



 **GOVERNMENT OF  
THE TURKS AND CAICOS ISLANDS**



**JUNE 2020**

**FINANCIAL REPORT**

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## KEY POINTS

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- ❖ *The monthly Financial Report for June 2020 shows the actual position against the expected profile based on the 2020-21 estimates as well as the prior year's outturn.*
  - ❖ *The June 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 June 2020 was a deficit of \$19.2 million against the estimated \$52.4 million inclusive of the \$25 million budget for cash assistance grants to individuals and businesses.*
  - ❖ *The underlying cash balance for the month ending 30 June 2020 was a reduction of \$20.3 million against the profiled reduction of \$57.9 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, Ministries, Departments and Agencies 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 21<sup>st</sup> 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 21<sup>st</sup> May 2020 and 21<sup>st</sup> June 2020, in accordance with section 13 (1) of the HRTT has been deferred until 21<sup>st</sup> July 2020;*
- *As of 1<sup>st</sup> April, until 30<sup>th</sup> June 2020 (unless extended) the importation of construction materials were exempted from import duty chargeable under the Customs Ordinance;*
- *As of 1<sup>st</sup> April, until 30<sup>th</sup> June 2020 the importation of bread basket goods was exempted from import duty chargeable under the Customs Ordinance;*
- *Waiver of Customs Processing Fee on certain goods imported and landed during the period 1<sup>st</sup> April until 30<sup>th</sup> June 2020;*
- *From the 1<sup>st</sup> April 2020 until 30<sup>th</sup> June 2020 (completion to have occurred on or before 30<sup>th</sup> 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 31<sup>st</sup> July 2020 without penalty.
- Write off of outstanding amounts for the municipal water and waiver of charges for the period 1<sup>st</sup> April to 30<sup>th</sup> 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 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	18,910.9	14,129.6	23,100.9	4,781.2	34%	(4,190.0)	(18%)	43,335.0	47,342.9	81,637.5	(4,007.9)	(8%)	(38,302.5)	-47%
Recurrent Expenditure	22,240.0	23,729.7	19,172.2	1,489.7	6%	(3,067.8)	(16%)	62,171.5	96,574.8	56,378.8	34,403.3	36%	(5,792.7)	(10%)
<b>Net Recurrent Surplus</b>	<b>(3,329.2)</b>	<b>(9,600.1)</b>	<b>3,928.7</b>	<b>6,270.9</b>	<b>(65%)</b>	<b>(7,257.8)</b>	<b>(185%)</b>	<b>(18,836.4)</b>	<b>(49,231.9)</b>	<b>25,258.7</b>	<b>30,395.4</b>	<b>-62%</b>	<b>(44,095.2)</b>	<b>(175%)</b>
Non-Recurrent Revenue	126.0	66.5	44.7	59.5	-	81.4	182%	155.3	163.5	83.5	(8.2)	-	71.8	86%
Non-Recurrent Expenditure	211.2	234.3	(5.8)	23.2	10%	(217.0)	3710%	568.3	3,398.9	1,348.9	2,830.5	83%	780.6	58%
<b>Net Operating Balance</b>	<b>(3,414.3)</b>	<b>(9,767.9)</b>	<b>3,979.2</b>	<b>6,353.6</b>	<b>(65%)</b>	<b>(7,393.5)</b>	<b>(186%)</b>	<b>(19,249.5)</b>	<b>(52,467.2)</b>	<b>23,993.3</b>	<b>33,217.8</b>	<b>-63%</b>	<b>(43,242.8)</b>	<b>(180%)</b>

The Consolidated Fund recorded a deficit of \$3.4 million in June, comparing favorably to the projected deficit of \$9.8 million. Year to date results were a deficit of \$19.2 million against a projected deficit of \$52.5 million. The significant variance is mainly due to the \$25 million (Individual's Tourism and Hospitality Sector and MSME) budget for stimulus cash grants projected to be fully spent during the first quarter. However, the payouts to date only totaled \$7.1 million for individuals and businesses. It is anticipated that the payouts will continue into July and possibly August 2020.

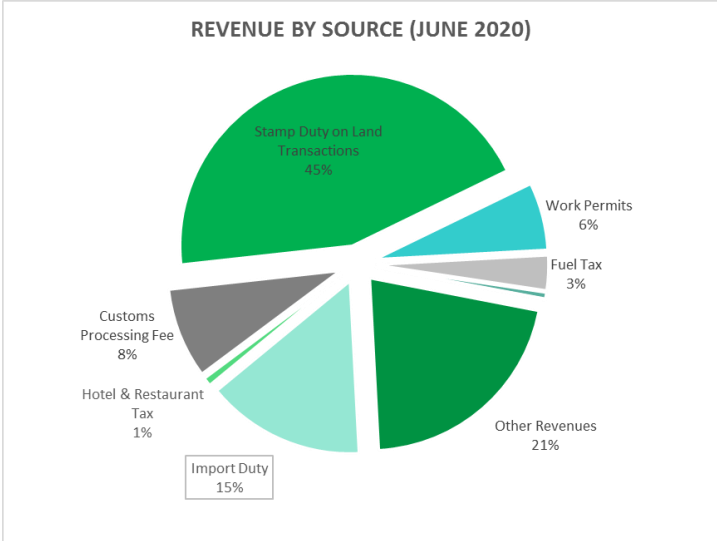
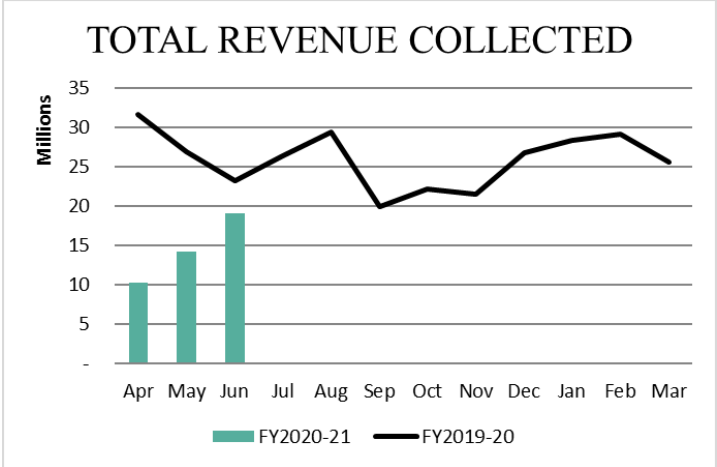
On a year-over-year basis, the Consolidated Fund saw a decrease when compared to June of the previous year by \$7.4 million. As noted, this significant underperformance is a direct result of the TCIG's response to COVID-19 which saw the closure of borders and a lockdown resulting in little to no economic 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	%
<b>Cash Flow from Operations</b>	<b>(3,414.3)</b>	<b>(9,767.9)</b>	<b>3,979.2</b>	<b>6,353.6</b>	<b>(65%)</b>	<b>(7,393.5)</b>	<b>(186%)</b>	<b>(19,249.5)</b>	<b>(52,467.2)</b>	<b>23,993.3</b>	<b>33,217.8</b>	<b>(63%)</b>	<b>(43,242.8)</b>	<b>-180%</b>
Less:														
Capital Contributions	(3,417.3)	(2,065.0)	(199.7)	(1,352.3)	-	(3,217.6)	-	(5,492.8)	(4,590.0)	(5,193.4)	(902.8)	-	(299.4)	-
Debt Repayments	-	-	-	-	-	-	-	(834.1)	(834.1)	(2,863.8)	-	-	2,029.7	(71%)
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Inflows	160.5	-	160.5	160.5	-	-	-	183.6	-	183.6	183.6	-	-	-
Transfers from/(to) NWF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Working Capital	2,158.7	-	(2,202.2)	2,158.7	-	4,360.9	(198%)	5,125.7	-	999.8	5,125.7	-	4,125.9	413%
<b>Net Cash Flow</b>	<b>(4,512.4)</b>	<b>(11,832.9)</b>	<b>1,737.8</b>	<b>7,320.5</b>	<b>(62%)</b>	<b>(6,250.2)</b>	<b>(360%)</b>	<b>(20,267.1)</b>	<b>(57,891.3)</b>	<b>17,119.5</b>	<b>37,624.2</b>	<b>(65%)</b>	<b>(37,386.5)</b>	<b>(218%)</b>

The underlying cash balance as at the 30 June 2020 was a reduction of \$20.3 million, which was \$37.6 million ahead of the estimates whilst \$37.4 million below the prior year's outturn.

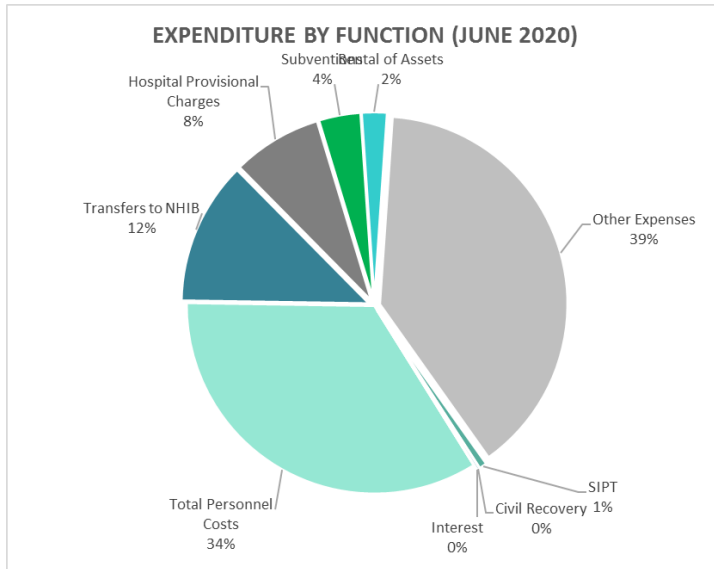
At the end of June, TCIG’s total cash and cash equivalents stood at \$191.6 million of which \$83.7 million sits in an on-call money market account at Scotiabank (Turks and Caicos) currently earning interest at a rate of 0.55% per annum and \$30.0 million in a fixed term deposit with CIBC First Caribbean 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 as at the end of June totaled \$43.5 million, \$11.6 million or 27% of which came from excess revenue returns from Statutory bodies. This result was \$4.0 million (8%) behind projected revenue of \$47.5 million. On a year-over-year basis, Revenue was down \$38.2 million (47%) when compared to the results of the same period last year. This significant fallout in revenue is expected to continue at least until the second quarter as the country’s borders remains closed and some business activity remains restricted. While the borders are scheduled to reopen on July 22nd 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 June was \$62.5 million, \$37.2 million (37%) below the projected amount whilst up \$5.0 million (9%) from the previous year’s outturn. The significant variance to the budget is partially due to the full budget for stimulus grants to both individuals and businesses in the MSME sector, being reflected in the current quarter’s estimates. While the process of reviewing applications for approval and payment did begin during the month of May, it remains a WIP. Overall, the underperformance against projected expenditure is expected to be somewhat absorbed in the ensuing month’s as operational activity begins to slowly increase as nationwide lockdown orders are eased. Anticipated costs will include those related to mitigation measures put in place.



## REVENUE

Recurrent Revenue: *Month \$18.9 million, Year to Date \$43.4 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	2,831.7	4,110.6	5,498.6	(1,278.9)	(2,666.9)	7,224.7	11,675.3	18,930.4	(4,450.5)	(11,705.7)
Hotel & Restaurant Tax	146.3	723.7	5,638.0	(577.4)	(5,491.7)	760.0	723.7	23,599.3	36.3	(22,839.3)
Customs Processing Fee	1,608.8	2,046.9	2,611.8	(438.1)	(1,003.0)	3,835.7	4,831.8	8,976.3	(996.1)	(5,140.6)
Stamp Duty on Land Transactions	8,480.1	1,552.5	2,876.5	6,927.6	5,603.5	10,589.2	4,002.5	7,776.2	6,586.7	2,813.1
Work Permits	1,202.6	1,544.9	1,544.9	(342.2)	(342.2)	1,932.3	5,053.4	5,053.4	(3,121.1)	(3,121.1)
Fuel Tax	618.9	746.5	854.6	(127.6)	(235.7)	1,365.6	1,652.6	2,608.9	(287.0)	(1,243.3)
Other Revenues	4,022.5	3,404.7	4,076.4	617.8	(54.0)	17,627.4	19,403.7	14,693.0	(1,776.3)	2,934.4
<b>TOTAL RECURRENT REVENUE</b>	<b>18,910.9</b>	<b>14,129.6</b>	<b>23,100.9</b>	<b>4,781.2</b>	<b>(4,190.0)</b>	<b>43,335.0</b>	<b>47,342.9</b>	<b>81,637.5</b>	<b>(4,007.9)</b>	<b>(38,302.5)</b>

Recurrent Revenue for the month of June totaled \$18.9 million, which was \$4.8 million (34%) above projected revenue. On a year-over-year basis, Revenue was down \$4.2 million (18%) 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 June totaled \$2.8 million. This result was down by \$1.3 million (31%) from projected receipts and in comparison, to the prior year's receipts, saw a decline of \$2.7 million. Year to date outturn was \$7.2 million, 38% below the estimates whilst 62% 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 (19% & 18% respectively) were vehicles, and alcohol. The

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

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 1<sup>st</sup> April until 31<sup>st</sup> 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 \$1.9 million.

Total revenue foregone under all Customs Procedure Codes (CPC) for the year to date \$4.1 million.<sup>2</sup>

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 June amounted to \$0.1 million against prior year receipts \$5.6 million, a decline of 97%. Year to date collections were \$22.8 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:

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<sup>1</sup> Turks and Caicos Islands Government Customs Revenue Analysis for June 2020 and YTD

<sup>2</sup> Turks and Caicos Islands Customs Department Exemption Report for the Period Ending 30 June 2020

Customs Processing Fees for the month of June totaled \$1.6 million, which is 21% below the projected amount and down by 38% from the prior year's outturn. Year to date receipts totaled \$3.8 million being 21% behind the estimates and down by 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 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 \$0.7 million.

Total revenue foregone under all Customs Procedure Codes (CPC) for the year to date amounted to \$1.0 million.<sup>3</sup>

Stamp Duty on land transactions:

Stamp Duty collected during the month of June, totaled \$8.5 million was approximately, \$6.9 million above the estimates and up \$5.6 million (195%) from the prior year's outturn. This resulted in year to date collections totaling \$10.6 million which was \$6.6 million above estimates and \$2.8 million above the prior year's results. This significant outturn is as a result of the government's measures to combat the economic fallout as a result of the COVID-19 pandemic which saw 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 June totaled \$1.9 million for the YTD \$1.2 million of which was collected during the month of June. These results were \$3.1 million 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 June were \$0.6 million, a decline of 28% from the prior year's outturn and down by 17% from the projected receipts. Year to date results totaled \$1.7 million, down by 17% from the estimates and 48% 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 \$3.6 million.<sup>4</sup>

Other Revenue: *Month \$4.0 Million, Year to date \$17.6 million*

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<sup>3</sup> Turks and Caicos Islands Customs Department Exemption Report for the Period Ending 30 June 2020

<sup>4</sup> Turks and Caicos Islands Customs Department Exemption Report for the Period Ending 30 June 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	537.9	139.2	114.6	398.7	423.3	853.8	617.3	1,395.9	236.5	(542.1)
Communication Tax	195.4	320.0	400.0	(124.6)	(204.6)	964.4	938.5	1,173.1	25.9	(208.7)
Gaming Machine Tax	-	356.0	363.9	(356.0)	(363.9)	-	999.5	1,007.5	(999.5)	(1,007.5)
Seaport Departure Tax	-	-	311.8	-	(311.8)	73.1	100.0	1,336.0	(26.9)	(1,262.9)
Telecommunication Licences	80.9	334.2	332.5	(253.3)	(251.6)	521.0	1,034.8	1,029.4	(513.8)	(508.5)
Overtime Costs Recovered	114.5	134.5	270.7	(20.0)	(156.1)	286.2	282.9	891.8	3.3	(605.6)
Vehicle Licence Renewals	247.0	378.6	185.9	(131.6)	61.1	454.2	801.6	609.0	(347.4)	(154.8)
Permanent Residency Fees	243.1	145.0	244.1	98.1	(1.0)	275.0	451.6	480.1	(176.6)	(205.1)
Excess Revenue	898.4	-	3.3	898.4	895.1	11,660.5	10,142.6	1,330.6	1,517.9	10,329.9
Other Revenues	1,705.2	1,597.2	1,849.6	108.0	(144.4)	2,539.2	4,034.9	5,439.6	(1,495.7)	(2,900.4)
<b>TOTAL OTHER REVENUE</b>	<b>4,022.5</b>	<b>3,404.7</b>	<b>4,076.4</b>	<b>617.8</b>	<b>(54.0)</b>	<b>17,627.4</b>	<b>19,403.7</b>	<b>14,693.0</b>	<b>(1,776.3)</b>	<b>2,934.4</b>

Other Revenues for June totaled \$4.0 million consisting primarily of \$0.9 million in excess revenue returns from TCI Telecommunications Commission & Complaints commission for the period ending 31<sup>st</sup> March 2019 as well as \$0.5 million business license renewal fees. This brought the year to date outturn to a total of \$17.6 million, against a budget of \$19.4, million a shortfall of \$1.8 million whilst being ahead of the prior year's outturn by \$2.9 million. The year to date total consist of \$11.7 million in returns from statutory bodies making up 27% of the Total revenue collected by TCIG to date.

Non-Recurrent Revenue: Month \$0.1 million, Year to date \$0.2 million

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	106.0	44.0	44.1	62.0	61.9	106.0	66.0	66.9	40.0	39.1
Revenue From Grants	20.0	22.5	0.6	(2.5)	19.5	49.3	97.5	16.6	(48.2)	32.7
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-RECURRENT REVENUE</b>	<b>126.0</b>	<b>66.5</b>	<b>44.7</b>	<b>59.5</b>	<b>81.4</b>	<b>155.3</b>	<b>163.5</b>	<b>83.5</b>	<b>(8.2)</b>	<b>71.8</b>

Non-recurrent receipts for the year to date were negligible and consisting primarily of \$0.1 million in land sales during the month of June and small grants and donations received from UNICEF and a private sector firm to assist the Ministry of Education.

## EXPENDITURE

Recurrent Expenditure: Month \$22.2 million, Year to Date \$62.2 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	7,663.1	9,048.7	7,672.3	1,385.6	9.3	23,181.3	26,643.3	22,584.8	3,462.1	(596.5)
Transfers to NHIB	2,771.2	2,771.2	2,771.2	-	-	8,313.6	8,313.6	8,313.6	-	-
Hospital Provisional Charges	1,735.3	1,772.0	1,695.6	36.7	(39.7)	6,522.9	6,637.4	6,068.4	114.5	(454.5)
Subventions	807.1	1,369.6	688.9	562.5	(118.2)	4,200.3	4,223.0	4,415.9	22.7	215.6
Rental of Assets	487.5	509.8	429.9	22.3	(57.6)	1,347.0	1,407.1	1,238.5	60.1	(108.5)
Other Expenses	8,775.9	8,258.5	5,914.3	(517.4)	(2,861.6)	18,606.4	49,350.3	13,757.6	30,743.9	(4,848.8)
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>22,240.0</b>	<b>23,729.7</b>	<b>19,172.2</b>	<b>1,489.7</b>	<b>(3,067.8)</b>	<b>62,171.5</b>	<b>96,574.8</b>	<b>56,378.8</b>	<b>34,403.3</b>	<b>(5,792.7)</b>

Recurrent expenditure for the month of June totaled \$22.2 million and was \$1.5 million (6%) below the estimate whilst \$3.1 million more than the expenditure in June 2019. Year to date expenditure totaled \$62.2 million which was \$34.4 million behind the budget whilst up \$5.8 million from the prior year's outturn.

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 with only \$7.1 million being paid out to date. The variance in Personnel Cost of \$1.4 million against the estimates is mainly due to the number of vacancies that exist to be filled throughout TCIG.

Other Recurrent Expenditure: *\$8.8 million, Year to date \$18.6 million*

OTHER 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
Operating Expenses	705.8	1,150.9	1,182.1	445.1	476.4	1,916.1	3,331.2	3,083.1	1,415.2	1,167.0
Maintenance Expenses	938.1	1,240.6	544.6	302.5	(393.5)	1,959.3	3,280.9	1,712.8	1,321.6	(246.4)
Professional and Consultancy Services	174.9	678.4	106.7	503.5	(68.2)	471.1	1,810.9	429.4	1,339.8	(41.7)
Grants and Contributions	3,376.8	665.7	371.6	(2,711.2)	(3,005.2)	7,860.8	27,691.1	1,369.7	19,830.3	(6,491.1)
Utilities	308.5	488.3	411.1	179.8	102.6	893.3	1,406.8	1,134.7	513.5	241.4
Other Recurrent Expenditure	3,271.9	4,034.6	3,298.1	762.8	26.2	5,505.9	11,829.4	6,027.9	6,323.5	522.0
<b>TOTAL OTHER RECURRENT EXPENDITURE</b>	<b>8,775.9</b>	<b>8,258.5</b>	<b>5,914.3</b>	<b>(517.4)</b>	<b>(2,861.6)</b>	<b>18,606.4</b>	<b>49,350.3</b>	<b>13,757.6</b>	<b>30,743.9</b>	<b>(4,848.8)</b>

The expenditure for the month reflected inescapable spending. The major variance was seen in Grants and Contributions which had an outturn of \$3.4 million against a budget of \$0.7 million. This variance is due to payments for cash assistance for individuals who work in the hospitality sector and for business within the MSME sector continuing to be processed while the full budget was projected to be spent during the month of May.

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 \$0.6 million*

NON-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
Statutory Land Acquisitions	-	-	-	-	-	-	-	0.1	-	0.1
SIPT	150.9	234.3	28.6	83.5	(122.2)	325.5	601.8	1,066.8	276.3	741.2
Civil Recovery	60.3	-	(34.5)	(60.3)	(94.8)	177.4	233.3	159.1	55.9	(18.4)
Contingency	-	-	-	-	-	-	2,438.3	-	2,438.3	-
Interest	-	-	-	-	-	65.4	125.3	123.0	60.0	57.6
<b>TOTAL NON-RECURRENT EXPENDITURE</b>	<b>211.2</b>	<b>234.3</b>	<b>(5.8)</b>	<b>23.2</b>	<b>(217.0)</b>	<b>568.3</b>	<b>3,398.9</b>	<b>1,348.9</b>	<b>2,830.5</b>	<b>780.6</b>

Non-Recurrent Expenditure results for the year to date of \$0.6 million, consisted primarily of \$0.3 million in payments to SIPT and \$0.2 in payments for Civil Recoveries. This total was \$2.8 million below the estimates, primarily due to a \$2.4 million provision for contingency spending reflected in the estimates, and down \$0.8 million from the prior year's outturn.

## PUBLIC DEBT

Public Debt Debt Type	Opening	June 30, 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
<b>Total Outstanding Public Debt</b>	<b>3,021.4</b>	<b>(834.1)</b>	<b>2,187.3</b>

Total repayment for the year to date was \$0.8 million, which reduced Loans and Bonds from a total of \$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 June 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 June 2020 were 294.

## DEVELOPMENT FUND.

In accordance with the PFM Ordinance Section 18(2) (b), approximately \$36.6 million was retained in the Development Fund to cover the cost of projects that were deemed committed at the end of the previous financial year.

Expenditure on capital projects thus far for the fiscal year totaled \$5.5 million, relating mainly to capital projects approved in the previous financial year. Particularly, \$2.9 million spent on the construction and renovation of buildings, \$1.2 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 June 30, 2020 stood at \$25.8 million.

## NATIONAL FORFEITURE FUND.

The National Forfeiture Fund has a balance of \$6.6 million as at June 30, 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. The 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 due to the 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 of these injections will be important in determining the overall economic impact.

Estimating the impact of COVID-19 and the continual uncertainties therein will continue to affect government's cash flows. Closely monitoring government's revenue collection, cash balance position and its cash flow requirements are currently at the forefront of the Treasury's immediate agenda to safeguard TCIG's liquidity position.

The current budget deficit is being funded through a draw-down on existing cash reserves. The possibility of establishing overdraft facilities and/or longer-term credit arrangements with financial institutions is and may continue to be explored to bridge any cash short falls as they arise.

TCIG's current priorities are clear and these are firstly, to ensure financing is available to equip health sector with the necessary tools to address and mitigate the risks associated with the pandemic. Secondly, to continue to protect the vulnerable borders. Thirdly, 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.

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.