

FISCAL AND STRATEGIC POLICY STATEMENT 2021-2025



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**TURKS AND CAICOS ISLANDS
FISCAL AND STRATEGIC POLICY STATEMENT (FSPS)
2021- 2025**

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FISCAL STRATEGY OVERVIEW

The Fiscal Strategic Policy Statement (FSPS) utilizes the baseline projections budgeting technique a mid-term expenditure framework (MTEF) model applied over the base period 2021-22 and projected over the period 2022-2025. It sets out the future budget requirements based on existing services and the resource implications of the policy changes and new programmes of the newly elected Government and considers its macroeconomic environment linked to its strategic priorities.

The Governments of the United Kingdom and the Turks and Caicos Islands, through the 2012 Framework Agreement, agreed to five underlying pillars for the 2012 FSPS. Since then, adherence to these principles has had an overall positive impact on the economy, and the new Government intends to continue to observe them beyond the temporary imbalance caused by the COVID-19 pandemic. They are:

- Budget surpluses
- Controlling government expenditure
- Management of public debt
- Revenue enhancement and;
- The financial improvement of state-owned agencies and public and private partnerships.

Although the targets set out in the Framework Agreement have primarily been achieved and superseded and has ushered in a period of stability in public finance, the islands' long-term fiscal health is still uncertain. To better appreciate where the Country is as it relates to the long-term fiscal sustainability of the Islands, the Government commits to undertaking a review of the budgetary space to take corrective action to balance medium-term targets with long-term obligations. The new Government has also committed that every major policy decision will be based on sustainability, the kingpin being a justifiable budget policy.

In that regard, the TCI's Vision 2040 Document has five (5) high-level outcomes or Sustainable Development Dimensions (SDDs), these are:

- Robust and climate-resilient infrastructure- SDD 1;
- A socially cohesive society – SDD 2;



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- The healthy, natural environment, heritage and cultural assets - SDD 3;
- Citizen security – SDD 4; and
- Good governance – SDD 5¹

The targeted outcomes established by the Framework Agreement and the Vision 2040 document are consistent with the overarching triple bottom line sustainable goals of the new Government with its focus on profit, people and planet as set out in the United Nation Sustainable Development Goals (SDG) 2030.

The TCI is a tourism-dependent archipelago in the Caribbean. The Islands are exposed and vulnerable to a myriad of fiscal risks. The primary sources of fiscal risks include climate change and public health crises. The decimation of revenue collection and increased spending caused by the COVID-19 pandemic has resulted in the debilitation of free cash flow. Simultaneously, many have faced job losses, business closures and other hardship undermining the overall standard of living. Under the circumstances, a significant focus of the Government is to keep the population healthy and safe while rebuilding the economy. Accordingly, the Government is obliged to take on new debt. However, the economic condition of the islands can handle a prudent debt load given the current low debt service obligation, for which the ability to serve in the future seems to be improving with recent signs of an upturn in tourist arrivals, real estate transactions and new construction.

Spending priority will include an increased allocation for health to manage the ongoing pandemic and accelerate widespread vaccination of the population; to implement short-term poverty alleviation programmes through value exchange, social welfare grants and aid; and provide tax relief to MSMEs. Funding is prioritized for the modernization of the public sector, agriculture development, investment in tourism, local government transformation and civil servant retirement benefit plan.

The FSPS targets are developed against the background that no new taxes or fees will be imposed on the citizenry of the islands in FY 2021-22. However, the Government has committed to undertaking work during the current budget period to rationalize the revenue structure to develop a revenue regime that balances the principles of efficiency, equitability, and fairness in the mid-term.

¹ TCI's Vision Document 2040



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Total expenditure excluding capital has been restricted to \$315.6 million or 33.6 per cent of GDP. Recurrent expenditure growth is planned at 2.5 per cent for the medium term. Approximately \$56.3 million is intended for investment in the Island's infrastructure over the next three years, \$25.7 million has been allocated for 2021-22. This excludes any investments in new infrastructure by way of a Public-Private Partnership in which the Government may choose to engage. A budget deficit is planned for 2021-22 and surpluses for the medium-term.



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ECONOMIC OUTLOOK

International Economy

According to the International Monetary Fund (IMF), in its January 2021 edition of the World Economic Outlook (WEO), global economic activity is projected to increase by 5.5 percent in 2021 and by 4.2 percent in 2022. Globally, the projected increase in the economy is mainly dependent on a successful vaccination program and additional policy support to help countries through the pandemic. The forecasted increase in economic performance reflects a growth in the following economies and regions: USA, Canada, the United Kingdom (UK), the Euro Area, Latin America and the Caribbean and Emerging Markets and Developing Economies. In regards to the projection:

“Although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022. The 2021 forecast is revised up 0.3 percentage point relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies (IMF, 2021 p.1.)

Table 1- International Economic Assumptions

	Actuals 2018	Actuals 2019	2020	2021	Projections 2022
World Growth	3.6	2.8	-3.5	5.5	4.2
US	2.9	2.2	-3.4	5.1	2.5
Canada	1.9	1.9	-5.5	3.6	4.1
UK	1.4	1.4	-10.0	4.5	5.0
China	6.6	6.0	2.3	8.1	5.6
Euro Area	2.2	1.3	-7.2	4.2	3.6
Latin America and the Caribbean	1.0	0.2	-7.4	4.1	2.9
Emerging Markets and Developing Economies	4.5	3.6	-2.4	6.3	5.0
Low- Income Developing Countries	4.9	5.3	-0.8	5.1	5.5

Source: IMF World Economic Outlook – January 2021

Advanced economies are projected to have experienced a decline of 4.9 percent in 2020 to improve and experience an increase of 4.3 percent in 2021 and 3.1 percent in 2022. The Emerging Markets and Developing Economies is forecast to increase by 6.3 percent in 2021 and 5.0 percent in 2022, after experiencing a decline of 2.4 percent in 2020. The United States of America (US) economy is projected to have declined by 3.4 percent in 2020 but is expected to increase by 5.1 percent in 2021 and 2.5 percent in 2022.



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The United Kingdom economy, after experiencing a projected decline of 10.0 percent, is forecast to expand by 6.3 percent in 2021. The Euro area is forecast to decline by 10.2 percent in 2020 and improve by 4.5 percent in 2021 and 5.0 percent in 2022, due to anticipated recovery in external demand and a successful vaccination campaign. Though it experienced a decline of 5.5 percent in 2020 is forecast to expand by 3.6 percent in 2021 and 4.1 percent in 2022.

Despite a turbulent year for the world in 2020, China's economy is still projected to have achieved growth of 2.3 percent, while most of the other major world economies experienced a significant decline in economic performances. The economy of China is projected to grow by 8.1 percent in 2021 and 5.6 percent in 2022. Because of the ongoing pandemic, the 2020 Gross Domestic Product (GDP) in China was much lower, which suggest a weakening of economic activity. Although India's economy was anticipated to grow in 2020 and 2021, respectively, because of the current pandemic, India's economy is now projected to have declined by 8.0 percent in 2020 but is expected to rebound and experience growth of 11.5 percent in 2021 and 6.8 percent in 2022.

Among the Low-Income Developing Countries, economic growth is projected to increase by 5.1 percent in 2021, and 5.5 percent in 2022, which is higher than the projections from the October 2020 forecast and is because of the positive success with the vaccine nearing the end of 2020 and additional policy support which some countries received. These countries' improvements can be realized once fiscal expenditure prioritizes debt containment and infrastructural development over poorly targeted subsidies.

The IMF further forecasts that Latin America and the Caribbean economies would increase by 4.1 percent in 2021 and 2.9 percent in 2022. A lot of uncertainty shadows this forecast. If there are continued virus mutations, premature withdrawal of policy support, and a slow vaccine rollout, the outcome can worsen. However, if there is additional policy support, and tremendous success with vaccinations, the results can improve.

Domestic Economy

Like the rest of the world, the Turks and Caicos Islands faced significant challenges caused by the Covid-19 pandemic beginning in March 2020. The abrupt shutdown of the main tourism sector resulted in massive unemployment and the decimation of the GDP by historic proportions. However, the Government of the Turks and Caicos Islands quickly implemented containment



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measures together with the gift of vaccines from HMG-UK have up to the end of April 10, 2021, resulted in an overall reported infection rate of 5 percent or 2357 COVID-19 and 17 deaths. There are 54 active cases (April 10) across the islands and the vaccination rate is approximately 35 percent.

Albeit the onset of the pandemic occurred while the Country is still recovering from the devastation of hurricanes Erma and Maria in 2017. The Turks and Caicos Islands was in a much better position to develop an emergency response to the crisis and reduce its impact on poverty and unemployment than most of the countries in the region. Nevertheless, the economic fall-out from the pandemic and the measures which had to be implemented to mitigate the long-term social impact of the virus negatively impacted TCIG fiscal targets. The economy, which was forecast to grow by approximately 5 percent in 2020, is projected to contract by 26.8 percent.

Because of the stringent measures implemented by the Government, and the healthcare investments, the Islands have been spared a full-blown public health crisis. The availability of vaccines at the speed with which they are taken up will potentially boost the confidence of all stakeholders and is a critical factor for the full resumption of economic activity within the Turks and Caicos Islands. The overall economic decline estimated at 26.8 percent in 2020 and the projected growth in 2021 reflects the importance of tourism and its interconnectedness with the rest of the Turks and Caicos Islands economy.

The Turks and Caicos Islands economy is forecast to increase by 2.1 percent in 2021 and grow further in 2022. This expansion will be driven mainly by an increase in tourism, construction, real estate transactions and related activities. Most pre-pandemic scheduled airline service to the Islands have resumed, and with the pent-up demand for holidays, new routes and additional flights are proposed. The potential resumption of cruises ship visits later this year, (subject to new capital works at the Grand Turk Cruise Centre and the approval of the CDC) will see the recommencement of economic activities from this source and an increase in revenue flow above that of 2020.

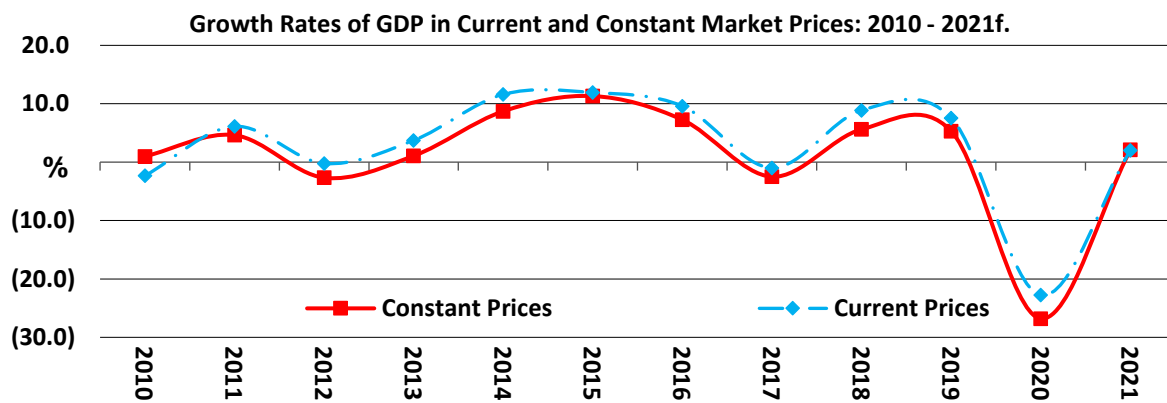
The fact that approximately 70 percent of the visitors to the Turks and Caicos Islands in 2019 arrived by cruise ships, reflects the importance of this industry to the overall performance of the local economy. The Cruise industry, however, is still facing a significant challenge, as it will be a while before the travelling public regains confidence in this industry. However, with the USA's increased vaccination rate and measures being put in place by the major cruise lines that visit



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our shores yearly, this industry is set to make a significant contribution to the TCI tourism product in future years. Although there is great difficulty in predicting when the tourism industry will fully recover, given that there are still travel restrictions in place in some of our major source markets, as well as domestic curfews, all indications are that the tourism sector is set to experience growth in 2021 and 2022 and when combined with growth in construction and real estate have the potential for a V-shaped recovery for the Islands.

Figure 1- Growth Rate of GDP



Source: Statistics Department

The figure above estimates the potential impact of the current COVID-19 pandemic; we can make a comparison of the current crisis to the 2008–2009 crisis. Both can be considered as external crises that impacted the Turks and Caicos Islands through, a fall in commodity prices, a decline in tourism activities and financial markets and capital inflows. During the 2008–2009 global recession, Wholesale and Retail Trade fell by 33 percent, while Hotel and Restaurant activities declined by 27.7 percent and Construction activities dropped 47.6 percent. This resulted in an overall decline of 19.7 percent in economic activity in the Turks and Caicos Islands. If we apply this behaviour to the current added value composition, the Turks and Caicos Islands is now projecting that Wholesale and Retail Trade activities would have declined by 5 percent in 2020 but is expected to increase by 3.5 percent in 2021, while Hotel and Restaurant activities are forecast to decline by 53.0 percent but are expected to increase significantly in 2021.

The Manufacturing and Agricultural sectors will remain weak declining by 0.6 percent and 7.7 percent respectively in 2020. Both sectors are projected to experience further decline in 2021, the agricultural and manufacturing sector is projected to decline by 0.4 percent and 2.4 percent



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in 2021 respectively. The forecast for the Construction sector is to achieve mild growth of 3.5 in 2020, when compared to growth of 16.9 percent in 2019 and growth of 5 percent in 2021 and is set to experience further growth in future years. The impact of the imposition of curfews though necessary to save lives has placed a strain on small businesses offering personal services (e.g. hairdressers, barbershops, spas, gyms, etc.). Thus, contributing to the decline in overall economic activity. The Real estate sector performed relatively well in 2018 and 2019 and is projected to have increased by approximately 2.5 percent in 2020 and is forecast to increase at an average of 3 percent in 2021 and 2022.

The unemployment rate is forecast to increase significantly to 11 percent in 2020 as persons were laid off due to the Covid-19 pandemic. However, the Turks and Caicos Islands rely heavily on migrant workers, and a number of these workers would have left the islands after being laid off; the unemployment rate was not as high as it would have been under normal circumstances. However, the unemployment rate is forecast to be lowered to 9 percent in 2021 and 2022 as economic activity improves and more workers subsequently return to work. These forecasts are based on the current economic climate and anticipated changes within the medium term.

However, the TCI's economy is vulnerable to external shocks, evidenced by its domestic economic activity trend over the last decade. However, the economy has always been able to bounce back quickly from these external shocks, and the strong fiscal policies and controls implemented over the years have ensured that the Turks and Caicos Islands can withstand these economic shocks. Though the national economy continues to feel the effect of the Covid-19 pandemic, it is on a path to rebound from the devastating impact of this pandemic and is set to achieve economic growth in 2021 and 2022. The local economy is forecast to get back on the path to sustainable international competitiveness in the tourism industry as the TCI brand of tourism remains strong amid economic and environmental hurdles. This is of critical importance, given the importance of tourism to the national economy. Today's strategic efforts and investments are on the chart to further enhance and cement the unmatched tourism product the TCI has to offer.



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Table 2 Domestic Macroeconomic Assumptions – 2015 to 2022

	Actuals	Actuals	Actuals	Actuals	Actuals	Estimate	Estimate	Projections
	2015	2016	2017	2018	2019	2020	2021	2022
Nominal GDP (bill. US\$)	0.94	1.03	1.02	1.1	1.2	0.92	0.94	0.96
Nominal GDP Growth (%)	11.9	9.6	-1	8.9	7.6	-22.8	2.0	2.0
Real GDP (%)	11.3	7.3	-2.5	5.6	5.3	-26.8	1.3	1.3
CPI (%)	2.2	2	2.1	2.1	2.2	2.3	2.2	2.2
Population	36.7	37.9	39.8	41.4	43	44.5	46.1	47.7
Nominal GDP per capita \$)	25,677	27,234	25,695	26,909	27,877	20,758	20,448	20,380
Value of Imports (\$MN)	409.7	389.3	432.6	483.7	487.6	434.9	441.4	448.0
Exports (\$mn)	4.6	4.5	2.3	5.8	5.3	5.9	6.8	7.7
Balance of Trade	-405	-384.8	-430.2	-477.9	-482.3	-429.0	-434.6	-440.3
Foreign Direct Investment (%)	5.8	4.4	-1	2.5	3	2.5	3	3
Unemployment (%)	11	7	6	7	7	11	9	9

Source: Statistics Department

Table 3, illustrated below, tracked the Nominal GDP and Nominal GDP per capita performance from 2010 to 2020 and made informed projections for 2021 to 2022. Both indicators suggest that the TCI has made significant advances over this period. Nominal GDP is projected to have increased from \$686.8 million in 2010 to an estimated \$1.2 billion in 2019. However, the fall-out from the covid-19 pandemic nominal GDP is now forecast to decline to 924 million in 2020 but increase to \$972.5 million by 2022. Since the 2017 hurricanes, the TCI has been on the mend and as a result, experienced significant growth rates in 2018 and 2019; and was forecast to achieve a growth rate of more than 5 percent in 2020. However, because of the covid-19 pandemic, GDP is projected to have declined significantly in 2020. In the wake of strategic capital development geared towards the islands' recovery and projected large-scale development projects, the economy is forecast to experience growth of approximately 2 percent in 2021 and 2022. Nominal GDP per capita is estimated to have increased to \$27,877 in 2019 but is now forecast to decline to \$20,448 in 2021. This is because of an increase in the population and only a meagre growth in the GDP.



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Table 3-Levels of Nominal GDP and Nominal GDP Per Capita

Year	Nominal GDP \$m	Nominal GDP Per Capita (\$)
2010	686,788	19,907
2011	728,790	21,755
2012	727,161	22,583
2013	754,238	22,396
2014	841,700	23,934
2015	942,070	25,677
2016	1,032,452	27,234
2017	1,022,365	25,695
2018	1,113,178	26,914
2019	1,197,415	27,877
2020	924,583	20,758
2021	943,270	20,448
2022	972,511	20,380

Source: Statistics Department

The economy of the TCI is relatively small in comparison to other countries. The human resource base is narrow, natural resources are extremely limited and its domestic market over the years have been restrictive. A narrow human resource base implies that human resource bottlenecks arise in several areas of economic activity. The narrow range of local skills usually means that a small number of persons must carry out a wide range of functions. Consequently, the TCI relies on immigration (facilitated by the issuing of work permits) to alleviate the human resource deficit problem.

Construction

Despite negative growth performance in 2020 for the major economic sectors, the construction sector is estimated to have grown by 3.5 percent in 2020 and is forecast to grow at an average of five (5) percent over the period 2021 to 2023. Activities of businesses and private individuals continue to drive the Construction sector. This is forecast to continue in 2021 and will be complemented by other private sector developments. Besides, the Government has several new and ongoing capital programmes, which will focus on infrastructural development, improved physical working conditions, and community-based projects, which will significantly impact the performance of the construction industry going forward.

Construction activity will continue to be propelled by foreign direct investment in major tourism-related and other projects, as well as an increase in domestic private sector investments.



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Agriculture and Fishing

The Agriculture and Fishing sector currently contributes less than 1.0 percent to the Turks and Caicos Islands GDP. However, this sector is estimated to have declined by 10.3 percent in 2020 and is forecast to decline further by 0.4 percent in 2021. In recent years, the Government has taken steps to properly police and educate fishermen about the dangers of bleaching the coral reefs and improved its enforcement efforts. This has resulted in less catching of under-sized lobsters and fewer illegal activities. These factors are forecast to contribute to the projected increases in the Agriculture and Fishing sector going forward. Also, the Government is set to implement new initiatives to stimulate the agricultural sector, which will increase the contribution of the Agricultural industry.

Tourism

Before the pandemic, the Country showed steady growth in visitor arrivals mainly from cruise passenger arrivals and the industry was on track for yet another year on year increase in numbers and revenue. However, for the period between March 2020 and February 2021 the Islands saw a marked decline in arrivals because of the global travel restrictions. Due to a series of co-ordinate measures including stakeholder collaboration the Islands are experiencing a consistent increase in arrivals. All the major properties within the TCI have reopened, and are reporting a projected increase in booking pace, occupancy levels and average daily rates (ADR). It is projected by industry actors that the land base tourism subsector could be back to its pre-pandemic level by the end of March 2022.

Because of its interdependence with other sectors of the economy, the economic impact of this sector's fall-out has been widely felt throughout the whole economy. Based on the current trajectory the sector will lead to the rebound of the entire economy the result being a positive outlook starting in the 2021/2022 financial year. Concisely, the Tourism sector is forecast to contract by 53 percent in 2020 but is forecast to rebound by the end of 2022. Given new investments in the pipeline for the industry, and the return of cruise tourism by 2022 it is expected that tourism overall increase in numbers and contribution to the economy is set to significantly exceed the pre-pandemic statistics. Should that hold the TCI economy will potentially experience robust growth again for the near future.



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Financial Services

Diversifying the economy has always been a key ingredient of the economic vision for the TCI and the Financial services sector can be a major complementary economic sector to the tourism brand.

Turks and Caicos Financial Services Commission (FSC) provides a sound oversight framework. The country is largely compliant with the various guidelines established by Regional and International Oversight Bodies to prevent money laundering and terrorism financing. The TCI is implementing regulatory improvements recommended by the IMF in 2015. However, the growing cost of regulating the sector is becoming a burden on the public purse largely because of the lack of new financial products. Provision is made in the current year estimate to stand in place a joint venture marketing structure with the private sector to revolution the sector. The need for this is made apparent against the backdrop of the current pandemic and its impact on tourism.

Immediate specific actions include the following:

1. Promote the international financial services sector by setting up and funding TCI Finance as a promotional agency to attract global financial services businesses to TCI, aimed at converting it to a preferred fintech destination
2. Institute a preferential labour protocols policy for the grant of multi-year work permits to qualified specialists in the sector based on agreed criteria
3. Target 2-week processing times for temporary Global Talent work permits in the field
4. Require a staffing plan to employ Turks and Caicos Islanders as a condition for these work permits
5. Create an empowered Financial Services Committee with senior representative from the FSC, private sector and Government, chaired by the Minister of Finance, to ensure that the Financial Services Sector is prioritized



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Trade

The Turks and Caicos Islands merchandise trade data shows that the merchandise value of imports declined by 0.8 percent in 2020 when compared with the same period in 2019. This was primarily associated with decreased activities in the Hospitality sector and the Wholesale and Retail Trade sectors and because of restrictions imposed to minimize the impact of Covid-19 but is forecast to increase on average by 5 percent over the period 2021 to 2023. Exports from the TCI in 2020 were valued at \$5.3 million compared to \$5.8 million during the same period in 2019. This resulted in an overall merchandise trade deficit of approximately (\$482.3) million within the same period and an increase in the overall negative trade balance by roughly 1 percent. The dismal export performance reflects primarily the narrow range of goods exported from the TCI. Overall although imports declined in 2020 it is forecast to increase over the period 2021 to 2022, especially imports related to construction materials, as construction activity continues and new projects are implemented and imports related to the wholesale and retail trade.

Downside Risk

The world is currently still facing a global crisis of unprecedented scale. The COVID-19 pandemic is both a health and an economic problem that is affecting countries worldwide. Tourism, the islands' main activity, has been deeply affected and its future depends on the containment and subsequent eradication of the global pandemic.

The Government is mindful that inherent and external risks pose a significant threat to projected growth. The Government, will, therefore, place a greater emphasis on implementing programs to help boost spending, protect businesses, maintain consumption, and sustain employment levels within the various sectors of the Turks and Caicos Islands economy.

Because of the policies and programs implemented in response to the pandemic mainly focusing on the formal economy, both stimulus programs and budgetary allocations benefitted mainly registered businesses and contributing employees, as these programs required proof of registrations and payment into the NIB and NHIB programs. Therefore, an effort will be made in designing programs going forward, to address the urgent social and economic needs arising from the prolonged presence of COVID-19. To this end, the Government has recently implemented a stimulus program that focuses on all sectors of the population and includes the informal workers.



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Should the pandemic persist or another catastrophic shock occurs in the short term, the Government will be obliged to distribute another economic stimulus. It has therefore provided for value exchange and grants to the tune of \$15 million in the current estimates TCIG is also investigating the financial and social impact of the implementation of a permanent program to address unemployment in the future. When this happens, cash to formal and informal unemployed workers will be embedded in the Country's fiscal program. This will likely be supported by a payroll deduction system, thereby shifting some social cost to the permanent workforce as part of an overall fiscal sustainability effort.



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AGGREGATE FINANCIAL TARGETS

The aggregate financial targets for core Government operations, which are listed below, have been established for the 2021-22 fiscal year and the three forward years to deliver on the agreement between the TCI and the UK governments. The targets fall into three (3) categories: operating, balance sheet and cash flow.

Table 4- Aggregate Financial Target

FINANCIAL MEASURES	2017/18	2018/19	2019/20	2020/21		2021/22	2022/23	2023/24	2024/25
	Unaudited Actuals \$'000s	Unaudited Actuals \$'000s	Unaudited Actuals \$'000s	Revised Estimate \$'000s	Unaudited Outturn \$'000s	Estimate \$'000s	Projection \$'000s	Projection \$'000s	Projection \$'000s
OPERATING TARGETS									
Recurrent Revenue	261,416	303,844	313,785	169,703	192,627	255,838	314,111	323,534	333,240
Non-Recurrent Revenue	20,756	11,181	1,222	4,342	6,596	728	428	428	428
Total Revenue	282,173	315,025	315,007	174,045	199,223	256,566	314,539	323,962	333,668
Recurrent Expenditure	208,808	219,490	231,585	273,565	258,001	305,045	284,933	292,985	298,391
Non-Recurrent Expenditure	10,050	9,359	8,035	6,382	5,149	10,596	7,405	3,464	2,960
Total Operating Expenditure	218,858	228,849	239,620	279,948	263,150	315,641	292,338	296,448	301,351
Surplus Before Capital Programme	63,315	86,176	75,387	(105,903)	(63,928)	(59,075)	22,201	27,514	32,317
Capital Development Projects	(17,762)	(32,641)	(28,060)	(27,546)	(25,739)	(26,346)	(22,000)	(10,000)	(10,000)
Net Operating Surplus/Deficit	45,553	53,534	47,327	(133,449)	(89,667)	(85,421)	201	17,514	22,317
BALANCE SHEET TARGETS									
Net Government Debt	16,647	(36,553)	(75,891)	50,649	6,660	86,496	90,710	67,612	39,710
CASH FLOW TARGETS									
Opening Cash Balance	51,270	84,659	120,485	146,412	146,412	54,929	26,009	36,461	61,726
Net Operating Cash Surplus	45,553	53,534	47,327	(133,449)	(89,667)	(85,421)	201	17,514	22,317
Other Net Cash Inflows	429	697	2,749	367	367	367	367	367	367
Debt Repayment	(12,593)	(10,389)	(6,373)	(2,389)	(2,183)	(3,866)	(10,116)	(12,616)	(12,616)
*National Wealth Fund-In	-	(8,015)	(17,777)	-	-	-	-	-	-
New Borrowing						60,000	20,000	20,000	
Closing Consolidated Fund Cash Balance	84,659	120,485	146,412	10,940	54,929	26,009	36,461	61,726	71,794
Closing Development Fund Balance	15,955	31,015	30,728	-	31,261	31,607	25,607	12,423	-
Closing National Forfeiture Fund Balance	-	5,023	6,432	-	6,432	6,432	6,432	6,432	6,432
Closing National Wealth Fund/Sinking Fund Bal	-	8,029	25,806	25,806	25,806	25,806	25,806	25,806	25,806
CASH FROM ALL SOURCES	100,613	164,552	209,378	36,746	118,428	89,854	94,306	106,387	104,032

Source: Prepared by the Budget Office

Operating Targets

The operating targets reflect the three (3) primary areas from the operating statement: operating revenue, operating expenses and operating surplus. The operating surplus is the fundamental operating measure.

According to Table 4, total revenue in 2021-22 is forecast at \$256.6 million or \$57.3 million above the unaudited actual for 2020-21 and \$58.4 million below the audited actuals of 2019-20.

Total expenditure before the capital contribution is forecast at \$315.6 million, an increase of \$52.5 million or 20.0 percent over the unaudited outturn for FY 2020-21 or \$76.0 million or 31.8



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percent above the approved budget of 2019-20 and Capital Expenditure is forecast at \$26.3m. The forecast is for an operating deficit in 2021-22.

Balance Sheet Targets

Core Government assets and liabilities are reported as targets. Fixed assets are not currently recorded in the Government accounts. A new Fixed Asset Policy was approved in the 1st Quarter of 2019-20, which would allow for the inclusion of fixed assets on the Balance Sheet. Net Government debt is forecast at \$86.5 million.

Cash Flow Targets

Net operating deficit before debt repayment is forecast at \$85.4 million in 2021-22 or 33.3 percent of recurrent revenue; Operating surplus is forecast at \$0.2 million in 2022-23; \$ 17.5 million by 2023-24 and \$ 18.0 million in 2024-25. The operating cash flows from previous years have augured well to allow the Government to respond to the economic shocks caused by the COVID-19. Debt financing is the Source of Funding for the deficits (See Debt Strategy).



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COMPLIANCE WITH PRINCIPLES OF RESPONSIBLE FINANCIAL MANAGEMENT

Table 5 below summarizes the extent to which the aggregate financial targets comply with responsible financial management principles. The table shows the degree of compliance with the principles in each year of the forecast period. An operating deficit is forecast for FY 2021-22, and the net debt is forecast at 33.8 percent of Recurrent Revenue.

Table 5-Compliance with Principles of Responsible Financial Management

PRINCIPLES	DEGREE OF COMPLIANCE		
Operating Surplus: should be positive all years Operating Surplus = Total Operating revenue - Total Operating expenditure	Complies in all years		
	2013/14	25,851	
	2014/15	69,633	
	2015/16	47,395	
	2016/17	30,803	
	2017/18	45,553	
	2018/19	45,519	
	2019/20	11,508	
	2020/21	(133,449)	
	2021/22	(85,421)	
	2022/23	201	
	2023/24	17,514	
	2024/25	22,317	
	Debt Service: Debt servicing cost for the year should be no more than 10% of core revenue by the end of fiscal 2018/19 (Debt servicing = interest + principal repayments + other debt related expenses + transfers to the Sinking Fund)	Complies by the end of Fiscal year 2016/17	
		2013/14	17.0%
2014/15		33.9%	
2015/16		20.4%	
2016/17		6.3%	
2017/18		5.2%	
2018/19		3.6%	
2019/20		1.5%	
2020/21		1.2%	
2021/22		2.0%	
2022/23		4.2%	
2023/24		5.0%	
2024/25		4.7%	
Net Debt : Should be no more than 110% of core revenue by fiscal 2015/16 and 80% of revenue by the end of 2018/19 (Net debt = Government debt balances + weighted outstanding balance of statutory entities guaranteed debt - government cash balances)		Complies in 2014/15 and 2014/15	
		2013/14	128.8%
	2014/15	74.3%	
	2015/16	42.4%	
	2016/17	31.2%	
	2017/18	6.4%	
	2018/19	-12.0%	
	2019/20	-18.5%	
	2020/21	3.5%	
	2021/22	33.8%	
	2022/23	25.7%	
	2023/24	17.8%	
	2024/25	8.9%	
	Liquid Cash Reserves: Should be no less than 90 days of estimated expenditure by the end of financial year 2018/19 At least 90 days in 2018/19: Liquid cash reserves = government cash balances + National Wealth Fund balance	Complies by the end of Fiscal year 17/18	
		(DAYS)	
2013/14		35	
2014/15		41	
2015/16		64	
2016/17		95	
2017/18		148	
2018/19		214	
2019/20		271	
2020/21		114	
2021/22		62	
2022/23		80	
2023/24		109	
2024/25		119	
Financial Risks: Should be managed prudently so as to minimise risk		Complies in all years	
Insurance coverage exist for key assets and major potential liabilities.			
Hurricane and other natural disaster preparedness strategy in place			

Source: Budget Office



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Operating Surplus/Operating Deficit

The targets forecast an operating deficit for 2021-22 and 2022-23 (see further discussion under budget aggregates).

Public Debt and Debt Servicing

Strategy 2 – Management of Public Debt, addresses debt repayment and servicing.

Liquid Cash Reserves

Liquid Cash Reserves is including the cash balances, money market investment and the Turks and Caicos National Wealth Fund (TCNWF). The compliance target requires a minimum of ninety (90) days of planned expenditure by the fiscal year 2018-19. The forecast is to have sixty-two (62) days of planned expenditure as of the fiscal year 2021-22. The Government will utilize balance in the development fund plus the new allocation for FY 2021-22 over two consecutive fiscal years, i.e., therefore, the actual cash flow position may be stronger than shown in these projections which assume development expenditure occurs in the year of approval. Consequently, the Liquid Cash Reserves will remain above the 90 days requirement throughout the financial year. If the investment portfolio of the TCNWF changes to long-term, then the liquid cash reserves will change accordingly.



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FISCAL OUTLOOK

Budget Aggregates

The aggregate financial targets inform the 2021-22 estimates preparation and the financial outlook for 2022-23 to 2024-25. The projections are based on a set of medium-term estimates that may change as the global and local public health response outcomes prevent a resurgence of the virus unfolds, and the fiscal position improves. The strategic directions and actions to strengthen economic recovery are aligned to the Vision 2040 document and the soon to be Medium-Term Development Strategy (MTDS). The Government plans to have an extensive investment in the islands' public infrastructure, pursued through a revenue generation regime that balances the principles of efficiency, equitability, and fairness.

Table 6- Turks & Caicos Islands Government General Government Sector Budget Aggregates

	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Revised Estimates	Unaudited Actual	Estimates	Projections			Totals
	2017-18	2018-19	2019-20	2020-21		2021-22	2022-23	2023-24	2024-25	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Revenue	261,416	303,844	313,785	169,703	192,627	255,838	314,111	323,534	333,240	2,298,395
Per cent of GDP	25.63%	27.62%	26.15%	18.45%	20.94%	27.22%	32.72%	32.72%	32.72%	
Recurrent Expenses	(208,808)	(219,490)	(231,585)	(273,565)	(258,001)	(305,045)	(284,933)	(292,985)	(298,391)	(2,099,238)
Per cent of GDP	20.47%	19.95%	19.30%	29.74%	28.04%	32.45%	29.68%	29.63%	29.30%	
Underlying cash balance	52,608	84,354	82,200	(103,863)	(65,375)	(49,207)	29,178	30,550	34,849	199,157
Per cent of GDP	5.16%	7.67%	6.85%	-11.29%	-7.11%	-5.23%	3.04%	3.09%	3.42%	
Total Revenue	282,173	315,025	315,007	174,045	199,223	256,566	314,539	323,962	333,668	2,340,163
Per cent of GDP	27.66%	28.64%	26.25%	18.92%	21.65%	27.29%	32.76%	32.76%	32.76%	
Total Expenses	(218,858)	(228,849)	(239,620)	(279,948)	(263,150)	(315,641)	(292,338)	(296,448)	(301,351)	(2,156,256)
Per cent of GDP	21.46%	20.80%	19.97%	30.43%	28.60%	33.58%	30.45%	29.98%	29.59%	
Net operating balance	63,315	86,176	75,387	(105,903)	(63,928)	(59,075)	22,201	27,514	32,317	183,907
Net capital investment	(17,762)	(32,641)	(28,060)	(27,546)	(25,739)	(26,346)	(22,000)	(10,000)	(10,000)	(172,548)
Fiscal balance	45,553	53,534	47,327	(133,449)	(89,667)	(85,421)	201	17,514	22,317	11,358
Per cent of GDP	4.47%	4.87%	3.94%	-14.51%	-9.75%	-9.09%	0.02%	1.77%	2.19%	
GDP	1,020,000	1,100,000	1,200,000	920,000	920,000	940,000	960,000	988,800	1,018,464	

*GDP forecast provided by STATS

Table Prepared by Budget Office

The forecast recurrent receipt of \$255.8 million or 27.2 percent of GDP is approximately \$63.2 million higher in 2021-22 than the unaudited outturn 2020-2021 and \$57.3 million lower than the actual performance for 2019-20. Non-recurrent revenue is \$0.4 million. Total revenue is \$256.6 million or 27.3 percent of GDP. The forecast for FY 2022-23 is for economic activities to normalize to the pre-pandemic period of FY 2019-20.

The forecast for the recurrent expenditure of \$305.0 million or 32.5 per cent of GDP is approximately \$47.0 million higher in 2021-22 than the unaudited performance of 2020-21 and



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\$73.5 million above the performance 2019-20. The forecast for total expenditure excluding capital is \$315.6 million or 33.6 per cent of GDP. The growth plan for recurrent expenditure is 2.5 per cent for the future years. The projection for recurrent expenditure in 2022-23 to 2024-25 are \$284.9 \$293.0; \$298.4 million respectively. The projection is for Net Capital Investment for 2021-2025 to amount to \$56.0 million, \$25.9 million is allocated for 2021-22.

Table 7- Summary of Turks and Caicos Islands Government General Government Sector Cash Flows

	Unaudited	Unaudited	Unaudited	Revised	Unaudited	Estimates	Projections			
	Actual 2017-18 \$'000s	Actuals 2018-19 \$'000s	Actuals 2019-20 \$'000s	Estimates 2020-21 \$'000s	Actuals	2021-22 \$'000s	2022-23 \$'000s	2023-24 \$'000s	2024-25 \$'000s	
Cash Receipts										
Recurrent Revenue/ Operating cash receipts	261,416	303,844	313,785	169,703	192,627	255,838	314,111	323,534	333,240	
Non Recurrent Receipts	20,756	11,181	1,222	4,342	6,596	728	428	428	428	
Total cash receipts	282,173	315,025	315,007	174,045	199,223	256,566	314,539	323,962	333,668	
Cash Payments										
Recurrent Expenditure/Operating cash payments	208,808	219,490	231,585	273,565	258,001	305,045	284,933	292,985	298,391	
Non Recurrent Expenditure	10,050	9,359	8,035	6,382	5,149	10,596	7,405	3,464	2,960	
Capital Expenditure	17,762	32,641	28,060	27,546	25,739	26,346	22,000	10,000	10,000	
Total cash payments	236,620	261,490	267,680	307,494	288,890	341,987	314,338	306,448	311,351	
Underlying cash balance	52,608	84,354	82,200	(103,863)	(49,207)	(49,207)	29,178	30,550	34,849	
Per cent of GDP	5.16%	7.67%	6.85%	-11.29%	-5.23%	-5.23%	3.04%	3.09%	3.42%	
Fiscal Balance	45,553	53,534	47,327	(133,449)	(89,667)	(85,421)	201	17,514	22,317	
Per cent of GDP	4.47%	4.87%	3.94%	-14.51%	-9.54%	-9.09%	0.02%	1.77%	2.19%	
GDP	1,020,000	1,100,000	1,200,000	920,000	940,000	940,000	960,000	988,800	1,018,464	

Source: GDP forecast for 2021-22 to 2022-23 provided by SPPD

Table Prepared by Budget Office

The projection for the underlying cash balance, which is the net recurrent cash flow is negative \$49.2 million or 5.2 percent of GDP in 2021-22. It will continue to improve into 2022-23 to \$29.2 million or 3.0 percent of GDP; 2023-24 to \$30.6 million or 3.0 percent; 2024-25 to \$34.8 million or 3.4 percent.

The projection is for fiscal balance/operating deficit which is the net cash flow after capital expenditure is \$85.4 million or 9.0 percent of GDP in 2021-22. It will continue to improve to a surplus of \$0.2 million or 0.02 percent in 2022-23; \$17.5 million or 1.8 percent of GDP in 2023-24, \$22.3 million or 2.2 percent in 2024-25.

The Government continues to pursue a sustainable macro-fiscal environment that encourages and enhances private sector (local and foreign) investment. The plan is to impose no new taxes on the citizenry during the FY 2021-22. However, as the pandemic prolongs, the expenditure reflects additional costs to manage the healthcare costs and continue implementing fiscal policy



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measures to prevent social declines. As such, the expenditure growth target is 13.3 percent over the approved budget of 2020-21. The allocation to capital investments is approximately 8.2 per cent of the planned expenditure in 2021-22 and the immediate forward years and 7.0 percent for COVID-19 expenditure and fiscal policies. Table 8 below shows the budget reconciliation details and the revised baseline ceilings for the medium term.

Table 8-Baseline Budget Ceiling

	2021-22	2022-23	2023-24
	Budget Ceiling	Forward Estimates	Forward Estimates
	\$'000s	\$'000s	\$'000s
Budget and Forward Estimates (rolled forward from 2021/22 budget document)	310,993	288,986	288,986
+ Forward Year Impact of 2020-21 Post-Budget Decisions	800	800	800
+ Adjustment of New Spending Requests Approval	47,871	17,717	21,164
+ Increase in SIPT Legal Aide	405	2,533	
- Reduction/Increase in Salaries	(5,669)	(152)	(152)
+/- Reduction/Increase in Variable Expenses	(3,698)	2,640	490
+/- Change in Statutory Charges	(7,890)	1,352	(14,008)
- Reduction in Vocational Trade School	(826)	(826)	(826)
BASELINE BUDGET CEILING	341,987	313,050	296,453

Source: Budget Office

Spending priorities will ensure that TCI remains compliant with the “Principles of Responsible Financial Management” outlined in the framework document. Discussed below are the major components of the five (5) strategies:



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Strategy 1 - Controlling Government Expenditure –Spending Priorities

In 2021-22 the operating expenditure target is \$315.6 million, \$53.3 million or 20.0 per cent above the unaudited outturn of 2020-21. Table 9 below illustrates the allocations into categories and by ministries.

Table 9-Budget Allocations by Ministry

Ministries	2021/22					2022/23	2023/24
	Baseline Budget Ceiling R/F from Revised 2021/22	Policy Changes	New Spends	Revised Based Line Ceiling	% of Total Expen.	Forward Estimates	Forward Estimates
	\$'000	\$'000	\$'000	\$'000	%	\$'000	\$'000
Office of the Governor	7,292	(287)		7,005	2.0%	7,292	7,292
Police	30,565	(478)		30,088	8.8%	28,760	26,628
Attorney General's Chambers	6,297	269		6,566	1.9%	6,297	6,297
Judicial Administration	8,736	536		9,271	2.7%	6,859	4,344
Statutory Charges	48,037	(6,292)	17,721	59,466	17.4%	49,390	37,781
Ministry of Immigration & Border Services	13,361	(646)		12,715	3.7%	13,361	13,361
Ministry of Finance, Investment & Trade	19,004	(4,696)	20,850	35,157	10.3%	20,560	20,565
Office of the Deputy Governor	2,784	(236)		2,549	0.7%	2,784	2,784
Ministry of Education, Labour, Employment and Customer Service	39,443	(2,430)	100	37,113	10.9%	38,108	38,340
Office of the Director of Public Prosecution	1,681	(136)		1,546	0.5%	1,681	1,681
Ministry of Home Affairs and Transportation	18,850	(769)	150	18,231	5.3%	18,716	18,553
Ministry of Physical Planning & Infrastructure Development	18,643	(559)		18,085	5.3%	18,643	18,643
Ministry of Tourism, Agriculture, Fisheries, Heritage & the Environment	11,292	(224)	1,500	12,568	3.7%	14,292	13,874
Ministry of Health and Human Services	79,177	(1,175)	7,000	85,002	24.9%	79,177	79,177
House of Assembly	2,900	(124)		2,776	0.8%	2,900	2,900
Office of the Premier and Public Policy	1,903	(285)	1,300	2,918	0.9%	3,203	3,203
National Security Secretariat	1,028	(97)		932	0.3%	1,028	1,028
BASELINE RECURRENT BUDGET CEILING	310,993	(17,628)	48,621	341,987	100.0%	313,050	296,453

Source: Budget Office

The allocations by Ministry are indicative and may be subject to adjustments as the budget progresses.



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Funding Prioritization

Investment in Digitization and E-Governance

Under the Ministry of Finance (E-Governance and Digitization), a new department with a strategic focus on the sustainable modernization of the public sector service delivery mandate has been allocated \$ 4.0 million in this FY. The modernization proposes to revolutionize efficiency, accountability, and transparency. Specifically, the Funding is allocated to develop and implement an integrated, interoperable information system for health, hardware, software, and human capital to manage the ICT platform's transformation.

Investment in Public Health Response to COVID-19

Prioritized allocation to manage the health care expenditure associated with the COVID-19 (\$5.0 million). \$2.0 million is allocated to accelerate the widespread distribution of the vaccines; specifically, the funding allocated is to procure the services of the private sector medical staff to help with the vaccination programme, enhanced public relations and production of new vaccine cards. The aim is to reach universal coverage by the end of August 2021.

Investment in Agricultural Development

Provide Funding for job creation in the productive sector, including agricultural initiatives to include establishing a national nursery -\$1.0 million.

Policy Implementation Unit (PIU)

The Policy Implementation Unit will facilitate the establishment and maintenance of a project Delivery Unit for two (2) years under the mandate of the Office of the Premier.

The delivery unit activities are set to correct the shortcomings and deficiencies that follows:

- (a) Collaboration with all ministries during the initiation/preparation stage for all types of projects to include:
 - (i) providing a one-stop-shop for the processing of all relevant funding opportunities locally funded as well as donor-funded projects;
 - (ii) facilitating inter-ministerial communication;



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- (iii) facilitating selected technical advice during the preparation of technical projects;
- (iv) advising on construction and engineering integrity of the construction project;
- (v) assisting ministries in project preparation activities, such as resource allocations, timescales, etc.;
- (vi) checking the quality and completeness of the initial proposals submitted for Funding; and
- (vii) Coordinating project schedules between ministries to reduce overlapping in the future implementation of projects.

For the two years, TCIG will finance consultants' fees for the Delivery Unit (Director of DU), Senior Engineer and Project Manager, Project Coordinator/Liaison Officer and Administrative Assistant. Permanent staff will replace consultants after the initial two years. The consultants will train replacement professionals from selected ministries to develop a pool of internal expertise for the Delivery Unit.

Investment in Tourism Development

Prioritized allocation - \$1.0 million to create a new Tourism Regulatory Authority and a Network Structure to enhance the visitor experience from booking a TCI holiday to departure. With TCI as a tourism-dependent destination, the emphasis will be on broad stakeholder participation. This new structure will be co-funded by TCIG with all stakeholders represented at the decision level.

Investment in Law Enforcement

Prioritized allocation to identify a property and to develop the framework and programs for the training of law enforcement personnel - \$2 million.



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Investment in Retiring Benefits for Civil Servants

Continue consultations started in 2014 with the CSA and the Deputy Governor's Office to find a comprehensive solution that will guarantee civil servants a retiring pension plan to replace two-third of the final average salary for a career officer when combined with a NIB pension of \$2.0 million.

Development Finance Institution

Create the framework and operational budget for the Development Finance Institution (DFI) to support and promote entrepreneurship and start-ups, giving better credit access - \$0.5 million.

Creation of the Credit Union and other Financial Intermediaries

Facilitate the creation of credit Unions and other financial intermediaries to encourage and expand access to affordable banking, insurance, and financial services for all.

Off-shore Financing

Contract the services of a global consulting firm to develop a Marketing and Communications plan aimed at branding TCI as a competent and capable off-shore financial centre (OFC) for \$0.5 million.

Fiscal Policy to Manage the Economic Crisis - Value Exchange and Grants

The fiscal targets include a contingent allocation of \$15 million to implement economic measures to stimulate the struggling economy and lessen the burden on residents and citizens; it aims to increase government spending, employment and consumer spending. These will include short-term social-economic support programmes to enhance the communities' physical appearance and make them safe, as well as stimulus grants.

Early Childhood Education

Increase budgetary allocations for early childhood development programming - including nutrition. The plan is to implement training programmes that will improve the teaching capacity in early childhood education and the monitoring and assessments (inspections) of the early childhood centres - \$0.1 million



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Correction and Rehabilitation

An amount of \$1.5 million is made to carry out contingency work for the HM Correctional and Rehabilitation facility.

Discussed below are the allocation by economic classifications:

	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Original Estimates	Revised Estimates	Unaudited Actuals	Estimates	Projections			
	2017-18	2018-19	2019-20	2020-21			2021-22	2022-23	2023-24	2024-25	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Recurrent Expenditure											
Total Personnel Costs	80,862	84,070	87,949	104,744	92,053	88,333	104,547	109,606	112,346	112,346	
Pension and Gratuity	6,361	6,378	6,012	7,273	9,115	8,934	9,968	9,268	9,500	9,738	
Transfers to NHIB and medical treatment	35,885	32,701	33,254	33,254	31,481	31,481	32,534	33,348	34,181	35,036	
Hospital Provisional Charges	20,692	20,043	21,403	22,585	22,181	22,137	22,585	23,150	23,728	24,322	
Subventions	11,523	12,514	13,658	19,391	16,314	14,810	22,176	22,876	24,376	25,876	
Rental of Assets	4,682	4,716	5,033	5,341	5,278	5,085	5,173	5,173	5,303	5,435	
COVID-19 Expenditure	-	-	-	-	10,074	9,158	7,000	-	-	-	
Fiscal Policy Intervention Costs	-	-	-	25,500	27,900	24,685	15,000	-	-	-	
Other Expenditure	48,804	59,066	64,275	76,667	59,170	53,379	86,062	81,512	83,550	85,639	
Total Recurrent Expenditure	208,808	219,490	231,585	294,755	273,565	258,001	305,045	284,933	292,985	298,391	
<i>Annual per cent recurrent expenditure inc.</i>	<i>42.28%</i>	<i>-8.49%</i>	<i>-6.43%</i>	<i>27.28%</i>	<i>-7.19%</i>	<i>-5.69%</i>	<i>18.23%</i>	<i>-6.59%</i>	<i>2.83%</i>	<i>1.85%</i>	
Non-Recurrent Expenditure											
Civil Recovery	729	888	431	500	900	798	700	-	-	-	
SIPT Legal Aide	4,605	4,164	4,119	3,310	3,000	2,286	5,065	2,533	-	-	
SIPT Prosecution	3,731	3,608	3,200	2,610	2,336	1,943	3,610	1,805	-	-	
Debt service, interest and fees	985	699	285	146	146	122	1,221	3,067	3,464	2,960	
Total Non-Recurrent Expenditure	10,050	9,359	8,035	6,566	6,382	5,149	10,596	7,405	3,464	2,960	
Total Operating Expenditure	218,858	228,849	239,620	301,321	279,948	263,150	315,641	292,338	296,448	301,351	

Table 10 - Expenditure by Economic Classifications

Source: Budget Office

Staff Costs

Personnel costs will account for \$104.5 million or 33.0 percent of expenditure and 40.0 percent of recurrent revenue in 2021-22. There are currently over 400 vacant positions within the civil service, mainly in the critical sectors of health, education, policing and border protection. The vacant positions' staff costs are reduced by 4.5 months to balance out the later than planned recruitments. There are no new positions in the estimates; however, it is believed that any critical positions could be created from existing vacant positions. Include in the allocation for staff costs is funding to facilitate the payout of performance-based increment in FY 2021-22. The existing policy is for payment of biennial performance-based increments.



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Pension and Gratuity

The pension and gratuity allocations for 2021-22 accounts for \$10.0 million or 3.2 per cent of total spending or 2.6 per cent of recurrent revenue or \$1.0 million or 2.6 per cent more significant than the approved estimates for 2019-20. Planned pension allocation of \$7.3 million in government pension and gratuities for civil servants (Included is \$2.0 million allocated to reinstate civil servant pension scheme). Legislative allowances and pension for former parliamentarians- \$2.7 million.

PPP Provisional Charges and Subventions to the NHIB

The subvention of \$32.5 million to the National Health Insurance Plan (NHIP) will subsidize the treatment abroad programme, utility charges for the two major hospitals, health care costs for juvenile and the indigent population. Besides, there are hospitals related debt obligations for the construction and equipment contract of \$22.6 million. These account for 17.5 per cent of the recurrent expenditure for FY 2021-22. This is in addition to approximately \$38 million that is received in Contribution Income from the insurers on the Insurance Scheme.

Subvention (Net NHIP)

The subvention allocation for the Statutory Bodies is \$22.2 million or 7.0 per cent of recurrent expenditure and \$7.3 million greater than 2020-21. The Gaming and Sports Commissions, established as statutory bodies in FY 2020-21 will continue to transition in FY 2021-22. The allocation to the Tourist Board will increase by \$1.5 million to bolster marketing activities. Allocations have been made available to support the following programmes:

- Development Finance Institution
- Off-shore Financing
- Creation of the Credit Union and other Financial Institutions

Special Investigation and Prosecution Team (SIPT)

The forecast annual allocation for the prosecution and defence of the ongoing special investigation trials is \$8.7 million or 2.7 per cent of the national budget. Allocations for the prosecution team is \$3.6 million and the legal aid for the defence team is \$5.1 million. The FSPS



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assumes that the trials will last for 18 months. Other Civil Recovery matters allocated at \$0.7 million.

Other Goods and Services

The budget will continue to support the following other areas of importance:

- Offering tertiary education scholarships to students and civil servants targeted at reducing the number of imported skills into the Country;
- The updating of the curriculum at all levels including the growth in offerings targeted for adult education based on the findings of the Skills Audit to increase skills and address skills shortage;
- Continue to encourage and support innovation of small business by issuing government grants to MSMEs;
- Home help and social welfare;
- Maintenance of government infrastructure; and
- Fiscal prudence and good governance.

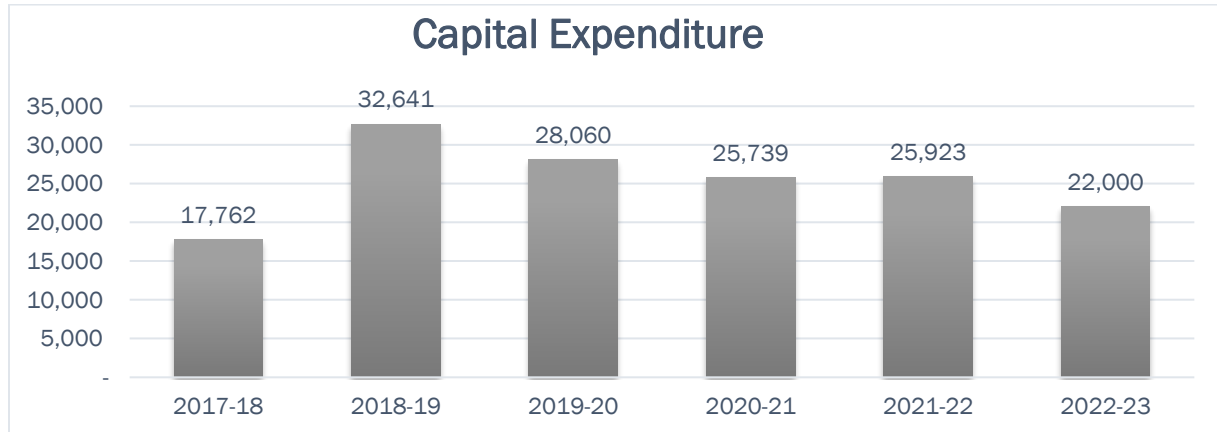
Capital Expenditure

Over the years, strong fiscal discipline has allowed for the release of additional funds to improve public infrastructure. The objective is to reduce structural barriers to obtain a competitive advantage in the global sphere. In so doing, unlocking a sustainable macro-fiscal environment that is favourable to private sector investments and citizens' wealth creation. Funding allocation for capital investment programme continues to outpace the actual performance, to bolster the delivery pause of projects, a Project Implementation Unit is allocated funding. The funding allocation for the FY 2021-22 is \$25.9 million, is mainly for the Primary School and the Seaport Redevelopment project.



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Figure 2-Capital Expenditure Allocations - 2017-23



Source: Budget Office

*2017-2021 – actual performance 2021-23 approved and projections.



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Strategy 2 - Management of Public Debt

Background

The Constitution sets out many general principles for public financial management. These principles assert that the Government shall, after a public consultation in the Islands, formulate a framework document stating its principles of public financial management, which sets: (i) limits on levels of public debt relative to public revenue; (ii) limits on debt service costs as a proportion of total public Expenditure; and (iii) levels of reserves relative to public Expenditure.

The Fiscal Framework Document (FFD) which has been agreed with the Secretary of State, states the pre-requisites for new borrowing which must be met unless, in exceptional circumstances, different arrangements are agreed in writing between TCIG and the Secretary of State. These are that TCIG will borrow only to fund capital expenditure where: (i) the proposed project is forecast to yield enough revenues to fund the additional debt service costs; or (ii) the Government can demonstrate that it has enough surplus operating cash flows to fund the additional debt service costs, which arise from borrowing to finance such capital expenditure. The FFD further states that the TCIG should give preference to borrowing from concessional lenders to ensure that the lender's expertise is brought to projects.

Further, according to the FFD, the level of debt must be affordable and consistent with the delivery of macroeconomic and fiscal sustainability and financial stability in the short, medium and long term. To this end, the TCIG must: (i) comply with certain borrowing limits within specified dates specified; (ii) remain in compliance with the borrowing limits after the dates specified or such earlier date by which compliance is achieved; and (iii) put in place arrangements to fully amortize each loan by its maturity date.

Borrowing requirement

The projection is for the Government cash surpluses to continue to deplete monthly, albeit at a far lower rate than at the beginning of the pandemic. Debt financing fund the projected budget deficits in FY 2021-22 and FY 2022-23. The borrowing requirements are FY 2021-22: \$60 million; FY 2022-23: \$20 million; and FY23-24: \$20 million, i.e. \$100 million total. These borrowing requirements could change if the revenue outturn changes materially from the projected central case.



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While discussions have not yet been held with potential lenders it is expected that TCIG will refinance its existing \$80m (so far undrawn) revolving credit facility with Republic Bank with a new loan package adequate for its anticipated \$100m funding requirement over the next three years. Given this relatively low level of borrowing (in absolute terms and against both GDP and revenue) TCIG will probably opt for bank loan funding rather than issuing a bond. The debt package should be flexible to accommodate the wide range of potential fiscal outturns, i.e. allowing adequate headroom for shocks, or a worst-case scenario, but also flexibility to pay down loans should the recovery exceed the projections. Also, it may not be possible to show a fully amortizing loan in which case TCIG may need to approach FCDO at the right time to request approval for loan funding that includes a refinancing of the residual unamortized debt at its maturity.

Below is a summary of the FFD ratio thresholds and TCIG's projected compliance therewith:

1. Operating Surplus in all years. The target was not met, owing to the pandemic and the resulting dramatic fall in GDP and Government revenue, and it will not be met in 2021-22. Compliance is expected thereafter.
2. Net Debt must not exceed 80% of annual operating revenue by 2018-19, this will be met in all years.
3. Debt Service should not exceed 10% of annual operating revenue. This is met in all years.
4. Liquid Cash Reserves should not fall below 25 percent of annual operating expenditure. While the projections indicate that Liquid Cash Reserves will be below 90 days in 2021/22 and 2022/23, in practice the 25% threshold is not expected to be breached as the true cash profile of development expenditure is longer and flatter than the annual projections imply.

The Airports Authority repaid the loan in FY 2020-21, so TCIG's obligation to maintain a 20 percent debt guarantee ceased. The Imputed Debt obligation for the Hospitals PPP agreement is forecast to reduce to \$55.7 million. Net Government Debt is forecast to be 9.5 percent of GDP.



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Table 11- Government Debt Schedule at Year-end

GOVERNMENT DEBT	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
RBC 2015-2016	12,000	4,000	-	-	-	-	-	-
CDB Loans	1,486	1,164	804	688	572	456	340	224
CDB 2015-2016	3,000	2,000	1,000	-	-	-	-	-
New Loan 2021-22					56,250	66,250	73,750	61,250
TC Bank Loan	3,407	2,340	1,273	-	-	-	-	-
Core Government Debt	19,893	9,504	3,077	688	56,822	66,706	74,090	61,474
Imputed PPP Hospital debt outstanding	76,553	71,336	66,118	60,901	55,683	50,466	45,248	40,031
TCIAA (Adjusted to FFD 20% weighting)	19,893	-	3,077	-	-	-	-	-
Total Government Debt	116,339	80,840	72,272	61,589	112,505	117,172	119,338	101,505
Net Government Debt	40,799	(36,553)	(75,891)	6,660	86,496	80,710	57,612	29,710
Net Core Debt	(40,615)	(119,011)	(169,141)	(80,047)	5,007	4,439	(13,442)	(36,126)

Table Prepared by Budget Office

Debt Servicing

The Framework document defines Debt Servicing as the annual payments resulting from public borrowing commitment or any other forms of borrowing, including the entire public sector, any other debt guaranteed by the Government and the amounts transferred to the Sinking Fund each year. The Government has been compliant with the principles of responsible financial management ratio and forecast that debt servicing will remain below 1 percent of GDP in 2021-22 and 1.35 percent in 2021-22.

Table 12- Net Worth, Net Financial Worth, Net Debt and Net Interest Payments

	Unaudited Actual	Unaudited Actual	Unaudited Actuals	Unaudited Actual	Estimates	Projections		
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Net debt	40,799	(36,553)	(75,891)	6,660	86,496	80,710	57,612	29,710
Per cent of GDP	4.00%	-3.32%	-6.32%	0.72%	9.20%	8.41%	5.83%	2.92%
Net Interest payments	985	699	285	122	1,221	3,067	3,464	2,960
Per cent of GDP	0.10%	0.06%	0.02%	0.01%	0.13%	0.32%	0.35%	0.29%
GDP	1,020,000	1,100,000	1,200,000	920,000	940,000	960,000	988,800	1,018,464

Source: GDP forecast for 2021-22 provided by SPPD and 2022-2024 by S&P

Table Prepared by Budget Office



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Strategy 3 - Revenue Enhancement Strategy

The halt of global tourism caused by the ongoing COVID-19 pandemic has affected the buoyancy of the significant revenue streams. Government receipts continue to dissipate because of the stringent measures that the Government implemented to protect the lives of its citizenry which included a 24-hour curfew and the closure of the ports of entry. The forecast is that as the global sphere enact public health systems to manage a resurgence of the pandemic and accelerate the vaccination programme, the tourist arrival will gradually increase (factoring seasonality) leading into the winter tourism season.

The revenue streams were revised in 2013, and Business License and Duty-Free Royalties were adjusted downward in 2015. In FY 2021-22, the forecast includes no new revenue streams. The Government is keen on transforming the taxation system to one that is less volatile and susceptible to global, regional and environmental factors while being fair, equitable and efficient. A strategic priority is to transform the existing revenue collection agencies across the ministries, departments and agencies to a single-autonomous tax authority. The Caribbean Regional and Technical Assistance Centre (CARTAC) will work with the Ministry of Finance, Trade and Investments in the financial year 2021-22 to advance the transformation process in the FY 2022-23.

Revenue Department

In the financial year 2021/22, the plan is to strengthen the Department's legal framework by harmonizing tax ordinances with the operational procedures in the Tax Administrative Procedural Act (TAPA). This vital initiative will streamline the Department's operational processes, strengthen the laws, reduce or eliminate grey areas, and bring about greater efficacies aligned and intertwined to best practices in tax administration. As a reform measure, TAPA is planned and designed to meet revenue authority standards or another semi-autonomous tax department.

The compliance risk strategy undertaken in 2020/21 FY is expected to be operational in the 2021/22 FY. Another essential objective of the Department is to institute much of the initiatives highlighted in the 2020/21 Taxpayer's strategy. Therefore, it will enhance Taxpayer's awareness programs, and how information is disseminated to the public will be improved to meet the tax industry's current trends. All the measures highlighted for 2021/22 FY will be instrumental as



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the Department seeks to reform the operation to one that is more synchronize with a Revenue Authority, a central Revenue Department or a semi-autonomous Revenue Department.

Phase one of the E-Services program commenced in the FY 2020-21.

The purpose of the initiative is to add value to our service delivery and make it easier to do business. Additionally, it will enhance compliance efforts as there will now be ease of transacting business conveniently and efficiently globally. This is a significant step towards transitioning and reforming the Revenue Department operations to a digital base.

Phase two of the E-Services program is expected to commence in FY 2021-22 and be completed within 12 months. Phase two entails the migration of the following revenue streams to the E-Services Portal:

- Hotel Restaurant & Tourism Taxation,
- Domestic Financial Services Sales Tax,
- Insurance Premium,
- Stamp Duty on Vehicle Hire and
- Communication tax.

Another initiative is to enhance and increase the Department's collaboration with the Ministry of Tourism to ensure the visitors online portal for entry into TCI is meeting the needs of the Department. The compliance initiative is geared towards reducing delinquent taxpayers that fail to meet their obligations per the Ordinances. The revenue department will examine to capture data on the hotels or short-term villas that are being booked through online booking agencies such as Airbnb and VRBO and compared to tax returns filed by taxpayers to ensure that the correct data is being declared and related taxes are remitted to Government. It is anticipated that there would be an increase in the registration of persons that currently may fall through the cracks, resulting in the generation of additional revenues. The streamlined processes will enhance value service delivery, make it easier to do business and bring about greater efficiencies in our compliance programs

Customs Department

Given the Government flagship priorities on E-Governance and Border Protection for the fiscal year 2021-22, the Department's main areas of focus will be on:



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- i. Using IT (namely Job Queue) for delivering Entry Processing services, improving communication transaction with the Trade, as well as easing government-to-business (G2B) and government-to-government (G2G) communication with the integration of ASYCUDA and SIGTAS;
- ii. Improving EPU efficiency by reducing face to face interaction in the verification and payment process, and allow more time for effective scrutiny of declarations to capture leakages from non-declared and falsely declared goods;
- iii. Implementation of Post Clearance Audit (the lifeblood of any Customs Administration's Risk Management), which may result in an additional approximately \$1.7 million per FY, for the first few years, until the Importers become voluntary Compliant and additional revenue will be collected on the front end of the declaration process.
- iv. Enforcing Section 72 of the Customs Ordinance to levy penalty and/or effectively use the Bond Guarantee to demand/recover payment from delinquent Account Holders;
- v. Transferring cargos from Private transit sheds to Government transit sheds/Queen's Warehouse as often as possible to reduce warehouse rent revenue loss;
- vi. Monitoring of inventory to facilitate real-time valuation; and maximizing recovered duties and fees during auctions, as needed;
- vii. Conducting of Collector's Inspections on Development Orders and end-use verifications on concessions granted, to detect revenue leakages and collect additional revenue;
- viii. Scanning of baggage and cargo to detect revenue offences at the border.
- ix. Canine dogs' utilization at entry points to detect illicit goods such as drugs, weapons, and undeclared US currency.



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Revenue Assumptions

The major revenue streams are volatile because they are linked directly or indirectly to the tourism sector, which is the major sector impacted by the ongoing pandemic. Therefore, the revenue streams have been forecast using three methodologies, best-case, most likely, and worst-case scenarios.

Table 13-Revenue Targets (Most Likely)

Recurrent Revenue	Audited Actual	Audited Actual	Revised Estimate	Unaudited Actual	Estimate	Per. R/R	Estimate	Estimate	Estimate
	2017/18	2018/19	2020/21		2021/22		2022/23	2023/24	2024/25
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Import Duty	67,935	76,570	41,856	42,915	60,060	23%	78,691	81,052	83,484
Hotel & Restaurant Tax	59,152	67,218	12,810	19,850	64,944	25%	74,804	77,048	79,359
Customs Processing Fee	33,464	34,911	22,695	22,065	28,714	11%	36,186	37,271	38,389
Stamp Duty on Land Transactions	26,554	28,988	22,174	34,498	30,879	12%	33,058	34,049	35,071
Work Permits and Residency Fees	23,221	29,515	17,310	23,046	25,961	10%	30,885	31,811	32,766
Fuel Tax	8,547	10,285	7,022	7,581	8,848	3%	11,068	11,400	11,742
Business Licences	2,380	2,705	2,785	2,672	2,717	1%	2,705	2,786	2,870
Other Recurrent Revenues	40,163	53,652	43,050	40,000	33,716	13%	46,715	48,117	49,560
Total Recurrent Revenue	261,416	303,844	169,703	192,627	255,838	100%	314,111	323,534	333,240
MOF annual per cent revenue increase	-0.6%	11.3%	-45.9%	-26.3%	50.8%	-100%	22.8%	26.5%	6.1%
Non-Recurrent Revenue									
Land Sale Receipts	692	1,079	342	428	428	59%	428	428	428
EU Grants and Other Grants	4,780	7,732	4,000	6,168	300	41%	-	-	-
Civil Recovery Program	-	2,370	-	-	-	0%	-	-	-
Hurricanes Irma and Maria CRRIF Payout	15,284	-	-	-	-	0%	-	-	-
Total Non-Recurrent Revenue	20,756	11,181	4,342	6,596	728	100%	428	428	428
Total Revenue	282,173	315,025	174,045	199,223	256,566		314,539	323,962	333,668

Source: Prepared by Budget Office

A conservative approach has been used to prepare the Estimates of Revenue and Expenditure based on the uncertainties caused by the pandemic. Our major stakeholders within the tourism sector have provided data to support that tourism arrival could return to normalcy by the start of the new financial year, 2022-23. Recent data from the tourism sector indicates that occupancy rates will exceed 70 percent over the summer months.

Revenues for the financial year are therefore predicated on the assumptions that occupancy will improve to 50 percent between April and May and gradually improving to 70 percent during the summer months; it will decline to approximately 30 percent during the peak hurricane season and return to greater than 80 per cent, during the peak winter season from December to March 2022. The revenue forecast for the FY 2022-23 assumes that the tourism arrivals will return to



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pre-COVID-19 conditions and the forward years are projected to grow by 3 percent as global travel resume normalcy. The TCI is a luxury tourist destination that attracts celebrities and affluent travellers, it believed that once travel has normalized the destination will begin to operate at maximum capacity immediately. This robust change in 2022-23 is being forecast because the tourism infrastructure is in place and of high quality. There are currently over four thousand seven hundred rooms available on the islands and the Ritz Carlton is on target to reopen in summer 2021. Historically the tourism sector has shown significant resilience to the global economic crisis as experienced between 2011-2016. The speedy recovery to bounce and build back the economy following the two major tropical cyclones in 2017 with minimal development assistance are factors considered in the re-forecast. This information will be updated as soon as more pertinent information becomes available.

The major revenue streams that the change in tourism arrivals will impact are hotel and restaurant taxes, customs and related duties, work permit fees and fuel tax. Given the pandemic's fluidity and its ability to curtail economic activities, the revenue forecast for 2021-22 was computed using independent variables to show how the assumptions could change. The alternatives that are mentioned below are being proffered as best- and worst-case scenarios. The forecast will continue to be updated as information becomes available. The three methods assume that cruise tourism will not return in the financial year.

Table 14-Revenue Targets (Worst Case)

Recurrent Revenue	Unaudited Actual	Unaudited Actual	Unaudited Actual	Original Estimate	Revised Estimate	Unaudited Outturn	Projection	Per. R/R	Projection	Projection	Projection
	2017/18	2018/19	2019/20	2020/21			2021/22		2022/23	2023/24	2024/25
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Import Duty	67,935	76,570	78,691	69,153	37,441	41,579	43,734	24%	78,691	81,052	83,484
Hotel & Restaurant Tax	59,152	67,218	74,804	45,797	6,787	19,845	30,845	22%	74,804	77,048	79,359
Customs Processing Fee	33,464	34,911	36,186	31,043	19,226	21,293	17,381	11%	36,186	37,271	38,389
Stamp Duty on Land Transactions	26,554	28,988	33,058	21,361	19,141	31,744	22,479	13%	33,058	34,049	35,071
Work Permits and Residency Fees	23,221	29,515	30,885	30,885	15,699	18,352	22,446	10%	30,885	31,811	32,766
Fuel Tax	8,547	10,285	11,068	9,201	6,726	7,483	5,950	3%	11,068	11,400	11,742
Business Licences	2,380	2,705	2,379	2,373	2,785	2,695	2,717	1%	2,705	2,786	2,870
Other Recurrent Revenues	40,163	53,652	46,715	51,728	35,220	44,068	31,775	15%	46,715	48,117	49,560
Total Recurrent Revenue	261,416	303,844	313,785	261,541	143,025	187,060	177,327	100%	314,111	323,534	333,240
MOF annual per cent revenue increase	-0.6%	11.3%	3.0%	-16.6%	-45.9%	-28.5%	34.0%	-100%	38.1%	42.2%	6.1%
Non-Recurrent Revenue	-	-	-	-	-	-	-	-	-	-	-
Land Sale Receipts	692	1,079	453	467	342	382	428	59%	428	428	428
EU Grants and Other Grants	4,780	7,732	769	4,337	4,000	5,980	300	41%	-	-	-
Civil Recovery Program	-	2,370	-	-	-	-	-	0%	-	-	-
Hurricanes Irma and Maria CCRIF Payout	15,284	-	-	-	-	-	-	0%	-	-	-
Total Non-Recurrent Revenue	20,756	11,181	1,222	4,804	4,342	6,362	728	100%	428	428	428
Total Revenue	282,173	315,025	315,007	266,345	147,367	193,422	178,055	200%	314,539	323,962	333,668

Prepared by the Budget Office



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The worst-case scenario factors in the sporadic closure of source markets caused primarily by the virus's prolonged mutation. The forecast for Import Duties and tourism-related receipts are respectively at 56 and 40 percent of receipts for FY 2019-20.

Table 15-Revenue Targets (Best Case)

	Unaudited Actual 2017/18	Unaudited Actual 2018/19	Unaudited Actual 2019/20	Original Estimate	Revised Estimate 2020/21	Unaudited Actual	Projection 2021/22	Per. R/R	Projection 2022/23	Projection 2023/24	Projection 2024/25
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Revenue											
Import Duty	67,935	76,570	78,691	69,153	42,550	42,915	62,755	23%	78,691	81,052	83,484
Hotel & Restaurant Tax	59,152	67,218	74,804	45,797	15,562	19,850	73,573	27%	74,804	77,048	79,359
Customs Processing Fee	33,464	34,911	36,186	31,043	23,076	22,065	32,644	12%	36,186	37,271	38,389
Stamp Duty on Land Transactions	26,554	28,988	33,058	21,361	20,826	34,498	30,879	11%	33,058	34,049	35,071
Work Permits and Residency Fees	23,221	29,515	30,885	30,885	15,699	23,046	24,948	9%	30,885	31,811	32,766
Fuel Tax	8,547	10,285	11,068	9,201	7,022	7,581	8,848	3%	11,068	11,400	11,742
Business Licences	2,380	2,705	2,379	2,373	2,785	2,672	2,717	1%	2,705	2,786	2,870
Other Recurrent Revenues	40,163	53,652	46,715	51,728	44,238	40,000	33,716	12%	46,715	48,117	49,560
Total Recurrent Revenue	261,416	303,844	313,785	261,541	171,759	192,627	270,079	100%	314,111	323,534	333,240
MOF annual per cent revenue increase	-0.6%	11.3%	3.0%	-16.6%	-46.6%	-26.3%	50.8%	0%	22.8%	26.5%	6.1%
	-								-	-	-
Non-Recurrent Revenue											
Land Sale Receipts	692	1,079	453	467	342	428	428	59%	428	428	428
EU Grants and Other Grants	4,780	7,732	769	4,337	4,224	6,168	300	41%	-	-	-
Civil Recovery Program	-	2,370	-	-	-	-	-	0%	-	-	-
Hurricanes Irma and Maria CCRIF Payout	15,284	-	-	-	-	-	-	0%	-	-	-
Total Non-Recurrent Revenue	20,756	11,181	1,222	4,804	4,342	6,596	728	100%	428	428	428
Total Revenue	282,173	315,025	315,007	266,345	176,101	199,223	270,807	100%	314,539	323,962	333,668

Prepared by the Budget Office

The best-case scenario assumes that seasonality may not significantly affect arrivals in the FY 2021-22, this is supported by recent data received from the tourism sector indicating occupancy rates over the summer months between 70 and 82 percent.

The Government will continue its focus on leveraging wealth-creating activities, that will build a resilient economy. The economic growth will be spurred by increasing market linkages and business partnerships, improving trade arrangements and increasing new public and private sector investments to create jobs. The marketing strategy will adjust and the estimates of the Ministry of Tourism will increase by 50 percent to accelerate the new marketing strategies within the traditional markers and allocation for the vaccination programme within the islands has been increased as the government work towards vaccinating greater than 70 percent of the population by summer 2021.



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Strategy 4 - Financial Improvement of Statutory Authorities and Government Companies

The fourth element of the Government's fiscal strategy is to reduce Expenditure within Statutory Boards and Government Companies and reduce the level of operational and capital support required from the core Government over the next six (6) years. The Government is committed to working with the relevant Boards to implement appropriate policy actions necessary to realize this goal. Quarterly financial reports from Statutory Bodies (SBs) are submitted to the Ministry of Finance for review, and urgent steps are taken if interventions are needed. There is a statutory requirement for Turks and Caicos Airport Authority, Financial Services Commission, Telecommunications Commission, Invest Turks and Caicos and Port's Authority, and the bodies of good governance to remit proportions of their net surpluses to the Government annually, in 2021-22 approximately \$2.0 million is expected from SBs. The fall-out in economic activities from the pandemic would have restricted the performance of the SBs. Consequently, most entities will be unable to make a transfer in this FY.

Airports Authority

The pandemic has underscored the need for the expansion of the Providenciales International Airport, where there is the need for a new terminal facility to accommodate the increased passenger inflow. In July 2011 the Airports Authority completed a full redevelopment and rehabilitation of the airside of the Providenciales International Airport to become fully compliant with ICAO annex 14 and to accommodate the B777-300, facilitating direct services for as far as Asia and Europe. In December 2014, an extension to the existing terminal was completed in the interest of improving the passenger experience and obtaining IATA service level compliance, in the interim, and line with the Master Plan. The terminal size was near doubled, from 51,462 sq. ft. to 92,321 sq. ft. It was believed that the expansion would have sufficed (through to 2028), based on forecast growth. However, the Country has experienced growth over the nominal forecast of 3.0 percent annually. Urgent discussions on the expansion of the Providenciales International Airport have commenced at the policy level including financing options. Given the current circumstance, it is anticipated that TCIG would likely present a supplementary budget in the Second Quarter of the financial at which time it would have arrived at a preferred financing option which will then be reflected in the estimates. The Providenciales International Airport is the most critical component of the Public Sector infrastructure driving growth and the Government is committed to ensuring that it is both appropriately sized, modernised and fit for purpose.



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National Health Insurance Board

With a subvention allocation of greater than 10 per cent of the Government's recurrent revenue, the National Health Insurance Board continues to present an explicit contingent liability on Government. The organizational restructuring is ongoing, and improvement in the compliance efforts are being considered by the Board. The NHIB continues to partner with TCIG to ensure greater oversight of the Project Agreement with Interhealth Canada-TCI Hospital and work with the MOH, the wider TCI community, and all stakeholders in areas such as health promotion and prevention and support Primary Healthcare Renewal in TCI.

Ports Authority

The Seaports infrastructure development in the TCI is consistent with TCI draft Vision 2040 Document and the Medium-Term Development Strategy. SDD 1, which speaks to the TCI having a robust and climate-resilient Infrastructure and SDD 5, addresses good governance. The strategic priority is the continued improvement, maintenance and building resilience of port infrastructure. The authority recently launched the project tender for South Dock's redevelopment was recently launched. The revised project timeline anticipates commencement by October 2021, TCIG budgeted \$31 million for this project commencing 2020/21 continuing through 2022/23. Project expenditure should ramp up during 2021/22 with \$7.3 million allocated towards this project in FY 2021-22.

Financial Services Commission

As the integrated regulator of the financial services business in the TCI, the Commission continues to pursue a mandate with the primary objective of promoting financial sector stability in support of economic development. Accordingly, the Commission's strategic goals for the 2021/22 financial year include:

- i) Effective and risk-appropriate regulation by continuing to the buildout of the Commission's risk-based regulatory framework with a current focus on banking, and money laundering and terrorist financing risk management.
- ii) Updating the Commission's Crisis Management Framework, including developing financial resolution legislation.



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- iii) Strengthening macroeconomic and macroprudential analysis in support of financial regulation and stability.
- iv) Developing legislation and a regulatory framework in support of expanding the classes and types of risk that are insured in the TCI, and the licensing of credit unions products.
- v) Improving operational efficiency through a) filling existing regulatory vacancies, b) acquiring a single office building for the Commission's Providenciales operations, and c) rationalizing processes and functions to eliminate waste and duplication.
- vi) Increasing the use of technology with a) the establishment of insurance, trademarks, and patents electronic databases; b) digitizing the Commission's Non-Profit Organizations' (NPOs), Designated Non-Financial Business and Persons' (DNFBPs), and Corporate Service Providers (CSPs) records; and c) use of cloud-based technology.
- vii) Enhancing cybersecurity through new hardware, training, improved firewalls, and validation testing.
- viii) Providing regulated/supervised sectors with guidance and training consistent with the recommendations of the 2020 CFATF Report.

Strategy 5 - Public-Private Partnerships

The fifth element of the Government's fiscal strategy relates to the need for ongoing development of the Country's infrastructure to support economic development. A Contract Management Unit monitors the existing PPP with InterHealth Canada. The forecast considers no new PPPs in FY 2021-22. Requirements of the Framework Document are acknowledged.



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STATEMENT OF FISCAL PERFORMANCE – (Previous Two Financial Years)

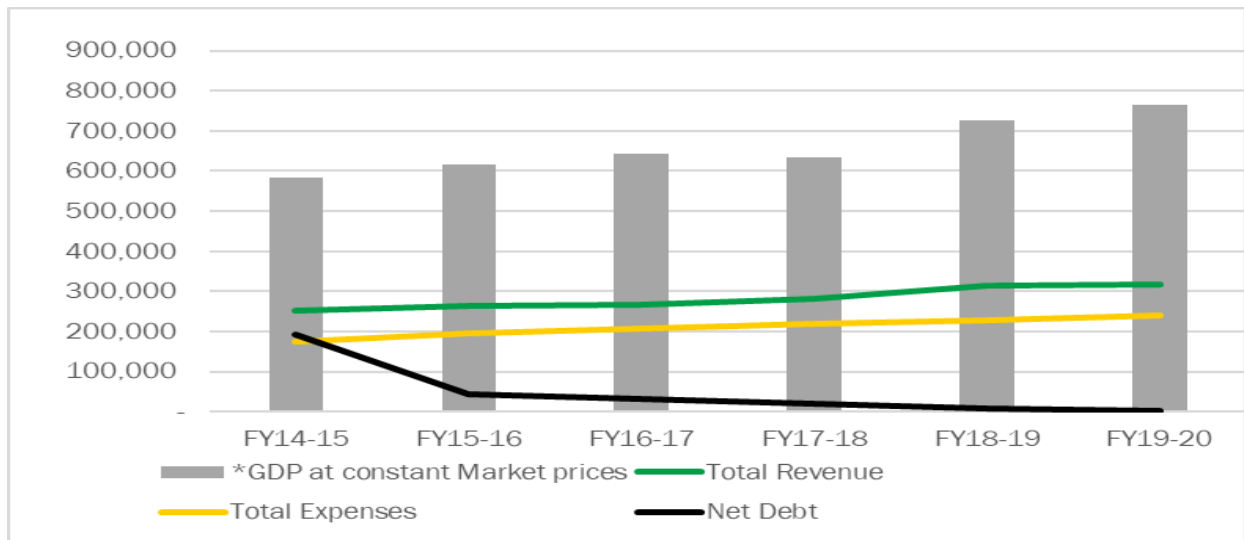
Table 16: Performance against GDP at Constant Market Prices

	2015-16		2016-17		2017-18		2018-19		2019-20	
<i>figures in US\$'000</i>		%GDP		%GDP		%GDP		%GDP		%GDP
Recurrent Revenue	258,346	39%	262,951	37%	261,416	38%	303,622	43%	314,374	43%
Recurrent Expenses	191,762	29%	202,146	29%	213,409	31%	218,786	31%	230,910	32%
Total Revenue	263,884	40%	267,100	38%	282,172	41%	315,025	45%	315,288	43%
Total Expenses	196,582	30%	207,874	29%	218,858	32%	228,849	32%	239,620	33%
Net Operating balance	67,303	10%	59,226	8%	63,314	9%	86,176	12%	75,668	10%
Capital Investment	11,459	2%	23,509	3%	16,058	2%	17,581	2%	17,581	2%
Fiscal Balance	55,843	8%	35,717	5%	47,256	7%	68,595	10%	58,087	8%
Net Debt	44,281	7%	32,376	5%	19,783	3%	9,394	1%	3,021	0%
Finance Cost	6,634	1%	1,260	0%	984	0%	699	0%	324	0%
Underlying Cash Balance	15,728	2%	17,655	3%	36,255	5%	62,154	9%	44,629	6%
*GDP at constant market prices	657,520		705,198		687,637		726,200		764,700	
GDP at current market prices	942,070		1,032,452		1,022,365		1,113,178		1,197,400	

**Figures shown are calculated against GDP at constant market prices*

Source: Accountant General's Office

Figure 3: Revenue and Expenditure Performance



Source: Accountant General's Office



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Table 17: Performance Revenue and Expenditure

<i>figures in US\$'000</i>	31-Mar-20 Actual	31-Mar-20 Budget	31-Mar-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Recurrent Revenue	314,374	304,177	303,622	10,196	3%	10,751	4%
Recurrent Expenditure	230,910	248,363	219,490	17,453	7%	(11,419)	(5%)
Net Recurrent Surplus	83,464	55,814	84,131.94	27,650	50%	(668)	(1%)
Non-Recurrent Revenue	914	2,065	11,403	(1,151)	(56%)	(10,489)	(92%)
Non-Recurrent Expenditure	8,710	11,039	9,359	2,329	21%	649	7%
Operating Surplus	75,668	46,840	86,176	28,828	62%	(10,508)	-12%

Figures may not add due to rounding

Source: Accountant General's Office

The Turks & Caicos Islands Government recorded an operating surplus of \$75.7 million (2019: \$86.1 million), \$10.5 million (12%) less than the prior year's performance. Compared to the budget the performance was 62% better than the \$46.8 million projected. Capital expenditure of \$28.3 million (2019: \$17.6 million) and debt repayment of \$6.3 million (2019: \$10.4 million) was also made during the year.

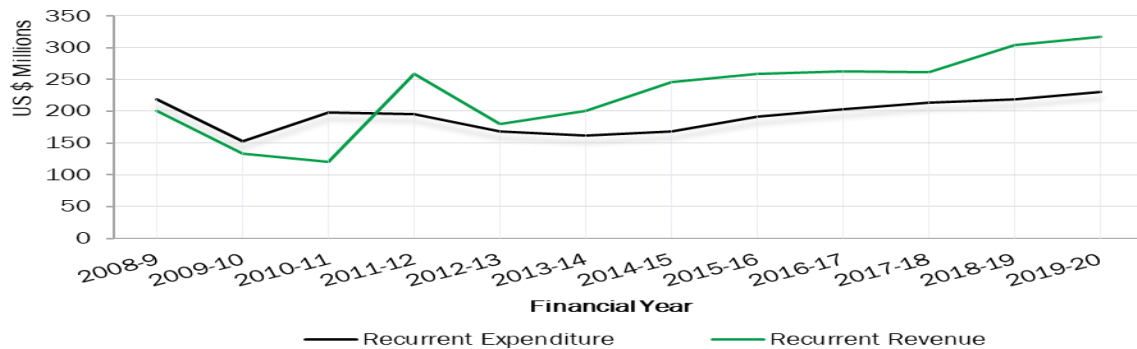


Figure 4 – Revenue and Expenditure Performance

Source: Accountant General's Office



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Revenues

TCIG revenue for the 2019-20 fiscal year totalled \$315.3 million (2019: \$315.0 million). This represented an increase of \$0.3 million from the fiscal year 2018-19 and was \$9.1 million or 3.0 percent more than estimates for the year.

Measures implemented by the Government which directly impacted revenue collection included: A Customs Order granting duty-free exemptions for a variety of goods, originally until December 31, 2017, and further extended thrice to April 30, 2019.

An amnesty program offered a 100 percent waiver in penalties for businesses that were in arrears up April 30, 2019, and a further 50 percent and 25 percent waiver for payments made by May 15 and May 31 respectively.

Total revenue for the 2019-20 fiscal year included \$78.6 million (25 percent) derived from import duties; \$74.3 million (23 percent) from hotel and restaurant tax; \$36 million from customs processing fees; while \$33.0 million from stamp duty on land transactions, \$22.8 million from work permits and \$3.3 million in excess revenue returns from statutory bodies together accounted for 19 percent of revenues.

Table 18: Recurrent Revenue

figures in US\$'000

RECURRENT REVENUES	31-Mar-20 Actual	31-Mar-20 Budget	31-Mar-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Import Duty	78,582	78,486	76,570	96	0%	2,012	3%
Hotel and Restaurant Tax	74,256	69,404	67,218	4,852	7%	7,038	10%
Customs Processing Fee	36,029	35,784	34,911	245	1%	1,118	3%
Stamp Duty on Land Transactions	33,079	28,061	28,988	5,018	18%	4,091	14%
Work Permits	22,795	21,498	21,145	1,297	6%	1,650	8%
Fuel Tax	10,994	10,542	10,285	452	4%	709	7%
Other Revenues	58,639	60,402	64,505	(1,763)	-3%	(5,866)	-9%
Total Recurrent Revenues	314,374	304,177	\$ 303,622	10,196	3%	10,751	4%

Numbers may not add due to rounding

Source: Accountant General's Office

Total duties (excluding stamp duty) collected for the year were \$127.6 million (2019: \$123.6 million). This represented a \$4.0 million increase from last year's results and \$0.9 million above



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the budget estimates. with Import Duties being \$2.0 million above the prior year's results and \$0.09 million above the budget.

Taxes on goods and services were \$11.7 million above estimates and up by \$13.4 million from the prior year's results, largely owing to the increase in tourism volumes. Hotel and Restaurant Tax showed an increase of 7 percent and 10 percent respectively compared to budget and last year's results, a trend that was also reflected in Stamp Duty on Land Transactions, which was also above estimates and prior year's outturn by 18 percent and 14 percent respectively.

Fees, fines and permits of \$34.3 million increased by \$3 million (10 percent) when compared to last year's results as well as \$2.3 million (7 percent) in comparison to the budgeted outturn. The major contributor to this performance was Work Permits of \$22.8 million which was \$1.3 million (6 percent) more than budget and up by \$1.6 million (8 percent) from last year's results.

Table 19: Other Recurrent Revenue

figures in US\$'000

OTHER RECURRENT REVENUES	31-Mar-20 Actual	31-Mar-20 Budget	31-Mar-19 Prior Year	Actual vs Rev. Budget		Actual vs Prior Year	
Communications Tax	4,845	5,421	5,368	(576)	-11%	(523)	-10%
Vehicle Licence	4,750	4,487	4,377	263	6%	373	9%
Seaport Departure Tax	4,537	3,649	3,534	888	24%	1,003	0%
Telecommunications licence	4,165	4,684	4,637	(519)	(11%)	(472)	-10%
Gaming Machine Tax	3,901	4,000	3,959	(99)	-2%	(58)	-1%
Overtime Cost recovered	3,299	3,534	3,342	(235)	-7%	(43)	-1%
Excess Revenue from Statutory Bodies	3,298	8,000	12,402	(4,702)	-	(9,104)	-
Business Licence Renewal	2,374	2,806	2,705	(432)	-15%	(331)	-12%
Permanent Residency Fees	2,057	2,530	1,915	(473)	-19%	142	7%
Stamp duty Miscellaneous	2,003	232	280	1,771	763%	1,723	615%
Other Revenue Heads	23,410	21,059	21,987	2,351	11%	1,423	6%
Total Other Revenues	58,639	60,402	64,505	(1,763)	-3%	(5,866)	-9%

Numbers may not add due to rounding

Source: Accountant General's Office

Other Recurrent Revenues collected for the year totalled \$58.6 million (2019: \$64.5 million) which was 3 percent below the budgeted amount and down by 9 percent of last year's outturn.



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Table 20: Non-recurrent Revenue

figures in US\$'000

NON-RECURRENT REVENUES	31-Mar-20	31-Mar-20	31-Mar-19	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Civil Recovery Income	166.08	-	2,370.00	-	100%	(2,204)	100%
Revenue from Grants	351.28	1,012.02	7,953.72	(661)	(65%)	(8,602)	(108%)
Land Sales	396.79	1,053.00	1,079.00	(656)	(62%)	(682)	(63%)
Total Non-Recurrent Revenues	914.15	2,065.02	11,402.72	(1,151)	(56%)	(10,489)	-92%

Numbers may not add due to rounding

Source: Accountant General's Office

Non-recurrent revenue for the year totalled \$0.9 million (2019: \$11.4 million).

Expenditure

TCIG's expenditure (excluding capital) for the 2019-20 fiscal year totalled \$239.6 million (2019: \$228.8 million). This represented a reduction in spending for the year by \$19.8 million or 8 percent from the budget estimates while being \$11.0 million or 5 percent above the previous year's outturn.

Table 21: Performance Recurrent Expenditure

figures in US\$'000

RECURRENT EXPENDITURE	31-Mar-20	31-Mar-20	31-Mar-19	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Total Personnel Costs	93,961	103,574	90,471	9,613	9%	(3,490)	(4%)
Medical Treatment & Transfers to NHIB	33,254	33,254	32,700	-	0%	(554)	(2%)
Hospital Provisional Charges	21,403	21,626	21,124	223	1%	(279)	(1%)
Subventions	13,658	14,207	12,514	549	4%	(1,144)	(9%)
Maintenance Expenses	9,535	9,618	9,211	83	1%	(324)	(4%)
Grants and Contributions	7,585	8,309	8,243	724	9%	658	8%
Other Expenses	51,514	57,775	45,227	6,261	11%	(6,287)	(14%)
Total Recurrent Expenditure	230,910	248,363	219,490	17,453	8%	(11,419)	(5%)

Figures may not add due to rounding

Source: Accountant General's Office

All expenditure heads were below or on par with estimates for the year.

The total spent during the current fiscal year included \$94 million (39 percent) for Personnel Costs, which was \$9.6 million less than budget because of delays in the recruitment process, exacerbated by the late passage of the budget. The increase in personnel cost of \$3.4 million (4 percent) over the prior year results attests to the efforts made in filling vacant positions.



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Medical Treatments and Transfers to NHIB totalled \$33.3 million and together with Hospital Provisional Charges of \$21.4 million accounted for 23 percent of expenditure. While these results were on par with estimates, combined expenditure was 3 percent more than the prior year's outturn. The Government is actively pursuing measures it hopes, will reduce the cost of healthcare for its citizens while maintaining or improving the delivery of care.

Subventions totalled \$13.7 million representing a 9 percent increase from last year's cost of \$12.5 million while being 4 percent below the budget.

Grants and Contributions totalled \$7.6 million for the year.

Table 22: Performance Other Recurrent Expenditure

figures in US\$'000

OTHER RECURRENT EXPENDITURE	31-Mar-20	31-Mar-20	31-Mar-19	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Rental of Assets	5,033	5,136	4,896	103	2%	(137)	(3%)
Utilities	4,395	4,586	3,432	191	4%	(963)	(28%)
Professional and Consultancy Services	4,055	4,791	2,882	736	15%	(1,173)	(41%)
Local Travel and Subsistence	3,896	4,228	3,155	332	8%	(741)	(23%)
Recurrent Sub Programmes and Projects	3,799	3,844	2,568	45	1%	(1,231)	(48%)
Other Recurrent Expenditure	30,336	35,190	28,294	4,854	14%	(2,042)	(7%)
Total Other Recurrent Expenditure	51,514	57,775	45,227	6,261	11%	(6,287)	(14%)

Figures may not add due to rounding

Source: Accountant General's Office

Other recurrent expenditure for the year totalled \$51.5 million (2019: \$45.2 million) which was a 14 percent increase from last year's results while being \$6.0 million or 10 percent below the budgeted amount.

Table 23: Non-recurrent Expenditure

figures in US\$'000

NON-RECURRENT EXPENDITURE	31-Mar-20	31-Mar-20	31-Mar-19	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Special Investigation Prosecution Team (SIPT)	7,319	8,110	7,481	791	10%	162	2%
Civil Recovery	431	429	475	(2)	0%	44	9%
Statutory Land Acquisition	960	2,500	1,403	1,540	62%	443	32%
Total Non-Recurrent Expenditure	8,710	11,039	9,359	2,329	27%	649	7%

Figures may not add due to rounding

Source: Accountant General's Office



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Non-recurrent expenditure for the year of \$8.7 million (2019: \$9.4 million) was down 30 percent from the budget estimates while on par with last year's outturn. Of this amount, SIPT expenses accounted for \$7.3 million (84 percent), which was 2 percent less than last year's results and 10 percent below the budgeted amount. Civil Recovery expenses of \$0.4 million were 52 percent below last year's outturn and 39 percent below budget estimates. Statutory/compulsory land acquisitions were 62 percent below the budget and 32 percent below the prior year.

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 money appropriated for the Development Fund would not lapse and that any unexpended balance of sums of money withdrawn, would remain in the Fund at the end of the financial year if the money were still required to meet any expenditure or commitment under the Fund.

The total amount spent on capital projects for the fiscal year was \$28.3 million which was funded by capital contributions appropriated from the Consolidated Fund. The total budgeted expense for capital projects was \$36.6 million. Contracts with a value of \$28.1 million were committed during the year and will be available for expenditure over the life of the specific projects to which they relate. Expenditure will be made from the Development Fund as approved in the Appropriation Ordinance.

Current Liabilities

Current Liabilities comprise refundable deposits and payables from exchange transactions totalling \$13.5 million as well as the principal payments of the debt which is due within the next twelve months, that is, the fiscal year 2019-20.



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BORROWINGS

figures in US\$'000

Outstanding Public Debt

Unsecured

	Loan Balances 01- Apr-2019	Repayment During 2019/20	Loan Balances 31-Mar-2020
Caribbean Development Bank	3,053	1,306	1,746
RBC Royal Bank	4,000	4,000	-
TCI Bank Limited	2,342	1,067	1,275
Total unsecured debts	9,394	6,373	3,021

Figures may not add due to rounding

Figure 5 – Borrowing

Source: Accountant General's Office

TCIG's outstanding debt as of March 31, 2020, was \$3.0 million (2019: \$9.4 million). Total principal debt repayment for the year was \$6.3 million (2019: \$6.4million) while total finance costs for the year were \$0.3 million (2019: \$0.7 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.

Contingent Liabilities

Estimates of quantifiable commitments and contingent liabilities at the reporting date stood at US\$1.2 billion as of the end of March 2020. This amount includes an estimated long-term commitment of \$308.1 million based on the terms of the unitary component of the IHC hospital contract as well as estimates for the equipment & clinical portion of the contract which amounts to \$371.3 million. This amount also includes the estimated liability for providing pension benefits attributable to years of past service for the TCIG public service for \$109.9 million as of March 31, 2019, the last actuarial valuation, which comprises \$82.2 million for established employees and \$27.7 million for Legislative allowance. Additionally, the unfunded pension liability totalling \$396.6 million relating to the National Insurance Board on March 31, 2019, is also reflected in this amount.



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TCIG is subject to claims and potential claims related to damages to persons and property, breach of contract and similar items. The value of such claims on March 31, 2020, reflected in contingent liabilities is \$44.3 million. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted or is reasonably foreseen. Consequently, no provision for claims has been included in the Annual Statement of Public Accounts. Any resulting costs to TCIG will be recorded in the year when an amount can reasonably be determined or ordered.



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FISCAL RISK ASSESSMENT

The fiscal risks matrix below identifies the implicit and explicit obligations that may cause fiscal outcomes to differ from expectations.

Fiscal Risks Matrix

POSSIBLE SOURCES OF FISCAL RISK - TURKS AND CAICOS ISLANDS

	DIRECT LIABILITIES	INDIRECT/CONTINGENT LIABILITIES
EXPLICIT LIABILITIES (LEGAL OBLIGATIONS, NO CHOICE)	<ul style="list-style-type: none"> • Debt Repayment and Servicing Payments • Recurrent expenditure, legally binding over the medium/long term e.g., salaries and wages/PPP monthly contractual obligation, gratuities, and pensions, SIPT Prosecution and Legal Aide Costs 	<ul style="list-style-type: none"> • Guarantees related to Airport's Authority • NIB- Pension plan • Claims against Government/Compulsory Land Acquisition • NHIB - the continuous increase in health care cost that is passed on to the Government.
IMPLICIT LIABILITIES (EXPECTATIONS AND POLITICAL DECISIONS)	<ul style="list-style-type: none"> • Maintenance costs for Public Sector Investment Plan - schools, clinics, hospitals etc. • Social Services • Continuous spending due to political cycles/elections 	<ul style="list-style-type: none"> • Response after natural disasters • The default of State-owned companies on non-guaranteed obligations (National Trust, AA, NHIB, Ports Authority)

Table 25-Fiscal Risk Matrix

Source: Prepared by the Budget Office - Format adopted from the World Bank



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Main Sources of Fiscal Risk

- Legal or moral obligations – recurrent expenditure due to binding contracts, debt servicing
- Loan Guarantees and PPPs
- Treatment Abroad Programme – NHIB
- Exposure to natural disasters resulting from climate change
- Crime and border protection issues
- A global economic fall-out with major trading partners and source markets such as the United States and the United Kingdom

APPROACHES FOR MANAGING MAJOR RISKS

Risk Reduction – Reduce Vulnerability and Exposure to Hazards

- During the budget planning stage, climate measures are costed and prioritized
- Improve building codes and monitoring
- Strengthen reefs
- Improve citizen security

Risk Financing – Retention and Risk Transfer

- Catastrophic Risk Insurance
- Mandatory Private insurance (Residential homes)

Residual Risk Management Strategies – Post Disaster/Catastrophic Event Response

- Contingency Fund
- Budget reallocation
- National Wealth Fund
- Liquid Cash Reserves-Net Surpluses
- Low debt portfolio
- Credit Rating BBB+
- Expenditure controls



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NATIONAL WEALTH FUND

Turks and Caicos National Wealth Fund was enacted in 2017. The cumulative total in the National Wealth Fund is \$25.7m representing, the initial sum of \$8 million that was transferred into the Fund in the financial year 2018-19 and \$17.7m from the excess revenue of 2018/19.

The Established Fund has the following components:

- Stabilisation Fund;
- Infrastructure and Competitiveness Fund;
- and Heritage Fund.

The National Wealth Fund is being funded through surplus revenue from the Consolidated Fund, deposited into the Fund and assets acquired and earned from investments. The Ordinance provides for funds to be transferred to the Fund under the following guidelines:

Where in any financial year the actual revenue exceeds the estimated revenue by—

- (a) 5 percent but is less than 20 per cent, then 50 per cent of the excess of the revenue for that financial year shall be withdrawn from the Consolidated Fund and deposited to the Fund;
 - (b) or 20 per cent or more, 70 per cent of the excess of the revenue for that financial year shall be withdrawn from the Consolidated Fund and deposited to the Fund.
1. The funds in the Stabilisation Fund may be withdrawn when the amount of funds accumulated is equal to 25 percent of the gross domestic product in the following circumstances—
- (a) wherein any financial year an external economic shock or a natural disaster negatively impacts the collection of recurrent revenue so that the revenue collection falls below the level collected in the base year;
 - (b) wherein any financial year the amount of shortfall in recurrent revenue is more than 20 per cent of the level collected in the base year;
 - (c) where the fall in revenue results in a fiscal deficit; and



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- (d) where any available accumulated surplus in the Consolidated Fund has been exhausted.
2. The funds in the Infrastructure and Competitiveness Fund may be withdrawn from time to time subject to the approval by the House of Assembly for special projects emanating from a long term development plan and no maximum limit shall apply to the withdrawal from the Infrastructure and Competitiveness Fund.
 3. The funds in the Heritage Fund may be withdrawn from time to time subject to the approval by the House of Assembly in the following circumstances—
 - (a) to facilitate cross fund usage;
 - (b) for extraordinary circumstances that hurt the national welfare of the Islands; or
 - (c) where the Heritage Fund has reached 10 per cent of the gross domestic product.