotel & Restaurant Tax

Hotel & Restaurant Tax receipts for May amounted to \$0.1 million against prior year receipts \$6.9 million, a decline of 99%. Year to date collections were \$18.0 million below the prior year's results, however, it should be noted that prior year receipts for Hotel & Restaurant Tax are reflective of the amnesty programme that was approved in March 2019 that returned approximately \$2.7m in revenue in 2019-20.

Nevertheless, as part of its measures to combat the economic fallout as a result of the COVID-19 pandemic, TCIG waived payment of tax which is due and payable on the 21st April 2020, in accordance with section 13 (1) of the Hotel, Restaurant & Tourism Tax Ordinance and the payment of any tax which is due and payable on 21st May 2020 and 21st June 2020, in accordance with section 13 (1) of the HRTT has been deferred until 21st July 2020.

Hotel & Restaurant Tax and Import Duties usually accounts for greater than 50% of TCIG's Revenue. Unlike Import Duties however, there remains more uncertainty as to the overall impact of the COVID-19 pandemic on this revenue stream.

S&P expects that tourism in the Caribbean will probably decline by 60-70% from April to December when compared with last year. The World Tourism Organization (UNWTO) predicts a 20%–30% decline in international tourist arrivals in 2020. While many economic sectors are expected to recover once restrictive measures are lifted, it is likely that the pandemic will have a longer lasting effect on international tourism. According to the World Travel and Tourism Council (WTTC), in previous viral epidemics the average recovery time for standard levels of tourist arrivals was about nineteen (19) months.

Customs Processing Fees:

¹ Turks and Caicos Islands Government Customs Revenue Analysis for May 2020 and YTD

² Turks and Caicos Islands Customs Department Exemption Report for the Period Ending 31 May 2020

Customs Processing Fees for the month of May totaled \$1.4 million, which is 35% below the projected amount and down by 59% from the prior year's outturn. Year to date receipts totaled \$2.2 million being 20% behind the estimates and down by 65% from the prior year's outturn.

As part of its measures to combat the economic fallout as a result of the COVID-19 pandemic TCIG enacted the Emergency Powers (Covid-19) (Waiver of Customs Processing Fee) Regulations 2020 which waived CPF fees for essential items. Total CPF foregone as a result of the measure was \$0.5 million.

Total revenue foregone under all Customs Procedure Codes (CPC) for the year to date amounted to \$0.7 million.³

Stamp Duty on land transactions:

Stamp Duty collected during the month of May and YTD, totaled \$2.1 million was approximately, \$0.3 million (14%) below estimates and down \$2.8 million (57%) from the prior year's outturn.

As part of its measures to combat the economic fallout as a result of the COVID-19 pandemic, TCIG enacted a 50% reduction in stamp duty payable on real estate transactions from the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020). It is hoped that this concession will encourage more activity in real estate transactions in the following month before its expiration.

Work Permits:

Receipts from Work Permits for the month of May totaled \$0.7 million, and YTD, \$2.8 million or 79% below both the estimates and the prior year's outturn. The majority of work permit holders are employed in the tourism and hospitality sector which is significantly affected by the closure of the ports of entry.

Fuel Tax:

Fuel tax receipts for the month of May were \$0.5 million, a decline of 41% from the prior year's outturn and down by 18% from the projected receipts. Year to date results totaled \$0.7 million, down by 18% from the estimates and 57% from the prior year's results. This can be attributed to the recent collapse in oil prices in the global market as a result of the COVID-19 pandemic. Also, the decline in oil demand, particularly in the transportation sector due to the suspension of domestic and international travels, business closures, and the lockdowns and quarantines all which have significantly shrunk the demand for oil.

Total revenue foregone under all Customs Procedure Codes (CPC) for the year to date \$1.8 million.⁴

Other Revenue: *Month \$6.4 Million, Year to date \$13.6 million*

³ Turks and Caicos Islands Customs Department Exemption Report for the Period Ending 31 May 2020

⁴ Turks and Caicos Islands Customs Department Exemption Report for the Period Ending 31 May 2020

OTHER REVENUE <small>In USD thousands of dollars</small>	Month			Monthly Variance		Year to Date			Year to Date Variance	
	Actual	Budget	Last Year	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Business Licence renewal	315.9	135.7	296.7	180.1	19.2	315.9	478.1	1,281.3	(162.2)	(965.4)
Communication Tax	543.5	324.8	406.1	218.6	137.4	769.0	618.5	773.1	150.5	(4.1)
Gaming Machine Tax	-	339.0	339.0	(339.0)	(339.0)	-	643.5	643.5	(643.5)	(643.5)
Seaport Departure Tax	73.1	-	319.2	73.1	(246.0)	73.1	100.0	1,024.2	(26.9)	(951.1)
Telecommunication Licences	440.1	325.1	323.4	115.0	116.7	440.1	700.6	697.0	(260.5)	(256.9)
Overtime Costs Recovered	163.9	123.8	333.8	40.1	(169.9)	171.6	148.4	621.2	23.3	(449.5)
Vehicle Licence Renewals	207.2	200.0	200.0	7.2	7.2	207.2	423.1	423.1	(215.9)	(215.9)
Permanent Residency Fees	31.4	115.2	90.1	(83.8)	(58.7)	31.9	306.6	236.0	(274.7)	(204.1)
Excess Revenue	4,000.0	-	838.9	4,000.0	3,161.1	10,762.1	10,142.6	1,327.3	619.5	9,434.8
Other Revenues	615.8	1,204.0	1,749.4	(588.2)	(1,133.6)	832.4	2,437.8	3,590.0	(1,605.4)	(2,757.6)
TOTAL OTHER REVENUE	6,390.8	2,767.7	4,896.5	3,623.1	1,494.3	13,603.3	15,999.0	10,616.5	(2,395.7)	2,986.8

Other Revenues for May totaled \$6.3 million consisting primarily of \$4.0 million in excess revenue returns from TCI Airports Authority for the period ending 31st March 2019. This brought the year to date outturn to a total of \$10.8 million, against a budget of \$16.0, million a shortfall of \$2.4 million whilst being ahead of the prior year's outturn by \$3.0 million. \$1.7 million and \$5.1 million was also received from the Financial Services Commission and the Ports Authority respectively. To date, revenue from this source accounted for 44% of total revenue received by TCIG.

Non-Recurrent Revenue: *Year to date \$25 Thousand*

NON-RECURRENT REVENUE	Month			Monthly Variance		Year To Date			Year to Date Variance	
	Actual	Budget	Last Year	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Civil Recovery Income	-	-	-	-	-	-	-	-	-	-
Land Sales	-	-	-	-	-	-	22.0	22.8	(22.0)	(22.8)
Revenue From Grants	4.2	75.0	16.0	(70.8)	(11.8)	29.2	75.0	16.0	(45.8)	13.2
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
TOTAL NON-RECURRENT REVENUE	4.2	75.0	16.0	(70.8)	(11.8)	29.2	97.0	38.8	(67.8)	(9.6)

Non-recurrent receipts for the year to date were negligible and consisting primarily of small grants and donations received from UNICEF and a private sector firm to assist the Ministry of Education.

EXPENDITURE

Recurrent Expenditure: *Month \$23.7 million, Year to Date \$39.7 million.*

RECURRENT EXPENDITURE	Month			Monthly Variance		Year To Date			Year to Date Variance	
	Actual	Budget	Last Year	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total Personnel Costs	7,825.6	8,813.8	7,541.2	988.1	(284.4)	15,517.1	17,594.7	14,912.4	2,077.6	(604.7)
Transfers to NHIB	2,771.2	2,771.2	5,542.4	-	2,771.2	5,542.4	5,542.4	5,542.4	-	-
Hospital Provisional Charges	3,052.3	2,817.9	2,677.1	(234.4)	(375.2)	4,787.6	4,865.4	4,372.8	77.9	(414.8)
Subventions	1,518.1	1,821.7	1,450.4	303.6	(67.8)	3,393.2	3,090.1	3,727.0	(303.1)	333.7
Rental of Assets	416.9	442.0	442.8	25.1	25.9	855.8	897.3	808.7	41.5	(47.1)
Other Expenses	8,161.4	31,955.2	5,287.6	23,793.8	(2,873.8)	9,623.8	41,091.8	7,843.4	31,468.0	(1,780.5)
TOTAL RECURRENT EXPENDITURE	23,745.6	48,621.8	22,941.6	24,876.2	(804.0)	39,719.9	73,081.7	37,206.6	33,361.8	(2,513.3)

Recurrent expenditure for the month of May totaled \$23.7 million and was \$24.8 million (51%) below the estimate whilst \$0.8 million more than the expenditure in May 2019. The underspend in comparison to budget was mainly seen in other operating expenses where, the \$25 million budget for stimulus payments

to individuals and businesses within the MSME sector was captured for the month of May. The variance in Personnel Cost of \$1.0 million against the estimates is mainly due to the number of vacancies that exist to be filled throughout TCIG (307 in total according to the Human Resource Directorate).

Other Recurrent Expenditure: *\$8.2 million, Year to date \$9.6 million*

OTHER RECURRENT EXPENDITURE	Month					Year to Date			Year to Date Variance	
	Actual	Budget	Last Year	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Expenses	857.2	1,028.0	1,169.1	170.8	312.0	1,171.5	2,210.3	1,901.0	1,038.9	729.5
Maintenance Expenses	796.4	953.8	936.4	157.4	140.1	1,013.6	2,040.2	1,168.2	1,026.6	154.6
Professional and Consultancy Services	190.0	608.7	114.4	418.7	(75.6)	296.2	1,082.5	322.7	786.3	26.5
Grants and Contributions	4,307.3	26,108.6	818.4	21,801.4	(3,488.9)	4,376.7	27,025.4	998.1	22,648.7	(3,378.6)
Utilities	348.3	427.3	475.7	79.1	127.5	581.9	918.5	723.5	336.6	141.6
Other Recurrent Expenditure	1,662.3	2,828.7	1,773.5	1,166.4	111.2	2,183.8	7,814.8	2,729.8	5,631.0	546.0
TOTAL OTHER RECURRENT EXPENDITURE	8,161.4	31,955.2	5,287.6	23,793.8	(2,873.8)	9,623.8	41,091.8	7,843.4	31,468.0	(1,780.5)

The expenditure for the month reflected inescapable spending. The major variance was seen in Grants and Contributions which had an outturn of \$4.3 million against a budget of \$26.1 million. The budget is reflective of \$15 million in cash assistance for individuals who work in the hospitality sector and \$10 million for business within the MSME sector and to date \$4 million has been paid to individuals. This however, continues to be a work in progress and more results will be seen on the ensuing months.

While we are likely to see slight increases in the following month's outturn, the level of under expenditure against estimates are expected to continue at least until the beginning of the second quarter when business operations begin to normalize after the country fully reopens.

Non-Recurrent Expenditure: *Year to date \$0.4 million*

NON-RECURRENT EXPENDITURE	Month					Year To Date			Year to Date Variance	
	Actual	Budget	Last Year	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Statutory Land Acquisitions	-	-	-	-	-	-	-	0.1	-	0.1
SIPT	(111.2)	267.5	604.9	378.7	716.1	174.7	367.5	1,038.1	192.8	863.5
Civil Recovery	66.2	175.0	38.9	108.8	(27.3)	117.1	233.3	193.5	116.3	76.4
Contingency	-	2,000.0	-	2,000.0	-	-	2,438.3	-	2,438.3	-
Interest	-	40.0	39.8	40.0	39.8	65.4	125.3	123.0	60.0	57.6
TOTAL NON-RECURRENT EXPENDITURE	(45.0)	2,482.5	683.6	2,527.5	728.6	357.1	3,164.5	1,354.8	2,807.4	997.7

Non-Recurrent Expenditure results for the year to date of \$0.4 million, consisted primarily of \$0.2 million in payments to SIPT and \$0.1 in payments for Civil Recoveries. This was \$2.8 million below the estimates, primarily due to a \$2.4 million provision for contingency spending reflected in the estimates, and down \$1.0 million from the prior year's outturn.

PUBLIC DEBT

Public Debt Debt Type	Opening	May 31, 2020	
	01-Apr-20	Principal Repayment	Outstanding Principal
	\$ 000's	\$ 000's	\$ 000's
TCIG Loans - Unsecured	3,021.4	(834.1)	2,187.3
Total Outstanding Public Debt	3,021.4	(834.1)	2,187.3

Total repayment for the year to date was \$0.8 million, which reduced Loans and Bonds from a total \$3.0 million at April 1, 2020, to \$2.2 million. Debt servicing cost associated with this repayment totaled \$0.07 million.

HUMAN RESOURCE MANAGEMENT

Employees

There were 1,470 people employed by TCIG at the end of May 2020, exclusive of the Royal Turks and Caicos Police Force, with 307 vacancies existing throughout the civil service.

Pensioners

The total number of Pensioners at the end of May 2020 were 294.

DEVELOPMENT FUND.

Expenditure on capital projects thus far for the fiscal year totaled \$2.1 million, relating mainly to capital projects approved in the previous financial year. Particularly, \$0.6 million spent on the construction and renovation of buildings, \$0.4 million on the construction/ repair of roadways, and \$0.5 million spent on the purchase of transportation equipment.

Spending on capital projects is expected to increase within the ensuing months as the procurement plan for the current financial year was recently published and tendering for projects listed in the current development budget has commenced. Driving capital expenditure will be a key focus for the Government as this financial year progresses.

NATIONAL WEALTH FUND.

The balance of the National Wealth Fund as at May 31, 2020 stood at \$25.8 million

NATIONAL FORFEITURE FUND.

The National Forfeiture Fund had a balance of \$6.6 million as at May 31, 2020.

FINANCIAL OUTLOOK

The Turks and Caicos Islands have experienced a drastic reduction in revenue intake whilst incurring sustained large-scale expenditure namely, COVID-19 related emergency spending, maintenance of regular civil service salaries, transfers to NHIB and payments to Interhealth Canada. Government has simultaneously been trying to get the capital programme underway in an effort to stimulate the economy. During this time, Cash Flow Management has become an urgent requirement as the macroeconomic backdrop is exceptionally uncertain as a result of health and economic uncertainties surrounding Covid-19.

The full reopening of the country's economy is scheduled for the beginning of the second quarter with the opening of the borders to international travel to follow a few weeks after. Once this begins, it is expected that there will be an uptake in both revenue generation and government spending. However, it is also highly probable that the economic fallout we are now experiencing will change the mindsets of people and businesses alike. It is likely that once restrictions are lifted some of the precautionary measures will persist which will result in structural changes in the economy thus impacting the expected results for the months ahead. Key factors such as falls in annual GDP, and peaks in unemployment must be monitored. There may be the need for additional fiscal support other than the stimulus package already being offered, to further support businesses and cushion the fall in income and employment for households. The timing and delivery will be important in determining the overall economic impact.

The global demand has been significantly weakened and while the borders may be opened the impact will be felt for months to come. Estimating the impact of the various economic and fiscal scenarios that can arise on the government's cash flows, while closely monitoring government's revenue collection, cash balance position and its cash flow requirements are currently at the forefront of the Treasury's response measures to safeguard TCIG's liquidity position. Calculating the short-term cash flow impact of fiscal policy measures in coordination with ministries and departments is currently the area of focus.

The possibility of establishing credit lines and overdraft facilities with banks is being explored to bridge any temporary cash shortages should they arise. A draw-down on cash reserve funds will also take place if necessary and where feasible. Due to the fact that our forecasting capabilities must be enhanced the use of a cash buffer is also deemed most appropriate in this situation.

During this unprecedented time, TCIG's current priorities are clear and these are firstly, to provide the financing necessary to enable our health systems to combat and mitigate the risks associated with the crisis. Secondly, to provide support to those individuals, households and businesses which were severely affected. These efforts are geared to help avoid permanent damage to prospects for sustainable and inclusive growth. Finally, once normal business conditions resume, having the necessary capacity to support recovery.

The full extent of the impact of COVID-19 and related response measures on the Turks and Caicos economy remains uncertain. However, we must consider the economic outlook if the world economy is weaker and takes longer to recover. The basic fiscal implications are clear and TCIG will need to preserve capacity for our recovery stage so as to avoid irreversible damage to our economy's growth.

Within this context, the Government continues to act decisively in the national interest. This is being done whilst continuing to provide value for money as well as an efficient and effective public service. TCIG will also continue to focus on prudent expenditure management as well as strengthening and broadening the revenue enhancement efforts especially during these uncertain times.