

FISCAL AND STRATEGIC POLICY STATEMENT

2023/24 - 2026/27



Prepared by the Ministry of Finance, Investment and Trade
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TURKS AND CAICOS ISLANDS
FISCAL AND STRATEGIC POLICY STATEMENT (FSPS)
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FISCAL STRATEGY OVERVIEW

The Fiscal Strategic Policy Statement (FSPS) 2023/24-2026/27 is the medium-term budgetary framework that outlines the fiscal plans for the current year and the immediate three forward years. The FSPS outlines the budgetary implications for new and current government policies and the future years' implications.

The governments of the United Kingdom and the Turks and Caicos Islands have agreed on the five fiscal parameters listed below through the 2012 Framework document.

- a. Budget surplus
- b. Controlling government expenditure
- c. Management of Public Debt (Public-Private Partnerships)
- d. Revenue enhancement and;
- e. The financial improvement of state-owned agencies

Long-term fiscal sustainability is an overarching priority of the Government; consequently, the fiscal targets will meet all agreed sustainability ratios outlined in the Framework Document.

The fiscal targets are developed on existing revenue streams with no new taxes projected for the current and future years. However, the Government is advancing plans to restructure and modernise the tax system to have a more progressive and equitable tax base responsive to existing and anticipated economic conditions.

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

¹TCI's Vision Document 2040



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The Vision 2040, The Framework Document, and Medium-Term Development Strategy establish the targeted outcomes and align with the Sustainable Development Goals (SDGs). They also align with the Government's triple-bottom-line approach to enhancing residents' quality of life through social, environmental, and economic sustainability.

In the medium-term, the Government's key focuses are the following:

- 1) Human Capital Development,
- 2) Inflation and Cost of Living Containment,
- 3) Destination Management Reform.
- 4) Public Sector Reform,
- 5) Preservation and Enhancement of National Security,
- 6) Population & Migration Policy Reform,
- 7) Primary Sector Development,
- 8) Housing & Crown Land Management Reform, and
- 9) Critical Infrastructure (Re)Development.

Commencing with the 2023/24 budget, the Government will incorporate green and gender-based considerations into its budget planning and decision-making, building on recent programs and performance budget reforms.

Green Budgeting integrates climate and environmental perspectives into budget planning and decision-making, including policies that address climate mitigation and adaptation. Gender budgeting, on the other hand, recognises that fiscal policies and budget decisions have the potential to contribute to closing gender gaps and improving gender equality. As a result, it incorporates gender-based needs and factors into the design and delivery of policies, services, and projects.

More specifically, green-based policies address the following:

- The impact of climate on the economy through long-term economic and fiscal projections;
- Climate-related fiscal risks through assessments (and costings, where possible);
- Requirements for Green investments through the inclusions into the medium-term fiscal framework;
- Climate risk mitigation factors, including insurance, contingencies, and reserves; and



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- The cost of green financing by incorporating options into the fiscal strategy.

The benefits of Gender-based policies are;

- Achieving gender equality by closing gender gaps in all spheres of society, thereby reducing poverty and strengthening and more resilient economy.
- Faster economic recovery and increased long-term growth prospects.
- Policies and budgets that achieve better outcomes.

As part of their budget preparations, ministries and agencies must identify the green and gender impacts of all new spending requests. The annual Budget Estimates document will also require agencies to present sex-disaggregated data and specific performance KPIs on the green and gender impacts of their programs, in particular:

- The planned and achieved outcomes or impacts of the green programmes and their effectiveness in achieving climate mitigation and adaptation objectives.
 - What is the climate impact of the green programmes?
 - What climate mitigation/disaster mitigation and adaptation measures or strategies have been adopted?
- the planned or achieved outcomes or impacts of the gender programmes and effectiveness in achieving gender equity objectives
 - What does the performance information tell us about the impact of the gender programmes on gender equity?
 - What gender gaps have been identified?
 - Are there specific strategies aimed at improving gender access/equity and addressing gender gaps for the gender programmes?

Strengthening green and gender considerations in budget planning and decision-making is consistent with the Government's Vision 2040 objectives and the UN Sustainable Development Goals (SDGs). Mainstreaming these issues will improve the Government's planning for mitigating and adapting to the impact of climate change, and it will ensure programs and services are designed to meet the needs of all users.

Key green and gender initiatives planned by ministries for 2023/24 include:



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- The seaport development project aims to adopt a robust and climate-resilient infrastructure.
- Additional staffing for the Safe House programmes to facilitate males and females suffering from domestic violence.

The Expenditure ceiling, including Capital, is \$403.1 million or 38.2 per cent of GDP. Approximately \$102.8 million is budgeted for infrastructure upgrades over the next three years, with \$42.7 million budgeted in 2023-24. Note: These targets do not reflect investments in new infrastructure through Debt or Public-Private Partnership (PPP) financing.

The remainder of this policy statement will discuss the International and Domestic Economic Outlook, Aggregate Fiscal Targets, Fiscal Outlook, Statement of Previous Performance, Fiscal Risk Assessment, and the National Wealth Fund.



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ECONOMIC OUTLOOK

International Economy

According to the International Monetary Fund (IMF), in its October 2022 edition of the World Economic Outlook (WEO), global economic activity is projected to increase by 3.2 percent in 2022, whilst a 0.5 percentage point dip to 2.7 percent is projected for 2023. The outlook for 2022 remained unchanged from the July 2022 forecast, whilst a 0.2 percentage point decline is projected for 2023 from 2.9 percent to 2.7 percent. Post 2020, global growth is projected to decrease from 6.0 percent in 2021 to 2.7 percent in 2023. This aggregated trend reflects the performance of the following economies and regions: USA, Canada, the United Kingdom (UK), the Euro Area and Latin America and the Caribbean. Table 1 below illustrates the details whilst regarding the projection:

"Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis."

Table 1- International Economic Assumptions

	Actuals 2019	Actuals 2020	Actuals 2021	2022	Projections 2023
World Growth	2.8	-3.0	6.0	3.2	2.7
US	2.3	-3.4	5.7	1.6	1
Canada	1.9	-5.2	4.5	3.3	1.5
UK	1.7	-9.3	7.4	3.6	0.3
China	6.0	2.2	8.1	3.2	4.4
Euro Area	1.6	-6.1	5.2	3.1	0.5
Latin America and the Caribbean	0.2	-7.0	6.9	3.5	1.7
Emerging Markets and Developing Economies	3.6	-1.8	6.6	3.7	3.7
Low-Income Developing Countries	5.3	0.1	4.1	4.8	4.9

Source: IMF World Economic Outlook – October 2022

Advanced economies are forecasted to experience growth to the tune of 2.4 percent and 1.1 percent, respectively, for the years 2022 and 2023. This echoes the declined post-2020 global



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growth and falls short of the projected growth for Emerging Markets and Developing Economies. The October 2022 forecast for the United States of America (US) would have declined by 0.7 percentage points to 1.6 percent in 2022 compared to the July forecast due to the unexpected real Gross Domestic Product (GDP) contraction in the second quarter. Growth is also projected to decline to 1 percent in 2023 as the declined real incomes and higher interest rates negatively impact consumer demand and residential investment. This is of critical importance to the Turks and Caicos Islands as the US is the main target market of the tourism industry.

The Emerging Markets and Developing Economies growth projection diverged from the Advanced and World Economy since a constant growth of 3.7 percent is expected for years 2022 and 2023. This represented a more optimistic outlook for 2022 by 0.1 percentage points and a worsened outlook for 2023 by 0.2 percentage points compared to the July 2022 report. These results are anticipated given the improved 2022 growth projections for Emerging Market and Developing Europe, Latin America and the Caribbean and the Middle East and Central Asia compared to the July 2022 report. Conversely, worsened 2023 growth projections for all Emerging markets and Developing Economies, excluding the Middle East and Central Asia compared to the July report, would have led to a worsened outlook.

The United Kingdom is expected to grow by 3.6 percent in 2022 and 0.3 percent in 2023; (0.4 percentage points higher in 2022 and 0.2 percentage points low in 2023 than forecast in the July WEO). The consistent decline post-2020 growth outlook is due to the constrained business investment and consumer spending due to the contractionary monetary policies targeted towards high inflation. The Euro area is projected to grow by 3.1 percent in 2022 and is anticipated to slow to 0.5 percent in 2023. October 2022 reaped a more optimistic projection for the Euro Area compared to the July 2022 report, by 0.5 percentage points, due to a stronger-than-projected second-quarter outturn. Conversely, the October 2022 0.7 percentage point decline for 2023, in comparison to the July 2022 report, was projected for the Euro Area, stemming from the effects of the war in Ukraine, Russia's gas supply cuts, and the European Central Bank's contractionary monetary intervention. The updated projection foresees negative growth for both Germany and Italy.

The Chinese economy is anticipated to grow by 3.2 percent in 2022 and improve to 4.4 percent in 2023, a decline of 3.7 percentage points from 2021. The 2022 projected growth decline is influenced by COVID-19 outbreaks, lockdowns in multiple localities, and the worsening



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property market crisis. This poses a risk for economic activities within the Caribbean region due to China's critical influence on global supply chains. Although the economy of India anticipated growth of 7.4 and 6.1 percent for the years 2022 and 2023, respectively, in July 2022, the 2022 projection was reduced due to a weaker-than-expected outturn in the second quarter and more subdued external demand resulted in a revised projection of 6.8% percent for the year 2022 and the exact initial growth change for 2023.

The Low-Income Developing Countries are the only entities projected to experience increasing positive growth between 2021 and 2023. Although the growth rate declined by 0.2 percentage points to 4.8 percent in 2022 and by 0.3 percentage points to 4.9 percent in 2023, the projected trend of increasing growth remained in both the July and October 2022 reports. Favourable commodity prices increased the 2022 growth projection by 0.5 percentage points to 3.5 percent for Latin America and the Caribbean in October 2022 compared to July 2022. Conversely, anticipated financial tightening, softened commodity prices and lessened growth from partner countries decreased the 2023 growth projection by 0.3 points to 1.7 percent for Latin America and the Caribbean in October 2022 compared to July 2022. The result of the WEO is based on the caveat of a current environment of high inflation, a slowdown in growth, and heightened uncertainty about the economic and policy outlook.

Domestic Economy

Following a huge economic slump brought on by the COVID-19 pandemic in 2020, the economy of the Turks and Caicos Islands has made incredible progress toward recovery. A strong "uptick" in economic activity is seen in the tourism industry, which has spearheaded the recovery. This is partially attributable to the Government's targeted containment efforts to lessen the COVID-19 pandemic's adverse economic effects. Real GDP will recover to 2019 levels by 2023, thanks to a significant increase in tourist arrivals in 2021 and a steady rise in travel as the world travel market returns to pre-pandemic levels.

The Department of Statistics forecasts that the economic recovery will last through 2023 and into 2024 due to increasing immunisations in the nation and within significant source markets, resulting in better comfort with international travel. The post-pandemic economic recovery and the health of the tourism industry will be the main factors in the full economic recovery projected for 2023.



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2021's economic performance was far better than expected, which reflects the synergistic impacts of rising private expenditure and the tourism industry's revival. While still below pre-pandemic levels, visitor arrivals are currently showing considerable growth. Although the expansion of domestic economic activity has benefited from the careful and methodical pace of the Turks and Caicos Islands' economy's re-opening, this growth is nevertheless brittle and uneven. The projection for 2022 and 2023, however, is based on the supposition that the borders would remain open, no further "shelter in place" orders or strict curfews will be put into effect, and there will be no major outbreak in the TCI source markets.

The economy of the Turks and Caicos Islands has consistently demonstrated a capacity to recover quickly, largely because of the nation's strict fiscal policies and controls, even though the economy is susceptible to external shocks, as shown by domestic economic trends over the past decade. The national economy is still feeling the COVID-19 pandemic's consequences. All signs, however, point to a recovery in development. As a result, the TCIG projects that the economy will rise significantly in 2021 and 2022. Given that TCI's brand has remained strong despite the economic and environmental challenges, the local economy is predicted to quickly reestablish its route to sustained international competitiveness in the tourism sector. Given how crucial tourism is to the national economy, this is essential. The Government's current strategic emphasis and investments are intended to improve further and solidify the unrivalled tourism offering that the Turks & Caicos Islands have to offer.

The remarkable increase in "Stay-over" arrivals in 2021 and during the first nine months of 2022 proves that inbound tourism, which was virtually nonexistent in 2020 due to the epidemic, is still showing incredible signs of recovery. Although the total number of tourists to the Turks and Caicos Islands in 2021 was still below pre-pandemic levels, there is confidence that the stay-over arrivals would continue their strong recovery through 2022, with more increase anticipated for 2023 and 2024. Increased freight costs, rising energy and commodity prices, and rising import expenses increase inflationary pressures. Due to these problems, it is estimated that import costs for final and intermediate consumption will continue to be high, with some alleviation anticipated by 2023.



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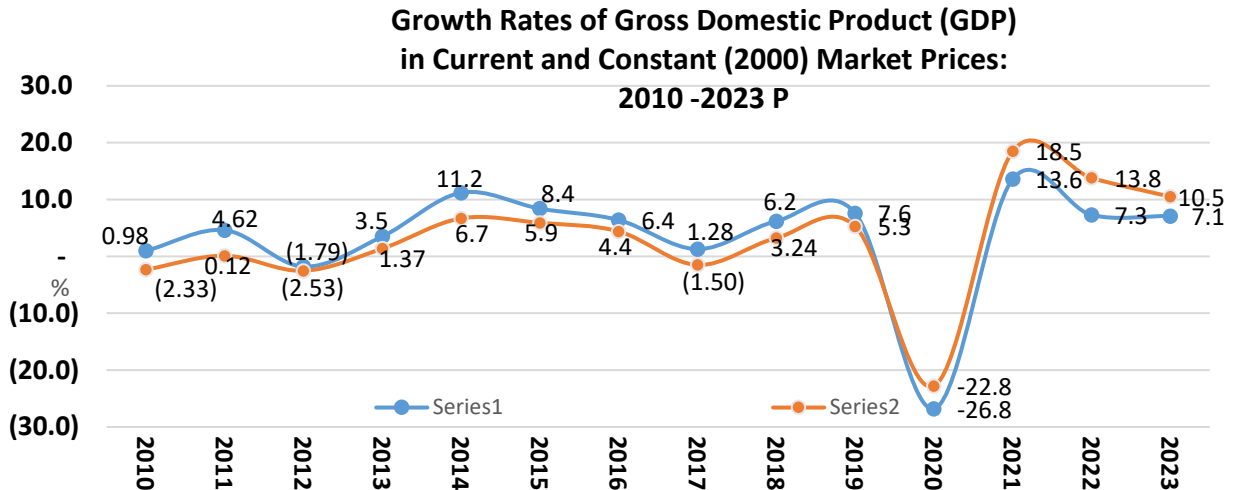


Figure 1 - GDP Growth in Nominal and Constant Prices 2010-2023

Wholesale and retail trade operations should grow more than 6% in 2021 and even more in 2022 and 2023. With additional development anticipated in 2023 and 2024, it is predicted that the construction sector will continue to increase by more than 5% in 2022. In 2022, more activity was anticipated in the real estate sector, which had a very strong performance in 2021.

	Actuals	Actuals	Actuals	Actuals	Actuals	Revised Estimates	projections	Projections
	2016	2017	2018	2019	2020	2021	2022	2023
Nominal GDP (bill. US\$)	1.03	1.02	1.1	1.2	0.92	1.04	1.14	1.23
Nominal GDP Growth (%)	9.6	-1	8.9	7.6	-22.8	13.0	9.0	8.1
Real GDP (%)	7.3	-2.5	5.6	5.3	-26.8	9.0	6.2	5.5
CPI (%)	2	2.1	2.1	2.2	2.3	4.5	6.0	3.5
Population	37.9	39.8	41.4	43	44.5	46.1	47.7	49.3
Nominal GDP per capita (\$)	27,234	25,695	26,909	27,877	20,655	23,628	25,985	27,784
Value of Imports (\$Mn)	389.3	432.6	483.7	487.6	349.9	485.9	681.4	556.6
Exports (\$mn)	4.5	2.3	5.8	5.3	4.1	11.3	2.6	4.6
Balance of Trade	-384.8	-430.2	-477.9	-482.3	-345.8	-474.7	-678.8	-561.2
Foreign Direct Investment (%)	4.4	-1	2.5	3	2.5	3	3	3
Unemployment (%)	7	6	7	7	11	9	8	7

Table 2 - Domestic Macroeconomic Assumptions – 2016 to 2023

Source: Statistics Department



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As the tourism sector and other sectors continue their return to normalcy, the unemployment rate is anticipated to have declined in 2021, with additional decreases expected in 2022 and 2023. Based on projections of the current economic environment and projected developments over the next several years, the unemployment rate is expected to decline to 8% in 2022, and 7% in 2023 as economic conditions improve and more people return to the workforce.

The Nominal and Real GDP per capita for 2010 to 2021 and projections for 2021 to 2023 are displayed in Table 3. The TCI has shown notable increases over time, according to both indices. The nominal GDP increased from \$686.8 million in 2010 to an expected \$1.2 billion in 2019. Sadly, the COVID-19 pandemic is predicted to have caused the nominal GDP to fall to \$924 million in 2020. It is, however, anticipated to recover to \$1.2 billion by 2023.

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	20,800
2021	1,044,779	22,648
2022	1,138,809	23,864
2023	1,231,052	24,966

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

Source: SPPD and S&P

The economy is estimated to have witnessed nominal growth of roughly 13 percent in 2021 and 9 percent in 2022, thanks to strategic capital development targeted towards the Turks & Caicos Islands' recovery and predicted large-scale development projects. The nominal GDP per capita



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peaked in 2019 at \$27,877, dropped to \$20,800 in 2020, and is estimated to have risen to \$22,648 in 2021. It is forecasted to increase to \$24,966 in 2023.

Construction

In 2022 and 2023, the construction industry is anticipated to maintain its excellent performance. The actions of enterprises and private persons are expected to drive this sector's growth, which is anticipated to be four percent on average between 2022 and 2025. The Government's new and ongoing capital programmes, which concentrate on infrastructural development, improved physical working conditions, and community-based initiatives, will likely help the construction industry maintain its good performance. Foreign direct investment in tourism-related and other projects and a rise in domestic private-sector investments are also anticipated to boost building activity further.

Agriculture and Fishing

Less than 1.0 percent of the Turks and Caicos Islands GDP comes from the agriculture and fishing sectors. Over the next three years leading up to 2025, they are anticipated to grow collectively at a rate of 2% yearly on average. The Government has recently increased its enforcement efforts while effectively policing fishermen and educating them on the risks associated with coral reef bleaching. These actions have reduced the catch of lobsters that needed to be the proper size and decreased illegal fishing.

According to projections, these elements will continue to benefit the sector. In addition to the fishing industry, the Government has put into place programs like "eat what you grow, and grow what you eat," which are meant to encourage and expand the agricultural sector, increasing the contribution of the agricultural industry as a whole. Additionally, Providenciales has a well-established farmers' market where local farmers can sell their products.

Tourism

The Turks and Caicos Islands' economy depends heavily on tourism. The economy largely focuses on tourism and related services because few natural resources are available (including tourism-related construction). The majority of foreign direct investment (FDI) has, over time, been attracted to the tourist industry, and the Government strongly supports investments in this field. Over 65% of the nation's GDP comprises tourism-related and allied services. The Turks



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and Caicos Islands' real gross domestic product (GDP) is estimated to have increased by 9 percent in 2021, with growth rates of 6 percent and 5.5 percent predicted for 2022 and 2023, according to the Statistics Department.

High vaccination rates among travellers, and their increased comfort level with international travel, were key factors behind the tourism sector's recovery. As a result, stay-over arrivals are forecasted to increase in 2023, with a return to pre-pandemic levels by 2024. Unfortunately, the cruise ship sector is forecasted to take a little longer to recover. A complete recovery is anticipated by the end of 2024 for the Turks and Caicos Islands tourism industry. Probably, the overall tourist contribution to the economy would greatly outperform the pre-pandemic statistics, given the fresh investments in the sector that are in the works and the return of cruise tourism in mid-December 2021. In the short term, the Turks & Caicos Islands' economy will expand strongly if that happens.

Trade

According to data on international commerce in goods, the value of imports fell by 0.8 percent in 2020, principally because of a reduction in activity in the hospitality, wholesale, and retail trade sectors and limits put in place to safeguard the nation's health. From 2021 to 2023, the current prediction anticipates average annual growth of 5%.

Despite a fall in imports in 2020, they rose in 2021 and are expected to rise again in 2022 and 2023, with a sizable share of these gains attributable to building supplies for the development of commercial and residential facilities for a growing worldwide clientele. However, a thriving real estate sector's sales and tax returns balance out the importation of building supplies.

Despite the aforementioned, the Turks and Caicos Islands' invisible trade balance—which represents the exports of intangible services such as financial and professional services and tourism—when combined with their physical trade balance, leads to a net positive trade balance. Some of the objectives outlined in the TCIG's Citizens Contract are to increase the country's growth in invisible exports, lessen its reliance on importing vital supplies (including food), and eventually establish sovereignty over essential products.

Downside Risk

The Turks and Caicos Islands' economy is forecasted to have grown by 6.2 in 2022, with more expansion anticipated in 2023. It is estimated to have grown by 9 percent in 2021. The expanded availability of COVID-19 vaccines in important source markets and the gradual relaxation of



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travel restrictions have greatly aided the tourism industry's recovery. The forecasts for 2022 and 2023 are based on the assumption that there would not be any notable increases in COVID infections in our source tourism markets or correspondingly stringent travel regulations.

Due to the Turks & Caicos Islands' vulnerability to hurricanes and other exogenous local, global, and regional shocks, inclement weather may negatively influence the country's growth targets. The TCIG also thinks it's critical to regularly assess this FSPS and the related operational strategies in light of the risks mentioned above and the industry's overall volatility.



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AGGREGATE FINANCIAL TARGETS

The aggregate financial targets for core Government operations, listed below, represent 2023/24 and the three forward years 2024/25-2026/27, per the agreement between the TCIG and the UK governments. Budget targets fall into three (3) categories: Operating, Balance Sheet, and Cash Flow.

FINANCIAL MEASURES	2020/21	2021/22	2022/23		2023/24	2024/25	2025/26	2026/27
	Unaudited Outturn \$'000s	Unaudited Actual \$'000s	Revised Budget \$'000s	Forecast outturn \$'000s	Estimate \$'000s	Projection \$'000s	Projection \$'000s	Projection \$'000s
OPERATING TARGETS								
Recurrent Revenue	195,652	396,208	400,160	387,160	403,553	415,660	428,130	440,974
Non-Recurrent Revenue	6,641	1,881	4,045	4,045	1,583	1,583	1,583	1,583
Total Revenue	202,293	398,089	404,205	391,205	405,136	417,243	429,712	442,556
Recurrent Expenditure	258,833	300,223	354,384	354,384	349,900	360,397	369,074	378,734
Non-Recurrent Expenditure	5,333	10,416	12,852	12,852	10,481	10	3	-
Total Operating Expenditure	264,166	310,639	367,236	367,236	360,382	360,407	369,077	378,734
Surplus Before Capital Programme	(61,873)	87,450	36,969	23,969	44,754	56,835	60,636	63,822
Capital Development Projects	(25,206)	(22,228)	(53,917)	(53,917)	(42,754)	(30,000)	(30,000)	(30,000)
Net Operating Surplus/Deficit	(87,079)	65,222	(16,948)	(29,948)	2,000	26,835	30,636	33,822
BALANCE SHEET TARGETS								
Net Government Debt	(60,111)	(130,435)	(118,704)	(105,704)	(125,922)	(157,975)	(193,836)	(232,992)
CASH FLOW TARGETS								
Opening Cash Balance	199,022	109,554	186,690	186,690	156,626	158,510	185,229	215,757
Net Operating Cash Surplus	(87,079)	65,222	(16,948)	(29,948)	2,000	26,835	30,636	33,822
Other Net Cash Inflows	-	-	-	-	-	-	-	-
Debt Repayment	(2,389)	(116)	(116)	(116)	(116)	(116)	(108)	-
*National Wealth Fund-In	-	-	-	-	-	-	-	-
New Borrowing								
Closing Consolidated Fund Cash Balance	109,554	174,660	169,626	156,626	158,510	185,229	215,757	249,580

Table 4- Aggregate Financial Target

Source: Prepared by the Budget Office

Operating Targets

The Operating targets reflect the three (3) primary areas from the working statement: Operating Revenue, Operating Expenses, and Operating Surplus. Operating Surplus is the fundamental operating measure.

According to Table 4, Total Revenue in 2023/24 is forecast at \$405.1 million, which is \$13.9 million higher than the currently projected outturn for 2022/23, and \$7.3 million higher than the audited actuals for 2021/22.

Total Expenditure before the Capital Contribution is forecast at \$360.4 million, a reduction of \$6.9 million (1.8%) over the projections for 2022/23 and \$49.7 million (16.0%) higher than the unaudited actuals for 2021/22. Capital Expenditure is forecast at \$42.8 million. An operating surplus is projected in 2023/24 and all forward years.



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Balance Sheet Targets

Core Government Assets and Liabilities are reported as targets. Fixed assets are not currently recorded in the Government accounts. Net Government Debt is forecast at negative \$126.0 million.

Cash Flow Targets

Net Operating Surplus before Debt Repayment is forecast at \$2.0 million in 2023/24, \$26.8 million in 2024/25, \$30.7 million in 2025/26, and \$33.8 million in 2026/27.



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COMPLIANCE WITH PRINCIPLES OF RESPONSIBLE FINANCIAL MANAGEMENT

Table 5 below summarises the extent to which the aggregate financial targets comply with responsible financial management principles. It shows the degree of compliance with the principles in each forecast period year. An Operating Surplus is forecast for 2023/24, and the Net Debt is forecast at negative 30.7 percent of Recurrent Revenue.

PRINCIPLES	DEGREE OF COMPLIANCE	
<p>Operating Surplus: should be positive all years</p> <p>Operating Surplus = Total Operating revenue - Total Operating expenditure</p>	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	65,222
	2022/23	(29,948)
	2023/24	2,000
	2024/25	26,835
	2025/26	30,636
	<p>Debt Service: Debt servicing cost for the year should be no more than 10% of core revenue by the end of fiscal 2018/19</p> <p>(Debt servicing = interest + principal repayments + other debt related expenses + transfers to the Sinking Fund)</p>	Complies by the end of Fiscal year 2016/17
2013/14		16.1%
2014/15		33.9%
2015/16		58.2%
2016/17		6.3%
2017/18		5.2%
2018/19		3.6%
2019/20		1.5%
2020/21		1.7%
2021/22		0.2%
2022/23		0.0%
2023/24		0.0%
2024/25		0.0%
2025/26		0.0%
<p>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</p> <p>(Net debt = Government debt balances + weighted outstanding balance of statutory entities guaranteed debt - government cash balances)</p>		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	-30.7%
	2021/22	-32.9%
	2022/23	-27.3%
	2023/24	-31.2%
	2024/25	-38.0%
	2025/26	-45.3%
	<p>Liquid Cash Reserves: Should be no less than 90 days of estimated expenditure by the end of financial year 2018/19</p> <p>At least 90 days in 2018/19: Liquid cash reserves = government cash balances + National Wealth Fund balance</p>	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		200
2019/20		308
2020/21		172
2021/22		227
2022/23		161
2023/24		179
2024/25		201
2025/26		226
<p>Financial Risks: Should be managed prudently so as to minimise risk</p>	Complies in all years	
Insurance coverage exist for key assets and major potential liabilities. Hurricane and other natural disaster preparedness strategy in place		

Table 5-Compliance with Principles of Responsible Financial Management

Source: Budget Office



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Operating Deficit/Surplus

The targets forecast an Operating Surplus in 2023/24 and the following years (see further 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 include Cash Balances, Money Market Investments, and the Turks and Caicos National Wealth Fund (TCNWF). The compliance target required a minimum of ninety (90) days of planned expenditure by 2018-19. The forecast for 2023/24 contains one hundred and seventy-nine (179) days of planned spending, 89 days higher than the Framework Document requires. TCIG will utilise balances in the Development Fund over multiple fiscal years. As a result, actual Cash Flow may be higher than these projections, which assumes that development expenditures will occur in the year of their approval. If the investment portfolio of the TCNWF changes to long-term, Liquid Cash Reserves will reflect that change.



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FISCAL OUTLOOK

Budget Aggregates

The aggregate financial targets for 2023/24 make up the economic outlook for 2023/24 to 2026/27. All projections are based on medium-term estimates, which may change due to global recessionary activities. The strategic directions and actions to strengthen economic recovery align with the Vision 2040 document, the Medium-Term Development Strategy (MTDS), and the Sustainable Development Goals. TCIG plans to invest extensively in the country's public infrastructure, pursued through a revenue generation regime that balances efficiency, equitability, and fairness principles.

	Forecast	Estimates	Forecast Outturn	Estimate	Projections		
	2021-22	2022-23		2023-24	2024-25	2025-26	2026-27
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Revenue	396,208	400,160	387,160	403,553	415,660	428,130	440,974
Per cent of GDP	36.35%	32.27%	31.22%	29.46%	28.67%	27.62%	27.30%
Recurrent Expenses	(300,223)	(354,384)	(354,384)	(348,900)	(359,367)	(368,018)	(377,652)
Per cent of GDP	27.54%	28.58%	28.58%	25.47%	24.78%	23.74%	23.38%
Underlying cash balance	95,985	45,776	32,776	54,653	56,293	60,112	63,322
Per cent of GDP	8.81%	3.69%	2.64%	3.99%	3.88%	3.88%	3.92%
Total Revenue	398,089	404,205	391,205	405,136	417,243	429,712	442,556
Per cent of GDP	36.52%	32.60%	31.55%	29.57%	28.78%	27.72%	27.40%
Total Expenses	(310,639)	(367,236)	(367,236)	(359,382)	(359,377)	(368,021)	(377,652)
Per cent of GDP	28.50%	29.62%	29.62%	26.23%	24.78%	23.74%	23.38%
Net operating balance	87,450	36,969	23,969	45,754	57,865	61,692	64,905
Net capital investment	(22,228)	(53,917)	(53,917)	(43,754)	(30,000)	(30,000)	(30,000)
Fiscal balance	65,222	(16,948)	(29,948)	2,000	27,865	31,692	34,905
Per cent of GDP	6.0%	-1.4%	-2.4%	0.1%	1.9%	2.0%	2.2%
GDP	1,090,000	1,240,000	1,240,000	1,370,000	1,450,000	1,550,000	1,615,100
*GDP forecast provided by S&P March 2022							

Table 6 - Budget Aggregates Table

Prepared by Budget Office

The 2023/24 projection for Recurrent Revenues is \$403.5 million (29.4 percent of GDP), which is approximately \$16.4 million higher than the projected outturn for 2022/23, and \$7.3 million higher than the actual performance for 2021/22.

Non-Recurrent Revenue for 2023/24 is \$1.6 million. Total Revenues are \$405.1 million (29.6 percent of GDP), approximately \$13.9 million higher than forecast, and \$7.0 million higher than actual 2021/22.



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Recurrent expenditure in 2023/24 is projected at \$349.9 million (25.5 percent of GDP), which is approximately \$47.7 million higher than 2021/22, and \$6.9 million lower than 2022/2023. Total Expenditure excluding Capital is forecast at \$359.4 million (26.2 percent of GDP) in 2023/24.

The growth plan for Recurrent Expenditure is pegged at 2.5 percent through 2026/27. Projections for Total Expenditure in 2023/24 to 2026/27 are \$360.4 million, \$360.4 million, \$369.0 million and \$378.7 million, respectively. Total Net Capital Investment for 2023/24 to 2026/27 is projected at \$132.8 million, with \$42.8 million projected for 2023/24.

	Forecast	Revised	Forecast	Estimate	Projections		
	2021-22	Estimate	Outturn		2023-24	2024-25	2025-26
	\$'000s	2022-23	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash Receipts							
Recurrent Revenue/ Operating cash receipts	396,208	400,160	387,160	403,553	415,660	428,130	440,974
Non Recurrent Receipts	1,881	4,045	4,045	1,583	1,583	1,583	1,583
Total cash receipts	398,089	404,205	391,205	405,136	417,243	429,712	442,556
Cash Payments							
Recurrent Expenditure/Operating cash payments	300,223	354,384	354,384	349,900	360,397	369,074	378,734
Non Recurrent Expenditure	10,416	12,852	12,852	10,481	10	3	-
Capital Expenditure	22,228	53,917	53,917	42,754	30,000	30,000	30,000
Total cash payments	332,867	421,153	421,153	403,136	390,407	399,077	408,734
Underlying cash balance	(63,180)	(1,547)	95,985	95,985	45,776	55,263	59,056
Per cent of GDP	-5.80%	-0.12%	7.74%	7.01%	3.16%	3.57%	3.66%
Fiscal Balance	65,222	(16,948)	(29,948)	2,000	26,835	30,636	33,822
Per cent of GDP	5.98%	-1.37%	-2.42%	0.15%	1.85%	1.98%	2.09%
GDP	1,090,000	1,240,000	1,240,000	1,370,000	1,450,000	1,550,000	1,615,100

Table 7- Summary General Government Sector Cash Flows Table
Source: GDP forecast for 2023-27 provided by S&P

Prepared by Budget Office

A Fiscal Balance of \$2.0 million, reflecting 0.15 percent of GDP, is projected for 2023/24. TCIG is projecting that there will be Operating Surpluses of \$26.9 million (1.85 percent of GDP) in 2024/25, \$30.7 million (1.99 percent of GDP) in 2025/26, and \$33.9 million (2.1 percent of GDP) in 2026/27.

The TCIG will continue to pursue a sustainable fiscal macroeconomic policy that encourages and enhances private sector (domestic and foreign) investments.

Expenditure is projected to be 4.0 percent lower than the revised 2022/23 estimates, with Allocation to Capital Investments projected at approximately 10.5 percent of Planned Expenditure for 2023/24.



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Table 8 below shows the Budget Reconciliation Details and the Revised Baseline Ceilings for the medium term.

	2023-24	2024-25	2025-26
	Budget Ceiling	Forward Estimates	Forward Estimates
	\$'000s	\$'000s	\$'000s
Budget and Forward Estimates (rolled forward from 2022/23 budget document)	359,688	349,484	349,484
+ Forward Year Impact of 2022-23 Post-Budget Decisions	7,975	6,235	6,235
+ Adjustment of New Spending Requests Approval (Recurrent)	16,235	8,398	8,398
+ Adjustment of New Spending Requests Approval (Capital)	11,582	3,636	3,636
+ Increase in Salaries, Pension and Gratuities	7,656	7,647	7,647
BASELINE BUDGET CEILING	403,136	375,399	375,399

Table 8-Baseline Budget Ceiling

Source: Budget Office

Spending priorities will ensure that the TCIG complies with the "Principles of Responsible Financial Management" outlined in the framework document. Below are the major components of the five (5) strategies:



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Strategy 1 - Controlling Government Expenditure – Spending Priorities

In 2023/24, the Operating Expenditure target is \$359.4 million, with Capital Expenditure, set at \$43.8 million. Table 9 below shows the allocations by Ministries. The new allocations also align with the Sustainable Development Dimensions and National Conditions outlined in the Vision 2040 Document.

Ministries	2023/24					2024/25	2025/26
	Baseline Budget Ceiling R/F from 2022/23	Post Budget Adjustments	New Spends	Revised Based Line Ceiling	% of Total Expen.	Forward Estimates	Forward Estimates
	\$'000	\$'000	\$'000	\$'000	%	\$'000	\$'000
Office of the Governor	7,881		1,117	8,998	2.2%	7,890	7,890
Police	33,799	1,107	1,988	36,895	9.2%	33,285	33,285
Attorney General's Chambers	9,700	800	17	10,516	2.6%	9,716	9,716
Judicial Administration	9,728	409	173	10,309	2.6%	5,533	5,533
Statutory Charges	57,009	830	11,987	69,827	17.3%	56,514	56,514
Ministry of Immigration & Border Services	16,594	686	766	18,046	4.5%	18,023	18,023
Ministry of Finance, Investment & Trade	21,397	100	4,355	25,853	6.4%	21,753	21,753
Office of the Deputy Governor	2,929	200	5,075	8,204	2.0%	8,004	8,004
Ministry of Education, Labour, Employment and Customer Service	46,384	889	4,547	51,820	12.9%	53,008	53,008
Office of the Director of Public Prosecution	1,840	-	277	2,117	0.5%	2,399	2,399
Ministry of Home Affairs and Transportation	22,624	1,096	734	24,454	6.1%	24,454	24,454
Ministry of Physical Planning & Infrastructure Development	21,001	310	1,648	22,959	5.7%	22,311	22,311
Ministry of Tourism, Agriculture, Fisheries, Heritage & the Environment	14,790	372	734	15,895	3.9%	15,865	15,865
Ministry of Health and Human Services	83,337	696	406	84,439	20.9%	84,796	84,796
House of Assembly	3,639	132	-	3,771	0.9%	3,771	3,771
Office of the Premier and Public Policy	4,428	347	989	5,763	1.4%	4,809	4,809
National Security Secretariat	2,609	-	661	3,270	0.8%	3,270	3,270
BASELINE RECURRENT BUDGET CEILING	359,688	7,975	35,473	403,136	100.0%	375,399	375,400

Table 9-Budget Allocations by Ministry

Prepared by: Budget Office

The allocations by Ministries are indicative and may be subject to adjustments as the financial year progresses.



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Funding Prioritisation

Sustainable Development Dimension 1 - High National Income and Wealth

National Conditions - 1.4.5 Technological Adaptation and Innovation

Fibre Optic Cable

Seven million, five hundred thousand dollars (\$7.5M)) has been allocated to build a modern fibre link to connect all the main inhabited islands from Providenciales (in the west) to Grand Turk (in the East).

A domestic fibre optic cable linking the main inhabited islands, with the ability to link to international fibre cables, will enhance telecommunications services throughout the islands, making communications, especially in the Capital, more resilient and robust. It is expected to drive down communications costs throughout the family islands while increasing the residents' quality of service (QoS) levels and providing the underlying layer for deploying advanced services, such as e-Government.

The ability to effectively and efficiently deploy e-Government services across all TCIG departments can only be possible through the build-out of a domestic fibre optic cable linking all the main inhabited islands of the Turks & Caicos Islands.

National Conditions - 1.4.5 Investment in Digitization and E-Governance

The Government will continue to strategically focus on public sector reform strategically, emphasising public sector service delivery. Approximately \$4.0 million is being invested in the IT platforms to support the migration to e-government services, including the rollout of a National ID program. In addition, \$1.0 million is allocated to roll out an electronic voting platform.



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National Conditions – 1.4.3 Optimal Economic Diversifications

Investment in Primary Sector Development

Eight hundred thousand dollars (\$800k) has been allocated for maritime, fisheries, and agricultural services. The funding will support detailed studies of the maritime and fisheries sectors (including stock assessment), maritime risk assessment, small craft policy, enforcement and implementation of the Merchant Shipping Bill, and supporting regulations for the effective and efficient running of the relevant department(s).

Included in the allocation is funding to:

- enhance agriculture development and overall farming capacity,
- develop the Kew Farm, including increasing and diversifying the product mix (livestock feed and livestock),
- manage the Farmers Market on Providenciales, and
- rollout out a Dog Control Strategy.

National Conditions – 1.7 Adequate Skills and Capacity to facilitate economic growth, diversification and sustainable development

Investment in Human Capital Development

As the Government adjusts the minimum wage, it will undertake 2022/23 a widescale Pay and Regrading exercise for the Civil Service. Five million dollars (\$5,000,000) has been made available to accommodate any recommended salary adjustments and benefits. An additional \$1.5 million is allocated for new critical positions across the public sector, notably Managers, Mathematics Specialists for primary schools, Energy Utility Officers, Serious Crime prosecutors, Mental Health Officers, Social Workers, and additional Marines to upscale the Regiment.

National Conditions – 1.6 Adequate Infrastructure

Enhanced Project Delivery

Funding has been allocated for the continued support of the Delivery Unit, which works alongside existing advisory services. The provision is for the Delivery Unit to consist of a Unit Head, 4 Project Leads, and an Analyst.



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Sustainable Development Dimension 2 - Enhanced Social Cohesion

National Conditions - 2.1 Investment in Public Education

Funding has been allocated to support an experienced leadership team at the TCI Community Colleges to carry out the strategic plans the Ministry of Education set out. In addition, the allocation for student transportation has increased to accommodate the growing population and a shift from private to public schools for several families. Funding has also been allocated to provide broadband services, the procurement of textbooks, and security services for the primary schools in Providenciales and Grand Turk.

National Condition - 2.2 adequate access to health care and optimal health status of the population

Investment in Health and Human Services

Funding has been made available to support Port Health Officers' training and enhance the management of the dumpsites across the islands.

National Condition - 2.5 Adequate Social Protection

Implementing Minimum Wage/Living Wage Assessment Report

Funding has been made available to support the following:

- Implement a limited school nutrition program across all public schools
- Establish National Child Day Care Program
- Implement after-school programs in all schools

Privatisation of Janitorial Services

The Government intends to privatise janitorial services during the financial year. Consequently, A further \$1.0 million has been allocated to the project.



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The table below breaks down the allocation by Economic classifications:

	Forecast Outturn	Revised	Forecast Outturn	Estimate	Projections		
Recurrent Expenditure	2021-22	2022-23		2023-24	2024-25	2025-26	2026-2027
	\$'000	\$'000		\$'000	\$'000	\$'000	
Total Personnel Costs	98,678	118,026	118,026	132,897	136,884	140,306	143,814
Pension and Gratuity	9,955	12,029	12,029	12,441	12,814	12,029	12,029
Transfers to NHIB and medical treatment	32,534	34,905	34,905	35,310	36,370	37,279	38,211
Hospital Provisional Charges	23,841	26,553	26,553	26,374	27,165	27,844	28,540
Subventions	21,537	26,822	26,822	28,281	29,130	30,630	32,130
Rental of Assets	5,331	6,761	6,761	6,229	6,416	6,577	6,741
Other Expenditure	108,346	129,287	129,287	108,367	111,618	114,408	117,269
Total Recurrent Expenditure	300,222	354,384	354,384	349,900	360,397	369,074	378,734
<i>Annual per cent recurrent expenditure inc.</i>	9.76%	18.04%	0.00%	-1.27%	3.00%	2.41%	2.62%
Civil Recovery	3,270	2,700	2,700	2,000	-	-	-
SIPT Legal Aide	2,000	4,827	4,827	4,827	-	-	-
SIPT Prosecution	3,772	3,610	3,610	3,610	-	-	-
Debt service, interest and fees	700	30	30	14	10	3	-
Total Non-Recurrent Expenditure	9,742	11,167	11,167	10,451	10	3	-
Total Operating Expenditure	309,964	365,551	365,551	360,352	360,407	369,077	378,734

Table 10 - Expenditure by Economic Classifications

Source: Budget Office

Staff Costs

In 2023/24, Personnel costs are budgeted at \$132.9 million, 38.0 percent of expenditure, and 32.9 percent of Recurrent Revenue. Included in the Personnel costs is \$5.0 million to implement the recommendations from the pay and regrading exercise.

The estimates contain funding to support the payment of biennial performance-based increments.



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Pension and Gratuity

The pension and gratuity allocations for 2023/24 are \$12.4 million, representing 3.5 percent of total spending and 3.0 percent of Recurrent Revenue.

PPP Provisional Charges and Subventions to the NHIB

The TCIG is allocating \$35.3 million for a subvention to the National Health Insurance Plan (NHIP) to subsidise the treatment abroad programme, utility charges for the two major hospitals, and health care costs for juveniles and the indigent population. In addition to the TCIG subvention, approximately \$38 million is projected to be received in Contribution Income. Hospitals' related debt obligations for the construction and equipment contract are \$26.4 million.

Efforts to monitor and enhance operational efficiency at the entity are ongoing.

Subvention (Net NHIP)

The subvention allocation for Statutory Bodies is \$28.3 million, which is 7.9 percent of Recurrent Expenditure.

Special Investigation and Prosecution Team (SIPT)

The annual forecast allocation for the prosecution and defence of the ongoing Special Investigation trials is \$8.7 million, which is 2.7 percent of the Recurrent Expenditure. Total grants for the Prosecution team are \$3.6 million, with Legal Aid for the Defence team at \$4.8 million. Other Civil Recovery matters have an allocation of \$2.0 million.

Other Goods and Services

The Government has provided funding in the budget for the following priority areas:

- Tertiary education scholarships for students and civil servants to reduce the number of imported skills into the country;



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- Curriculum development at all levels, including adult education courses designed to address the findings of the skills audit, increase skills, and address skills shortage;
- Government grants to MSME businesses to encourage and support innovation;
- Home help and social welfare;
- Maintenance of government infrastructure; and
- Fiscal prudence and good governance
- Destination management

Capital Expenditure

Over the years, strong fiscal discipline has allowed for the release of additional funds to improve public infrastructure. The TCIG's goal is to reduce structural barriers to a global competitive advantage by unlocking a sustainable macro-fiscal environment favourable to private sector investments and citizens' wealth creation. Recognising the challenges to delivering the annual Capital Investment Programmes, the funding allocation for 2023/24 has been set at \$43.7 million.

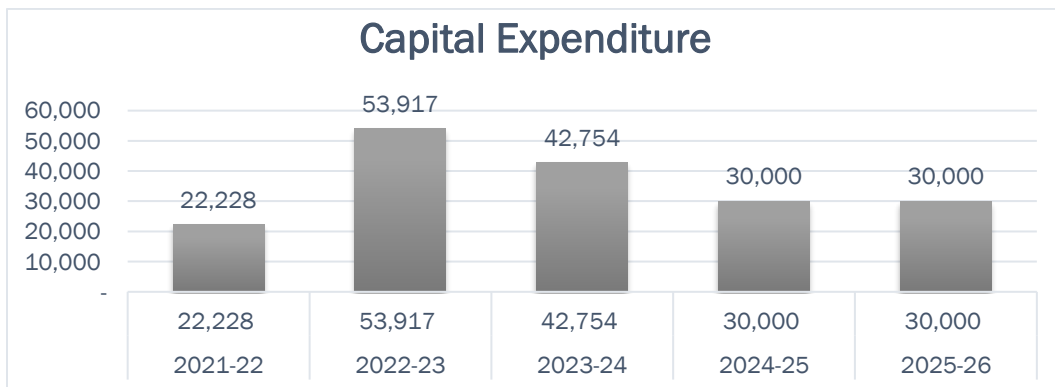


Figure 2- Capital Expenditure Allocations - 2021/22 to 2025/26

Source: Budget Office

Strategy 2 - Management of Public Debt

Background

The Turks and Caicos Islands Constitution Order 2011 sets out many general principles for public financial management. These principles assert that the Government shall, after a



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countrywide public consultation, formulate a framework document stating its principles of public financial management, which sets:

- (i) limits on the levels of public debt relative to public Revenue;
- (ii) limits on debt service cost as a proportion of total public Expenditure; and
- (iii) levels of reserves relative to public Expenditure.

The Fiscal Framework Document (FFD), agreed with the Secretary of State, lays out the prerequisites for new borrowing that must be met unless, in exceptional circumstances, different arrangements are agreed in writing between the TCIG and the Secretary of State. Currently, the TCIG has decided only to take on debt to fund capital expenditure where:

- (i) The proposed project is forecast to yield enough revenues to support 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, when required, the TCIG should consider borrowing from concessional lenders, which will ensure that the lender's expertise can be brought to the capital projects.

In addition, according to the FFD, the level of debt must be affordable and consistent with the delivery of macroeconomic and fiscal sustainability and allow for financial stability in the short, medium, and long term. 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 amortise each loan by its maturity date.



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Borrowing requirement

No new borrowing is anticipated and budgeted for 2023/24. Below is a summary of the FFD ratio thresholds and TCIG's projected compliance with the same:

1. The Operating Surplus target will be met in all budgeted years.
2. Net debt must not exceed 80 percent of Annual Operating Revenue by 2018/19.
 - a. This target will be met in all budgeted years.
3. Debt Service should not exceed 10 percent of Annual Operating Income.
 - a. This target will be met in all budgeted years.
4. Liquid Cash Reserves should not fall below 25 percent of Yearly Operating Expenditure.
 - a. This target will be met in all budgeted years.

The Imputed Debt obligation for the hospital PPP agreement is forecast to be reduced to \$50.4 million. Net Government Debt is forecast at negative 8.0 percent of GDP.

GOVERNMENT DEBT	2021/22	2022/23	2023/24	2024/25	2025/26	2026/2027
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	
CDB Loans	572	456	340	224	108	-
Core Government Debt	572	456	340	224	108	-
Imputed PPP Hospital debt outstanding	55,683	50,466	50,466	45,248	40,031	34,813
Total Government Debt	56,255	50,922	50,806	45,472	40,139	34,813
Net Government Debt	(88,087)	(118,704)	(105,704)	(125,995)	(161,644)	(200,965)
Net Core Debt	(143,770)	(169,170)	(156,170)	(171,243)	(201,674)	(235,778)

Table 11- Government Debt Schedule at Year-end

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 complied with responsible financial management ratio principles and forecasts that debt servicing will remain below 1.0 percent of GDP.



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	Unaudited	Revised	Forecast	Estimate	Projection		
	Actuals	Estimates	Outturn				
	2021-22	2022-23		2023-24	2024-25	2025-26	2026-27
	\$'000s	\$'000s		\$'000s	\$'000s	\$'000s	\$'000s
Net debt	(130,435)	(118,704)	(105,704)	(125,995)	(161,644)	(200,965)	(243,655)
Per cent of GDP	-11.97%	-9.57%	-8.52%	-9.20%	-11.15%	-12.97%	-15.09%
Net Interest payments	690	30	30	14	10	3	-
Per cent of GDP	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
GDP	1,090,000	1,240,000	1,240,000	1,370,000	1,450,000	1,550,000	1,615,100

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

Table Prepared by Budget Office

Source: GDP forecast for \SPPD and S&P

Strategy 3 - Revenue Enhancement Strategy

The forecast for 2023/24 includes no new revenue streams. However, the Government is keen on transforming the taxation system to be less volatile and susceptible to global, regional, and environmental factors while being fair, equitable, and efficient. The Caribbean Regional and Technical Assistance Centre (CARTAC) is working with the Ministry of Finance, Trade and Investments to advance this priority, which will be reflected in future budgets.

Inland Revenue Department (IRD)

The Government's priorities are:

1. To ensure that the tax department continues to evolve by implementing new revenue measures, which will create sustainability in the Government's revenue streams.
2. Enhancing value service delivery makes it easier for the public to do business with the Government and brings about greater efficiencies in TCIG's compliance and administrative programs. Some of the priority initiatives for 2023/24 are:
 - Creation of the legal framework to enhance and modernise the Inland Revenue Department(IRD). CARTAC, in collaboration with the IRD/MOF, is drafting the relevant legislation(s).
 - Creation of an Organisational Structure that would capture the functions of RA, which encompasses all the functions of the present IRD and the revenue arm of



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the Customs Department. CARTAC, in collaboration with the IRD/MOF, is designing an Organisational Structure that will comprise the components and functions of a modern tax administration.

- A Human Resource (HR) framework, including staff and remunerations captured under the ongoing pay-grade review.

Revenue Assumptions

The primary revenue streams are volatile because they are linked directly or indirectly to the tourism sector, which is most impacted by global events. Therefore, the revenue streams have been forecast using Best-Case, Most Likely, and Worst-Case scenarios, with the baseline adjusted to +/- 10 percent. Revenues for the financial year assume greater than 80 percent of hotel occupancy. The forecast is robust, as historically, the tourism sector has shown significant resilience to the global economic crisis, as experienced between 2011-2016, the rapid recovery from Hurricanes Irma and Maria in 2017, and the increase in tourist arrivals since the summer of 2021. Revenue streams that the change in tourism arrivals can impact are the Hotel Restaurant taxes, Customs and Related Duties, Work Permit Fees, and Fuel Tax.

Recurrent Revenue	Forecast	Revised	Forecast	Revised	Per. R/R	Projection		
	Outturn	Estimate	Outturn	Estimate		2024/25	2025/26	2026/27
	2021/22	2022/23		2023/24		\$'000s	\$'000s	\$'000s
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Import Duty	77,660	89,309	89,309	93,774	23%	96,588	99,485	102,470
Hotel & Restaurant Tax	86,212	96,519	96,519	101,345	25%	101,345	107,517	110,742
Customs Processing Fee	39,392	30,252	30,252	31,765	8%	31,765	33,699	34,710
Stamp Duty on Land Transactions	87,126	80,000	67,000	67,000	17%	67,000	71,080	73,213
Work Permits and Residency Fees	21,720	32,178	32,178	33,787	8%	33,787	35,845	36,920
Fuel Tax	10,249	7,822	7,822	8,213	2%	8,213	8,713	8,974
Business Licences	3,487	3,663	3,663	3,846	1%	3,846	4,080	4,203
Other Recurrent Revenues	70,362	60,417	60,417	63,824	16%	63,824	67,710	69,742
Total Recurrent Revenue	396,208	400,160	387,160	403,553	100%	406,367	428,130	440,974
MOF annual per cent revenue increase		1.0%	3.4%	4.2%		0.7%	5.4%	3.0%
Non-Recurrent Revenue								
Land Sale Receipts	886	1,507	1,507	1,583	100%	1,583	1,583	1,583
EU Grants and Other Grants	995	1,869	1,869	-	0%	-	-	-
Civil Recovery Program	-	-	-	-	0%	-	-	-
CCRIF Payout	-	669	669	-	0%	-	-	-
Total Non-Recurrent Revenue	1,881	4,045	4,045	1,583	100%	1,583	1,583	1,583
Total Revenue	398,089	404,205	391,205	405,136		407,949	429,712	442,556

Table 13- Revenue Forecast

Prepared by the Budget Office



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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 (SBs) and Government Companies, thereby decreasing any operational and Capital support required over the next six (6) years. TCIG is committed to working with the relevant entities to implement the appropriate policy actions necessary to realise this goal. Quarterly financial reports from SBs are submitted to the Ministry of Finance for review, and if interventions are needed, the required steps are taken. There is a statutory requirement for the Turks and Caicos Airport Authority, Financial Services Commission, Telecommunications Commission, Invest TCI, the Port's Authority, and the bodies of good governance to remit proportions of their net surpluses to the Government annually. In 2023/24, the forecast remittance from SBs is \$14.2 million.

Airports Authority

In July 2011, the Turks & Caicos Islands Airports Authority (TCIAA) completed a total 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 passenger jet, thereby facilitating direct services from as far as Asia and Europe. In December 2014, an extension to the existing terminal was completed to improve the passenger experience and obtain IATA service level compliance. The terminal size nearly doubled, from 51,462 sq. ft. to 92,321 sq. ft., which, based on forecasts, was considered sufficient to accommodate passenger growth up to 2028. However, in the past decade, the Providenciales Airport passenger traffic has grown at a cumulative average growth rate of 5.8 percent. As a result, it has become imperative that a long-term infrastructure plan to accommodate the increased projected passenger inflow to the islands be developed.

The Government has commenced a Providenciales International Airport redevelopment project. Nearly one year into the consultancy, the project targets pre-qualifying potential builders and operators in the Public Private Partner (PPP) model by the fourth Quarter of 2022. The recommendation is for the TCIAA to fund the project on a 70:30 percent split with a private company. Special Purpose Legislation (SPL) to allow for the redevelopment is in draft form, and a business case is being developed for submission.



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Ahead of the redevelopment of the Providenciales International Airport, the TCIAA is spending \$1M on immediate capacity expansion work, with approximately \$500K spent already and a target completion date set for January 2023. This expansion includes the erection of a prefabricated building and the relocation of the existing airline offices to create more passenger care space. In addition, \$6.0 million is allocated in 2023/24 for the creation of extra space to accommodate the forecast capacity demand between now and when the redevelopment of the Providenciales International Airport is completed.

South Caicos and Grand Turk airports are also strategically important assets central to the TCIAA 2023/24 budget. Currently, the South Caicos airport is experiencing construction delays and costs over, and as a result, \$2.8 million has been allocated to ensure completion in early 2023/24.

Similarly, the Grand Turk airport, damaged by Hurricane Fiona, needs immediate repairs to the terminal and perimeter fence. Therefore, \$5.8 million has been allocated in 2023/24 to undertake the repairs.

Ports Authority

The Seaports infrastructure development in the Turks & Caicos Islands is consistent with the Vision 2040 Document, the MTDS, and the SDD 1, which speaks to the Turks & Caicos Islands have a robust and climate-resilient infrastructure, as well as SDD 5, which addresses good governance. Strategic priorities include port infrastructure's continued improvement, maintenance, and resilience. The Ports Authority commenced tendering for the South Dock – the largest shipping port in the TCI – redevelopment in October 2021. Following tendering, the TCIG increased the project budget from \$31.0 million to \$53.5 million, which it estimates will be completed in 2026/27. Of the revised budget, \$42.0 million will be committed in 2022/23, with actual expenditure being approximately \$8.7 million. Project expenditure is projected to ramp up in 2023/24, with \$17.3 million allocated toward this project. The forward expenditure projections for this project are as follows: \$15.5 million in 2024/25, \$6.0 million in 2025/26, and \$6.0 million in 2026/27.



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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 growth. A Contract Management Unit has been established under the Office of the Premier to evaluate and monitor future and existing PPPs and other contractual obligations. The forecast includes no new PPPs in 2023/24; however, utilising the Caribbean PPP toolkit framework, the Government is exploring the financing model to undertake the redevelopment of the Providenciales International Airport. Requirements of the Framework Document are acknowledged.



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STATEMENT OF FISCAL PERFORMANCE – (Previous Two Financial Years)

	2015-16		2016-17		2017-18		2018-19		2019-20		2020-21		2021-22	
<i>figures in US\$ '000</i>														
Recurrent Revenue	258,346	39%	262,951	37%	261,416	38%	303,622	43%	314,374	43%	195,652	35%	396,861	62%
Recurrent Expenses	191,762	29%	202,146	29%	213,409	31%	218,786	31%	230,910	32%	254,503	45%	277,179	44%
Total Revenue	263,884	40%	267,100	38%	282,172	41%	315,025	45%	315,288	43%	202,293	36%	398,775	63%
Total Expenses	196,582	30%	207,874	29%	218,858	32%	228,849	32%	239,620	33%	269,176	48%	309,789	49%
Net Operating Balance	67,303	10%	59,226	8%	63,314	9%	86,176	12%	75,668	10%	(66,883)	0%	88,986	14%
Capital Investment	11,459	2%	23,509	3%	16,058	2%	17,581	2%	17,581	2%	25,302	5%	22,228	3%
Fiscal Balance	55,843	8%	35,717	5%	47,256	7%	68,595	10%	58,087	8%	(92,185)	-16%	66,758	10%
Net debt	44,281	7%	32,376	5%	19,783	3%	9,394	1%	3,021	0%	839	0%	538	0%
Finance Cost	6,634	1%	1,260	0%	984	0%	699	0%	324	0%	122	0%	15	0%
Underlying Cash Balance	15,728	2%	17,655	3%	36,255	5%	62,154	9%	44,629	6%	(77,629)	-14%	74,852	12%
*GDP at constant market prices	657,520		705,198		687,637		726,200		764,700		560,029		636,183	
*GDP at current market prices	942,070		1,032,452		1,022,365		1,113,178		1,197,400		924,583		943,270	

Table 14 - Performance against GDP at Constant Market Prices

Source: Accountant General's Department

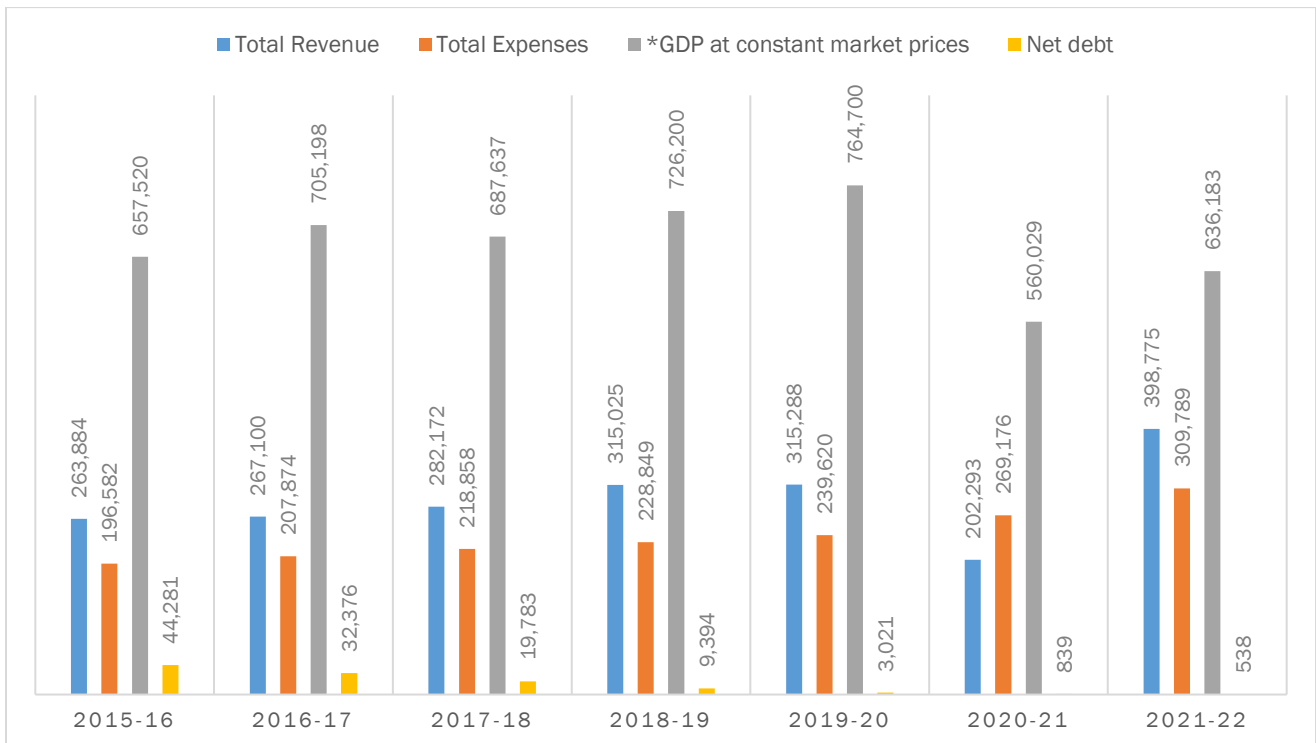


Figure 3 - Revenue, Expenditure and debt performance against GDP at Constant Market Prices

Source: Accountant General's Department



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figures in US\$'000	31-Mar-22	31-Mar-22	31-Mar-21	Actual vs Rev. Budget		Actual vs Prior Year	
	Actual	Budget	Prior Year				
Recurrent Revenue	396,862	361,259	195,652	35,603	10 percent	201,210	103 percent
Recurrent Expenditure	277,180	330,130	254,503	-52,950	-16 percent	22,677	9 percent
Net Recurrent Surplus	119,682	31,129	-58,850	88,553	284 percent	223,887	-380 percent
Non-Recurrent Revenue	1,915	5,831	6,641	-3,916	-67 percent	-4,726	-71 percent
Non-Recurrent Expenditure	32,610	17,583	14,673	15,027	85 percent	-17,937	-122 percent
Operating Surplus	88,987	19,377	-66,883	69,610	359 percent	155,870	-380 percent

Table 15 - Performance Revenue and Expenditure

Source: Accountant General's Department

At the end of 2021-22, an operating surplus of \$89 million was recorded against a projected surplus of \$19.3 million, an outperformance of \$69.1 million. On a year-over-year basis, results were up by \$155.9 million, moving from a deficit to a strong surplus cash position. During the first few months of the financial year, the economy experienced solid growth, which continued steadily, giving rise to the favourable financial results recorded.

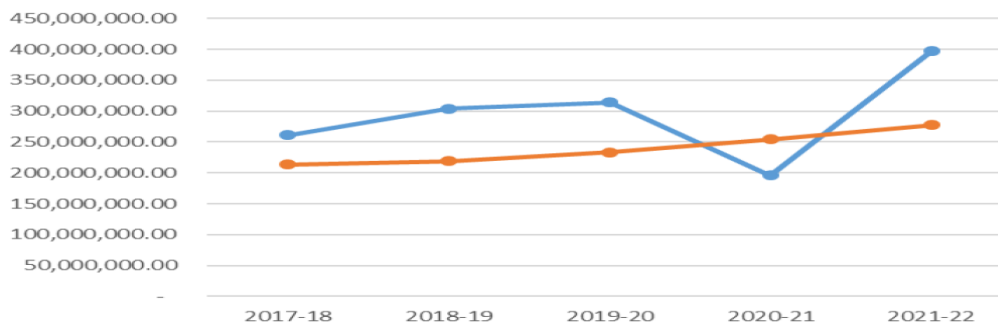


Figure 4 - Recurrent Revenue & Expenditure performance

Source: Accountant General's Department

Revenue Performance

The overall revenue performance was due to increased economic activities, significant tourism market improvement, and real estate market improvements. Enhanced compliance and audit review measures employed by the Revenue Department also contributed to the performance.



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Total Revenue \$399m, 2021: \$202m

REVENUE	31-Mar-22	31-Mar-22	31-Mar-21	Actual versus		Actual versus	
	Actual	Budget	Prior Year	Budget		Prior Year	
	\$'000	\$'000	\$'000	\$'000	%	\$'000	%
Duties	128,944	122,695	73,941	6,249	5%	55,003	74%
Taxes on Goods and Services	189,533	173,744	64,880	15,789	9%	124,653	192%
Fees, Fines & Permits	34,290	31,397	25,298	2,893	9%	8,992	36%
Licences	13,411	13,217	10,438	194	1%	2,973	28%
Transfers from Controlled Entities	22,555	13,529	15,911	9,026	67%	6,644	42%
Finance Income	401	401	553	-	0%	(152)	-27%
Grants	479	995	6,202	(516)	-52%	(5,723)	-92%
Other Revenue	9,163	7,111	5,071	2,052	29%	4,092	81%
Total Revenue	398,776	363,089	202,294	35,687	10%	196,482	97%

Figures may not add due to rounding

Table 16 – Total Revenue Summary

Source: Accountant General's Department

TCIG's total revenues for the 2021/22 fiscal year totalled \$398.8 million (2020/21: \$202.3 million). This represented an increase of \$196.5 million (97 percent) over 2020/21 and \$35.7 million (10 percent) ahead of the budget estimates for the year.

Total Recurrent Revenue \$396m, 2021: \$196m

RECURRENT REVENUES	31-Mar-22	31-Mar-22	31-Mar-21	Actual versus		Actual versus	
	Actual	Budget	Prior Year	Budget		Prior Year	
	\$'000	\$'000	\$'000	\$'000	%	\$'000	%
Import Duty	77,660	73,433	43,520	4,227	6%	34,140	78%
Stamp Duty on Land Transactions	87,126	79,875	35,954	7,251	9%	51,172	142%
Customs Processing Fee	39,392	36,829	22,302	2,563	7%	17,090	77%
Hotel & Restaurant Tax	86,265	80,170	20,025	6,095	8%	66,240	331%
Work Permits	21,720	20,613	17,825	1,107	5%	3,895	22%
Excess Revenue from Stat Bodies	22,555	13,529	15,911	9,026	67%	6,644	42%
Other Revenue	62,143	56,808	40,115	5,335	9%	22,028	55%
Total Recurrent Revenue	396,861	361,257	195,652	35,604	10%	201,209	103%

Figures may not add due to rounding

Table 17 – Recurrent revenue summary

Source: Accountant General's Department



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Total Revenue for 2021/22 Import Duties - 20 percent, Hotel and Restaurant tax - 22 percent, Stamp Duty on property transactions- 22 percent; while Customs Processing Fees, Work Permit Fees, excess revenues from Statutory Bodies, and all other revenues 37 percent.

Total Duties (excluding Stamp Duty) collected for 2021/22 were \$128.9 million (2020/21: \$73.9 million). This represents a year-over-year increase of \$55 million (74 percent), and \$6.0 million over budget estimates, and is attributable to increased activity in the economy after the lifting of restrictions and the opening up of the economy post-COVID-19 shelter-in-place measures. Total Duties include Import Duties of \$77.7 million, a \$34.1 million (78 percent) year-over-year increase, and \$4.2 million (6 percent) above budget. Fuel Tax increased by 35 percent year-over-year but was 6 percent below budget. Customs Processing Fees increased by \$17.1 million (77 percent) year-over-year and were \$2.6 million (7 percent) over the budgeted allocation.

Taxes on Goods and Services were \$15.8 million (9 percent) higher than budget, and \$124.7 million (192 percent) higher than last year's results, largely owing to increased tourist arrivals following the global easing of Covid-19 travel restrictions, increased economic activity spurring an increase in imports, and increase activity in the real estate sector. Hotel and Restaurant Tax increased over budget by \$6.1 million (8 percent) and over last year's results by \$66.2 million (331 percent). Stamp Duty on Land Transactions was \$7.3 million (9 percent) above budget and \$142 million (51.2 percent) over last year's results of \$36 million.

Fees, Fines, and Permits of \$34.3 million increased by \$9 million (36 percent) compared to last year's results but were \$2.9 million (9 percent) below budget. Work Permit fees accounted for \$21.2 million (64 percent) of this line item, thereby making it the major contributor by far. Higher demand for expatriates following the re-opening of the economy post-Covid-19 shelter-in-place measures led to the strong performance in Work Permit fees.

Non-Recurrent Revenue for the year totalled \$1.9 million (2020/21: \$6.6 million), which was 5 percent below budget and 71 percent less than the previous year. The major contributor to this amount was Land Sales receipts of \$1.4 million, which was above budget and last year's results by 72 percent and 227 percent, respectively.



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Expenditure Performance

TCIG's expenditure (excluding Capital) for 2021/22 totalled \$319.8 million (2020/21: \$268.6 million). This represented a decrease in spending for the year by \$38.9 million (11 percent) from the budget, while being \$41.1 million (15 percent) above the previous year's results.

Total Recurrent Expenditure \$277m, 2021: \$261m

RECURRENT EXPENDITURE	31-Mar-22	31-Mar-22	31-Mar-21	Actual versus		Actual versus	
	Actual	Budget	Prior Year	Budget		Prior Year	
	\$'000	\$'000	\$'000	\$'000	%	\$'000	%
Total Personnel Cost	108,616	108,951	96,570	335	0%	(12,046)	-12%
Medical Treatment & Transfers to NHIP	32,534	32,534	31,481	-	0%	(1,054)	-3%
Grants & Contributions	18,377	21,323	30,828	2,946	14%	12,451	40%
Hospital Provisional Charges	23,841	23,844	22,137	3	0%	(1,704)	-8%
Subventions	21,533	22,362	14,928	829	4%	(6,605)	-44%
Maintenance Expenses	10,936	11,166	10,230	229	2%	(707)	-7%
Other Expenses	61,342	110,970	55,557	49,628	45%	(5,785)	-10%
Total Recurrent Expenditure	277,179	331,150	261,731	53,970	19%	(15,449)	-6%

Figures may not add due to rounding

Table 18 – Performance of Recurrent Expenditure

Source: Accountant General's Department

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

Personnel Costs accounted for 40 percent of the total recurrent. The amount was in line with the budget and \$12 million (12 percent) higher than the prior year – a result of increased efforts to fill vacant positions.

Medical Treatments and Transfers to NHIB totalled \$32.5 million, accounting for an additional 12 percent, while Hospital Provisional Charges totalled \$23.8 million, making up 9 percent of Recurrent Expenditure. Transfers to NHIB for the year totalled \$26.6 million. Hospital Provisional Charges of \$20.2 million were on par with the budgeted amount but \$3.4 million less than the prior year's results. Improved monitoring of the contractual arrangements resulted in reduced charges compared to the prior year, a trend identified early enough to be reflected in the budget for the year. TCIG is actively pursuing measures that it hopes will reduce the cost of healthcare while maintaining or improving the delivery of care for its citizens.



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Subventions totalled \$21.5 million represents a \$14.9 million (44 percent) increase from last year's cost, and an increase of 4 percent above budget. The year-over-year increase is due to budgetary allocations to the majority of the statutory bodies following the resumption of normal operations post Covid-19 shelter-in-place measures.

Grants and Contributions totalled \$18.3 million for the year, 14 percent and 40 percent below the budget and prior year amounts respectively - a direct result of payments issued for stimulus relief to combat the economic turmoil resulting from the global COVID pandemic in the prior year.

Other Recurrent Expenditure \$61m, 2021: \$56m

OTHER RECURRENT EXPENDITURE	31-Mar-22	31-Mar-22	31-Mar-21	Actual versus		Actual versus	
	Actual	Budget	Prior Year	Budget		Prior Year	
	\$'000	\$'000	\$'000	\$'000	%	\$'000	%
Rental of Assets	5,422	5,676	5,165	254	4%	(257)	-5%
Professional & Consultancy Services	4,055	5,007	5,065	952	19%	1,010	20%
Utilities	3,869	4,297	3,264	428	10%	(606)	-19%
Social Welfare	3,572	4,297	3,264	725	17%	(308)	-9%
Recurrent Sub Programmes & Projects	3,492	4,355	3,224	863	20%	(268)	-8%
Security Expenses	1,675	4,354	3,141	2,679	62%	1,467	47%
Other Recurrent Expenses	39,257	82,983	32,434	43,726	53%	(6,823)	-21%
Total Other Recurrent Expenditure	61,342	110,969	55,557	49,627	45%	(5,785)	-10%

Table 19 – Performance of other recurrent expenditure

Source: Accountant General's Department

Other Recurrent Expenditures for the year totalled \$61.3 million, a year-over-year increase of \$5.7 million (10 percent), while being \$49.6 million (45 percent) below the budgeted amount.



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Non-Recurrent Expenditure \$33m, 2021: \$7m

NON-RECURRENT EXPENDITURE	31-Mar-22	31-Mar-22	31-Mar-21	Actual versus		Actual versus	
	Actual	Budget	Prior Year	Budget		Prior Year	
	\$'000	\$'000	\$'000	\$'000	%	\$'000	%
Covid-19 Expenses	5,513	9,459	-	3,946	42%	(5,513)	0%
Special Investigation Prosecution Team	6,723	6,265	5,809	(458)	-7%	(914)	-16%
Civil Recovery	701	953	336	252	26%	(365)	-109%
Statutory Land Acquisition	19,673	905	767	(18,768)	-2074%	(18,906)	-2466%
Total Non-Recurrent Expenditure	32,610	17,582	6,912	(15,028)	-85%	(25,698)	-372%

Table 20 - Non-recurrent Expenditure performance

Source: Accountant General's Department

Non-Recurrent expenditure for the year totalled \$32.6 million (2020/21: \$6.9 million); the performance was \$15 million (85 percent) above budget, and \$25.7 million (372 percent) above the prior year's results. This is mainly attributed to the **Statutory Land Acquisition** cost of \$19.7 million, which was \$18.8 million higher than budget and \$18.9 million greater than the prior years spend.

SIPT expenses accounted for \$6.7 million, 16 percent more than last year's results, and 7 percent above the budgeted amount. **Civil Recovery** expenses of \$0.7 million were \$0.1 million more than last year's results, while being \$0.3 million below budget estimates.

Capital Expenditure

Ordinance 9 of 2016, which commenced on 24th of March 2016, included an amendment to the PFM Ordinance to clarify the previous amendment in 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.

Ordinance 23 of 2022 commenced on the 25th of March 2022 and included an amendment to regulation 33 of the PFM Regulation to clarify the previous amendment in 2016. The effect of the amendment was to indicate that the entire appropriation for the Development Fund shall be committed for two financial years once appropriated by the House of Assembly.



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The total amount spent on Capital Projects for the fiscal year was \$22.2 million, funded by Capital Contributions appropriated from the Development Fund. Capital Projects was budgeted at \$27 million, with Committed Projects for 2021/22 totalling \$12.5 million, expenditure available for 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

	31-Mar-22	31-Mar-21
	US \$000	US \$000
Accounts payable & accruals	5,159	1,620
Refundable deposits	11,031	13,320
Total payables from exchange transactions	16,190	14,939

Table 21 – Payables from Exchange Transactions

Source: Accountant General's Department

Current Liabilities as at 31st of March 2022 totalled \$16.2 million (31-Mar-21: \$14.9 million). This comprised payables from exchange transactions totalling \$5.2 million and refundable deposits of \$11 million.

Payables from exchange transactions are non-interest bearing and are generally settled within a maximum of one year. The balances on 31st of March 2021 and 31st of March 2022 primarily include accruals for liabilities relating to claims against TCIG, payments for property-related transactions, and refundable deposits.



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Public Sector Borrowings

figures in US\$'000

Outstanding Public Debt

Unsecured

	Loan Balances 01- Apr-2021	Repayment During 2021/22	Loan Balances 31-Mar-2022
Caribbean Development Bank	630	87	543
RBC Royal Bank	-	-	-
TCI Bank Limited	208	214	(6)
Total unsecured debts	839	301	538

Table 22 – Outstanding Public Debt

Source: Accountant General's Department

TCIG's Outstanding Debt as of 31st of March 2022 was \$0.5 million (1-Apr-21: \$0.8 million). Total Principal Debt repayment for the year was \$0.3 million (2021: \$2.2 million), while total Finance Costs for the year were \$0.015 million (2021: \$0.1 million). There were no new borrowings during the financial year or 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

STATEMENT OF CONTINGENT LIABILITIES		
The information below is compiled from returns provided by Accounting Officers.		
	31-Mar-22	31-Mar-21
BY MINISTRY	US\$'000	US\$'000
Attorney General's Chambers	31,187	17,699
Statutory Charges	555,214	555,214
Ministry of Border Control and Labour	36	-
Ministry of Finance, Trade and Investment	-	91
Ministry of Health and Human Services	571,824	627,424
Total Commitments and Contingent Liabilities	1,158,261	1,200,429

Table 23 – Statement of Contingent Liabilities

Source: Accountant General's Department



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Estimates of quantifiable commitments and contingent liabilities at the reporting date stood at US\$1.2 billion at the end of March 2022. This amount includes an estimated long-term commitment of \$571.8 million. It also consists of the estimated liability for providing pension benefits attributable to years of past service for the TCIG public service of \$115.8 million as of 31st of March 2021, the last actuarial valuation, which comprises \$87.0 million for established employees, and \$28.8 million for Legislative Allowances. (The next actuarial valuation is due by 31st of March 2023). Additionally, the unfunded pension liability totalling \$439.4 million relating to the National Insurance Board as of at 31st of March 2020 is also reflected in this amount.

TCIG is subject to claims and potential claims related to damages to persons and property, breach of contract, and similar items. As of 31st of March 2022, the value of such claims is reflected in Contingent Liabilities totalling \$31.2 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 claim provision has been included in the Annual Statement of Public Accounts. As such, 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 healthcare costs 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 24 - Fiscal Risk Matrix

Source: Prepared by the Budget Office

Primary 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



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APPROACHES FOR MANAGING MAJOR RISKS

Risk Reduction – Reduce Vulnerability and Exposure to Hazards

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

Risk Financing – Retention and Risk Transfer

- Catastrophic Risk Insurance
- Private insurance (Residential homes)

Residual Risk Management Strategies – Post Disaster/Catastrophic Event Response

- Contingency Fund
- Budget reallocation
- National Wealth Fund
- Liquid Cash Reserves-Net Deficits
- 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 \$43.8 million, representing an initial sum of \$8 million, which was transferred into the Fund in 2018/19, and \$17.7 million from the excess Revenue of 2018/19 and \$ 17.8 million from 2021/22.

The Established Fund has the following components:

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

The National Wealth Fund is funded through deficit revenue from the Consolidated Fund, deposited into the Fund, and 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 payment 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 percent of the level collected in the base year;



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- (c)* where the fall in revenue results in a fiscal deficit; and
 - (d)* where any available accumulated deficit in the Consolidated Fund has been exhausted.
- 2. Withdrawal from the Infrastructure and Competitiveness account may occur 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)* The Heritage Fund has reached 10 percent of the gross domestic product.