

2020-21

HALF-YEAR REPORT

**GOVERNMENT OF THE
TURKS AND CAICOS ISLANDS**



UNAUDITED

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FOREWORD

This report presents the financial results of the Turks and Caicos Islands Government (TCIG) or (the “Government”) as at the half year ended 30th September, 2020.

The preparation and publication of this report is reflective of the Government’s commitment to transparent and timely reporting of the country’s financial position.

In these tough economic times, it is imperative to closely monitor expenditure against the backdrop of falling revenues against both budget and prior year. Further, the TCIG continues to look for new and innovative ways to generate new revenue streams whilst supporting existing industries and businesses who may be struggling at this time to remain a going concern.

Striking the best balance between safety and precautionary measures related to this pandemic and initiatives to stimulate economic activity remains the greatest challenge of countries worldwide. The duration of the pandemic coupled with effective the management of expenditure and cash flows will ultimately determine the financial position of the country at the end of the financial year.

BUDGETARY 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;*
- *\$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.*

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.

ECONOMIC OVERVIEW

The Turks and Caicos Islands Government entered the public health crisis with a strong fiscal position which included a low central government debt, BBB+ credit rating and cash reserves of over \$200m and an enviable track record of prudent financial management, good governance and transparency.

The local economy and by extension the world have changed dramatically in the past six months. Prior to March 2020, economic growth in the Turks and Caicos Islands was expected to increase, however, this changed abruptly when the effects of the COVID-19 pandemic began to be felt locally.

Global and national public health measures to contain and mitigate the spread of the virus have reduced economic activity and resulted in permanent and temporary business shutdowns and historic job losses in the Turks and Caicos Islands and across the globe.

According the Turks and Caicos Islands Statistics Department, economic activity is projected to decrease significantly throughout 2020 and into 2021. This outlook is based on the decline in the main drivers of the economy.

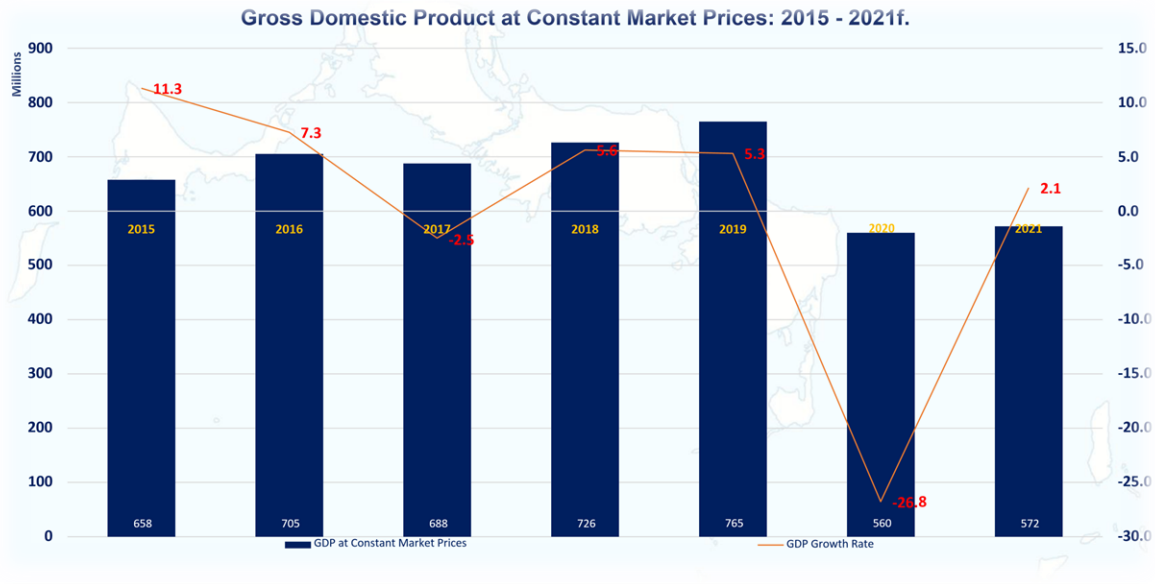
In current market prices:

- GDP per capita is expected to decline from \$27,877 to \$20,758
- GDP is forecasted to decline from \$1.2 billion to \$0.9 billion

In constant market prices:

- GDP is forecasted to decline by 26.8% from \$0.76 billion to \$0.56 billion

- The hotel and restaurant sector is forecasted to decline by 53% from \$303 million to \$142.4 million.



Source: Statistics Department GDP Forecast 2020

Activity is expected to improve as public health measures are gradually lifted and confidence is restored, the pace of recovery will largely depend on how the pandemic unfolds.

FISCAL PERFORMANCE

OPERATING RESULTS

<i>figures in US\$'000</i>	30-Sep-20 Actual	30-Sep-20 Budget	30-Sep-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Recurrent Revenue	76,326	113,519	157,918	(37,193)	-33%	(81,592)	(52%)
Recurrent Expenditure	119,712	154,420	113,810	34,707	22%	(5,903)	(5%)
Net Recurrent Surplus (Deficit)	(43,386)	(40,901)	44,109	(2,485)	6%	(87,495)	(198%)
Non-Recurrent Revenue	345	471	519	(126)	(27%)	(174)	(34%)
Non-Recurrent Expenditure	1,328	1,463	1,658	135	9%	330	20%
Operating Surplus (Deficit)	(44,369)	(41,892)	42,970	(2,477)	6%	(87,339)	-203%

Figures may not add due to rounding

The operating deficit widened to \$44.4 million at the half year mark, comparing unfavourably to the projected deficit of \$41.9 million. This performance also represented a decline of \$87.3 million (203%) in comparison to the prior year's outturn. As noted, this significant underperformance is a direct result of the massive economic disruption caused by the Covid-19 pandemic which caused a significant fall-off of government revenues. Also, TCIG's response which saw sustained spending to combat the effects of the virus while cushioning the economy.

- Government's Total Revenue for the first half of the financial year 20-21 totalled \$76.7 million, a decline of \$81.8 million against prior year's revenue of \$158.4 million. Total Revenue was also below the Estimates by \$37.3 million.
- Government's Total Expenditure (excluding capital expenditure) totalled \$121 million for the first half of financial year 20-21, an increase \$5.5 million from the prior year's outturn and \$34.9 million less than the Estimates.

CASH FLOW

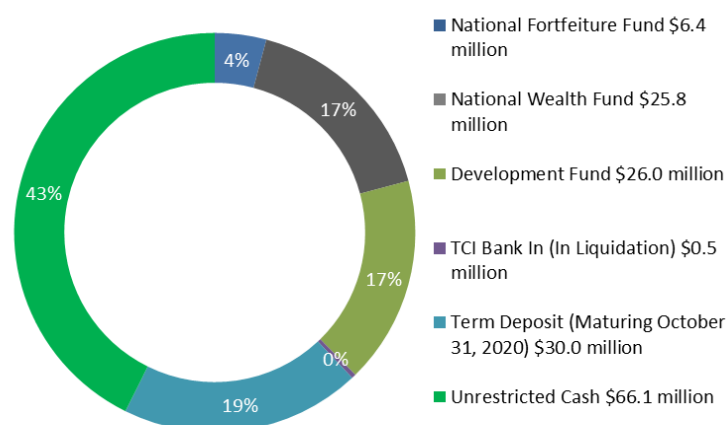
<i>figures in US\$'000</i>	30-Sep-20 Actual	30-Sep-20 Budget	30-Sep-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Cash Flows from Operations	(44,369)	(41,892)	42,970	(2,477)	6%	(87,339)	(203%)
<i>Less:</i>							
Capital Expenditures	(12,135)	(9,809)	(12,080)	2,327	-24%	56	(0%)
Repayment of Borrowing	(1,106)	(1,106)	(5,194)	()	0%	(4,088)	79%
Inflows from investments and Loan Repayments	24		184	(24)		(160)	(87%)
Net Working Capital Changes	2,774		(3,461)	(2,774)		(6,235)	180%
Net Cash Flows	(54,814)	(52,807)	22,418	(2,007)	4%	(77,232)	(345%)

Figures may not add due to rounding

The underlying cash balance at the half year point, inclusive of Development Fund expenditure, showed a decline by \$54.8 million, which was \$2.0 million greater than the estimate of (\$52.8) million. On a year over year basis, the outturn showed a \$77.2 million reduction from the prior year. This resulted in a decrease in Cash and Cash Equivalents from \$179.8 million at the beginning of the financial year to \$155 million at the half year point. Of this, \$30.0 million resides in a fixed term deposit with CIBC First Caribbean International Bank currently earning interest at a rate of 0.18% for six (6) months is due to mature on 31st October, 2020.

Cash and Cash Equivalents	30-Sep-20 US\$'000	31-Mar-20 US\$'000
<u>Cash & Domestic Banks</u>		
CIBC First Caribbean International Bank (Bahamas) Limited	24,371	53,405
RBC Royal Bank	835	1,317
Scotiabank (Turks and Caicos) Limited	99,178	124,321
TCI Bank Limited	548	548
Total Cash and Domestic Bank balances	124,932	179,591
<u>International Bank Accounts</u>		
Crown Agents Bank - Pounds Sterling	23	176
Crown Agents Bank - USD	6	5
Total International Bank Accounts	28	181
<u>Term Deposits</u>	30,000	30,000
Total Cash and Cash Equivalents	154,960	179,772

Breakdown of Cash & Cash Equivalents

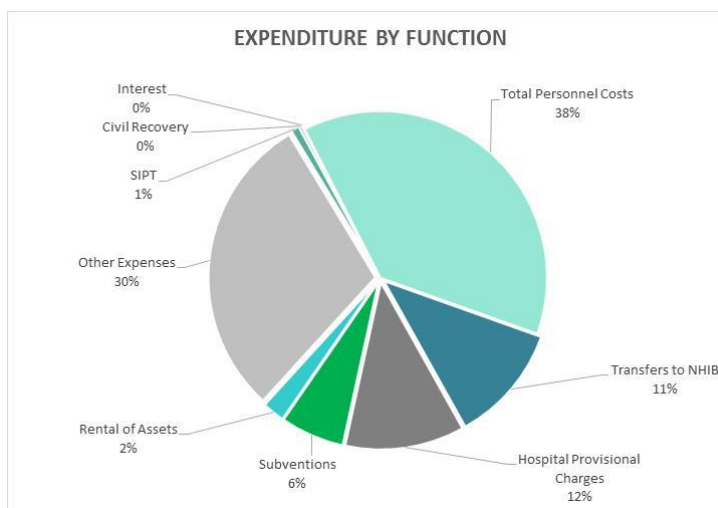
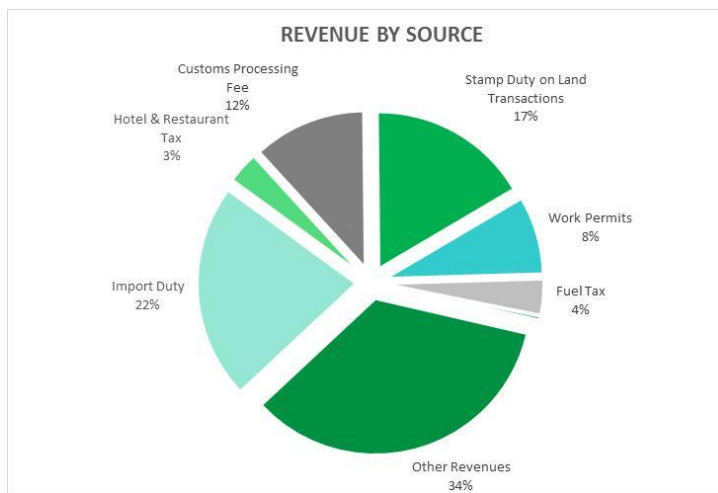
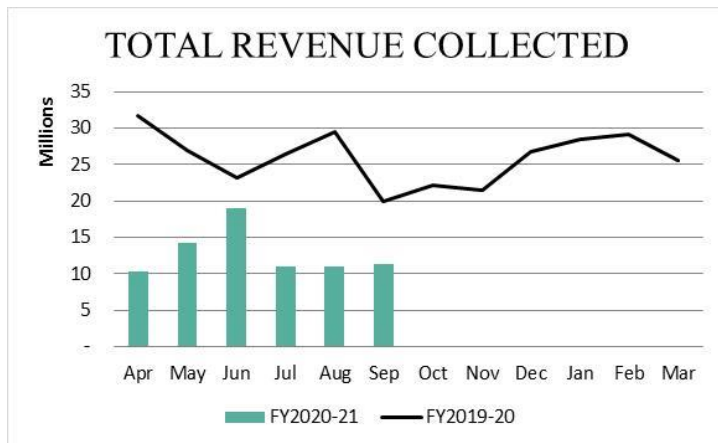


Of the total Cash Equivalents reported, \$66.1 million or 43% is currently designated as unrestricted cash as seen in the adjacent chart. The \$30 million fixed term deposit will be added to this unrestricted cash balance upon maturity at the end of October 2020.

Included in the total cash held at Scotiabank shown in the Cash and Cash Equivalents is \$67.3 million which remains in an on-call money market account locally. This deposit is currently earning interest at a rate of 0.55% per annum.

The Governments of the UK and the TCI have agreed a minimum liquid cash reserves ratio of 90 days' recurrent expenditure. Whilst, the Government entered this economic downturn with a healthy cash reserve, the cash flow forecast is showing that debt financing will be necessary late in the 4th Quarter if the debt sustainability ratio is to remain intact. TCIG has procured the services of a debt advisor to assist with the short and medium term financing strategy.

REVENUE & EXPENDITURE



Aggregate Revenue as at the half-year totaled \$76.7 million, \$13.5 million or 18% of which came from Excess Revenue Returns from Statutory Bodies. This Revenue performance was \$37.3 million or 33% behind projected revenue of \$114 million. On a year-over-year basis, Revenue was down \$81.8 million (52%) when compared to the results of the same period last year. This significant fallout in revenue is expected to continue at least until the end of the third quarter. The borders reopened on July 22nd at which point business activity was somewhat restored. However, tourism activities have been slow as many persons are averse to traveling given that the virus continues to spread both locally and in our main international markets. At this point, it remains uncertain when revenue collections will begin to gain any significant momentum.

Aggregate Expenditure as at the half year was \$121 million, \$34.9 million or 22% below the projected amount whilst up \$5.5 million or 5% the prior year. 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 expected to be fully expended at this point. While the process of reviewing applications for approval and payment begun during the month of May, it remains a work in progress (WIP). Overall, the underperformance against projected expenditure is not expected to be absorbed in the ensuing month's although operational activity has begun to slowly increase. Significant expenditure continues to be incurred in the health care sector and in the holding and repatriation of illegal immigrants.

REVENUES

figures in US\$'000

RECURRENT REVENUES	30-Sep-20 Actual	30-Sep-20 Budget	30-Sep-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Import duty	16,837	28,995	36,882	(12,158)	-42%	(20,045)	-54%
Excess Revenue	13,533	12,334	2,244	1,198	10%	11,288	503%
Stamp duty on land transactions	12,795	9,373	19,408	3,422	37%	(6,613)	-34%
Customs Processing Fee	8,911	13,177	17,336	(4,266)	-32%	(8,425)	-49%
Work Permits	6,138	10,709	10,667	(4,571)	-43%	(4,529)	-42%
Fuel Tax	2,772	4,019	5,067	(1,247)	-31%	(2,295)	-45%
Other Revenues	15,341	34,912	66,314	(19,571)	-56%	(50,973)	-77%
Total Recurrent Revenues	76,326	113,519	157,918	(37,193)	-33%	(81,592)	-52%

Numbers may not add due to rounding

Import Duties:

Year to date outturn totalled \$16.8 million accounting for 22% of Total Recurrent Revenues. This was 42% below the estimates and 54% below the prior year's outturn. The need for imported goods remains relatively low as tourist related consumption is at a minimum with most hotels remaining closed. 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 for construction materials. Total duties foregone because of this measure was \$2.2 million.

While receipts from Import Duties performed less than optimal during the first six months of the financial year, we expect to see gradual improvement as the borders have reopened, and economic activity is beginning to slowly increase.

Excess Revenue:

Returns from Statutory Bodies totalled \$13.5 million for the year to date; comprising 18% of Total Recurrent Revenue. The outturn was \$1.2 million ahead of the estimates whilst showing a \$11.3 million increase over the prior year.

Customs Processing Fees:

Customs Processing Fees (CPF) for the year to date totalled \$8.9 million being 32% behind the Estimates and down by 49% from the prior year's outturn.

As part of its measures to combat the economic fallout because 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 because of the measure was \$0.8 million.

Stamp Duty on Land Transactions:

Totalling \$12.8 million at the half year point and comprising 17% of Total Recurrent Revenue, this revenue stream was \$3.4 million ahead of the estimates whilst down \$6.6 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 from the 1st April 2020 until 30th June 2020 (completion to have occurred on or before 30th June 2020).

Work Permits:

Receipts from Work Permits totalled \$6.1 million for the year to date which was \$4.6 million below the estimates and down \$4.5 million from the prior year. Most 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 as at the half year were \$2.8 million, down by 31% from the estimates and 45% from the prior year's results. This can be attributed to the recent collapse in oil prices in the global market because 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.

figures in US\$'000

OTHER RECURRENT REVENUES	30-Sep-20	30-Sep-20	30-Sep-19	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Hotel & Restaurant Tax	2,445	13,843	41,130	(11,398)	-82%	(38,685)	-94%
Communications Tax	1,978	1,975	2,369	3	0%	(391)	-16%
Business Licence Renewal	1,760	1,337	1,679	423	32%	81	0%
Telecommunications licence	1,090	2,072	2,062	(982)	(47%)	(971)	-47%
Vehicle Licence	1,049	1,505	1,173	(457)	-30%	(125)	-11%
Crown land rents received	909	340	631	569	168%	278	44%
Permanent Residency Fees	640	1,002	1,037	(361)	-	(397)	-
Insurance Premiums Tax	548	866	781	(318)	-37%	(232)	-30%
Overtime Cost recovered	504	817	1,718	(313)	-38%	(1,214)	-71%
Finance Income	329	320	344	9	3%	(16)	-5%
Other Revenue Heads	4,090	10,836	13,390	(6,747)	(62%)	(9,300)	-69%
Total Other Revenues	15,341	34,912	66,314	(19,571)	-56%	(50,973)	-77%

Numbers may not add due to rounding

Other Recurrent Revenues collected to date totalled \$15.3 million which was 56% behind the budgeted amount and showed a 77% decline from the prior year.

Hotel & Restaurant Tax

Typically accounting for circa 25% of Total Revenue, Hotel & Restaurant Tax receipts as at the half year amounted to \$2.4 million against prior year receipts of \$41.1 million, a decline of 94%, mainly due to the fact the Tourism industry has been the hardest hit during this COVID-19 pandemic. 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 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 was deferred until 21st July 2020.

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, 2020 when compared with last year. The World Tourism Organization (UNWTO) predicts 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.

figures in US\$'000

NON-RECURRENT REVENUES	30-Sep-20	30-Sep-20	30-Sep-19	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Revenue from Grants	106	148	194	(42)	(28%)	(89)	100%
Land Sales	239	323	325	(84)	(26%)	(86)	(27%)
Total Non-Recurrent Revenues	345	471	519	(126)	(27%)	(174)	-34%

Numbers may not add due to rounding

Non-Recurrent Revenue for the year to date totalled 0.3 million. The amount showed a decline of 34% when compared to the prior year's outturn and was down 27% from the estimates. Included in this total is \$0.1 million in grant revenue received from private citizens but mainly UNICEF, to support online learning and mitigate the effect of COVID-19 on the education system.

EXPENDITURE

TCIG's Total Expenditure (excluding capital) for the half year totalled \$121 million. This represented an underspend of \$34.9 million or 22% from the Estimates while outperforming the prior year's results by \$5.5 million or 5%. A Withdrawal Warrant was executed during the second quarter reducing planned expenditure by \$17.9 million.

figures in US\$'000

RECURRENT EXPENDITURE	30-Sep-20	30-Sep-20	30-Sep-19	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Total Personnel Costs	45,929	48,479	46,033	2,550	5%	104	0%
Medical Treatment & Transfers to NHIB	13,856	16,627	16,627	2,771	17%	2,771	17%
Hospital Provisional Charges	13,976	11,509	11,155	(2,467)	-21%	(2,821)	(25%)
Subventions	7,465	5,274	7,779	(2,191)	-42%	314	4%
Maintenance Expenses	5,275	5,891	4,377	616	10%	(898)	(21%)
Grants and Contributions	11,467	29,455	3,292	17,988	61%	(8,175)	(248%)
Other Recurrent Expenditure	21,746	37,186	24,546	15,440	42%	2,800	11%
Total Recurrent Expenditure	119,712	154,420	113,810	34,707	29%	(5,903)	(5%)

Figures may not add due to rounding

Recurrent expenditure as at the half year point totalled \$119.7 million being \$34.7 million behind the budget whilst up \$5.9 million from the prior year's outturn. Of this total, personnel cost accounted for 38% totalling \$45.9 million. This outturn was \$2.6 million or 5% less than budget while on par with the prior year's results.

Hospital Provisional Charges & Transfers to NHIB together accounted for \$27.8 million or 23% of total expenditure. Outflows in relation to hospital provisional charges amounting to \$13.9 million exceeded the budget allocation by \$2.5 million or 21% as well as the prior year's outturn by 25%. This

increase in outflow is attributed primarily expenditure of \$2.2 million approved by Cabinet to facilitate infrastructural improvement at the Turks and Caicos Islands (TCI) Hospitals as part of its COVID-19 response. This related to the procurement of oxygen generators for its facilities on both the island of Grand Turk and Providenciales to enable onsite oxygen production, which is critical for treating patients with serious respiratory problems. Part of this funding was also used for the procurement of biomedical equipment and consumables for the retrofitting of additional rooms constructed to ensure the hospital has additional capacity to accommodate any increase in patients. There was also a 26.2% increase in Windstorm Insurance premiums which further contributed to the negative variances seen above.

The largest underspend in comparison to budget related to **Grants and Contributions** which reflects the \$25 million budgeted for stimulus payments to individuals and businesses within the MSME sector, of which \$9.4 million was expended at the half year. A 2nd Tranche of stimulus will be paid in the 3rd Quarter.

figures in US\$'000

OTHER RECURRENT EXPENDITURE	30-Sep-20 Actual	30-Sep-20 Budget	30-Sep-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Recurrent Sub Programmes and Projects	3,669	4,687	1,087	1,018	22%	(2,582)	(237%)
Rental of Assets	2,613	2,674	2,539	61	2%	(75)	(3%)
Utilities	1,590	2,598	2,204	1,008	39%	615	28%
Professional and Consultancy Services	1,346	2,448	1,263	1,102	45%	(82)	(7%)
Social Welfare	1,301	2,038	1,081	738	36%	(220)	(20%)
Security Expenses	1,288	1,046	595	(242)	-23%	(693)	(116%)
Insurance	1,057	1,311	1,247	254	19%	190	15%
SIPT - Court Cases	914	1,300	1,916	386	30%	1,002	52%
Other Supplies Materials and Equipment	864	1,170	749	307	26%	(115)	(15%)
Communications Expenses	758	1,048	749	291	28%	(8)	(1%)
Other Expenses	6,348	16,865	11,116	10,517	62%	4,768	43%
Total Other Recurrent Expenditure	21,746	37,186	24,546	15,440	42%	2,800	11%

Figures may not add due to rounding

Other Recurrent Expenditure totalled \$21.7 million as at 30th September, 2020. This represented an underspend of 42% when compared to the estimates and 11% in comparison to the prior year's outturn.

Significant savings in expenditure is seen in utilities due to reduced office hours and staff working on a rotational shift system to facilitate social distancing.

Several planned professional and consultancy projects have also been either deferred or cancelled due to COVID-19 as well as against the backdrop of low revenue collection.

figures in US\$'000

NON-RECURRENT EXPENDITURE	30-Sep-20 Actual	30-Sep-20 Budget	30-Sep-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
SIPT - Special Investigation Prosecution Team	953	1,207	1,454	254	21%	501	34%
Civil Recovery	375	256	204	(118)	-46%	(170)	-83%
Total Non-Recurrent Expenditure	1,328	1,463	1,658	135	9%	330	20%

Figures may not add due to rounding

Non-recurrent expenditure for the year to date of \$1.3 million was down 9% from the budget estimates and was 20% below the prior year's outturn.

REVENUE & EXPENDITURE BY MINISTRY

	Actual	Budget	Variance	
	\$'000	\$'000	\$'000	%
CASH INFLOWS				
01 Governor's Office	284	386	(102)	(26%)
03 Police	64	92	(28)	(30%)
04 Attorney General's Chambers	13,972	9,950	4,022	40%
05 Judiciary	151	419	(268)	(64%)
14 Statutory Charges	239	323	(84)	(26%)
16 Border Control & Employment	8,209	15,388	(7,179)	(47%)
54 Finance Trade & Investment	51,132	81,694	(30,562)	(37%)
57 Education Youth Sports & Culture	136	182	(46)	(25%)
59 Home Affairs Transportation & Communication	1,457	2,218	(762)	(34%)
60 Infrastructure Housing & Planning	320	450	(131)	(29%)
61 Tourism Environment Heritage & Culture	538	2,750	(2,212)	(80%)
62 Health Agriculture & Human Services	170	138	32	23%
TOTAL RECEIPTS	76,671	113,991	(37,319)	(33%)
PAYMENTS				
01 Governor's Office	2,805	2,870	65	2%
03 Police	11,810	14,214	2,403	17%
04 Attorney General's Chambers	2,770	2,541	(229)	(9%)
05 Judiciary	2,479	2,767	287	10%
14 Statutory Charges	4,887	9,947	5,060	51%
16 Border Control & Employment	4,455	5,067	612	12%
54 Finance Trade & Investment	16,948	34,094	17,147	50%
56 Deputy Governor's Office	965	863	(102)	(12%)
57 Education Youth Sports & Culture	14,587	17,494	2,907	17%
58 Director of Public Prosecutions	573	666	93	14%
59 Home Affairs Transportation & Communication	5,508	7,064	1,556	22%
60 Infrastructure Housing & Planning	8,466	10,538	2,073	20%
61 Tourism Environment Heritage & Culture	3,500	2,836	(664)	(23%)
62 Health Agriculture & Human Services	38,722	41,612	2,890	7%
63 House of Assembly	1,478	1,534	56	4%
64 Office of The Premier & District Administration	981	1,499	518	35%
65 National Security	106	277	171	62%
TOTAL PAYMENTS BEFORE CAPITAL	121,040	155,883	34,842	22%
OPERATING SURPLUS/(DEFICIT)	(44,369)	(41,892)	(2,477)	6%

Most program expenditure outturns came in less than estimated for the first half of FY 2020-21 resulting in an underperformance of \$34.8 million when compared to the revised estimates after considering the Withdrawal Warrant. This is mainly due to significantly reduced operations during the first quarter because of COVID-19 lockdown orders. Nonetheless, driving program priorities along with calculating the short-term cash flow impact of fiscal policy measures remains a key area of focus for the remaining half of the financial year.

CAPITAL EXPENDITURE

Ordinance 9 of 2016 which commenced on 24th March, 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 should the moneys still be required to meet any expenditure or commitment under the Fund. In accordance with this, 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 \$12.1 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: \$6.3 million was spent on the construction, renovation & upgrading of Government's buildings, of which \$3.7 million was spent on schools throughout the islands, \$2.0 million on road development, \$1.0 million on the National Physical Development Plan and \$0.6 million spent on the purchase of transportation equipment.

BORROWINGS

Statement of Outstanding Public Debt	Outstanding Balance 01-Apr-20 US\$'000	Repayment During 2020/21 US\$'000	Outstanding Balance 30-Sep-20 US\$'000	Finance Cost 2020/21 US\$'000	Current Portion 2020/21 US\$'000	Non-current Borrowings 2020/21 US\$'000
Financial Liabilities - Borrowings						
Unsecured						
Caribbean Development Bank	1,746	572	1,174	29	587	587
TCI Bank Limited	1,275	533	742	49	742	-
Total unsecured debts	3,021	1,106	1,916	78	1,329	587
Total outstanding public debts	3,021	1,106	1,916	78	1,329	587

TCIG's outstanding debt as at 30th September, 2020 was \$1.9 million. Total principal debt repayment for the year was \$1.1 million while total finance costs for the year were \$0.08 million. There were no new borrowings during the financial year, neither were there any drawdowns of previously approved

borrowings. TCIG continues to repay its loans on time and expects that all current borrowings will be repaid as scheduled.

NATIONAL WEALTH FUND.

The balance in the fund at the half-year currently stands at \$25.8 million. No transfers are expected to the fund during this financial year.

NATIONAL FORFEITURE FUND.

The National Forfeiture Fund had a balance of \$6.4 million as at 30th September, 2020.

CONCLUSION

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 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 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.

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.

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.

SUPPLEMENTARY TABLES

1. STATEMENT OF CASH RECEIPTS AND PAYMENTS

(All figures in US\$'000)	30-Sep-20	30-Sep-19
	US\$'000	TCIG
	Payments by Third Parties	Receipts/ Payments by by Third Parties
RECEIPTS		
<i>Government Revenue</i>		
Taxes on goods and services	18,407	69,226
Duties (excluding stamp duty)	28,598	60,156
Licences	4,289	5,735
Fees, fines and permits	9,179	16,212
Transfers from controlled entities	13,533	2,244
Finance income	329	344
Other receipts	2,231	4,326
	76,565	158,242
<i>External Assistance</i>		
Grants from Bilateral Agencies	-	-
Grants from Multilateral Agencies	106	194
	106	194
Total receipts	76,671	158,437
PAYMENTS		
<i>Operations</i>		
Compensation of employees	43,031	42,927
Pensions and gratuities	2,898	3,106
Finance costs	78	170
Other operating expenses	67,569	61,486
	113,576	107,688
<i>Transfers</i>		
Subventions to statutory bodies	7,465	7,779
<i>External Assistance from Third Parties</i>		
Bilateral Agencies	-	-
Multilateral Agencies	-	-
Other private organisations	-	-
	-	-
Total payments	121,040	115,468
Operating surplus (Deficit)	(44,369)	42,970
Net cash flows from investing activities	17,888	
Net cash flows from financing activities	(1,106)	
Net cash and cash equivalents at beginning of the year	179,771	
Net receipts/(payments) of public accounts	2,774	
Net cash and cash equivalents at Half-year	154,959	

Note numbers may not add due to rounding

2. STATEMENT OF CASH FLOWS

	30-Sep-19 US\$'000	31-Mar-20 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIPTS		
Taxes on goods and services	18,407	127,060
Duties (excluding stamp duty)	28,598	127,612
Licences	4,289	13,159
Fees, fines and permits	9,179	34,330
Transfers from controlled entities	13,533	3,298
Finance income	329	701
Grants and aid	106	351
Other receipts	2,231	8,776
Total receipts	76,671	315,288
PAYMENTS		
Compensation of employees	43,031	87,950
Pensions and gratuities	2,898	6,011
Finance cost	78	324
Subventions to statutory bodies	7,465	13,658
Other operating expenses	67,569	131,678
Total payments	121,040	239,620
Cash flows from operating activities	(44,369)	75,668
Net Increase in accounts Receivable	767	(1,342)
Net Increase in Accounts Payable	1,727	3,170
Depreciation Expense	234	117
National Wealth Fund Finance Income	52	63
Net Increase/(decrease) in National Forfeiture Fund	(6)	1,253
Net cash flows from operating activities	(41,595)	78,928
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(12,135)	(28,348)
Investment in Financial Assets	30,000	-
Write-off of held-to-maturity investment	(193)	-
Proceeds from principal loan repayments	33	53
Proceeds from financial assets - investments	184	367
Net cash flows from investing activities	17,888	(27,927)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowing		
Repayment of borrowings	(1,106)	(6,373)
Net cash flows from financing activities	(1,106)	(6,373)
Net increase in cash and cash equivalents	(24,813)	44,629
Cash and cash equivalents at the beginning of the year	179,771	135,143
Cash and cash equivalents at the Half-year	154,960	179,771

Note numbers may not add due to rounding

3. STATEMENT OF ASSETS AND LIABILITIES

	30-Sep-20 US\$'000	31-Mar-20 US\$'000
ASSETS		
Current assets		
Cash and cash equivalents	154,960	179,772
Financial assets - investments		30,000
Receivables from exchange transactions	3,488	4,255
Total current assets	158,448	214,028
Non-current assets		
Financial assets - investments	1,785	1,969
Receivables from exchange transactions	14,041	14,074
Fixed Assets	1,398,834	1,399,068
Total non-current assets	1,414,660	1,415,111
Total assets	1,573,108	1,629,138
LIABILITIES		
Current liabilities		
Payables from exchange transactions	15,235	13,509
Current portion of borrowings	1,329	2,183
Total current liabilities	16,564	15,692
Non-current liabilities		
Provision for Uncollectible Accounts	2,602	2,602
Borrowings	587	838
Total non-current liabilities	3,189	3,441
Total liabilities	19,753	19,133
Net Assets	1,553,354	1,610,006
Supported by:		
FUND BALANCES		
Consolidated Fund	1,495,042	1,539,604
Development Fund	26,029	38,164
National Forfeiture Fund	6,427	6,432
National Wealth Fund	25,857	25,805
Total fund balances	1,553,354	1,610,006

Note numbers may not add due to rounding

4. REVENUE

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Stamp duty on land transactions	12,795	9,373	19,408
Hotel & Restaurant Tax	2,445	13,843	41,130
Communications Tax	1,978	1,975	2,369
Insurance Premiums Tax	548	866	781
Bank Services Tax	309	195	454
Lottery Tax	91	101	-
Stamp Duty - Vehicle Hire	83	370	931
Seaport Departure Tax	73	1,039	2,047
Gaming Machine Tax	62	1,984	1,899
Stamp duty Miscellaneous	22	69	110
Casino Winning Tax	-	85	97
Total taxes on goods and services	18,407	29,901	69,226
	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Import duty	16,837	28,995	36,882
Customs Processing Fee	8,911	13,177	17,336
Fuel Tax	2,772	4,019	5,067
Aviation Fuel Royalty	50	175	356
Duty free shops Royalties	28	245	515
Total duties (excluding stamp duty)	28,598	46,611	60,156
	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Business Licence Renewal	1,760	1,337	1,679
Telecommunications licence	1,090	2,072	2,062
Vehicle Licence	1,049	1,505	1,173
Drivers Licence	234	415	415
Fishing licence	134	163	226
Liquor licences	9	52	22
Sand and Quarry Licences	7	9	9
Animal License	5	1	1
Gun Licences	2	-	2
Casino licences	-	25	25
Casino Permits	-	1	2
Gaming Location Licence	-	120	120
Total licences	4,289	5,701	5,735
	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
European Union (EU) Grant - Budgetary support			
Other Grants and External Assistance	106	148	194
Total grants from multilateral agencies	106	148	194

	30-Sep-20	30-Sep-20	30-Sep-19
	ACTUAL	ESTIMATE	PRIOR YEAR
	US\$'000	US\$'000	US\$'000
Work Permits	6,138	10,709	10,667
Permanent Residency Fees	640	1,002	1,037
PDA application fees	308	427	560
Labour Clearance Fees	261	403	484
ID Card Fees	261	363	460
Audit fees	232	386	329
Work Permits Repatriation Program	201	494	552
Residence Permit Fees	164	164	205
Fees for Official Search, Inspectio	162	109	116
National Parks Fees	125	74	264
Naturalisation Fees	89	130	118
Migrant Processing Fee	82	62	138
Court and Office fees	80	85	99
Registration fees	78	96	89
Sand and Quarry Royalties	70	48	72
Belongers Status	69	786	37
Medical fees and charges	63	34	37
Fines and forfeitures	62	283	234
Temporary Work Permits	43	605	608
Salt Cay Boat Fees	12	20	19
Survey fees	10	15	13
Hotel Inspection Fees	9	21	16
Dental fees	7	12	18
Penalties	6	16	16
Animal Importation Permit	4	9	12
Application Fees Companies	4	7	8
Scientific Research Permit	1	-	1
Examination fees	-	3	3
Time Sharing Fees	-	-	-
Sand Mining	-	-	-
Total fees, fines and permits	9,179	16,363	16,212

	30-Sep-20	30-Sep-20	30-Sep-19
	ACTUAL	ESTIMATE	PRIOR YEAR
	US\$'000	US\$'000	US\$'000
TCI Port Administration	5,300	5,850	13
TCI Airports Authority	4,000	4,000	-
TCI Financial Services Commission	3,334	2,484	1,226
TCI Telecommunications Commission	800	-	189
Complaints Commission	52	-	-
Invest TCI	46	-	-
Civil Aviation	-	-	487
Integrity Commission	-	-	329
Total transfers from controlled entities	13,533	12,334	2,244

	30-Sep-20	30-Sep-20	30-Sep-19
	ACTUAL	ESTIMATE	PRIOR YEAR
	US\$'000	US\$'000	US\$'000
Interest Income	327	305	330
Bond Inflows	2	15	15
Total finance income	329	320	344

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Crown land rents received	909	340	631
Overtime Cost recovered	504	817	1,718
Land Sales	239	323	325
Other Receipts	149	214	319
Warehouse rents	91	27	52
Sale of water	73	118	308
Legal fees recovered	58	138	151
Police Records	50	79	75
Travel Documents	41	107	108
Visas	37	128	209
Ship Registration and Tonnage	36	55	82
Contributions towards Special Schoo	35	-	35
Sale of Stamps	23	76	78
Commercials	14	10	8
Printing for third parties	13	12	25
Map sales	12	8	9
Sale of confiscated goods	11	61	69
Mail Box Rental	7	16	19
Sale of Text Books	3	39	72
Garbage Collection	3	3	3
Rent of Government property	2	15	6
CPU Third Party Sales	2	2	2
Sale of Law Books	1	2	5
Other Postal Services	1	14	12
Agricultural Sales	1	3	3
Farm Sales		1	-
Sale of books			1
Circulatory Coins		1	1
Commemorative Coins	-	2	1
Water and Sewage Related Operations	-	13	11
Immigration Refunds	-	(10)	(2)
Custons Refunds	(84)	-	(11)
Custons Refunds			
Civil Recoveries			
Dormant Accounts			
Total other revenue	2,231	2,612	4,326

5. EXPENDITURE

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Salaries and Wages	33,803	34,669	33,854
Contribution to Pension and Health Plans	2,648	2,934	2,634
Housing Allowances	2,133	2,359	2,066
Transport Allowances	437	582	478
Telephone Allowances	411	438	380
Other Allowances	2,969	3,078	2,943
Total compensation of employees	42,401	44,060	42,354

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Compensation to Members of the House of Assembly			
Salaries - Ministers and Members	436	877	438
Contribution to Pension and Health Plans for Ministers and Members	20	52	21
Allowances for Ministers and Members	174	132	114
Total compensation of members of the House of Assembly	630	1,062	573
Total compensation of employees	43,031	45,122	42,927

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Pensions	2,587	2,511	2,543
Gratuities	311	845	562
Total pensions and gratuities	2,898	3,357	3,106

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
TCI Tourist Board	1,356	931	2,165
Integrity Commission	1,157	695	1,157
TCI Community College	1,500	1,016	1,551
Invest Turks and Caicos	1,243	1,086	1,559
TCI Civil Aviation Authority	785	552	776
Subvention to Local Organizations	477	353	
Human Rights Commission Expenses	248	188	246
TCI National Trust	145	145	135
Complaints Commissioner's Office	128	128	122
Health Regulatory Authority	162	241	
Financial Intelligence Agency	101	188	69
Health Professions Authority	127	140	
National Wealth Fund	8	-	
Gaming Commission	29	(389)	
Total subventions	7,465	5,274	7,779

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Finance Cost	78	125	170

	30-Sep-20 ACTUAL US\$'000	30-Sep-20 ESTIMATE US\$'000	30-Sep-19 PRIOR YEAR US\$'000
Hospital Provisional Charges	13,976	11,509	11,155
Medical Treatment - Transfers to NHIB	13,856	16,627	16,627
Grants and Contributions	11,467	29,455	3,292
Maintenance Expenses	5,275	5,891	4,377
Recurrent Sub Programmes and Projects	3,669	4,687	1,087
Rental of Assets	2,613	2,674	2,539
Utilities	1,590	2,598	2,204
Professional and Consultancy Services	1,346	2,448	1,263
Social Welfare	1,301	2,038	1,081
Security Expenses	1,288	1,046	595
Insurance	1,057	1,311	1,247
SIPT - Special Investigation Prosecution Team	953	1,207	1,454
SIPT - Court Cases	914	1,300	1,916
Other Supplies Materials and Equipment	864	1,170	749
Communications Expenses	758	1,048	749
Data Communication Cost	657	1,042	701
Bank Charges	624	710	968
Fuel	562	913	536
Computer License Software and Hardware Maintenance	528	1,410	253
Rations	470	411	217
Local Travel and Subsistence	449	1,203	1,858
Legal Costs Civil Recovery	375	256	204
Office Expenses	373	688	467
Unallocated Stores	341	313	452
Claims Against Government	277	287	290
Depreciation Expense	234	-	-
International Travel and Subsistence	191	301	1,094
Uniforms & Protective Clothing	158	343	186
Other Sundry Expenses	127	198	222
Court of appeal	106	40	103
Vessel Operating Costs	105	145	39
Aircraft and Vessel Operating Cost	94	67	35
Hosting and Entertainment	92	361	600
Drugs Medical and Lab. Supplies	89	208	37
Covid-19 Expenses	86	1,638	
Court Contingency Costs	85	110	74
Refuse Collection	84	133	63
Civil Recovery Court Costs	68	31	96
Training	61	30	312
Advertising and Promotions	53	178	101
External Donor Expenses	47	517	186
Subscriptions Periodicals Books	40	177	107
Statutory Bodies Audit Costs	36	258	329
Port Charges Freight Handling Load	32	52	26
Statistical Surveys	29	60	71
Confiscated Vessels	25	25	2
Prisoners Meals - Police	25	28	33
Catering Services	19	35	34
Witness Protection Costs	19	24	-
Juror Costs	17	17	74
Traffic Section, Arms and Ammunition	11	22	35
Transport of Prisoners	7	27	66
Other Operating Expenses	48	4,738	1,278
Total other operating expenditure	67,569	102,005	61,486

6. OUSTANDING ADVANCES

	30-Sep-20 US\$'000	31-Mar-20 US\$'000
Staff loans and advances	706	95
Other receivables and advances	208	1,586
Loans and advances recommended for write-off	2,574	2,574
Total outstanding advances	3,488	4,255

7. FINANCIAL ASSETS – INVESTMENTS

	30-Sep-20 US\$'000	31-Mar-20 US\$'000
Paid Up Shares of the Caribbean Development Bank (CDB)	706	706
Bond Repurchase programme	1,079	1,263
Total financial assets - investment	1,785	1,969

8. FIXED ASSETS

	30-Sep-20 US\$'000	31-Mar-20 US\$'000
Land	1,397,577	1,397,577
Furniture & Fixtures	761	761
Computer Equipment	460	460
Plant & Equipment	308	308
Buildings	45	45
Motor Vehicles	34	34
Accumulated Depreciation	(351)	(117)
Total Capital Investment	1,398,834	1,399,068

