



**TURKS AND
CAICOS ISLANDS**



**GOVERNMENT OF
THE TURKS AND CAICOS ISLANDS**



**DECEMBER 2020
FINANCIAL REPORT**

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KEY POINTS

- ❖ *The monthly Financial Report for December 2020 shows the actual position against the expected profile based on the 2020-21 estimates as well as the prior year's outturn.*
- ❖ *The December 2020 results includes the continued impact of the Turks and Caicos Island's Government response to COVID-19.*
- ❖ *A withdrawal warrant was issued on 21st July, 2020, reducing planned expenditure for the financial year by \$17.9 million During the month of December a supplementary Appropriation was approved which reallocated funding to priority areas.*
- ❖ *The operating balance as at the end of December 2020 was a deficit of \$54.7 million against the profiled deficit of \$32.3 million which includes the \$25 million budget for cash assistance grants to individuals and businesses.*
- ❖ *The underlying cash balance as at 31st December 2020 was a reduction of \$73.6 million against the*

OVERVIEW

The Estimates of Revenue and Expenditure (the "Estimates") for the financial year (FY) 2020-21 were approved in the House of Assembly on 23rd April, 2020 and came into effect on 30th April, 2020. Prior to the passage of the Estimates, Ministries, Departments and Agencies (MDAs) operated from a Provisional Warrant which was equal to one-third of the prior year's (2019-20) expenditure Estimates.

The 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 income and minimize business failures to prevent further economic damage. Due to the significant downturn in revenue collection, a withdrawal warrant was issued on 21st July, 2020, reducing planned expenditure for the financial year by \$17.9 million.

Included in the estimates were costs associated with the COVID-19 public health response and \$25.5 million in direct stimulus.

Fiscal actions have also been implemented on an enormous scale. Some of these measures included:

- *\$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. A second round of stimulus payments started in December 2020 and continued into the last quarter;*
- *\$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 was 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.*
- *The borders to allow for international travel reopened on 22nd July 2020 and business activities have been restored. Our major hoteliers have delayed reopening and is expected to resume business late in the 3rd quarter.*
- *From the 21st September to 30th December 2020 (completion to have occurred on or before during the specific times outlined in the policy) a reduction of either 75%, 50% or 25% in stamp duty payable on real estate transactions*

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 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

Net Operating Surplus: **Month \$5.4 million, Year to Date (Deficit) \$54.7 million**

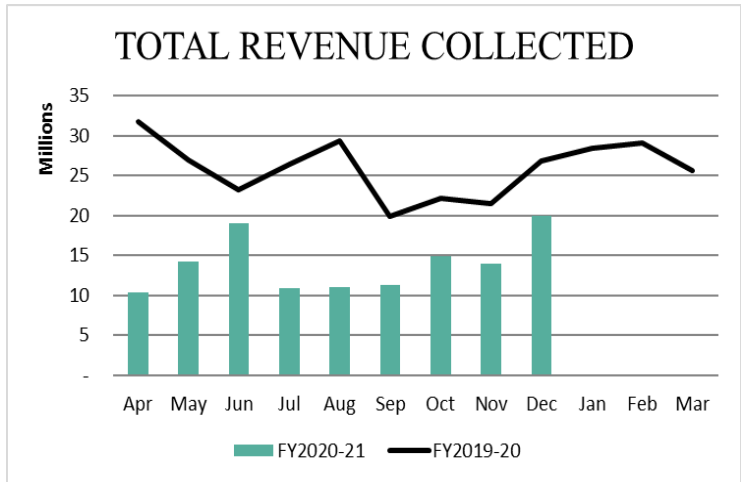
	Month			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	19,970.5	24,921.0	26,768.3	(4,950.5)	(20%)	(6,797.8)	(25%)	125,168.9	176,780.6	230,275.3	(51,611.7)	(29%)	(105,106.5)	-46%
Recurrent Expenditure	14,041.2	21,089.5	18,619.3	7,048.2	33%	4,578.0	25%	176,877.5	194,924.5	171,712.5	18,047.1	9%	(5,164.9)	(3%)
Net Recurrent Surplus	5,929.3	3,831.6	8,149.0	2,097.7	55%	(2,219.7)	(27%)	(51,708.6)	(18,144.0)	58,562.8	(33,564.7)	185%	(110,271.4)	(188%)
Non-Recurrent Revenue	5,783.6	-	-	5,783.6	-	5,783.6	#DIV/0!	6,151.1	647.4	744.5	5,503.7	-	5,406.6	726%
Non-Recurrent Expenditure	6,270.7	256.2	671.7	(6,014.5)	(2348%)	(5,599.0)	(834%)	9,121.9	14,831.2	3,245.2	5,709.3	38%	(5,876.7)	(181%)
Net Operating Balance	5,442.2	3,575.4	7,477.2	1,866.8	52%	(2,035.0)	(27%)	(54,679.5)	(32,327.8)	56,062.0	(22,351.7)	69%	(110,741.5)	(198%)

The month of December 2020 recorded an operating surplus of \$5.4 million which resulted in a year to date deficit of \$54.7 million. This outturn compared unfavorably to the projected deficit of \$32.3 million. On a year-over-year basis, the results at the end of December showed movement from a healthy surplus of \$56.1 million to a deficit of \$54.7 million, a reduction of \$110.7 million or 198%. This significant underperformance is a direct result of the TCIG's response to the COVID-19 pandemic which involved significant increases in health care related expenditure, payment of stimulus grants and a significant reduction in revenue collection as a result of the impact on the tourism sector.

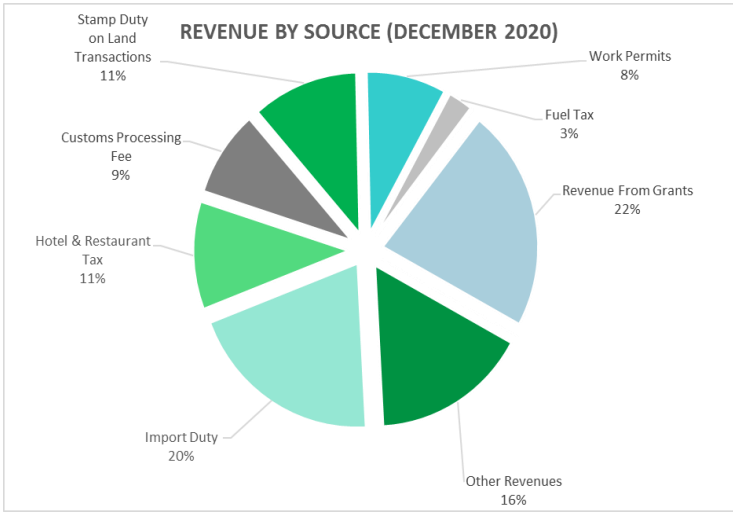
CASH FLOW

	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	5,442.2	3,575.4	7,477.2	1,866.8	52%	(2,035.0)	(27%)	(54,679.5)	(32,327.8)	56,062.0	(22,351.7)	69%	(110,741.5)	-198%
Less:														
Capital Contributions	(2,718.4)	(3,626.2)	(1,687.0)	907.8	-	(1,031.4)	-	(19,661.0)	(24,380.8)	(19,618.2)	4,719.8	-	(42.8)	-
Debt Repayments	-	-	-	-	-	-	-	(1,910.9)	(1,969.6)	(6,058.1)	58.7	(3%)	4,147.2	(68%)
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Inflows	171.9	171.9	23.1	-	-	148.8	-	355.5	171.9	206.7	183.6	-	148.8	-
Transfers from/(to) NWF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net receipts/(payments) of public accounts	(15,594.1)	-	1,211.4	(15,594.1)	-	(16,805.5)	(1387%)	2,308.5	-	2,711.6	2,308.5	-	(403.1)	(15%)
Net Cash Flow	(12,698.4)	121.1	7,024.8	(12,819.5)	(10586%)	(19,723.2)	(281%)	(73,587.3)	(58,506.2)	33,304.1	(15,081.1)	26%	(106,891.4)	(321%)

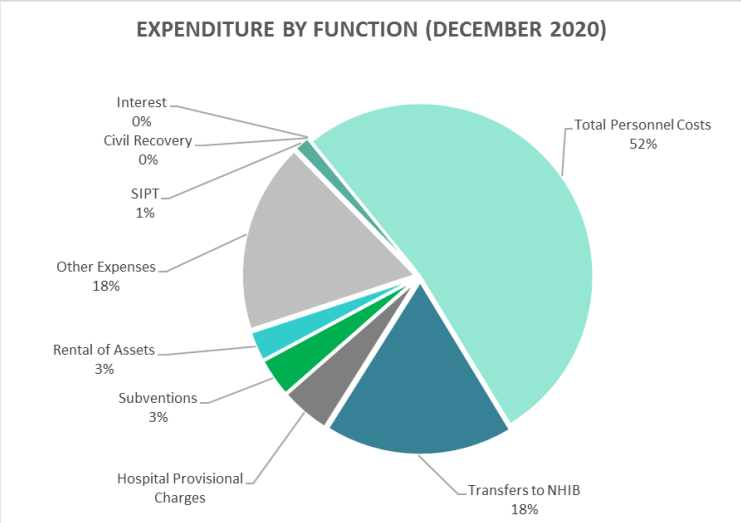
The month of December saw a reduction in the underlying cash balance, inclusive of Development Fund expenditure, by \$12.7 million. This resulted in a year to date decline of \$73.6 million, which was \$15.1 million less than the estimate of \$58.5 million. On a year over year basis, the outturn showed a \$106.9 million reduction against the result of the same period last year. As a result, Cash and Cash Equivalents decreased from \$179.8 million at the beginning of the financial year to \$136.2 million at the end of December, after the inclusion of the \$30 million matured term deposit. The significant figure observed for net receipts/payments of other public accounts is mainly due to ledger adjustments for prior periods. The YTD figure depicts the performance as at December 31st 2020.



\$25.8 in revenue was collected for the month of December against a budget of \$24.9 million on Prior year results of \$26.8 million. Year to date revenue of Revenue as at the end of was down \$17.9 million (25%) when compared to last year's results. This fallout in revenue is expected to continue until the end of the Fiscal year. The borders reopened on July 22nd at which point business activity was somewhat restored. During the third quarter tourism activities saw a slight increase as is reflected in the HRT results of \$6.3 million for the quarter compared to the \$0.8 million and \$1.7 million collected during the first and second quarter respectively. At this point, it remains uncertain when revenue collections will continue with the gains in momentum or the recent surges of COVID-19 cases along with the resulting measures both locally and internationally will once again cause it to slow.



Aggregate Expenditure as at December was \$186 million, \$23.8 million or 11% below the projected amount whilst up \$11.0 million or 6% from the prior year. The significant variance to the budget is mainly seen in Grants and Contributions. To date, \$10 million has been spent on stimulus grants to both individuals and businesses in the MSME sector against a revised allocation of \$19.8 million (original estimate of \$25 million), resulting in a \$49% shortfall. Additionally, \$6.8 million of the \$10.0 million allocated for Covid-19 expensed has been used to date while \$5.6 million remain available in the contingency budget. Overall, the underperformance against projected expenditure is not expected to be absorbed in the ensuing month's although operational activity has shown an increase. Significant expenditure continues to be incurred in the health care sector and in the holding and repatriation of illegal immigrants



REVENUE

Recurrent Revenue: **Month \$20.0 million, Year to Date \$125.2 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	5,138.0	7,225.2	7,750.3	(2,087.2)	(2,612.3)	29,762.0	48,605.6	59,148.0	(18,843.5)	(29,386.0)
Hotel & Restaurant Tax	2,789.2	5,076.0	5,166.3	(2,286.8)	(2,377.1)	8,765.8	22,488.2	50,667.5	(13,722.4)	(41,901.7)
Customs Processing Fee	2,227.1	3,028.0	3,489.8	(800.9)	(1,262.7)	14,719.6	21,825.9	27,342.5	(7,106.3)	(12,622.9)
Stamp Duty on Land Transactions	2,848.3	1,880.7	1,816.3	967.6	1,032.0	18,360.0	14,893.9	25,381.8	3,466.1	(7,021.8)
Work Permits	2,141.2	1,885.1	2,033.5	256.1	107.8	12,711.4	16,364.0	17,277.6	(3,652.6)	(4,566.2)
Fuel Tax	655.6	767.9	1,202.6	(112.3)	(547.0)	4,593.3	6,203.6	8,248.5	(1,610.3)	(3,655.1)
Other Revenues	4,171.1	5,058.2	5,309.5	(887.0)	(1,138.4)	36,256.7	46,399.5	42,209.5	(10,142.8)	(5,952.8)
TOTAL RECURRENT REVENUE	19,970.5	24,921.0	26,768.3	(4,950.5)	(6,797.8)	125,168.9	176,780.6	230,275.3	(51,611.7)	(105,106.5)

Recurrent Revenue for the month of December totaled \$20.0 million, which was \$5.0 million (20%) below projected revenue. On a year-over-year basis, Revenue was down \$6.8 million (25%) when compared to the results of the same period last year. Year to date Recurrent Revenue of \$125.2 million was \$51.6 million below projected revenue while being down \$105.1 million from the prior year's results.

The major Revenue Heads are summarised as follows:

Import Duties:

Import Duties collected for the month of December totaled \$5.1 million. This result was down by \$2 million (29%) from projected receipts and in comparison to the prior year's receipts, saw a decline of \$2.6 million. Year to date outturn totaled \$29.8 million accounting for 23% of Total Revenue. This was 39% below the estimates and 50% below the prior year's outturn. The need for imported goods remains relatively low as tourist related consumption is relatively low. 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 gave 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 \$2.2 million.

While receipts from Import Duties is performing less than optimal an improvement has been seen since the first two quarters after the borders reopened and economic activity began to slowly increase.

Hotel & Restaurant Tax:

Hotel & Restaurant Tax receipts for the month of December totaled \$2.8 million, accounting for 32% of the year to date collections of \$8.8 million. This was against prior year receipts of \$50.7 million, a decline of 83%, mainly due

to the fact the Tourism Industry has been the hardest hit during this COVID-19 pandemic. However, the improvement in collections during the month is definitely a positive sign that hotels and restaurants are reopening and activity was slowly increasing.

It also should be noted that prior year's 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 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 any tax which is due and payable on 21st May 2020 and 21st June 2020, in accordance with section 13 (1) of the HRTT was deferred until 21st July 2020.

At this point, it remains uncertain when revenue collections will continue with the gains in momentum or the recent surges of COVID-19 cases along with the resulting measures both locally and internationally will once again cause it to slow. S&P expected that tourism in the Caribbean will probably decline by 60-70% from April to December, 2020 when compared with last year. The World Tourism Organization (UNWTO) predicted a 20% to 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:

Customs Processing Fees (CPF) for December totaled \$2.2 million bringing the year to date total to \$14.7 million, which was 33% behind the Estimates and down by 46% 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 \$0.8 million.

Stamp Duty on Land Transactions:

Stamp Duty collected during the month of December, totaled \$2.8 million which was \$0.3 million above the estimates and up \$0.01 million from the prior year's outturn. This resulted in year to date collections totaling \$18.4 million and comprising 14% of Total Recurrent Revenue. These results were \$3.5 million ahead of the estimates whilst down \$7.0 million from the prior year's results. This significant outturn is as a result of one of the

Government's measures to combat the economic fallout as a result of the COVID-19 pandemic by offering a 50% reduction in stamp duty payable on real estate transactions originally from the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020), then a further reduction of either 75%, 50% or 25% in stamp duty payable on real estate transactions from the 21st September to 30th December 2020 (completion to have occurred on or before during the specific times outlined in the policy)

Work Permits:

Receipts from Work Permits totaled \$12.7 million for the year to date, \$2.1million of which was collected during the month of December. These results were \$3.7 million below the estimates and down \$4.6 million from the prior year. The majority of work permit holders are employed in the tourism and hospitality sector which is significantly affected as major hotels and the Cruise Port remains closed.

Fuel Tax:

Fuel tax receipts for the month of December were \$0.7 million, a decline of 45% from the prior year's outturn but and 15% from the projected receipts. Year to date results totaled \$4.6 million, down by 26% from the estimates and 44% 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. The decline in oil demand, particularly in the transportation sector due to the suspension of domestic and international travels, business closures and reduction in economic activity all led to the reduction of demand for petroleum products.

Other Revenue: *Month \$4.2 million, Year to date \$36.3 million*

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	84.8	35.4	41.2	49.4	43.6	2,009.3	1,477.2	1,822.0	532.1	187.3
Communication Tax	353.2	363.8	379.8	(10.6)	(26.6)	3,021.8	3,000.5	3,556.2	21.3	(534.4)
Gaming Machine Tax	146.1	354.6	349.9	(208.5)	(203.7)	855.8	2,983.0	2,921.2	(2,127.2)	(2,065.4)
Seaport Departure Tax	-	344.1	305.8	(344.1)	(305.8)	73.1	2,112.8	3,004.4	(2,039.7)	(2,931.2)
Telecommunication Licences	191.6	511.0	416.6	(319.4)	(225.0)	1,696.8	3,286.3	3,210.5	(1,589.5)	(1,513.8)
Overtime Costs Recovered	136.0	213.1	292.7	(77.1)	(156.7)	790.8	1,326.2	2,399.2	(535.4)	(1,608.4)
Vehicle Licence Renewals	872.0	937.2	937.2	(65.2)	(65.2)	2,523.8	3,062.2	2,915.8	(538.4)	(392.0)
Permanent Residency Fees	98.7	195.0	216.7	(96.3)	(118.0)	1,072.5	1,586.6	1,636.4	(514.1)	(563.9)
Excess Revenue	500.0	250.0	0.4	250.0	499.6	14,034.4	13,084.2	2,415.2	950.3	11,619.2
Other Revenues	1,788.7	1,854.1	2,369.3	(65.4)	(580.6)	10,178.5	14,480.5	18,328.6	(4,302.1)	(8,150.1)
TOTAL OTHER REVENUE	4,171.1	5,058.2	5,309.5	(887.0)	(1,138.4)	36,256.7	46,399.5	42,209.5	(10,142.8)	(5,952.8)

Other Revenues for December totaled \$4.2 million. This brought the year to date outturn to a total of \$36.3 million against a budget of \$46.4 million resulting in a shortfall of \$10.1 million whilst being down \$6.0

million from the prior year's outturn. The year to date total consists of \$14.0 million in Excess Revenue Returns from Statutory Bodies making up 11% of the Total Other Revenue collected by TCIG to date.

Non-Recurrent Revenue: Month \$5.8 million, Year to date \$6.2 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	37.1	-	-	37.1	37.1	298.1	443.0	445.8	(144.9)	(147.7)
Revenue From Grants	5,746.6	-	-	5,746.6	5,746.6	5,853.0	204.4	298.7	5,648.6	5,554.3
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-
TOTAL NON-RECURRENT REVENUE	5,783.6	-	-	5,783.6	5,783.6	6,151.1	647.4	744.5	5,503.7	5,406.6

Non-recurrent receipts for the year to date totaled \$6.2 million, consisting primarily of a \$5.7 million grant received from the European Development Fund during the month of December. Also included in the total are small grants and donations received from UNICEF and a private sector firm to assist the Ministry of Education as well as \$0.3 million in land sales.

EXPENDITURE

Recurrent Expenditure: **Month \$14.0 million, Year to Date \$176.9 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	8,202.2	9,490.3	7,736.1	1,288.1	(466.0)	70,680.1	70,517.8	69,789.2	(162.3)	(890.9)
Transfers to NHIB	2,771.2	2,771.2	2,771.2	-	-	24,940.8	23,167.1	24,940.8	(1,773.7)	-
Hospital Provisional Charges	(726.3)	1,772.0	1,695.6	2,498.3	2,422.0	16,931.9	17,265.5	16,242.2	333.5	(689.7)
Subventions	568.9	1,725.2	885.4	1,156.2	316.5	10,687.6	11,510.5	11,303.3	823.0	615.8
Rental of Assets	434.5	445.9	407.3	11.4	(27.1)	3,894.8	4,001.2	3,772.8	106.4	(122.0)
Other Expenses	2,790.8	4,885.0	5,123.6	2,094.1	2,332.7	49,742.3	68,462.5	45,664.2	18,720.2	(4,078.1)
TOTAL RECURRENT EXPENDITURE	14,041.2	21,089.5	18,619.3	7,048.2	4,578.0	176,877.5	194,924.5	171,712.5	18,047.1	(5,164.9)

Recurrent expenditure for the month of December totaled \$14.0 million and was \$7.0 million or 33% below the estimate as well as 4.6 million below the expenditure for December 2019. Year to date expenditure of \$176.9 million was \$18.0 million behind the budget whilst up \$5.2 million from the prior year's outturn.

Of the total Recurrent Expenditure, personnel cost accounted for 40% totaling \$70.7 million which was on par with budget while exceeding the prior year's results by a marginal 1%. Transfers to NHIB totaled \$24.9 million for the year to date which was on par with the prior year's results. The variance to budget \$1.8 million to the estimates are mainly due to profiling differences between actual and budgeted expenditure. Hospital Provisional charges for the Year to date \$16.9 million which was 2% below the estimates while 4% above the prior year's outturn. The negative variance seen during the month of December is due to the reclassification of Covid-19 related expenditure to the correct expenditure head.

Other Recurrent Expenditure: **Month \$2.7 million, Year to date \$49.7 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	1,610.2	1,209.7	1,077.8	(400.5)	(532.5)	8,538.2	10,376.8	9,257.8	1,838.5	719.5
Maintenance Expenses	891.4	745.1	774.4	(146.2)	(116.9)	7,865.9	8,096.4	7,023.0	230.4	(842.9)
Professional and Consultancy Services	54.0	337.5	354.8	283.4	300.8	2,520.2	4,856.0	2,130.4	2,335.9	(389.8)
Grants and Contributions	901.0	545.4	781.9	(355.5)	(119.0)	14,362.2	25,063.8	6,027.4	10,701.6	(8,334.8)
Utilities	151.3	365.6	284.9	214.3	133.6	2,215.7	2,655.6	3,244.5	439.9	1,028.7
Other Recurrent Expenditure	(817.1)	1,681.6	1,849.7	2,498.7	2,666.8	14,240.0	17,413.9	17,981.1	3,174.0	3,741.1
TOTAL OTHER RECURRENT EXPENDITURE	2,790.8	4,885.0	5,123.6	2,094.1	2,332.7	49,742.3	68,462.5	45,664.2	18,720.2	(4,078.1)

The expenditure for the month reflected inescapable spending. The significant variance to the budget is mainly seen in Grants and Contributions. To date, \$10 million has been spent on stimulus grants to both individuals and

businesses in the MSME sector against a revised allocation of \$19.8 million (original estimate of \$25 million), resulting in a \$49% shortfall.

Overall, the underperformance against projected expenditure is not expected to be absorbed in the ensuing month's although operational activity has shown an increase. Significant expenditure continues to be incurred in the health care sector and in the holding and repatriation of illegal immigrants.

Non-Recurrent Expenditure: *Month \$6.3 million, Year to date \$9.1 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	-	-	1.2	-	1.2	-	160.0	1.7	160.0	1.7
SIPT	225.1	256.2	605.3	31.1	380.2	1,630.4	1,625.5	2,658.1	(4.9)	1,027.8
Civil Recovery	8.9	-	65.2	(8.9)	56.3	568.5	900.0	320.8	331.5	(247.7)
Covid-19 Expense	6,036.6	-	-	(6,036.6)	(6,036.6)	6,807.4	10,050.4	-	3,243.1	(6,807.4)
Contingency	-	-	-	-	-	-	1,949.1	-	1,949.1	-
Interest	-	-	-	-	-	115.6	146.2	264.6	30.5	148.9
TOTAL NON-RECURRENT EXPENDITURE	6,270.7	256.2	671.7	(6,014.5)	(5,599.0)	9,121.9	14,831.2	3,245.2	5,709.3	(5,876.7)

Non-Recurrent Expenditure results for the year to date of \$9.1 million, consisted primarily of \$6.8 million in Covid-19 related expenses. This had an initial appropriation of \$2.0 million via contingency warrant issued during the second quarter however, as the need for additional funding to combat the effects of the ongoing pandemic rose, a supplementary appropriation of \$8.0 million was approved during the month of December. Bringing the total budget to \$10.0 million.

Also included in total non-recurrent expenditure \$1.6 million in payments to SIPT and \$0.6 million in payments for Civil Recoveries. This total non-recurrent expenditure was \$3.2 million below the estimates, primarily due to a \$1.9 million unused to date provision for contingency spending reflected in the estimates as well as \$3.2 million remaining for Covid-19 related expenditure.

PUBLIC DEBT

Public Debt	Opening 01-Apr-20 \$ 000's	December 31, 2020	
		Principal Repayment \$ 000's	Outstanding Principal \$ 000's
TCIG Loans - Unsecured	3,021.4	(1,910.9)	1,110.5
Total Outstanding Public Debt	3,021.4	(1,910.9)	1,110.5

TCIG's outstanding debt as at 31st December 2020 was \$1.1 million. Total principal debt repayment for the year was \$1.9 million while total finance costs for the year was \$0.1 million. There were no new borrowings during the financial year, neither were there any drawdowns of previously approved borrowings.

During the month of December an agreement was reached with the Republic Bank Limited to make available an \$80 million revolving credit facility. No drawdowns have been carried out to date.

HUMAN RESOURCE MANAGEMENT

Employees

There were 1,521 people employed by TCIG at the end of December 2020, exclusive of the Royal Turks and Caicos Police Force, with 248 vacancies existing throughout the civil service.

Pensioners

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

DEVELOPMENT FUND (DF)

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.

The total budgeted for capital expenditure for the financial year is \$35.3 million. To date, the total amount spent on capital projects amounted \$19.7 million and these relates mainly to capital projects approved in the previous financial year.

Major components of the amount spent in this FY are as follows: \$11.8 million was spent on the construction, renovation & upgrading of Government's buildings, of which \$5.8 million was spent on schools throughout the islands, \$3.03 million on road development, \$1.4 million on the National Physical Development Plan and \$0.8 million spent on the purchase of equipment.

NATIONAL WEALTH FUND (NWF)

The balance in the NWF as at December 31, 2020 stood at \$25.9 million. No transfers to the fund are expected during this financial year.

NATIONAL FORFEITURE FUND (NFF)

The National Forfeiture Fund had a balance of \$6.4 million as at 31st December, 2020.

FINANCIAL OUTLOOK

The Turks and Caicos Islands have experienced a drastic reduction in revenue intake whilst incurring sustained large-scale expenditure associated with 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 country is now partially reopened and a gradual uptick in both revenue generation and government spending is expected. However, it is also highly probable that the economic fallout we are now experiencing will change the mind-sets of people and businesses alike. Although restrictions are partially lifted some of the precautionary measures still persist which will result in structural changes in the economy thus impacting the expected results for the months ahead.

The impact of COVID-19 and the continual uncertainties therein will continue to affect TCIG's cash flows. Actively monitoring revenue collection, cash balance position and cash flow requirements remains 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. As cash flow levels decline within the last quarter, possible drawdowns from the loan acquired in December 2020 may occur.

TCIG's current priorities are clear and these are firstly, to ensure financing is available to equip the 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.

