

# 2019-20 MID-YEAR REPORT



## GOVERNMENT OF THE TURKS AND CAICOS ISLANDS

**UNAUDITED**

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## FOREWORD

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This Report presents TCIG's financial results, and financial position as at the half year ended September 30, 2019.

The preparation and publication of this report reflects Government's commitment to transparent reporting of the Turks and Caicos Islands Government's (TCIG's) finances, contributing to the overall accountability arrangement and an improved quality of governance & decision making.

This enables the Government to monitor more closely the usage of public funds and the associated risks and challenges, so that where corrective measures may be needed to be undertaken, they can be done much earlier than later. Likewise, the public, financial institutions and other stakeholders are able to monitor the finances of the Government to be assured that financial decisions are made in accordance with prudent financial management.

## ECONOMIC OVERVIEW

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The International Monetary Fund (IMF) in its July 2019 edition of the World Economic Outlook (WEO), stated that global economic activity remained subdued during the first half of 2019. Forecasted increases are expected to be 3.2 percent in 2019 and 3.5 percent in 2020. This aggregated trend reflects the performance of the following economies: Canada, the United Kingdom (UK), the Euro Area, Latin America and the Caribbean and Emerging Markets and Developing economies.

Growth in the advanced economies is forecasted at 1.9 percent and 1.7 percent in 2019 and 2020 respectively. This projected performance pales in comparison to the growth levels and anticipated 2020 recoveries for Emerging and Developing economies. Growth in the United States of America (USA) was however better than expected in 2018 but is expected to dip to 2.6 percent in 2019 and 1.9 percent in 2020. Tumultuous trade relations between the USA and China and prospect of US sanctions are deemed to be one of the instigators behind this forecasted worsening economic performance. This is of critical importance to the TCI as the US is the major trading partner of the Turks and Caicos Islands with more than 85 percent of all merchandise goods being imported from the USA annually.

The United Kingdom economy is expected to experience growth of 1.3 percent in 2019 and 1.4 percent in 2020. This meager increase in economic growth is anticipated due to pre- Brexit inventory accumulation and stockpiling. The Euro area is projected to experience economic growth of 1.3 percent in 2019 and improve to 1.9 percent in 2020, due to anticipated recovery in external demand. The Canadian economy is expected to grow by 1.5 percent in 2019 and 1.9 percent in 2020. It is expected to be affected by the strains and uncertainties surrounding the North American Free Trade Agreement (NAFTA).

The Chinese economy is anticipated to grow by 6.2 percent in 2019 and 6.0 percent in 2020, a decline of 0.6 percentage points from 2018. The projected declines in economic growth are influenced by China's intensifying trade tensions with the US and consequent confidence effects. Although the first quarter Gross Domestic Product (GDP) in China was stronger than forecasted, indicators for the second quarter suggest weakening economic activity.

The TCI Statistics Department's preliminary projections for the domestic economy reveal continued positive economic growth for 2019 and 2020. Economic growth is forecasted at 2.5 percent in 2019 and though remaining positive is expected to dip by 0.5 percentage point to 2.0 percent in 2020. This overall positive growth is attributed to continued strong contributions from the hotel and restaurant, construction and real estate sectors.

It is projected that the TCI economy will remain relatively stable in the 2019/2020 financial year, and future projections are for continuous positive growth, as both private and public sector capital projects currently in the pipeline begin to materialize. Both the construction sector and hotel and restaurant sector are projected to increase by 3 percent in 2019. Additionally, the real estate sector is anticipated to expand by 3.7 percent and the agricultural and fishing sector is projected to slightly improve by 2 percent in 2019, whilst the transportation, storage and communication sector is forecasted to realize the same degree of growth in both 2019 and 2020. Although the growth rates for the TCI sectors are admittedly low, optimism still remains, since positive growth is being realized despite the setbacks from the 2017 hurricanes.

## BUDGETARY PERFORMANCE

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The 2019-20 Budget was formulated to ensure continued compliance with the principles of responsible financial management, the major components of which are:

- i. Controlling Government Expenditure
- ii. Management of Public Debt
- iii. Revenue Enhancement
- iv. Financial Improvement of Statutory Authorities and Government Companies
- v. Public Private Partnerships

The Budget was approved by Parliament with an allocation of \$294.3 million to implement the strategies, development programmes and projects, concentrating on the well-being of the people of these Turks and Caicos Islands, national transformation and economic development. Recurrent expenditure was budgeted at \$247.5 million, 84% of total expenditure and 81% of total revenue estimates. \$36.6 million of Capital Expenditure or 12% of revenue was planned to be reinvested into the economy with focus on the primary areas of Health, Education, Citizens Security and Infrastructural Development.

The Debt sustainable ratios that were agreed between the Turks and Caicos Islands Government and the Government of United Kingdom are being met.

# FISCAL PERFORMANCE

## Operating Results

**Table 1- Operating Results**

*figures in US\$'000*

	30-Sep-19 Actual	30-Sep-19 Budget	30-Sep-18 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Recurrent Revenue	157,918	154,103	159,089	3,815	2%	(1,171)	(1%)
Recurrent Expenditure	111,893	127,800	103,045	15,907	12%	(8,848)	(9%)
<b>Net Recurrent Surplus</b>	<b>46,025</b>	<b>26,303</b>	<b>56,044</b>	<b>19,723</b>	<b>75%</b>	<b>(10,019)</b>	<b>(18%)</b>
Non-Recurrent Revenue	519	1,665	607	(1,146)	(69%)	(88)	(15%)
Non-Recurrent Expenditure	3,575	5,390	4,501	1,816	34%	926	21%
<b>Operating Surplus</b>	<b>42,970</b>	<b>22,577</b>	<b>52,151</b>	<b>20,392</b>	<b>90%</b>	<b>(9,181)</b>	<b>-18%</b>

The Turks & Caicos Islands Government posted an operating surplus of \$43.0 million at the half year mark, being \$20.4 million or 90% ahead of estimates. On the other hand, this performance represented a decline of \$9.2 million (18%) in comparison to the prior year's outturn.

## Revenues

**Table 2- Recurrent Revenues**

*figures in US\$'000*

<b>RECURRENT REVENUES</b>	30-Sep-19 Actual	30-Sep-19 Budget	30-Sep-18 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Import Duty	36,882	37,807	36,555	(924)	-2%	327	1%
Hotel and Restaurant Tax	41,130	38,169	35,907	2,961	8%	5,223	15%
Customs Processing Fee	17,336	17,591	17,389	(255)	-1%	(53)	0%
Stamp Duty on Land Transactions	19,408	15,193	17,451	4,214	28%	1,957	11%
Work Permits	10,667	10,218	9,639	449	4%	1,028	11%
Fuel Tax	5,067	5,268	5,043	(202)	-4%	23	0%
Other Revenues	27,429	29,857	37,105	(2,428)	-8%	(9,676)	-26%
<b>Total Recurrent Revenues</b>	<b>157,918</b>	<b>154,103</b>	<b>159,089</b>	<b>3,815</b>	<b>2%</b>	<b>(1,171)</b>	<b>-1%</b>

Revenue for the 2019-20 fiscal year to date totalled \$158.4 million (Recurrent Revenue \$157.9 million and Non-recurrent Revenue \$0.5 million) which is \$2.7 million ahead of estimates. This however, belies weaker performance on revenue from most economic areas. On a year over year basis, revenues saw a decline \$1.3 million (1%) from the prior year's outturn.

Year to date revenues year included \$36.9 million (23%) derived from import duties; \$41.1 million (26%) from hotel and restaurant tax; \$19.4 million (12%) from stamp duty on land transactions; while \$17.3 million from

custom, processing fees \$10.7 million from work permits and \$5.1 million in fuel tax together accounted for 22% of revenues.

Total **DUTIES** (excluding stamp duty) collected to date were \$60.2 million. This represented \$1.3 million decline from last year's results while being a marginal \$0.4 million (1%) above the budget estimates. Import duty underperformance in September and the YTD when compared to estimates is directly attributed to delayed payment of duties on fuel imports by the two major importers. Non-payment of duties on fuel imports by importers amounted to over \$0.4 million. The TCI Customs Department is implementing new controls to enforce timely payment of all fuel imports. A meeting with the stakeholders was held on October 30th, 2019 to sensitize importers on the new enforcement measures.

**TAXES ON GOODS AND SERVICES** were \$6.2 million (10%) above estimates and up \$6.7 million (11%) from the prior year's results.

The major contributor **Hotel and Restaurant Tax (HRTT)** showed an increase of 8% and 15% respectively compared to budget and the prior year's results. This positive variance is mainly attributed to the amnesty programme that was carried out for the HRTT, during April and May, which yielded a total of \$2.4 million in outstanding HRTT taxes being collected from 76 registered establishments. This resulted in HRTT exceeding its first half estimates by \$1.7 million. Nevertheless, despite the closure of TCI's major tourism properties during the slower months of September to October, it is projected that the Accommodation and other Tourism Related Taxes will end the year with \$72.3m, approximately \$3.8m or 5% more than the revised estimates.

**Stamp Duty on Land Transactions** performance during the first half of the year was above estimates and the prior year's outturn by 28% and 11% respectively. This over performance can be attributed to the unusually active month of August, in which \$6.7m in revenue was collected, which was \$5.0m more than expected. It should be noted that during August 2019 the activities regarding Stamp Duty on Land was far more active compared to the same period in 2018, where only 8 transactions had consideration above \$1m. Similarly, more high value transactions were observed in July 2019 when compared to the previous year. This was despite the granting of \$0.1m of waivers of Stamp Duty under the Home Owner's Policy. The revised forecast for this revenue line is \$32.3m, approximately \$4.2m above the original forecast.

Another area of concern is **Fuel Tax**. It is noted that there has been a delay in the remittance of revenue for the month of September. The preliminary investigations show a shortfall in the month and the second quarter performances are due to ongoing challenges to collect timely payment from fuel importers: \$0.9 million fuel tax was outstanding for the month of September 2019.

**FEES, FINES AND PERMITS** totalling \$16.2 million at the half-year point, increased by \$1.8 million (12%) when compared to last year's results as well as \$0.5 million (3%) in comparison to the budgeted outturn. The major contributor to this performance was **Work Permits** of \$10.7 million which was \$0.4 million (4%) more than budget and up by \$1.0 million (11%) from last year's results.

**Table 3- Other Recurrent Revenues (Table 2)**

*figures in US\$'000*

<b>OTHER RECURRENT REVENUES</b>	<b>30-Sep-19</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>Actual vs Rev. Budget</b>		<b>Actual vs Prior Year</b>	
	<b>Actual</b>	<b>Budget</b>	<b>Prior Year</b>				
Communications Tax	2,369	3,190	3,021	(821)	-26%	(652)	-22%
Telecommunications Licence	2,062	2,099	2,327	(38)	-2%	(265)	-11%
Seaport Departure Tax	2,047	1,796	1,862	251	14%	185	0%
Gaming Machine Tax	1,899	1,884	1,906	15	1%	(7)	0%
Overtime Cost Recovered	1,718	1,741	1,558	(23)	-1%	160	10%
Business Licence Renewal	1,679	1,813	1,592	(133)	-7%	87	5%
Vehicle Licence	1,173	1,219	1,219	(45)	-	(45)	-
Permanent Residency Fees	1,037	1,633	1,204	(595)	-36%	(167)	-14%
Stamp Duty - Vehicle Hire	931	941	828	(10)	-1%	104	13%
Insurance Premiums Tax	781	838	681	(57)	-7%	100	15%
Other Revenue Heads	11,732	12,703	20,908	(971)	(8%)	(9,175)	-44%
<b>Total Other Revenues</b>	<b>27,429</b>	<b>29,857</b>	<b>37,105</b>	<b>(2,428)</b>	<b>-8%</b>	<b>(9,676)</b>	<b>-26%</b>

**Other Recurrent Revenues** collected to date totalled \$27.4 million which was 8% behind the budgeted amount and showed a 26% decline from last year's outturn. One of the major contributors to this shortfall is the performance of Communication Tax. The performance of this revenue line has been trailing behind expected performance by \$0.8m at the half year mark. However, preliminary investigations are suggesting that the operating revenue within the telephone industry has reduced as a result of a reduction in voice call and home entertainment services. The additional variance, in other recurrent revenues, is attributed to the shortfall of transfers received from Statutory Bodies. While the Turks & Caicos Islands Government were in receipt of remittances for FY 2018/2019 of \$0.5 million and \$0.3 million from Civil Aviation and Integrity Commission respectively, it is now estimated that the remittance of FSC would be \$1.5 million lower than expected.

**Table 4-Non-Recurrent Revenues**

*figures in US\$'000*

<b>NON-RECURRENT REVENUES</b>	<b>30-Sep-19</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>Actual vs Rev. Budget</b>		<b>Actual vs Prior Year</b>	
	<b>Actual</b>	<b>Budget</b>	<b>Prior Year</b>				
Revenue from Grants	194	612	-	(418)	(68%)	193	100%
Land Sales	325	1,053	607	(728)	(69%)	(282)	(46%)
<b>Total Non-Recurrent Revenues</b>	<b>519</b>	<b>1,665</b>	<b>607</b>	<b>(1,146)</b>	<b>(69%)</b>	<b>(88)</b>	<b>-15%</b>

Non-recurrent revenue for the year to date totalled 0.5 million. The amount showed a decline of 46% when compared to the prior year's outturn and was down 69% from the estimates.

## Expenditure

TCIG's expenditure (excluding capital) as for the year to date totalled \$115.5 million. This represented an underspend of \$17.7 million (13%) from the budget estimates while outperforming the prior year's results by \$7.9 million (7%).

**Table 5-Recurrent Expenditure**

*figures in US\$'000*

<b>RECURRENT EXPENDITURE</b>	<b>30-Sep-19 Actual</b>	<b>30-Sep-19 Budget</b>	<b>30-Sep-18 Prior Year</b>	<b>Actual vs Rev. Budget</b>		<b>Actual vs Prior Year</b>	
Total Personnel Costs	46,033	50,498	44,716	4,466	9%	(1,317)	(3%)
Medical Treatment & Transfers to NHIB	16,627	16,627	13,755	-	0%	(2,873)	(21%)
Hospital Provisional Charges	11,155	11,304	10,810	148	1%	(345)	(3%)
Subventions	7,779	6,864	7,148	(915)	-13%	(631)	(9%)
Maintenance Expenses	4,377	4,749	4,054	371	8%	(323)	(8%)
Grants and Contributions	3,292	3,943	4,019	651	17%	727	18%
Other Expenses	22,629	33,815	18,542	11,185	33%	(4,087)	(22%)
<b>Total Recurrent Expenditure</b>	<b>111,893</b>	<b>127,800</b>	<b>103,045</b>	<b>15,907</b>	<b>14%</b>	<b>(8,848)</b>	<b>(9%)</b>

- Personnel Costs** accounted for 40% of expenditure to date totalling \$46.0 million. This outturn was \$4.5 million (9%) less than budget as a result of the continuous challenge to recruit specialised skills in the Ministry of Education and Health. In addition, performance based increment was introduced during the FY with provision being made for all existing positions. The actual payments for increments begun in June 2019, but was retroactive to April 2019. The two larger groups of Police Officers and Teachers performance evaluations are being completed and payments are expected to occur in the final half of the year. In comparison to September 2018, personnel cost increased by \$1.3 million (3%), this is largely due to efforts made to fill existing vacant positions. It is projected that we will end the year with total personnel costs of \$90.7 million, approximately \$6.0m or 6% less than the original budget.
- Medical Treatments and Transfers to NHIB** totalled \$16.6 million and together with **Hospital Provisional Charges** of \$11.2 million accounted for 24% of expenditure. While these results were on par with estimates, the combined expenditure exceeded the prior year's outturn by 13%, as payments for September 2018 were made in October 2018. However, ongoing discussions with TCIG agreed Health provider, on the implementation of zero-based budget, could have a significant negative impact on TCIG's expenditure.
- Subventions** totalled \$7.8 million to date representing an 9% increase from last year's cost of as well as exceeding the estimates by 13%, this is mainly due to some advance quarterly payments to the Independent Bodies. It is assumed that subventions will be fully spent, with the exception of the Financial Intelligence Agency and the Health Regulatory Agency, both of whom are currently in

transition to become independent Bodies. Therefore, subvention will end the year with \$14.1m, approximately 1% less than the revised budget. The revised estimates reflect the reallocation of \$0.4m from the Tourist Board's subvention, which was approved through the Supplementary Appropriation Bill.

- **Maintenance Expenses** totalled \$4.4 million to date, approximately \$371k below budget, the variance is due to a delay in contracts for the Environmental Health Department.
- **Grants and Contributions** totalled \$3.3 million to date, approximately \$651k below budget. Of which, \$1.5 million was spent on Scholarships, \$0.7 million in contributions to Regional Institutions, \$0.3 million on other Grants and Contributions from donor agencies, \$0.3 million on Airline Subsidies, and \$0.2 million in Grants to Private Schools. We expect that the Grants and Contributions to normalise as the year progresses as the approval of scholarship grants were communicated late in the 2<sup>nd</sup> Quarter.

**Table 6 -Other Expenses**

*figures in US\$'000*

<b>OTHER RECURRENT EXPENDITURE</b>	<b>30-Sep-19 Actual</b>	<b>30-Sep-19 Budget</b>	<b>30-Sep-18 Prior Year</b>	<b>Actual vs Rev. Budget</b>		<b>Actual vs Prior Year</b>	
Rental of Assets	2,539	2,820	2,382	282	10%	(157)	(7%)
Utilities	2,204	2,201	1,741	(4)	0%	(463)	(27%)
Local Travel and Subsistence	1,858	2,059	1,311	201	10%	(547)	(42%)
Professional and Consultancy Services	1,263	3,643	1,068	2,379	65%	(196)	(18%)
Insurance	1,247	1,627	1,291	380	23%	44	3%
Other Recurrent Expenditure	13,518	21,465	10,749	7,947	37%	(2,769)	(26%)
<b>Total Other Recurrent Expenditure</b>	<b>22,629</b>	<b>33,815</b>	<b>18,542</b>	<b>11,185</b>	<b>33%</b>	<b>(4,087)</b>	<b>(22%)</b>

**\*Other recurrent expenditure (Refer to table 5)** for the year to date totalled \$22.6 million which was an underspend of 33% when compared to the estimates while being 22% above the prior year's outturn.

**Rental of Assets** for the year to date totalled \$2.5million which was an underspend of 10% when compared to the estimates while being 7% above the prior year's outturn. The budget for rent included an additional allocation of \$300k to accommodate civil servants that were displaced after the tropical cyclones. They are currently negotiating the contracts and it is expected that this will be finalised in the 2<sup>nd</sup> half of the year.

**Professional and Consultancy** for the year totalled \$1.3million, the following projects, that were intended to be completed in the second Quarter have been deferred to the final half of the FY:

- Border Control Digitization
- Health Consultancy
- Pension and Gratuity consultancy
- Productivity and Efficiency Audit of the public sector
- Refinancing of Infraco Loan

- Valuation of Fixed Asset
- Establishment of the Delivery Unit (Delayed)
- Review of the Medium-Term Strategy

The Professional and Consultancy account has been reforecast to the end of the year with an outturn of \$4.7million, which is 26% less than the original estimates. The variance is a result from the supplementary that was approved to reallocate \$0.1million from professional and consultancy for personnel emoluments to facilitate a Change Manager to be recruited within the Office of the Premier. Additionally, the original estimates were adjusted, through a Virement, to reallocate \$0.2 million from Ministry of Finance to accommodate the COTA conference that was hosted by the Revenue Department in the first quarter of this financial year.

**Insurance** for the year to date totalled \$1.3million which was an underspend of 23% when compared to the estimates while being 3% below the prior year's outturn. The savings resulted from larger than expected discount for the CCRIF premiums for 2019-20.

**Other Recurrent Expenditure** for the year to date totalled \$13.5m, which was an underspend of \$10.7m when compared to the estimates while being 26% below the prior year's outturn. The major variances are due mainly expenditure profiling issues for: Data Communication Costs, SB Audit Costs, Claims Against Government, Serious Crime Investigations and Office Supplies.

**Table 7-Non-Recurrent Expenditure**

*figures in US\$'000*

<b>NON-RECURRENT EXPENDITURE</b>	<b>30-Sep-19 Actual</b>	<b>30-Sep-19 Budget</b>	<b>30-Sep-18 Prior Year</b>	<b>Actual vs Rev. Budget</b>		<b>Actual vs Prior Year</b>	
Special Investigation Prosecution Team (SIPT)	3,370	4,040	3,797	671	17%	428	11%
Civil Recovery	204	350	514	146	42%	309	60%
Statutory Land Acquisition	-	1,000	190	1,000	100%	190	100%
<b>Total Non-Recurrent Expenditure</b>	<b>3,575</b>	<b>5,390</b>	<b>4,501</b>	<b>1,816</b>	<b>34%</b>	<b>926</b>	<b>21%</b>

**Non-recurrent expenditure** for the year to date of \$3.6 million was down 34% from the budget estimates while being 21% below the prior year's outturn. As of 30<sup>th</sup> September 2019, costs relating to SIPT legal aide and prosecution. The savings relating to SIPT was a result of court proceeding not being held during the period August and September. Planned Expenditure for the Statutory Land Acquisition did not materialised, as the negotiations are ongoing.

## CASH FLOW

**Table 8-Cash flow**

<i>figures in US\$'000</i>	30-Sep-19 Actual	30-Sep-19 Budget	30-Sep-18 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Cash Flows from Operations	42,970	22,577	52,151	20,392	90%	(9,181)	(18%)
<i>Less:</i>							
Capital Expenditures	(12,080)		(7,301)	12,080	-	4,778	(65%)
Repayment of Borrowing	(5,194)	(5,194)	(5,194)	-	-	-	-
Inflows from investments and Loan Repayments	166		367	(166)	0%	(202)	(55%)
Net Working Capital Changes	2,030		1,208	(2,030)	-	(822)	-68%
<b>Net Cash Flows</b>	<b>27,891</b>	<b>17,383</b>	<b>41,231</b>	<b>10,508</b>	<b>60%</b>	<b>(13,339)</b>	<b>(32%)</b>

The underlying cash balance at the half year point, inclusive of development fund expenditure was \$27.9 million, which was \$10.5 million ahead of the estimates while 13.3 million down from the prior year's outturn. This resulted in an increase in Cash and Cash equivalents from \$165.1 million at the beginning of the financial year to 193.0 million at the half year point as seen in the table below.

\$30.0 million was placed on a fixed term deposit with CIBC First Caribbean International Bank currently earning interest at a rate of 0.18% for six (6) months. An additional amount of \$100.7 million remains in an on-call money market account at Scotiabank (Turks and Caicos). This deposit is currently earning interest at a rate of 0.55% per annum. The cash flow forecast for ensuing month indicates that cash flows should remain positive.

**Table 9- Bank Balances**

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
<b>Cash and Cash Equivalents</b>		
<b><u>Cash &amp; Domestic Banks</u></b>		
Cash Accounts	87	315
CIBC First Caribbean International Bank (Bahamas) Limited	64,350	56,677
RBC Royal Bank	966	337
Scotiabank (Turks and Caicos) Limited	127,049	107,057
TCI Bank Limited	548	724
<b>Total Cash and Domestic Bank balances</b>	<b>193,000</b>	<b>165,110</b>
<b><u>International Bank Accounts</u></b>		
Crown Agents Bank - Pounds Sterling	29	28
Crown Agents Bank - USD	6	6
<b>Total International Bank Accounts</b>	<b>35</b>	<b>34</b>
<b>Total Cash and Cash Equivalents</b>	<b>193,035</b>	<b>165,144</b>

## Borrowings

Table 10- Outstanding Public Debt

Outstanding Public Debt	Outstanding Balance 01-Apr-19 US\$'000	Repayment During 2019/20 US\$'000	Outstanding Balance 30-Sep-19 US\$'000
<b>Financial Liabilities - Borrowings</b>			
<b>Unsecured</b>			
Caribbean Development Bank	3,053	661	2,392
RBC Royal Bank	4,000	4,000	-
TCI Bank Limited	2,342	533	1,808
<b>Total unsecured debts</b>	<b>9,394</b>	<b>5,194</b>	<b>4,200</b>
<b>Total outstanding public debts</b>	<b>9,394</b>	<b>5,194</b>	<b>4,200</b>

TCIG's outstanding debt as at September 30, 2019 was \$4.2 million. Total principal debt repayment for the year was \$5.2 million while total finance costs for the year were \$0.2 million. There were no new borrowings during the financial year, neither were there any draw-downs of previously approved/negotiated borrowings. TCIG continues to repay its debt on time and expects that all current borrowings will be repaid as scheduled.

## Capital Expenditure

Ordinance 9 of 2016 which commenced on March 24, 2016 included an amendment to the PFM Ordinance to lend additional clarity to the previous amendment in FY 2014-15. The effect of the amendment was to indicate that moneys appropriated for the purposes of the Development Fund would not lapse and that any unexpended balance of moneys withdrawn, would remain in the Fund at the end of the financial year if the moneys were still required to meet any expenditure or commitment under the Fund.

Table 11-Development Fund

DEVELOPMENT FUND	TCIG Funded Projects	UK DFID Programme Education & Health	UK/TCI Development Aid No 2 Account	Other UK Development Programmes	CDB Basic Needs Trust Fund Programmes	Grants from Other Private Sources	Total
<b>Opening Balance</b>	37,844	45	33	34	117	378	38,452
<b>FY 2019-20</b>							
Consolidated Fund Contribution		-	-	-	-	-	-
Funds Reverting to the CF							-
National Forfeiture Fund Transfer		-	-	-	-	-	-
Grants Received	-	-	-	-	-	-	-
Expenditure not requiring commitment							-
Other Capital Expenditure	(12,080)						(12,080)
	(12,080)	-	-	-	-	-	(12,080)
<b>Closing Balance</b>	<b>25,765</b>	<b>45</b>	<b>33</b>	<b>34</b>	<b>117</b>	<b>378</b>	<b>26,373</b>

The total budgeted for capital expenditure for the financial year is \$36.6 million. To date, the total amount spent on capital projects amounted \$12.1 million, however these relates mainly to capital projects approved in the previous financial year.

Of the total spent, \$4.8 million was spent on the construction, renovation & upgrading of government building of which \$3.4 million was spent on schools throughout the islands, \$3.4 million on the purchase of transport equipment mainly for the Police and Fire Department and a further \$2.1 on road development.

Spending on capital projects is expected to increase within the second half of the financial as the procurement plan for the current financial year has been published during the second quarter and the tendering of projects listed in the current development budget has commenced. With a budget of \$36.6 million, driving capital expenditure will be a key focus for Government as this financial year progresses.

### National Wealth Fund.

The balance in the fund at the half-year currently stands at \$8.0 million. These funds are held in a separate on-call money market account at Scotiabank (Turks and Caicos). This deposit is currently earning interest at a rate of 0.40% per annum. A transfer is expected at the beginning of the third quarter which will take the balance of the fund to \$25.8 million. It is anticipated that the future balance of \$25.8 million will be distributed as follows:

- 70% - \$18 million – To address any potential economic shock or a natural disaster that may negatively impact the collection of recurrent revenue. (Stabilisation Fund)
- 20% - \$5.2 million – To address any special projects emanating from a long term development plan. (Infrastructure & Competitiveness Fund)
- 10% - \$2.6 million – To address with extraordinary circumstances that have a negative impact on the national welfare of the Turks & Caicos Islands. (Heritage Fund)

### National Forfeiture Fund.

The National Forfeiture Fund (NFF) was established to hold monies recovered under confiscation or forfeiture orders. The funds may only be withdrawn for purposes defined by the Proceeds of Crime Ordinance 2009. The NFF is accounted for separately and held in a special bank account at First Caribbean International Bank. The fund had a balance of \$5.2 million as at September 30, 2019.

## Conclusion

Prudent financial management has contributed to the operating surplus of \$43.0 million for the first six months of the financial year and consequent cash surplus of \$27.9 million, which when combined with the cash at the beginning of the year, resulted in overall cash and cash equivalents of \$193.0 million at September 30, 2019.

Recurrent revenue outturn as at the half year point although currently ahead budget, belies an underperformance in many areas. This along with the results trending behind the prior year's outturn is cause for revenue performance to be monitored closely. Recurrent expenditure also saw significant underperformance in comparison to both the budgeted and prior year's results. Forecasting remains a problem and efforts are being made to better profile both revenue and expenditure based on historical trends and known events. Whilst, it is expected that the performance of the expenditure accounts will gradually improve in the in the final six months of the financial year, it is to be noted that we anticipate that the trend of lower than expected expenditure performance of the last five (5) financial years will continue into this financial year.

Notwithstanding the strong cash position, the Government continues to face various challenges in the global environment including slower economic growth and susceptibility to external shocks and challenges including natural disasters. There is uncertainty as to the impact of Brexit on the world economy and specifically on the Turks and Caicos Islands, as well as a negative impact of the opening of the registers of companies incorporated in overseas territories by the British Parliament. The looming trade war between the United States and its trading partners also has the potential to negatively affect the TCI; however, the continued strong performance of the tourism/hospitality sector augurs well for the country.

The Government will continue to provide value for money, efficient and effective public services complemented by continued prudent expenditure management as well as the strengthening of its revenue enhancement efforts in order to achieve further economic growth.

## SUPPLEMENTARY TABLES

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# 1. STATEMENT OF CASH RECEIPTS AND PAYMENTS



**GOVERNMENT OF THE TURKS AND CAICOS ISLANDS**  
**STATEMENT OF CASH RECEIPTS AND PAYMENTS**  
**For Budgetary Entities Only**  
**For the year ended September 30, 2019**

(All figures in US\$'000)	30-Sep-19	30-Sep-18
	US\$'000	TCIG
	Payments by Third Parties	Receipts/ Payments by by Third Parties
<b>RECEIPTS</b>		
<i>Government Revenue</i>		
Taxes on goods and services	69,226	62,545
Duties (excluding stamp duty)	60,156	59,779
Licences	5,735	5,989
Fees, fines and permits	16,212	14,412
Transfers from controlled entities	2,244	8,227
Finance income	344	187
Other receipts	4,326	8,558
	<b>158,243</b>	<b>159,696</b>
<i>External Assistance</i>		
Grants from Bilateral Agencies	-	-
Grants from Multilateral Agencies	194	-
	<b>194</b>	<b>-</b>
<b>Total receipts</b>	<b>158,437</b>	<b>159,697</b>
<b>PAYMENTS</b>		
<i>Operations</i>		
Compensation of employees	42,927	41,621
Pensions and gratuities	3,106	3,095
Finance costs	170	387
Other operating expenses	61,486	55,295
	<b>107,688</b>	<b>100,398</b>
<i>Transfers</i>		
Subventions to statutory bodies	7,779	7,148
<i>External Assistance from Third Parties</i>		
Bilateral Agencies	-	-
Multilateral Agencies	-	-
Other private organisations	-	-
	<b>-</b>	<b>-</b>
<b>Total payments</b>	<b>115,468</b>	<b>107,546</b>
<b>Operating surplus</b>	<b>42,970</b>	<b>52,151</b>
Net cash flows from investing activities *	(11,914)	(7,237)
Net cash flows from financing activities *	(5,194)	(5,194)
Net cash and cash equivalents at beginning of the year	165,144	102,990
Net receipts/(payments) of public accounts	2,030	327
<b>Net cash and cash equivalents at end of the year</b>	<b>193,035</b>	<b>143,037</b>

Note numbers may not add due to rounding

## 2. STATEMENT OF CASH FLOWS



### GOVERNMENT OF THE TURKS AND CAICOS ISLANDS

#### STATEMENT OF CASH FLOWS

For Budgetary Entities Only

As at September 30, 2019

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>RECEIPTS</b>		
Taxes on goods and services	69,226	113,687
Duties (excluding stamp duty)	60,156	123,586
Licences	5,735	13,698
Fees, fines and permits	16,212	31,334
Transfers from controlled entities	2,244	12,400
Finance income	344	855
Grants and aid	194	7,954
Other receipts	4,326	11,511
<b>Total receipts</b>	<b>158,437</b>	<b>315,025</b>
<b>PAYMENTS</b>		
Compensation of employees	42,927	84,093
Pensions and gratuities	3,106	6,378
Finance cost	170	699
Subventions to statutory bodies	7,779	12,634
Other operating expenses	61,486	125,045
<b>Total payments</b>	<b>115,468</b>	<b>228,849</b>
<b>Cash flows from operating activities</b>	<b>42,970</b>	<b>86,176</b>
Net Increase in accounts Receivable	(427)	(15)
Net Increase in Accounts Payable	2,458	3,427
Net Increase/(decrease) in National Forfeiture Fund	(0)	128
<b>Net cash flows from operating activities</b>	<b>45,000</b>	<b>89,716</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(12,080)	(17,581)
Investment in Financial Assets	-	-
Proceeds from principal loan repayments	(18)	41
Proceeds from financial assets - investments	184	367
<b>Net cash flows from investing activities</b>	<b>(11,914)</b>	<b>(17,173)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New borrowing		
Repayment of borrowings	(5,194)	(10,389)
<b>Net cash flows from financing activities</b>	<b>(5,194)</b>	<b>(10,389)</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,891</b>	<b>62,154</b>
Cash and cash equivalents at the beginning of the year	165,144	102,990
<b>Cash and cash equivalents at the end of the year</b>	<b>193,035</b>	<b>165,144</b>

Note numbers may not add due to rounding

### 3. REVENUE

	<b>30-Sep-19 ACTUAL US\$'000</b>	<b>30-Sep-19 ESTIMATE US\$'000</b>	<b>30-Sep-18 PRIOR YEAR US\$'000</b>
Hotel & Restaurant Tax	41,130	38,169	35,907
Stamp duty on land transactions	19,408	15,193	17,451
Communications Tax	2,369	3,190	3,021
Seaport Departure Tax	2,047	1,796	1,862
Gaming Machine Tax	1,899	1,884	1,906
Stamp Duty - Vehicle Hire	931	941	828
Insurance Premiums Tax	781	838	681
Bank Services Tax	454	457	422
Stamp duty Miscellaneous	110	116	129
Casino Winning Tax	97	203	177
Lottery Tax	-	224	162
<b>Total taxes on goods and services</b>	<b>69,226</b>	<b>63,011</b>	<b>62,545</b>

	<b>30-Sep-19 ACTUAL US\$'000</b>	<b>30-Sep-19 ESTIMATE US\$'000</b>	<b>30-Sep-18 PRIOR YEAR US\$'000</b>
Import duty	36,882	37,807	36,555
Customs Processing Fee	17,336	17,591	17,389
Fuel Tax	5,067	5,268	5,043
Duty free shops Royalties	515	462	414
Aviation Fuel Royalty	356	357	377
<b>Total duties (excluding stamp duty)</b>	<b>60,156</b>	<b>61,485</b>	<b>59,779</b>

	<b>30-Sep-19 ACTUAL US\$'000</b>	<b>30-Sep-19 ESTIMATE US\$'000</b>	<b>30-Sep-18 PRIOR YEAR US\$'000</b>
Telecommunications licence	2,062	2,099	2,327
Business Licence Renewal	1,679	1,813	1,592
Vehicle Licence	1,173	1,219	1,219
Drivers Licence	415	417	407
Fishing licence	226	238	213
Gaming Location Licence	120	158	141
Casino licences	25	150	25
Liquor licences	22	37	30
Sand and Quarry Licences	9	10	15
Gun Licences	2	-	1
Casino Permits	2	26	15
Animal License	1		4
<b>Total licences</b>	<b>5,735</b>	<b>6,168</b>	<b>5,989</b>

	<b>30-Sep-19 ACTUAL US\$'000</b>	<b>30-Sep-19 ESTIMATE US\$'000</b>	<b>30-Sep-18 PRIOR YEAR US\$'000</b>
Work Permits	10,667	10,218	9,639
Permanent Residency Fees	1,037	1,633	1,204
Temporary Work Permits	608	647	763
PDA application fees	560	475	489
Work Permits Repatriation Program	552	390	357
Labour Clearance Fees	484	381	392
ID Card Fees	460	265	237
Audit fees	329	407	40
National Parks Fees	264	268	240
Fines and forfeitures	234	213	229
Residence Permit Fees	205	66	59
Migrant Processing Fee	138	111	95
Naturalisation Fees	118	119	120
Fees for Official Search, Inspectio	116	99	107
Court and Office fees	99	65	76
Registration fees	89	77	96
Sand and Quarry Royalties	72	124	120
Medical fees and charges	37	36	33
Belongers Status	37	-	1
Salt Cay Boat Fees	19	19	19
Dental fees	18	14	12
Hotel Inspection Fees	16	4	3
Penalties	16	46	43
Survey fees	13	8	12
Animal Importation Permit	12	11	9
Application Fees Companies	8	15	15
Examination fees	3	7	3
Scientific Research Permit	1	1	1
Time Sharing Fees		-	
Sand Mining			
<b>Total fees, fines and permits</b>	<b>16,212</b>	<b>15,718</b>	<b>14,412</b>
	<b>30-Sep-19 ACTUAL US\$'000</b>	<b>30-Sep-19 ESTIMATE US\$'000</b>	<b>30-Sep-18 PRIOR YEAR US\$'000</b>
Turks and Caicos Islands Financial Services Commission	1,226	3,500	4,975
Civil Aviation	487	-	-
Integrity Commission	329		
Turks and Caicos Islands Telecommunications Commission	189		
Turks and Caicos Islands Port Authority	13		846
Invest Turks and Caicos			2,406
<b>Total transfers from controlled entities</b>	<b>2,244</b>	<b>3,500</b>	<b>8,227</b>

	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
Overtime Cost recovered	1,718	1,741	1,558
Civil Recoveries	-	-	2,370
Other Receipts	319	169	432
Land Sales	325	1,053	607
Crown land rents received	631	443	586
Sale of water	308	385	385
Visas	209	136	119
Legal fees recovered	151	165	159
Warehouse rents	52	85	109
Travel Documents	108	89	100
Printing for third parties	25	84	80
Sale of Stamps	78	78	73
Contributions towards Special Schoo	35	35	35
Sale of Text Books	72	145	81
Ship Registration and Tonnage	82	67	70
Police Records	75	75	-
Sale of confiscated goods	69	102	59
Map sales	9	12	13
Other Postal Services	12	17	13
Mail Box Rental	19	22	12
Commercials	8	19	13
Water and Sewage Related Operations	11	2	16
Rent of Government property	6	11	2
Sale of Law Books	5	1	1
Agricultural Sales	3	4	3
Garbage Collection	3	4	3
CPU Third Party Sales	2	-	5
Farm Sales	-	-	2
Circulatory Coins	1	1	1
Commemorative Coins	1	-	-
Sale of Past Papers	-	-	-
Sale of books	1	1	-
Clinical and Surgical Services	-	-	-
NIB Revenue	-	-	-
Dormant Accounts	-	-	1,720
Insurance Proceeds	-	-	-
Customs Refunds	(11)	(9)	(68)
Immigration Refunds	(2)	(39)	-
<b>Total other revenue</b>	<b>4,326</b>	<b>4,899</b>	<b>8,558</b>
	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
Interest Income	330	352	159
Bond Inflows	15	23	28
<b>Total finance income</b>	<b>344</b>	<b>374</b>	<b>187</b>
	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
European Union (EU) Grant - Budgetary support	-	-	-
Other Grants and External Assistance	194	612	-
<b>Total grants from multilateral agencies</b>	<b>194</b>	<b>612</b>	<b>-</b>

## 4. EXPENDITURE

	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
Salaries and Wages	33,854	36,845	32,384
Contribution to Pension and Health Plans	2,634	2,961	2,552
Housing Allowances	2,066	2,367	2,049
Transport Allowances	478	670	459
Telephone Allowances	380	457	356
Other Allowances	2,943	3,261	2,783
<b>Total compensation of employees</b>	<b>42,354</b>	<b>46,562</b>	<b>40,584</b>

	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
<b>Compensation to Members of the House of Assembly</b>			
Salaries - Ministers and Members	438	877	876
Contribution to Pension and Health Plans for Ministers and Members	21	54	41
Allowances for Ministers and Members	114	240	120
<b>Total compensation of members of the House of Assembly</b>	<b>573</b>	<b>1,171</b>	<b>1,038</b>
<b>Total compensation of employees</b>	<b>42,927</b>	<b>47,733</b>	<b>41,621</b>

	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
Pensions	2,525	1,589	2,722
Gratuities	562	369	373
Pensions - Legislators	18	507	
Gratuities - Legislators		300	
<b>Total pensions and gratuities</b>	<b>3,106</b>	<b>2,765</b>	<b>3,095</b>

	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
TCI Tourist Board	2,165	1,049	2,084
TCI Community College	1,551	1,842	1,618
Invest Turks and Caicos	1,559	1,336	1,360
Integrity Commission	1,157	1,157	946
TCI Civil Aviation Authority	776	673	660
Human Rights Commission Expenses	246	246	218
Financial Intelligence Agency	69	350	24
Complaints Commissioner's Office	122	122	117
TCI National Trust	135	90	123
<b>Total subventions</b>	<b>7,779</b>	<b>6,864</b>	<b>7,148</b>

	30-Sep-19 ACTUAL US\$'000	30-Sep-19 ESTIMATE US\$'000	30-Sep-18 PRIOR YEAR US\$'000
<b>Finance Cost</b>	<b>170</b>	<b>376</b>	<b>387</b>

	<b>30-Sep-19 ACTUAL US\$'000</b>	<b>30-Sep-19 ESTIMATE US\$'000</b>	<b>30-Sep-18 PRIOR YEAR US\$'000</b>
Medical Treatment - Transfers to NHIB	16,627	16,627	13,755
Hospital Provisional Charges	11,155	11,304	10,810
Maintenance Expenses	4,377	4,749	4,054
Grants and Contributions	3,292	3,943	4,019
Rental of Assets	2,539	2,820	2,382
Utilities	2,204	2,201	1,741
SIPT - Court Cases	1,916	2,250	2,016
Local Travel and Subsistence	1,858	2,059	1,311
SIPT - Special Investigation Prosecution Team	1,454	1,790	1,782
Professional and Consultancy Services	1,263	3,643	1,068
Insurance	1,247	1,627	1,291
International Travel and Subsistence	1,094	1,600	735
Recurrent Sub Programmes and Projects	1,087	1,977	1,280
Social Welfare	1,081	1,077	932
Repatriation Expenses	1,054	1,050	1,212
Bank Charges	968	732	662
Communications Expenses	749	938	668
Other Supplies Materials and Equipment	749	1,513	424
Data Communication Cost	701	1,107	393
Hosting and Entertainment	600	1,124	210
Security Expenses	595	910	511
Fuel	536	626	384
Office Expenses	467	786	424
Unallocated Stores	452	444	92
Statutory Bodies Audit Costs	329	973	40
Training	312	554	298
Claims Against Government	290	435	130
Computer Licence Software and Hardware Maintenance	253	1,124	561
Other Sundry Expenses	222	409	77
Rations	217	198	210
Legal Costs Civil Recovery	204	350	514
External Donor Expenses	186	612	
Uniforms & Protective Clothing	186	362	81
Transport by School Bus	152	220	151
Subscriptions Periodicals Books	107	262	40
Court of appeal	103	275	100
Advertising and Promotions	101	158	76
Civil Recovery Court Costs	96	230	148
Aircraft and Vessel Operating Cost	75	98	89
Juror Costs	74	100	45
Court Contingency Costs	74	125	86
Statistical Surveys	71	154	5
Transport of Prisoners	66	91	50
Refuse Collection	63	188	90
Vessel Operating Costs	39	43	55
Drugs Medical and Lab. Supplies	37	134	25
Traffic Section, Arms and Ammunition	35	22	7
Catering Services	34	36	33
Prisoners Meals - Police	33	27	25
Port Charges Freight Handling Load	26	51	28
Juvenile Center	2	17	6
Statutory Land Acquisition	-	1,000	190
Pest Control Services	-	50	14
Other Operating Expenses	32	259	(31)
<b>Total other operating expenditure</b>	<b>61,486</b>	<b>75,452</b>	<b>55,295</b>

## 5. OUSTANDING ADVANCES

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
Staff loans and advances	572	99
Other receivables and advances	195	241
Loans and advances recommended for write-off	2,574	2,574
<b>Total outstanding advances</b>	<b>3,341</b>	<b>2,913</b>

## 6. FINANCIAL ASSETS – INVESTMENTS

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
Paid Up Shares of the Caribbean Development Bank (CDB)	706	706
Bond Repurchase programme	1,446	1,630
<b>Total financial assets - investment</b>	<b>2,152</b>	<b>2,336</b>

## 7. DEVELOPMENT FUND ASSETS

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
Development Fund Assets	72,625	72,625
<b>Total Capital Investment</b>	<b>72,625</b>	<b>72,625</b>

## 8. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
Loans receivable - TCIG	8,216	8,196
Loans receivable - TOLCO	5,930	5,931
<b>Total non-current receivables from exchange transactions</b>	<b>14,146</b>	<b>14,128</b>

## 9. PAYABLES FROM EXCHANGE TRANSACTIONS

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
Accounts payable & accruals	4,079	1,819
Refundable deposits	8,718	8,520
<b>Total payables from exchange transactions</b>	<b>12,797</b>	<b>10,339</b>

## 10. PROVISION FOR UNCOLLECTIBLE ACCOUNTS

	30-Sep-19 US\$'000	31-Mar-19 US\$'000
Provisions for Uncollectible Accounts	2,602	2,602
<b>Total Provisions</b>	<b>2,602</b>	<b>2,602</b>