

FISCAL AND STRATEGIC POLICY STATEMENT 2024/25 - 2027/28



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TURKS AND CAICOS ISLANDS
FISCAL AND STRATEGIC POLICY STATEMENT (FSPS)
2024/25 - 2027/28

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FISCAL STRATEGY OVERVIEW

The Fiscal Strategic Policy Statement (FSPS) for 2024/25-2027/28 serves as the medium-term budgetary framework that outlines fiscal plans for the current year and the subsequent three years. It also provides insights into the financial implications of new and existing government policies and their impact on the future.

The governments of the United Kingdom and the Turks and Caicos Islands have established five fiscal parameters as part of 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

The Government's overarching priority is to ensure long-term fiscal sustainability, and the fiscal targets are designed to meet all the agreed sustainability ratios specified in the Framework Document.

It is worth noting that these fiscal targets are based on existing revenue sources. However, the Government is actively restructuring and modernising the tax system to create a more progressive and equitable tax base that can adapt to the existing and anticipated economic conditions.

Likewise, the Vision 2040 Document has five (5) high-level outcomes or Sustainable Development Dimensions (SDDs); these are:



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- Sustainable Development Dimension (SDD) 1: High National Income and Wealth
- A socially cohesive society – SDD2
- The healthy natural environment, heritage and cultural assets – SDD3
- Citizen security – SDD4 and
- Good governance – SDD5¹

Vision 2040, The Framework Document, and the Medium-Term Development Strategy collectively set the stage for specific objectives and align with the Sustainable Development Goals (SDGs). Furthermore, these documents are in harmony with the Government’s triple-bottom-line strategy, which seeks to improve the quality of life for residents by focusing on social, environmental, and economic sustainability. This approach underscores the importance of balancing these three aspects to create a better future for the community.

In the medium term, the Government’s key focuses are:

1. Critical National Infrastructure Development (airports, ports, roads and bridges, electrification, health facilities, education institutions, courts, remand and detention centres etc.)
2. Social welfare programmes that protect vulnerable populations from economic risks and the insecurities of life
3. Primary, Secondary and Palliative Care Reforms
4. Cost of living reduction
5. National Security
6. Solid waste management
7. Environmental protection

¹TCI’s Vision Document 2040



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8. Increase access to affordable, reliable, sustainable, and modern energy (UN SDG #7)
9. National scholarship programme reform to align it with the National Skills Audit 2017
10. Affordable housing programs

The Expenditure ceiling, including Capital, is \$438.7 million (29.3 percent of GDP), with \$30 million budgeted in FY2024/25. Note: These targets do not reflect investments in new infrastructure through Debt or Public-Private Partnership (PPP) financing.

The rest of this policy statement will cover several key areas, including the International and Domestic Economic Outlook, Aggregate Fiscal Targets, Fiscal Outlook, Statement of Previous Performance, Fiscal Risk Assessment, and the National Wealth Fund. These sections are essential in understanding the financial and economic landscape and the Government's plans and strategies for the specified period.



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ECONOMIC OUTLOOK

International Economy

In its October 2023 edition of the World Economic Outlook (WEO), the International Monetary Fund (IMF) projected global economic activity to increase by 3.0 percent in 2023, whilst a 0.1 percentage point decline to 2.9 percent is projected for 2024. Post 2020, global positive growth is estimated and projected at a consistent declining rate from 6.3 percent in 2021 to 2.9 percent in 2024. This aggregated trend reflects the performance of the following regions and economies: The Advanced Economies, the European Union (growth based on market exchange rates) and Mexico. Table 1 below illustrates the details regarding the projection:

“According to our latest projections, global growth will slow from 3.5 percent in 2022 to 3 percent this year and 2.9 percent next year, a 0.1 percentage point downgrade for 2024 from our July projections. This remains well below the historical average. Headline inflation continues to decelerate, from 9.2 percent in 2022, on a year-over-year basis, to 5.9 percent this year and 4.8 percent in 2024. Core inflation, excluding food and energy prices, is projected to decline, albeit more gradually than headline inflation, to 4.5 percent in 2024. As a result, projections are increasingly consistent with a “soft landing” scenario, bringing inflation down without a major downturn in activity” (IMF October 2023).

Table 1- International Economic Assumptions

	Actuals 2020	Estimate		Projections	
		2021	2022	2023	2024
World Growth	-2.8	6.3	3.5	3.0	2.9
US	-2.8	5.9	2.1	2.1	1.5
Canada	-5.1	5.0	3.4	1.3	1.6
UK	-11.0	7.6	4.1	0.5	0.6
China	2.2	8.4	3.0	5.0	4.2
Euro Area	-6.1	5.6	3.3	0.7	1.2
Latin America and the Caribbean	-7.0	7.4	4.1	2.3	2.3
Emerging Markets and Developing Economies	-1.8	6.9	4.1	4.0	4.0
Low-Income Developing Countries	0.1	4.1	5.2	4.0	5.1

Source: IMF World Economic Outlook – October 2023



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Advanced economies are forecasted to experience growth to the tune of 1.5 percent and 1.4 percent respectively for the years 2023 and 2024. This falls short of the projected growth of 4.0 percent for emerging markets and developing economies. Japan was the only advanced economy projected to experience improved growth in 2023 compared to 2022. Japan's 2023 projected growth increased by 0.6 percentage points compared to the July forecast due to bottled-up demand, inbound tourism, expansionary policies, and the revival of auto exports previously curtailed by supply chain issues. Conversely, Japan, Spain, the United States of America (US) and Italy are projected to experience lower growth in 2024 to 1.0 percent, 1.7 percent, 1.5 percent and 0.7 percent, respectively.

Germany, Italy and Other Advanced Economies experienced reduced growth projections for 2023 and 2024 compared to the July 2023 WEO Update projections. The worsened growth outlook for Germany stemmed from weakness in interest-rate-sensitive sectors and slower trading partner demand. Conversely, the October 2023 forecast for the US would have improved by 0.3 and 0.5 percentage points to 2.1 percent in 2023 and 1.5 percent in 2024, respectively, compared to the July 2023 update. The improved positive outlook for the US was fueled by stronger business investment in the second quarter, resilient consumption growth, and the Government's expected expansionary fiscal stance in 2023. *"However, with wage growth slowing, savings accumulated during the pandemic running out, and the Federal Reserve maintaining tight monetary policy, growth is expected to slow in the second half of 2023 and 2024"* IMF October 2023. This is critical to the Turks and Caicos Islands, as the US is the main target market of the tourism industry and its main trading partner.

Post-2021, the slowdown in growth for Emerging Markets and Developing Economies has been less than that of the Advanced and Global Economies. This growth divergence is evidenced by the decline from 3.5 to 2.9 percent for the World Economy, 2.6 percent to 1.4 percent for Advanced Economies, and 4.1 percent to 4.0 percent for Emerging Markets and Developing



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Economies between 2022 and 2024, respectively. Overall, this represented an unchanged outlook for 2023 and a worsened outlook for 2024 by -0.1 percentage points compared to the July 2023 report. The overarching results hide the growth divergence among the sub-regions. For instance, in 2023, whilst rising growth is projected for Emerging Markets and Developing Asia and Europe, declined growth is forecasted for Latin America and the Caribbean, the Middle East and Central Asia, and Sub-Saharan Africa. Conversely, in 2024, worsened growth is projected for Emerging Markets and Developing Asia, Europe, Latin America, and the Caribbean, and improved growth is forecasted for the Middle East, Central Asia, and Sub-Saharan Africa.

Of the Emerging Markets and Developing Economies, Brazil, Mexico, and South Africa achieved improved growth projections compared to the July 2023 WEO update. For instance, growth projections for Brazil increased by 1.0 and 0.3 percentage points in 2023 and 2024, respectively, due to sturdy consumption driven by fiscal stimulus and its robust Agriculture and Services sectors. Mexico saw a 0.6 percentage point increase in growth to 3.2 percent and 2.1 percent in 2023 and 2024, respectively, because of US demand and recovery in its Construction and Services sectors. South Africa's 0.9 percent and 1.8 percent respective 2023 and 2024 growth were evidence of a 0.6 and 0.1 percentage points improvement in outlook compared to the July 2023 forecast. The 2023 improved growth outlook for South Africa was influenced by the less intensive power shortages in the second quarter of 2023.

Slow growth is projected in the United Kingdom (UK) to 0.5 percent in 2023 and 0.6 percent in 2024 (0.1 percentage point higher in 2023 than forecast in the July 2023 WEO). The UK's lessened growth mimics that of the world economy, which comes in the wake of 2021 and 2022's growth performances of 7.6 percent and 4.1 percent, respectively. This *slow but not stalled growth* is anticipated due to the Bank of England's enforcement of tighter monetary policies to curb still-high inflation and the lingering impacts of high energy prices on the UK's terms of



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trade. The Euro area is projected to grow by 0.7 percent and 1.2 percent in 2023 and 2024, respectively. The overarching results hide the growth divergence among major euro area economies in 2023. For instance, whilst the growth of 2.5 percent, 1.0 percent and 0.7 percent are foreseen for Spain, France and Italy, respectively, in 2023, a decline of -0.5 percent is projected for Germany. *“The recovery in services is almost complete. Over the past year, strong demand for services supported service-oriented economies—including important tourism destinations such as France and Spain”* IMF October 2023. Whilst slow increased growth is projected for Germany and France at 0.9 percent and 1.3 percent, respectively, reduced growth of 0.7 percent and 1.7 percent are forecasted for Italy and Spain in 2024, respectively.

China’s growth is forecasted to increase from 2022’s 3.0 percent to 2023’s 5.0 percent; after that, lessened growth of 4.8 percent is projected for 2024. October 2023’s projection declined by -0.2 and -0.3 percentage points compared to the July 2023 WEO update due to China’s real estate crises, strains in public finance and lower investment, influenced by weakened economic confidence. China’s real estate crisis could pose a global risk, including the Caribbean region, due to spillover effects on commodity exporters and China’s inherent influence on global supply chains. Compared to the July 2023 WEO report, India’s economic growth for 2023 increased by 0.2 percentage points to 6.3 percent. A more optimistic projection stemmed from India’s stronger-than-expected consumption during April-June 2023. Unlike the World Economy, Advanced Economies and China, India’s growth will remain at 6.3 percent in 2024.

“The normalisation of growth along with the effect of tighter policies, a weaker external environment, and lower commodity prices” reduced Latin America and the Caribbean’s growth from 2022’s 4.1 percent to 2023’s 2.3 percent (IMF October 2023). 2023’s growth projection increased by 0.4 percentage points compared to the July forecast due to the *stronger-than-expected growth* in Brazil and Mexico. More so, an improved outlook for the region was evidenced by the 0.1 percentage point increase in growth to 2.3 percent in 2024. Low-Income



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Developing Countries would have experienced improved growth in 2022 of 5.2 percent compared to 2021's 4.1 percent. However, 2023 projects slowed growth at 4.0 percent, a reduction by -0.5 percentage points compared to the July 2023 forecast. The lessened growth forecast stemmed from higher interest rates, double-digit inflation, and depreciated currencies, which exacerbate the longevity of debt. Conversely, improved growth of 5.1 percent is forecasted in 2024, a reduction of -0.1 percentage points compared to the July 2023 forecast.

The results of the WEO are based on the assumption of a resilient World Economy that is limping along with growing global divergences. Although growth would have slowed post-2021, it has not stalled. The economic outlook identified advanced economies exhibiting a more noticeable deceleration in growth compared to emerging markets and developing economies. The three global forces prompting lessened growth are (1) the recovery in services is almost complete, (2) the presence of tighter monetary policy aimed to reduce inflation and (3) inflation and activities are influenced by the incidence of last year's commodity (energy) price shocks. Concurrently, five critical risks exist: (1) China's real estate crisis, (2) commodity price volatility under renewed geopolitical tensions and disruptions linked to climate change, (3) high underlying and headline inflation, (4) eroded fiscal buffers in many countries and (5) sharp repricing of risk leading to the further appreciation of the US dollar, triggered capital outflows, increased borrowing costs and debt distress.

Regional Economy

Growth within the Caribbean region has progressively recovered since the Covid-19 pandemic. This would have been evidenced by the Caribbean Development Bank's (CDB) Borrowing Member Countries (BMC)'s positive growth of 4.9 percent and 11 per cent in 2021 and 2022, respectively and an outlook of 6.4 percent in 2023. 2022's economic progress for the region was fueled by the buoyant oil and gas production in Guyana and a significant rise in stayover arrivals



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at tourist-dependent destinations. Consequent surges in economic activity spurred the double-digit growth of Guyana’s 62.3 percent, St. Lucia’s 15.7 percent, the Bahamas’ 14.4 percent, Belize’s 12.7 percent and Aruba’s 10.5 percent in 2022. Haiti was the only island in the Caribbean region to experience an economic decline of -1.7 percent due to its ongoing political, security and humanitarian crises. The persistence of social unrest would have hampered Haiti’s food and energy security. Consequently, Haiti continues to be the only island within the region, with an adverse outlook of -1.5 percent in 2023 and a conservative growth of 1.4 percent by 2024.

Conversely, Guyana’s robust foothold as a critical global energy player is evidenced by it being the only Caribbean country with a double-digit growth outlook, precisely 38.4 percent and 26.5 percent in 2023 and 2024, respectively. Optimistic oil production forecasts, not limited to the World Energy Outlook’s “*increases oil production by 1.3 barrels per day (mb/d) from 2022 to 2035, the largest increase of any country*”, would have channelled Guyana’s positive economic outlook. For the rest of the region, more conservative growth between 2 percent and 6.2 percent in 2023 and 1.2 percent and 5.4 percent in 2024 are forecasted as each island strives to fully rebound to pre-Covid-19 levels.

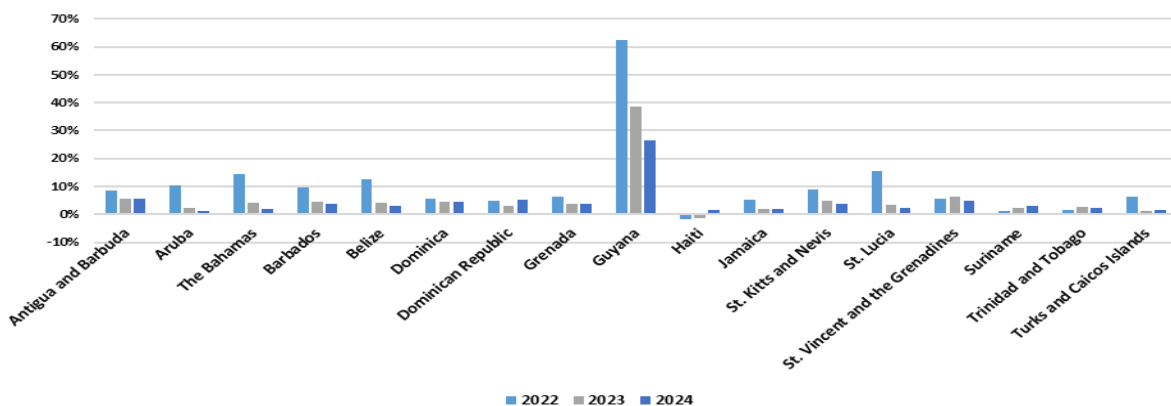


Figure 1: Regional Economic Outlook



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Local Economy

The Turks and Caicos Islands' economy has demonstrated remarkable resilience and is on a positive growth trajectory despite the challenges experienced in 2020. Current projections indicate that the nominal GDP of the islands is set to surpass its 2019 levels, adjusting for the effects of inflation. This is a positive sign that the economy has rebounded and is progressing.

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The GDP performance reflects a country that is recovering from economic setbacks and experiencing tangible growth. Several key factors are contributing to this positive economic performance. Primarily, the expansion of the tourism sector has played a crucial role. Tourism is a cornerstone of the Turks and Caicos Islands' economy, and its recovery has been pivotal in driving overall growth. Additionally, increased private sector investments have further fueled economic expansion. The Government's ongoing public investment program is another significant contributor to this economic growth. These combined efforts have created a favourable environment for local businesses and international investors, facilitating a positive economic trend.

However, like many nations in the Caribbean, the Turks and Caicos Islands continue to grapple with global challenges that have impacted the economy. Supply-chain delays and rising consumer food and fuel prices have been exacerbated by international conflicts, such as Russia's war on Ukraine and the ongoing conflict between Israel and Hamas. These external factors are putting pressure on the local economy, adding to concerns about inflation and the cost of living.



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Despite these challenges, in July 2023, the Turks and Caicos Islands Department of Statistics projected a positive outlook for economic growth for 2023 and 2024. This forecast is a testament to the resilience and adaptability of the local economy in the face of unfavourable global developments. The first half of 2023 has been instrumental in highlighting the Turks and Caicos Islands' resilience. Real GDP is projected to grow by approximately 1.2 percent in 2023 and is expected to increase by 1.6 percent in 2024. These growth figures are contingent on the continuous recovery of the tourism sector and increased private sector investments.

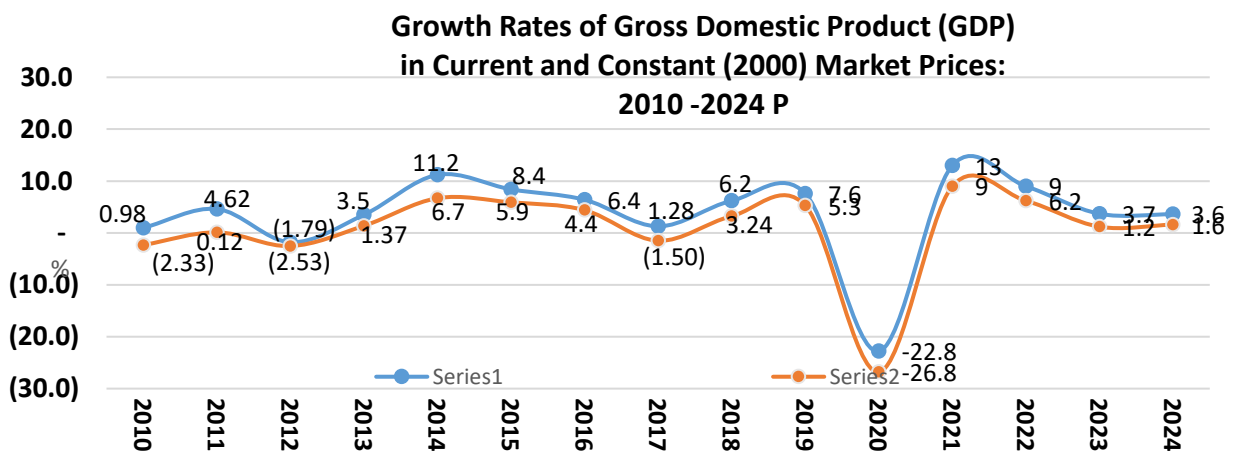


Figure 2 - GDP Growth Rate 2010-2024

One of the driving forces behind this optimistic projection is the strong performance of the winter tourist season. The growth in non-traded economic sectors is also contributing to the positive outlook. Notably, the positive impact of tourism and robust construction activity has enabled the non-traded sectors to significantly contribute to overall real GDP growth. This suggests that the economy is not only rebounding but also diversifying and expanding, which bodes well for its prospects.



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Table 2 Domestic Macroeconomic Assumptions – 2017 to 2023

	Actuals	Actuals	Actuals	Actuals	Revised Estimates	Projections	Projections	Projections
	2017	2018	2019	2020	2021	2022	2023	2024
Nominal GDP (bill. US\$)	1.02	1.1	1.2	0.92	1.04	1.14	1.18	1.2
Nominal GDP Growth (%)	-1	8.9	7.6	-22.8	13.0	9.0	3.7	3.6
Real GDP (%)	-2.5	5.6	5.3	-26.8	9.0	6.2	1.2	1.6
CPI (%)	2.1	2.1	2.2	2.3	4.5	6.0	5.5	4.0
Population	39.8	41.4	43	44.5	46.1	47.7	49.3	50.9
Nominal GDP per capita (\$)	25,695	26,909	27,877	20,655	23,628	23,864	23,956	24,040
Value of Imports (\$MN)	432.6	483.7	487.6	349.9	485.9	681.4	705.0	715.0
Exports (\$MN)	2.3	5.8	5.3	4.1	11.3	2.6	4.6	5.0
Balance of Trade	-430.2	-477.9	-482.3	-345.8	-474.7	-678.8	-700.4	-710.0
Foreign Direct Investment (%)	-1	2.5	3	2.5	3	3	3	3
Unemployment (%)	6	7	7	11	9	8	7	5

Source: Statistics Department

The positive trend can be attributed to several key factors shaping the islands' economic landscape. One notable development in the region is the rise of the sharing economy, represented by platforms like Airbnb. This emerging trend is expected to contribute to the stability of tourist arrivals. This shift caters to a visitor segment less inclined towards traditional hotel experiences, offering alternative accommodation options. By diversifying the range of accommodations, the tourism industry adapts to changing travellers' preferences. This is a significant move towards enhancing the overall tourist experience and expanding the hospitality sector. However, certain challenges still need to be addressed, particularly concerning airlift capacity, high airline ticket prices, and tax avoidance issues. These factors remain significant barriers to a full recovery in visitor numbers. Addressing these issues is crucial to sustain growth and capitalise on the sharing economy's potential. Improving accessibility through increased airlift capacity and more affordable air travel options will be pivotal in ensuring the continued expansion of the tourism sector.



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

Year	Nominal GDP \$m	Nominal GDP Per Capita (\$)
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	1,138,808	23,864
2023	1,181,253	23,956
2024	1,223,511	24,040

Source: Statistics Department

Table 3 provides a comprehensive overview of both Nominal and Real GDP per capita for the years spanning from 2017 to 2021, accompanied by projections for the subsequent years, from 2022 to 2024. The data in this table indicates a significant upward trajectory in the Total Country Income (TCI), as suggested by both indices.

Nominal GDP witnessed remarkable growth over the past decade. Starting at \$686.8 million in 2010, it has consistently increased, reaching an estimated value of \$1.2 billion in 2019. Unfortunately, due to the COVID-19 pandemic, 2020 marked a deviation from this positive trend, with a notable decline in the nominal GDP. Despite this setback, the overall economic outlook remains promising. The data indicates that the current growth momentum will continue into 2024. These projections suggest the economy is well on track for further expansion and development in the coming years. As highlighted, the decline in 2020 was influenced by various external factors, including the COVID-19 pandemic, which had widespread economic repercussions. Nevertheless, the economy is now upward, reaffirming its resiliency and adaptability.



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The construction industry also contributed to the economic stability and growth of the islands. It performed well in 2021 and 2022 and has continued to do so during the first ten months of 2023. This positive trend is projected to continue throughout 2024 and 2025. The growth in the construction sector is primarily driven by both enterprises and private individuals. The Government's capital programs, which emphasise infrastructural development, improved working conditions, and community-based initiatives, are anticipated to further bolster the construction industry's performance.

Additionally, foreign direct investment in tourism-related and other projects and increased domestic private-sector investments are expected to stimulate construction activity further. This points to a thriving construction industry poised to play a pivotal role in the ongoing economic growth of the islands. This sector contributes to overall economic stability and diversification by creating opportunities for investment and development.

In terms of inflation, the medium-term outlook is positive. The decline in international commodity and energy prices has already stabilised the imported component of inflation. As a result, domestic inflation is expected to decrease to approximately 5 percent by the end of the year – i.e. if current international price trends continue. This is a positive sign for the islands' cost of living and economic stability.

The agriculture and fishing sectors currently makeup less than 1.0 percent of GDP. However, it is projected that over the next three years (i.e. 2024 - 2026), these sectors are expected to collectively grow at an average annual rate of 2 percent. The Government has intensified its enforcement efforts in recent years, effectively overseeing the activities of fishers and educating them about the perils associated with coral reef bleaching. These measures have resulted in a decrease in the capture of undersized lobsters and a reduction in illegal fishing practices. Projections indicate that these efforts will continue to benefit the fishing sector. Additionally,



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the Government has introduced various programs to promote and expand the agricultural industry, aiming to increase its overall economic contribution. Furthermore, Providenciales is home to a well-established farmers' market, providing a platform for local farmers to market their products.

According to data on international trade in goods, imports surged by 40.2 percent in 2022, primarily driven by increased activity in the hospitality, wholesale, and retail trade sectors. However, this increase also reflects the prevailing inflationary pressures for imports in our main partner countries. From 2023 to 2025, current predictions anticipate an average annual growth of 2.5 percent. Many of these gains can be attributed to building supplies required to develop commercial and residential facilities to serve a growing global clientele. Notably, the thriving real estate sector's sales and tax revenues help offset the importation of building supplies. Despite the mentioned factors, the Turks and Caicos Islands maintain a net positive trade balance when the invisible trade balance, encompassing exports of intangible services such as financial and professional services and tourism, is combined with the physical trade balance. This demonstrates the overall resilience and favourable economic position of the islands.

It is essential to recognise potential downside risks related to international developments. These include the possibility of further crude oil production cuts by OPEC+ and ongoing geopolitical conflicts. Such factors can impact the islands' inflation rates and, consequently, the overall economic landscape. Thus, continued vigilance and adaptation to global economic events will be necessary to maintain a stable inflation environment.

Downside Risks

While the overall economic outlook is generally optimistic, it is essential to acknowledge potential downside risks to the island's future economic trajectory. One concern is the possibility of a global economic slowdown, driven by policymakers struggling to balance inflation



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containment and global demand. This underscores the importance of effective economic policy and governance in navigating potential global economic headwinds.

Geopolitical tensions also pose a risk to growth projections. Disruptions to global supply chains due to geopolitical conflicts can impact the islands' economic performance. On the positive side, improving the cost and availability of air travel can boost tourism and accelerate economic growth. Accessible and affordable air travel enhances the islands' appeal to tourists and investors. However, it is important to note that other geopolitical risks, such as cyber-attacks affecting critical infrastructure in trading partner countries, remain a concern. As the world becomes more interconnected, the islands must remain vigilant and invest in cybersecurity and critical infrastructure to safeguard their economic interests.

The Turks and Caicos Islands navigate local and global economic challenges while striving for growth and resilience. Strong performance in key sectors such as tourism and construction, supportive government programs, and private sector investments contribute to economic stability and expansion. While the outlook is generally positive, it is vital to remain adaptable and prepared for potential risks and uncertainties in the global economic landscape. The islands are well-positioned to continue a promising economic path by addressing these challenges and leveraging their strengths.



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FINANCIAL TARGETS

The aggregate financial targets for core Government operations, listed below, represent FY2024/25 and the three forward years - i.e., FY2025/26 to FY2027/28, 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	2022/23	2023/24		2024/25	2025/26	2026/27	2027/28
	Unaudited Actual \$'000s	Revised Budget \$'000s	Forecast outturn \$'000s	Estimate \$'000s	Projection \$'000s	Projection \$'000s	Projection \$'000s
OPERATING TARGETS							
Recurrent Revenue	407,799	414,916	422,520	438,599	453,950	469,838	486,282
Non-Recurrent Revenue	4,083	2,930	1,854	1,884	1,950	2,018	2,089
Total Revenue	411,883	417,846	424,374	440,483	455,900	471,856	488,371
Recurrent Expenditure	334,146	359,030	343,917	398,981	405,167	415,296	421,794
Non-Recurrent Expenditure	7,216	12,367	9,283	9,282	7,276	7,270	7,264
Total Operating Expenditure	341,362	371,397	353,200	408,263	412,443	422,566	429,058
Surplus Before Capital Programme	70,520	46,450	71,174	32,220	43,457	49,291	59,313
Capital Development Projects	(18,186)	(66,233)	(24,071)	(30,423)	(30,423)	(30,423)	(30,423)
Net Operating Surplus/Deficit	52,334	(19,784)	47,103	1,797	13,035	18,868	28,891
BALANCE SHEET TARGETS							
Net Government Debt	(238,789)	(224,217)	(291,220)	(298,034)	(316,202)	(340,238)	(374,462)
CASH FLOW TARGETS							
Opening Cash Balance	195,700	289,827	289,827	336,808	338,405	351,239	370,057
Net Operating Cash Surplus	52,334	(19,784)	47,103	1,797	13,035	18,868	28,891
Other Net Cash Inflows*	41,909	-	-	-	-	-	-
Debt Repayment	(116)	(122)	(122)	(200)	(200)	(50)	-
Pension Fund	-	-	-	-	-	-	-
Development Fund	-	-	-	-	-	-	-
NFF	-	-	-	-	-	-	-
*National Wealth Fund-In	-	-	-	-	-	-	-
New Borrowing	-	-	-	-	-	-	-
Closing Consolidated Fund Cash Balance	289,827	269,921	336,808	338,405	351,239	370,057	398,948

*Cash Balance Restated 2022/2023

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.



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According to Table 4, Total Revenue in FY2024/25 is forecast at \$440.5 million, which is \$16.1 million higher than the currently projected outturn for FY2023/24 and \$28.6 million higher than the audited actuals for FY2022/23.

Total Expenditure before the Capital Contribution is forecast at \$408.3 million, an increase of \$55.0 million (15.6 percent) over the projections for FY2023/24 and \$66.9 million (16.0 percent) higher than the unaudited actuals for FY2022/23. Capital expenditure is forecasted at \$30 million. An operating surplus is projected for FY2024/25.

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 forecasted at negative \$298.0 million.

Cash Flow Targets

Net Operating Surplus before Debt Repayment is forecast at:

- \$1.8 million in FY2024/25.
- \$13.0 million in FY2025/26.
- \$18.9 million in FY2026/27.
- \$28.9 million in FY2027/28.



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Compliance with Principles of Responsible Financial Management

Table 5 below summarises how much 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 forecasted for 2024/25, and the net debt is forecasted at negative 69.1 per cent of the recurrent revenue.

PRINCIPLES	DEGREE OF COMPLIANCE	
Operating Surplus: should be positive all years Operating Surplus = Total Operating revenue - Total Operating expenditure	Complied 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	72,973
	2022/23	52,334
	2023/24	(19,906)
	2024/25	1,797
	2025/26	13,035
2026/27	18,868	
2027/28	28,891	
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)	Complied 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	0.0%
	2022/23	0.0%
	2023/24	0.0%
	2024/25	0.1%
	2025/26	0.0%
2026/27	0.0%	
2027/28	0.0%	
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)	Complied in 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	-34.8%
	2022/23	-58.6%
	2023/24	-57.3%
	2024/25	-69.1%
	2025/26	-70.8%
2026/27	-73.5%	
2027/28	-78.1%	
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	Complied by the end of Fiscal year 2016/17	
	(DAYS)	
	2013/14	35
	2014/15	41
	2015/16	64
	2016/17	95
	2017/18	148
	2018/19	200
	2019/20	308
	2020/21	193
	2021/22	241
	2022/23	317
	2023/24	298
	2024/25	310
2025/26	316	
2026/27	325	
2027/28	345	
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	

Table 5-Compliance with Principles of Responsible Financial Management

Source: Budget Office



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Operating Surplus/Surplus

The targets forecast an Operating Surplus in 2024/25 and the ensuing forward years (see further details 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, Turks and Caicos National Wealth Fund (TCNWF), and the Contributory Pension scheme. The compliance target requires at least ninety (90) days of planned expenditure by FY2018/19; the forecast for FY2024/25 is projected at three hundred and ten (310) days of planned spending, 220 days higher than the Framework Document requires. The 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. In the event the investment portfolio of the TCNWF and the Contributory pension schemes change to long-term, Liquid Cash Reserves will reflect that change.



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FISCAL OUTLOOK

Budget Aggregates

The aggregate financial targets for FY2024/25 comprise the economic outlook for FY2024/25 to FY2027/28. All strategic directions and actions to strengthen economic recovery align with the Vision 2040 document, the Medium-Term Development Strategy (MTDS), and the United Nations Sustainable Development Goals (SDGs). The TCIG plans to invest extensively in the country's public infrastructure, pursued through a revenue generation regime that balances efficiency, equitability and fairness principles.

	Unaudited Actual	Estimates	Forecast Outturn	Estimate	Projections		
	2022-23	2023-24		2024-25	2025-26	2026-27	2027-28
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Revenue	407,799	414,916	422,520	438,599	453,950	469,838	486,282
Per cent of GDP	35.77%	35.16%	35.81%	29.24%	28.37%	27.64%	27.02%
Recurrent Expenses	(334,146)	(359,030)	(343,917)	(398,981)	(405,167)	(415,296)	(421,794)
Per cent of GDP	29.31%	30.43%	29.15%	26.60%	25.32%	24.43%	23.43%
Underlying cash balance	73,653	55,887	78,603	39,617	48,783	54,542	64,488
Per cent of GDP	6.46%	4.74%	6.66%	2.64%	3.05%	3.21%	3.58%
Total Revenue	411,883	417,846	424,374	440,483	455,900	471,856	488,371
Per cent of GDP	36.13%	35.41%	35.96%	29.37%	28.49%	27.76%	27.13%
Total Expenses	(341,362)	(371,397)	(353,200)	(408,263)	(412,443)	(422,566)	(429,058)
Per cent of GDP	29.94%	31.47%	29.93%	27.22%	25.78%	24.86%	23.84%
Net operating balance	70,520	46,450	71,174	32,220	43,457	49,291	59,313
Net capital investment	(18,186)	(66,233)	(24,071)	(30,423)	(30,423)	(30,423)	(30,423)
Fiscal balance	52,334	(19,784)	47,103	1,797	13,035	18,868	28,891
Per cent of GDP	4.6%	-1.7%	4.0%	0.1%	0.8%	1.1%	1.6%
GDP	1,140,000	1,180,000	1,180,000	1,500,000	1,600,000	1,700,000	1,800,000

*GDP forecast provided by S&P March 2023

Table 6 - Budget Aggregates Table

Prepared by Budget Office

The FY2024/25 projection for Recurrent Revenues is \$438.6 million (29.4 percent of GDP), which is approximately \$16.1 million higher than the projected outturn for FY2023/24 and \$30.8 million higher than the actual performance for FY2022/23.



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Non-Recurrent Revenue for FY2024/25 is projected at \$1.9 million.

Total revenues are \$440.5 million (29.4 percent of GDP), approximately \$16.1 million higher than forecasted, and \$30.8 million higher than actual FY2022/23.

Recurrent expenditure in FY2024/25 is projected at \$398.9 million (26.6 percent of GDP), approximately \$55.0 million higher than the forecast for FY2023/24, and \$64.8 million lower than FY2022/2023. Total expenditure excluding Capital is forecasted at \$408.3 million (27.2 percent of GDP) in FY2024/25.

The growth plan for Recurrent expenditure is pegged at 2.5 percent through FY2027/28.

Projections for Total Expenditure in:

- FY2025/26 = \$412.4 million.
- FY2026/27 = \$422.6 million.
- FY2027/28 = \$429.0 million.

Total Net Capital Investment for FY2024/25 to FY2027/28 is projected at \$120.0 million, with \$30.0 million projected for FY2024/25.

	Unaudited Actuals	Revised Estimate	Forecast	Estimate	Projections		
	2022-23	2023-24	Outturn		2024-25	2025-26	2026-27
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash Receipts							
Recurrent Revenue/ Operating cash receipts	407,799	414,916	422,520	438,599	453,950	469,838	486,282
Non Recurrent Receipts	4,083	2,930	1,854	1,884	1,950	2,018	2,089
Total cash receipts	411,883	417,846	424,374	440,483	455,900	471,856	488,371
Cash Payments							
Recurrent Expenditure/Operating cash payments	334,146	359,030	343,917	398,981	405,167	415,296	421,794
Non Recurrent Expenditure	7,216	12,367	9,283	9,282	7,276	7,270	7,264
Capital Expenditure	18,186	66,233	24,071	30,423	30,423	30,423	30,423
Total cash payments	359,549	437,630	377,271	438,686	442,865	452,988	459,481
Underlying cash balance	(63,180)	(1,547)	73,653	73,653	55,887	48,783	54,542
Per cent of GDP	-5.54%	-0.13%	6.24%	4.91%	3.49%	2.87%	3.03%
Fiscal Balance	52,334	(19,784)	47,103	1,797	13,035	18,868	28,891
Per cent of GDP	4.59%	-1.68%	3.99%	0.12%	0.81%	1.11%	1.61%
GDP	1,140,000	1,180,000	1,180,000	1,500,000	1,600,000	1,700,000	1,800,000

Table 7- Summary General Government Sector Cash Flows Table

Prepared by Budget Office

Source: GDP forecast for 2024-28 provided by S&P



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Fiscal balance at \$1.8 million, reflecting 0.12 percent of GDP, is projected for FY2024/25. The TCIG is projecting Operating Surpluses of:

- \$13.0 million (0.8 percent of GDP) in FY2025/26,
- \$18.9 million (1.1 percent of GDP) in FY2026/27, and
- \$28.9 million (1.6 percent of GDP) in FY2027/28.

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 3.0 per cent higher than the forecast estimates for FY2023/24 in the future years. Allocation to Capital Investments is projected at approximately 7.0 percent of planned Expenditures for FY2024/25.

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

	2024-25	2025-26	2026-27
	Budget Ceiling	Forward Estimates	Forward Estimates
	\$'000s	\$'000s	\$'000s
Budget and Forward Estimates (rolled forward from 2023/24 budget document)	407,705	393,562	393,562
+ Forward Year Impact of 2023-24 Post-Budget Decisions	12,720	12,722	12,722
+ Adjustment of New Spending Requests Approval (Recurrent)	13,469	10,924	11,749
+ Adjustment of New Spending Requests Approval (Capital)	(10,208)	555	555
+ Increase in Salaries, Pension and Gratuities	15,000	15,000	15,000
BASELINE BUDGET CEILING	438,686	432,763	433,587

Table 8-Baseline Budget Ceiling

Source: Budget Office

Spending priorities will ensure 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

For FY2024/25, the Operating Expenditure target is \$408.3 million, with Capital Expenditure set at \$30.0 million. Table 9 below shows the allocations by Ministries, which align with the Sustainable Development Dimensions and Necessary Conditions outlined in the Vision 2040 Document.

Ministries	2024/25					2025/26	2026/27
	Baseline Budget Ceiling R/F from 2023/24	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	7,788	18	960	8,766	2.0%	7,842	7,842
Police	36,325	-	-	36,325	8.3%	36,563	36,563
Attorney General's Chambers	11,830	-	74	11,904	2.7%	9,224	9,224
Judicial Administration	9,896	-	218	10,114	2.3%	10,160	10,160
Statutory Charges	66,490	-	5,140	71,629	16.3%	71,623	71,617
Ministry of Immigration & Border Services	25,317	1,171	1,090	27,579	6.3%	23,442	23,524
Ministry of Finance, Investment & Trade	26,031	-	1,084	27,115	6.2%	27,358	27,359
Office of the Deputy Governor	3,230	209	(0)	3,439	0.8%	3,409	3,409
Ministry of Education, Labour, Employment and Customer Service	53,113	1,071	-	54,184	12.4%	55,858	55,858
Office of the Director of Public Prosecution	2,181	74	83	2,338	0.5%	2,365	2,365
Ministry of Home Affairs and Transportation	25,283	2,556	2,387	30,226	6.9%	30,522	30,522
Ministry of Physical Planning & Infrastructure Development	22,989	5,476	3,082	31,546	7.2%	31,643	31,643
Ministry of Tourism, Agriculture, Fisheries, Heritage & the Environment	16,191	102	740	17,034	3.9%	17,047	17,419
Ministry of Health and Human Services	84,088	1,918	1,880	87,886	20.0%	88,229	88,229
House of Assembly	3,772	-	-	3,772	0.9%	3,780	3,780
Office of the Premier and Public Policy	7,651	-	180	7,831	1.8%	7,096	7,096
National Security Secretariat	5,531	125	1,341	6,997	1.6%	6,601	6,976
BASELINE RECURRENT BUDGET CEILING	407,705	12,721	18,259	438,686	100.0%	432,763	433,587

Table 9-Budget Allocations by Ministry

Prepared by: Budget Office

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



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Funding Prioritisation

The table below provides details of the approved new spending for 2024-2025

Policy	Details	Sustainable Development Dimension	Necessary Condition
Pay and Regrading Exercise - \$15 million	Additional funding has been allocated to implement the results from the pay and regrading exercise for civil servants and any adjustments to the existing pension scheme that the actuaries may recommend.	SDD 1 – High National Income and Wealth	NC – 1.4.6 Appropriate Incentives
MSME Investment - \$900,000	Funds have been earmarked to provide backing for the Micro, Small, and Medium Enterprises (MSME) sector by offering training programs, technical assistance, and opportunities for business development.	SDD 1 – High National Income and Wealth	NC – 1.4.6 Appropriate Incentives
Public Works Programme - \$3.0 million	Funding has been specifically allocated to support a works program that addresses poverty in the short, medium, and long term. This program is designed to assist individuals facing economic hardships and those with a criminal history in their journey towards economic stability and improved prospects.	SDD 1 – High National Income and Wealth	NC-1.7 Adequate skills and capacity to facilitate economic growth, diversification and sustainable development.
Social Welfare – \$500,000	Funds have been allocated to further support the vulnerable and impoverished population.	SDD 2 – Enhanced Social Cohesion	NC 2.1 – Adequate Social Protection
Environmental Health – Public Health	Funding has been allocated to support the environmental health programme by	SDD 2 – Enhanced Social Cohesion	NC 2.6 – Decent work



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Maintenance - \$1.5 million	maintaining public facilities.		
Local Government Enhancement Programme -\$1.5 million	Allocated resources have been designated to strengthen activities within municipal divisions to foster community development.		
Enhancing Food Safety -\$400,000	Funding has been made available to improve access to and the production of local food by ensuring the security of the farmers' market.	SDD 2 – Enhanced Social Cohesion	NC 2.2 - Adequate access to healthcare and optimal health status of the population
Dental and Behavioural Health Services -\$380,000	Funding has been allocated to enhance the quality of primary care services for clients of all age groups. Additionally, it will ensure access to inpatient mental health care for adults in urgent need.	SDD 2 – Enhanced Social Cohesion	NC 2.2 - Adequate access to healthcare and optimal health status of the population.
Prison Reforms and Juvenile Intervention and Diversionary Programme - \$300,000	<p>Allocated resources will be directed toward the review of the prison resourcing model within the Department of Correctional Services.</p> <p>This review aims to ensure that the model is responsive to current needs and sustainable over the long term, especially considering the challenges posed by a growing and increasingly complex prisoner population. The objective is to provide secure and humane conditions for staff and inmates.</p>	SDD -2 Enhanced Social Cohesion	NC- 2.3 Adequate Social Insurance



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	Additionally, allocating resources will support initiatives aimed at reducing crimes associated with juveniles.		
Culture and Heritage Policy - \$300,000	Allocations have been made to facilitate the first phase of implementing the new heritage and culture policy. This policy protects our societal identity, enhances education and awareness, stimulates economic growth, and promotes social cohesion. It also aims to preserve and celebrate the diverse tapestry of human history and traditions.	SDD 3 - The healthy natural environment, heritage and cultural assets	NC - 3.3 Good management of heritage and cultural areas
Improving Disaster Resilience -\$500,000	Funding has been allocated for procuring equipment, office space, and cooling systems to accommodate specific items during a disaster.	SDD 3 - The healthy natural environment, heritage and cultural assets.	NC - 3.3 Disaster Risk Management and Climate Resilience.
Improving the Contingent Military Force -\$800,000	Funding has been allocated to enhance the growth and capability of the TCI regiment to strengthen the islands' security against illicit activities.	SDD - 4 National Security	NC- 4.2 More effective policing
Border Force Security -\$1 million	Funding has been allocated to support the implementation of the second phase of the Border Force Policy designed to bolster border security and enhance our capacity to combat various illicit activities. The newly established Border Force amalgamates customs, immigration, and work permit departments to form an efficient, dynamic border management approach.	SDD 4 – National Security	NC 4.2 – More effective policing



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The table below breaks down the allocation by Economic classifications:

	Unaudited Actuals	Revised Budget	Forecast Outturn	Estimate	Projections		
Recurrent Expenditure	2022-23	2023-24		2024-25	2025-26	2026-27	2027-28
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Total Personnel Costs	106,130	129,088	128,658	151,573	151,573	155,362	155,362
Pension and Gratuity	11,936	9,455	9,408	10,251	10,507	10,770	11,039
Transfers to NHIB and medical treatment	35,947	35,492	35,492	35,492	36,379	37,289	38,221
Hospital Provisional Charges	24,299	25,633	27,892	25,633	26,273	26,930	27,603
Subventions	25,273	28,982	28,071	31,751	32,545	33,359	34,193
Rental of Assets	6,006	7,765	6,574	7,983	8,183	8,387	8,597
Other Expenditure	124,556	122,615	107,822	136,299	139,706	143,199	146,779
Total Recurrent Expenditure	334,146	359,030	343,917	398,981	405,167	415,296	421,794
<i>Annual per cent recurrent expenditure incl</i>	22.17%	3.52%	-4.21%	16.01%	1.55%	2.50%	1.56%
Grant Funding	317	2,616	2,617	25	25	25	25
Civil Recovery	815	700	938	-	-	-	-
SIPT Legal Aide	2,569	4,127	2,368	4,127	4,127	4,127	4,127
SIPT Prosecution	3,488	3,110	2,846	3,110	3,110	3,110	3,110
Debt service, interest and fees	27	22	26	20	14	8	2
Special Projects	-	1,792	487	2,000	-	-	-
Total Non-Recurrent Expenditure	7,216	12,367	9,283	9,282	7,276	7,270	7,264
Total Operating Expenditure	341,362	371,397	353,200	408,263	412,443	422,566	429,058

Table 10 - Expenditure by Economic Classifications

Source: Budget Office

Staff Costs

For FY2024/25, Personnel costs are budgeted at \$151.6 million, 36.4 percent of expenditure and 34.6 percent of Recurrent Revenues. The personnel costs include \$19.1 million to implement the approved pay and rating exercise recommendations.

Pension and Gratuity

The Pension and Gratuity allocations for FY2024/25 are \$10.2 million, representing 2.7 percent of total spending and 2.3 percent of Recurrent Revenue. \$0.9 million is included to facilitate any decisions on pension increases that the actuaries may recommend.

Subventions to the NHIB

The TCIG is allocating \$35.4 million for a subvention to the National Health Insurance Plan (NHIP) to subsidise the treatment abroad programme, utility charges for the two major hospitals,



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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 is \$25.6 million. Efforts to monitor and enhance operational efficiency at the entity are ongoing.

Subvention (Net NHIP)

The subvention allocation for Statutory Bodies is \$31.8 million, 7.2 percent of Recurrent expenditure.

Special Investigation and Prosecution Team (SIPT)

The annual forecast allocation for the prosecution and defence of the ongoing Special Investigation (SIPT) trials is \$7.2 million, 1.5 percent of the Recurrent Expenditure. Total grants for the Prosecution team are \$3.1 million, with Legal Aid for the Defence team at \$4.1 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:

- Border Force modernisation.
- Tertiary education scholarships for students and civil servants to reduce the need to import skills into the country.
- Curriculum development at all levels, including adult education courses, is designed to address the findings of the skills audit, increase skills, and address skills shortage.
- Government grants (through Invest TCI) to MSME businesses to encourage and support entrepreneurship.
- Home Help and Social Welfare.



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- Financial Assistance Program for the Elderly
- Maintenance of government infrastructure.
- Fiscal prudence and good governance.
- Management of the destination.

Capital Expenditure

Over the years, strong fiscal discipline has allowed for the release of additional funds to improve public infrastructure. The TCIG aims 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 FY2024/25 has been set at \$ 30.0 million.

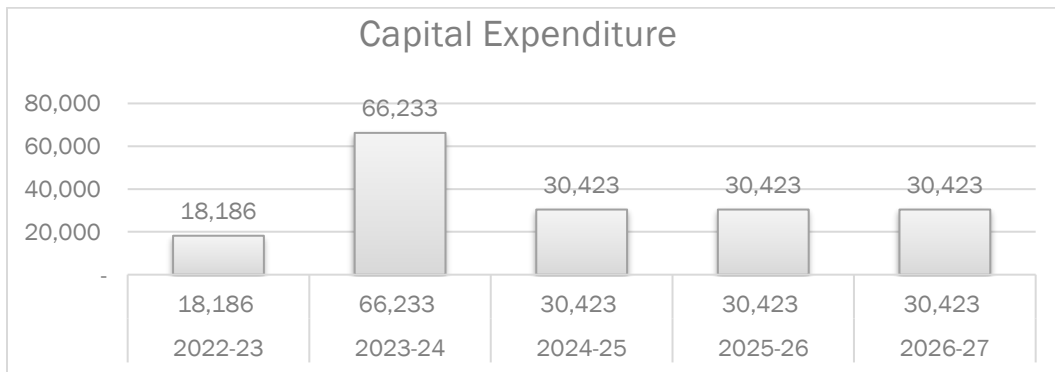


Figure 3- Capital Expenditure Allocations - 2022/23 to 2026/27

Source: Budget Office



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Strategy 2 - Management of Public Debt

Background

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



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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;
- (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.

Borrowing requirement

No new borrowing is anticipated and budgeted for FY2024/25. Below is a summary of the FFD ratio thresholds and TCIG's projected compliance with the same:

1. The Operating Surplus is projected in FY2024/25, and the Operating Surplus target will be met in all forward budget years.
2. Net debt must not exceed 80 percent of Annual Operating Revenue by FY2018/19.
 - a. This target has been met and will continue to be met in all forward budget years.
3. Debt Service should not exceed 10 percent of Annual Operating Income.
 - a. This target will be met in all forward budget years.
4. Liquid Cash Reserves should not fall below 25 percent of Yearly Operating Expenditure.
 - a. This target will be met in all forward budget years.

The Imputed Debt obligation for the hospital PPP agreement is forecast to be reduced to \$40.0 million. Net government debt is forecasted to be at negative 21.2 percent of GDP.



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GOVERNMENT DEBT	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
CDB Loans	572	456	650	450	250	50
Core Government Debt	572	456	650	450	250	50
Imputed PPP Hospital debt outstanding	50,466	45,248	40,031	34,813	29,595	24,378
Total Government Debt	51,038	45,704	40,681	35,263	29,845	24,428
Net Government Debt	(238,789)	(291,220)	(298,034)	(316,202)	(340,238)	(374,462)
Net Core Debt	(289,255)	(336,468)	(338,065)	(351,016)	(369,834)	(398,840)

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 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.

	Unaudited	Revised	Forecast	Estimate	Projection		
	Actuals	Estimates	Outturn				
	2022-23	2023-24		2024-25	2025-26	2026-27	2027-28
	\$'000s	\$'000s		\$'000s	\$'000s	\$'000s	\$'000s
Net debt	(238,789)	(224,217)	(291,220)	(298,034)	(316,202)	(340,238)	(374,462)
Per cent of GDP	-20.95%	-19.00%	-24.68%	-19.87%	-19.76%	-20.01%	-20.80%
Net Interest payments	27	22	22	26	20	14	8
Per cent of GDP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
GDP	1,140,000	1,180,000	1,180,000	1,500,000	1,600,000	1,700,000	1,800,000

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

Table Prepared by Budget Office

Source: GDP forecast - S&P



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Strategy 3 - Revenue Enhancement Strategy

The forecast for FY2024/25 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:

To ensure that the Inland Revenue Department (IRD) continues to evolve by creating sustainability in the Government's revenue streams. The objective is to broaden the revenue base to capture vibrant and buoyant sectors into the taxable bracket, to look at a new broad-based revenue stream that will create greater revenue sustainability, reduce the tax burden on one sector or one set of taxpayers, and achieve greater fairness and equity. Further, it provides a roadmap for harmonising and synchronising the revenue structure. IRD has commenced recruiting an ICT consultant who will lead the transition to new tax software. This initiative is expected to automate any new revenue measures implementation whilst ensuring that the efficient collection of taxes remains sustainable, enhancing value service delivery, making it easier for the public to do business with the Government, and bringing about greater efficiencies in TCIG's compliance and administrative programs. Some of the priority initiatives leading into FY2024/25 are:

- Strengthening the legal framework to enhance and modernise the IRD. CARTAC, in collaboration with the IRD/MOF, is drafting the relevant legislation(s). This achievement is contingent on recruiting a project manager/consultant who will collaborate with CARTAC to strengthen and enhance the Department through several reform initiatives. One such critical reform initiative is to review the present legal framework to ascertain how best to simplify the



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tax laws/Ordinances/legislations and to make them easier by harmonising all tax ordinances. In addition, IRD is looking at harmonising the tax administration processes and procedures by implementing the Tax Administrative Procedural Act (TAPA). Several regional tax administrations have introduced and instituted TAPA as part of their goal to modernise their institution via reform measures. This initiative is expected to result in greater efficiency within the Department's internal processes and improve the ease of doing business with the Department.

- The implementation of workstreams and a plan around the IMF recommendations on the migration to an Enhanced Inland Revenue Department will capture all the functions of the present IRD and the revenue arm of the Border Force.

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 approximately 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 post the COVID-19 pandemic. Revenue streams impacted by tourist arrivals are the Hotel, Restaurant, and tourism Taxes (HRTT), Customs and Related Duties, Work Permit Fees, and Fuel Tax.



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Recurrent Revenue	Unaudited	Revised	Forecast	Estimate	Per. R/R	Projection		
	Outturn	Estimate	Outturn	2024-25		2025-26	2026-27	2027-28
	2022-23	2023-24	2023-24	2024-25		2025-26	2026-27	2027-28
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Import Duty	95,589	98,519	103,476	111,845	25.5%	115,759	119,811	124,004
Hotel & Restaurant Tax	102,506	106,513	113,118	117,164	26.7%	121,265	125,509	129,902
Customs Processing Fee	33,944	35,065	36,026	36,819	8.4%	38,107	39,441	40,822
Stamp Duty on Land Transactions	58,326	58,326	50,067	50,000	11.4%	51,750	53,561	55,436
Work Permits and Residency Fees	35,706	36,794	38,982	40,485	9.2%	41,902	43,369	44,887
Fuel Tax	8,339	8,547	8,455	8,974	2.0%	9,289	9,614	9,950
Business Licences	6,072	6,524	6,683	6,850	1.6%	7,090	7,338	7,594
Other Recurrent Revenues	67,316	64,629	65,714	66,462	15.2%	68,788	71,195	73,687
Total Recurrent Revenue	407,799	414,916	422,520	438,599	100.0%	453,950	469,838	486,282
MOF annual per cent revenue increase		1.7%	-1.8%	3.8%		3.4%	3.5%	3.5%
Non-Recurrent Revenue								
Land Sale Receipts	2,162	1,583	1,838	1,884	0.4%	1,950	2,018	2,089
EU Grants and Other Grants	1,922	1,348	15	0	0.0%	0	0	0
Civil Recovery Program	-	-	-	-	0.0%	-	-	-
CCRIF Payout	-	-	-	-	0.0%	-	-	-
Total Non-Recurrent Revenue	4,083	2,930	1,854	1,884	0.4%	1,950	2,018	2,089
Total Revenue	411,883	417,846	424,374	440,483		455,900	471,856	488,371

Table 13- Revenue Forecast

Prepared by the Budget Office

Strategy 4 - Financial Improvement of Statutory Bodies (SB) and Government Companies

The fourth element of the Government's fiscal strategy is to improve the financial viability of statutory bodies (SBs) and government companies, thereby reducing the contingent liability risks for the entities and the TCIG. Quarterly financial reports from SBs are submitted to the Ministry of Finance for review. 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. For FY2024/25, the forecast remittance from SBs is projected at \$14.5 million.



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Airports Authority

In July 2011, the Turks & Caicos Islands Airports Authority (TCIAA) completed a total redevelopment and rehabilitation of the airside of the Howard Hamilton International Airport (formally known as 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. To improve the passenger experience and obtain IATA service level compliance, an extension to the existing terminal was completed in December 2014. The terminal size increased 80 percent, growing from 51,462 sq. ft. to 92,321 sq. ft., which, based on the forecast, was considered sufficient to accommodate passenger growth up to 2028. However, the Howard Hamilton International Airport passenger traffic has grown at a cumulative average growth rate of 5.8 percent during the past decade. 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 initiated the Howard Hamilton International Airport redevelopment project through the public-private partnership financing model. The project's initiation phase is at an advanced stage, and the completion of the tendering process is expected by the end of the fourth quarter. Importantly, a business case will support each phase of the project.

Ahead of the Howard Hamilton International Airport redevelopment, the TCIAA is spending \$6M on immediate capacity expansion work, with approximately \$1M and a target completion date set for the Fourth Quarter FY2023/24. 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, \$2.4 million is allocated for Aerodrome Pavement in FY2023/24 to address the pressing issue of distressed and deteriorating pavement on Runway 01/ 28. Focusing on repairing and rehabilitating critical areas will prolong the pavement's life and improve operational efficiency.



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The TCIAA continues to invest in safeguarding the airports across the Turks and Caicos Islands, with capital injections, particularly in the JAGS McCartney International Airport in Grand Turk, Clifford Gardiner International Airport in North Caicos, and the Norman B. Saunders International Airport in South Caicos.

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 having a robust and climate-resilient infrastructure, as well as SDD 5, which addresses good governance. Strategic priorities include the continued improvement, maintenance, and resilience of port infrastructure. The Ports Authority is progressing with the rebuilding and rehabilitating of all seaports in the TCI, with the tendering for the South Dock – the largest shipping port in the TCI – redevelopment commencing in October 2021. This consisted of tendering for the construction of a new port office complex to house the Ports Authority and government departments that operate from the South Dock and constructing phases 1 and 2 of the redevelopment project. A contract for the office block construction was awarded in September 2022, with an expected completion date of July 2024. The contract to construct phases 1 and 2 of the South Dock redevelopment project was awarded in February 2023, with an expected completion date of October 2025.

Additionally, contracts have been awarded for consultancies to complete designs and costings for construction of phases 3 and 4, including installation of an x-ray container scanner and a fuel discharge mooring, to support tendering of these components of the redevelopment project in late FY2024/25 or early FY2025/26; for a duration 1.5 years. The total cost of all components of the redevelopment is projected at \$53.5 million. Of this amount, \$42 million is allocated, with



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\$11.9 million appropriated in FY2023/24. However, as phase 1 and 2 expenditures were forecasted to exceed this amount, a supplemental expenditure of \$8.8 million was approved during the year. Accordingly, the projected expenditure for the redevelopment project in FY 2023/24 is now \$20.9 million. Project expenditure for phases 1 and 2 will continue at the same levels for the next few years. The forward expenditure projections for this project are as follows:

- \$20.6 million in FY2024/25,
- \$6.0 million in FY2025/26, and
- \$6.0 million in FY2026/27.

Strategy 5 - Public-Private Partnerships

The fifth element of the Government’s fiscal strategy relates to developing the country’s infrastructure to support economic growth. The Howard Hamilton International Airport redevelopment is being considered for PPP in 2024/2025.

STATEMENT OF FISCAL PERFORMANCE – (Previous Two Financial Years)

REVIEW OF FINANCIAL PERFORMANCE

Table 14: Performance against GDP at Constant Market Prices

	2016-17		2017-18		2018-19		2019-20		2020-21		2021-22		2022-23	
<i>figures in US\$ '000</i>														
Recurrent Revenue	262,951	37%	261,416	38%	303,622	42%	314,374	41%	195,652	35%	396,861	69%	406,688	50%
Recurrent Expenses	202,146	29%	213,409	31%	218,786	30%	230,910	30%	254,503	45%	277,179	48%	328,253	40%
Total Revenue	267,100	38%	282,172	41%	315,025	43%	315,288	41%	202,293	36%	398,775	70%	413,235	50%
Total Expenses	207,874	29%	218,858	32%	228,849	32%	239,620	31%	269,176	48%	309,789	54%	351,237	43%
Net Operating Balance	59,226	8%	63,314	9%	86,176	12%	75,668	10%	(66,883)	-12%	88,986	16%	61,998	8%
Capital Investments	23,509	3%	16,058	2%	17,581	2%	17,581	2%	25,302	5%	22,228	4%	18,186	2%
Fiscal balance	35,717	5%	47,256	7%	68,595	9%	58,087	8%	(92,185)	-16%	66,758	12%	43,812	5%
Net Debt	32,376	5%	19,783	3%	9,394	1%	3,021	0%	839	0%	538	0%	725	0%
Finance Cost	1,260	0%	984	0%	699	0%	324	0%	122	0%	15	0%	27	0%
Underlying Cash balance	17,655	3%	36,255	5%	62,154	9%	44,629	6%	(77,629)	-14%	74,852	13%	70,400	9%
*GDP at constant market prices	705,198		687,637		726,200		764,700		560,029		572,000		821,365	
*GDP at current market prices	1,032,452		1,022,365		1,113,178		1,197,400		924,583		943,270		1,140,000	

*GDP Data Source: World Bank (2023)



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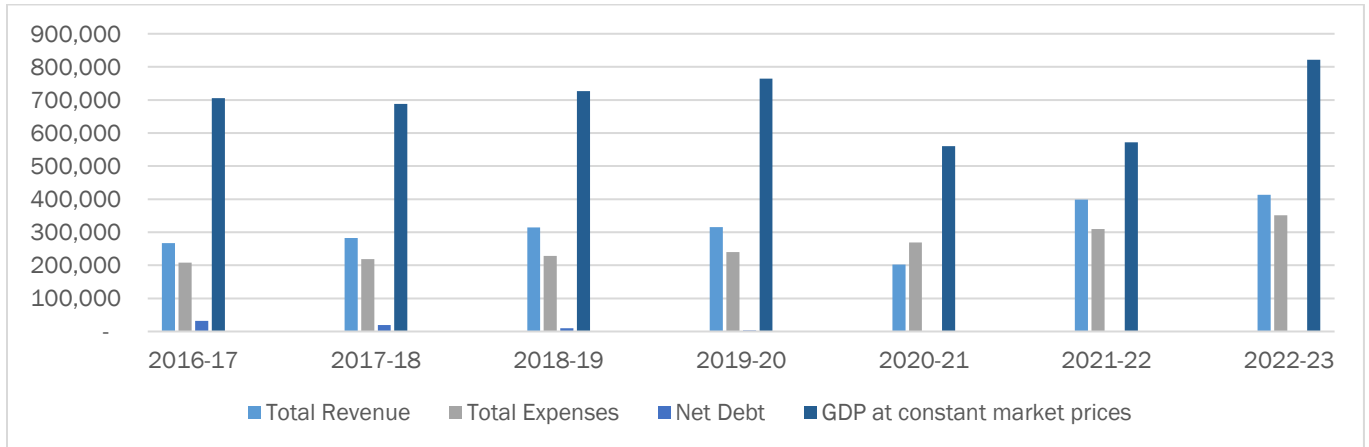


Figure 4: Revenue, expenditure and debt performance against GDP at Constant Market Prices

Fiscal Summary

At the end of FY2022/23, the Turks & Caicos Islands Government posted an operating surplus of \$61.9 million (2022: \$89 million), a decrease of \$27.1 million (30 percent) on the prior year's performance, and \$38.8 million (59 percent) higher than budget. Capital expenditures of \$18.1 million (2022: \$22.2 million) and debt repayment of \$175 thousand (2022: \$301 thousand) were incurred during the year.



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Table 15: Performance Revenue and Expenditure

<i>figures in US\$'000</i>	31-Mar-23			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year	
Recurrent Revenue	406,688	399,371	396,861	7,317	2%	9,827	2%
Non-Recurrent Revenue	6,547	4,845	1,915	1,702	35%	4,632	242%
Total Revenue	413,235	404,216	398,776	9,019	2%	14,459	4%
Recurrent Expenditure	328,253	334,778	277,168	(6,525)	-2%	51,085	18%
Non-Recurrent Expenditure	23,074	30,614	32,626	(7,540)	-25%	(9,552)	-29%
Total Expenditure	351,327	365,392	309,794	(14,065)	-4%	41,533	13%
Operating Surplus	61,908	38,824	88,982	23,084	59%	(27,074)	-30%

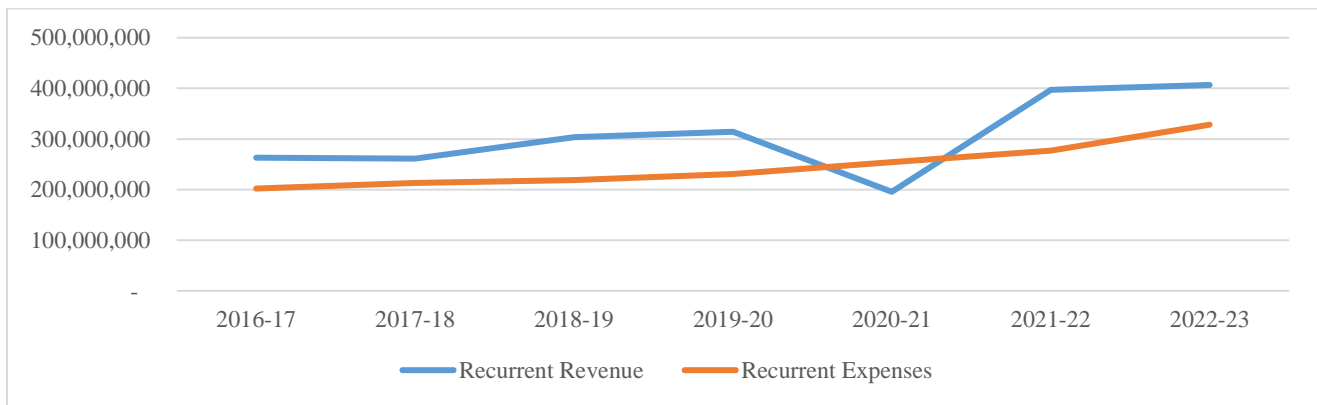


Figure 5: Recurrent Revenue and Expenditure Performance

Revenue Performance

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



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Table 16 – Total Revenue Summary

(All figures in US\$'000)	31-Mar-23	31-Mar-22
RECEIPTS		
<i>Taxation</i>		
Taxes on goods and services	181,548	189,533
Duties (excluding stamp duty)	138,641	128,944
Licenses	15,510	13,411
	335,699	331,888
<i>Non-Tax Receipts</i>		
Fees, fines and permits	40,182	34,290
Finance income	645	401
Other receipts	12,879	9,163
	53,706	43,854
<i>Transfers</i>		
Transfers from controlled entities	21,981	22,555
	21,981	22,555
<i>Donations, Grants and other Aid</i>		
Grants from Multilateral Agencies	1,849	479
	1,849	479
Total receipts	413,235	398,776

Aggregate Revenue for FY2022/23 totalled \$413.2 million. This result was \$9 million more than the projected revenue of \$404.2 million. On a year-over-year basis, revenue was up by \$14.5 million compared to the results of FY2021/22. The four main revenue lines of hotel, restaurant, and tourism tax, import duty, stamp duty on land transactions, and customs processing fees contributed to 71% of the total revenue.



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Table 17 – Recurrent Revenue Summary

	31-Mar-2023			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenues							
Import Duty	95,589	89,309	77,660	6,280	7%	17,929	23%
Hotel & Restaurant Tax	102,506	96,519	86,265	5,987	6%	16,241	19%
Customs Processing Fee	33,319	30,132	39,392	3,187	11%	(6,073)	-15%
Stamp Duty on Land Transactions	56,777	80,000	87,126	(23,223)	-29%	(30,349)	-35%
Work Permits	25,771	22,806	21,720	2,965	13%	4,051	19%
Fuel Tax	7,694	7,822	10,249	(128)	-2%	(2,555)	-25%
Excess revenues from Stat Bodies	21,981	14,787	22,555	7,194	49%	(574)	-3%
Other Revenues	63,051	57,996	51,894	5,055	9%	11,157	21%
Total Recurrent Revenue	406,688	399,371	396,861	7,317	2%	9,827	2%

Total revenue for FY2022/23 comprised 25% hotel, restaurant, and tourism tax; 23% import duties and stamp duty on land transactions; 14% customs processing fees, work permits fees and excess revenues from statutory bodies; and 38% other revenues.

Total duties (excluding stamp duty) collected for FY2022/23 were \$138.6 million (2022: \$128.9 million), which represented an increase of \$9.7 million (8 percent) over the prior year's results, and \$9.3 million (7 percent) over budget. The year-over-year increase in duties resulted from imported inflation, which led to price increases for imported items. Imports also increased due to the normalisation of business activities and increased economic activity during the COVID-19 pandemic. Total duties include **Import Duties** of \$95.6 million, a \$17.9 million (23 percent) increase over the prior year, and \$6.3 million (7 percent) above budget. **Fuel Tax** decreased by 25 percent compared to the prior year and was 2 percent below budget. **Customs Processing Fees** were down \$6.1 million (15 percent) year-over-year and \$3.2 million (11 percent) higher than budget. The decrease in CPF, compared to the prior year, correlates with measures implemented by the Government to combat imported inflation, which included a reduction of the CPF rate from 7.5% to 5%.



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Taxes on goods and services were \$13.6 million (7 percent) lower than budget and \$8 million (4 percent) less than the prior year's results, with the adverse variance against budget and prior year results largely a result of reduced activity in the real estate industry leading to lower collections of stamp duty on land transactions. **Hotel, Restaurant, and Tourism Tax** was higher than budget by \$6 million (6 percent), and the prior year's results by \$16.2 million (19 percent). **Stamp Duty on Land Transactions** was \$23.2 million (29 percent) below budget and \$30.3 million (35 percent) lower than the prior year of \$87.1 million.

Transfers from controlled entities in FY2022/23 totalled \$22 million. The receipts were \$7.2 million (49 percent) above budget and \$0.6 million (3 percent) less than the prior year. Section 43A of the PFMO 2017 (as amended) requires the unexpended balance of any money appropriated to statutory bodies to be returned to the Consolidated Fund.

Fees, fines and permits of \$40.2 million increased by \$5.9 million (17 percent) compared to the prior year's results and \$3.8 million (10 percent) above budget. **Work Permit** fees of \$25.8 million accounted for 6 percent of the total revenue. This outturn is attributed to higher demand for expatriates following the reopening of the economy post-Covid-19.

Non-recurrent revenue for FY 2022/23 was \$6.5 million, mainly comprised of land sales of \$2.2 million, revenue from grants of \$1.8 million, civil recoveries of \$1.2 million, and insurance proceeds of \$1.4 million. This was \$1.7 million (35 percent) above budget and \$4.6 million higher than the prior year's result.

Expenditure Performance

TCIG's expenditure (excluding Capital) for the FY2022/23 fiscal year totalled \$351.3 million, \$14.1 million (4 percent) below budget and \$41.5 million (13 percent) higher than FY2021/22.



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The underspend against budget is mainly attributed to Personnel Costs due to the number of vacancies that remained unfilled during the financial year and to Statutory Land Acquisitions budgeted for but not incurred. The increased spending compared to the prior year is mainly attributed to salary increases for the Royal Turks and Caicos Islands Police Force and increased spending on stimulus programs and Social Welfare.

Table 18- Total Expenditure Summary

(All figures in US\$'000)	31-Mar-23	31-Mar-22
<i>Operations</i>		
Wages, Salaries and Employee benefits	(118,075)	(108,616)
Other operating expenses	(172,612)	(161,253)
	(290,687)	(269,869)
<i>Transfers</i>		
Subventions to statutory bodies	(25,273)	(21,533)
Grants and Contributions	(28,340)	(18,377)
Transfers to the Citizen's empowerment Fund	(7,000)	-
	(60,613)	(39,910)
<i>Loan and interest repayments</i>		
Finance costs	(27)	(15)
	(27)	(15)
Total payments	(351,327)	(309,794)



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Table 19 – Performance of Recurrent Expenditure

	31-Mar-23			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Expenditure							
Total Personnel Costs	118,075	127,330	108,616	(9,255)	-7%	9,459	9%
Transfers to NHIB	35,947	35,947	32,534	-	0%	3,413	10%
Grants and contributions	28,340	28,546	18,377	(206)	-1%	9,963	54%
Hospital Provisional Charges	27,100	27,217	23,841	(117)	0%	3,259	14%
Subventions	25,273	25,415	21,533	(142)	-1%	3,740	17%
Maintenance Expenses	13,043	13,259	10,936	(216)	-2%	2,107	19%
Other Expenses	80,475	77,064	61,331	3,411	4%	19,144	31%
Total Recurrent Expenditure	328,253	334,778	277,168	(6,525)	-2%	51,085	18%

Personnel Costs, which accounted for 34 percent of expenditure for the financial year, totalled \$118.1 million and was \$9.3 million (7 percent) behind budget while being \$9.5 million (9 percent) ahead of the prior year's cost. The increase against the prior year is largely due to cost-of-living salary adjustments introduced in FY2022/23 and a 10 percent increase in police salaries effective October 2022. The budget underspend is mainly attributed to vacancies not filled during the year.

Transfers to NHIB and **Hospital Provisional Charges** together accounted for 18 percent of total expenditure for the financial year. The costs aligned with the budget and were 10 percent and 14 percent higher than the prior year. The TCIG is actively pursuing measures to reduce the cost of healthcare while maintaining or improving the delivery of care for our residents.

Subventions accounted for 7 percent of expenditure. \$25.3 million was expended during the year. This was 1 percent below budget and 17 percent higher than the prior year. The increase



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against the prior year is due to expected budgetary increases of the statutory and constitutional bodies.

Grants and Contributions totalled \$28.3 million. This includes \$2.8 million in electricity subsidies, \$13 million for citizen inflation adjustment stimulus spent during the financial year, and \$2 million spent on public works programs (e.g. clean-up of the islands following the passage of Hurricane Fiona). The expenditure is 1 percent behind budget and 54 percent higher than the same period in the prior year. Grants and contributions grew significantly from the prior year due to interventions introduced to cushion the impact of the increasing cost-of-living of the citizenry, e.g., the citizens' inflation adjustment stimulus and the energy subsidies, as well as measures taken to recover from the effects of Hurricane Fiona.

Other recurrent expenditures of \$80.5 million accounted for 23 percent. Excluding the depreciation expenses, the other recurring expenditures were 8 percent below budget and 13 percent higher than the prior year. There was a significant year-over-year increase in social welfare costs (115 percent) due to concerted efforts by the Government to ease the cost-of-living crisis on its citizenry. Travel costs, hosting, and entertainment increased as COVID-19 restrictions lifted and the islands returned to normalcy.



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Table 20 – Performance of other recurrent expenditure

	Year to date			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Rental of assets	6,074	6,166	5,422	(92)	-1%	652	12%
Social Welfare	7,668	7,707	3,572	(39)	-1%	4,096	115%
Professional and Consultancy Services	6,058	7,038	4,055	(980)	-14%	2,003	49%
Recurrent Sub Programmes and Projects	3,673	3,761	3,492	(88)	-2%	181	5%
Utilities	5,284	5,519	3,869	(235)	-4%	1,415	37%
Security expenses	2,171	2,207	1,675	(36)	-2%	496	30%
Local Travel and Subsistence	4,469	4,837	3,158	(368)	-8%	1,311	42%
International Travel and Subsistence	2,613	2,882	936	(269)	-9%	1,677	179%
Communication Expenses	1,998	2,176	2,023	(178)	-8%	(25)	-1%
Depreciation	9,911	-	7,867	9,911	-	2,044	26%
Bank charges	1,368	1,428	1,431	(60)	-4%	(63)	-4%
Data Communication cost	1,512	1,764	1,484	(252)	-14%	28	2%
Insurance Expenses	1,730	1,794	1,531	(64)	-4%	199	13%
Hosting and Entertainment	2,448	2,673	998	(225)	-8%	1,450	145%
Repatriation and exportation expenses	3,767	3,786	3,078	(19)	-1%	689	22%
Other supplies, materials & equipment	2,527	2,819	2,516	(292)	-10%	11	0%
Computer License & Hardware Maintenance	1,837	2,064	2,501	(227)	-11%	(664)	-27%
Fuel	1,428	1,456	1,131	(28)	-2%	297	26%
Special Projects on Informal Settlements	1,218	1,500	-	(282)	-19%	1,218	-
Other Recurrent Expenditure	12,719	15,485	10,592	(2,766)	-18%	2,127	20%
TOTAL OTHER RECURRENT EXPENDITURE	80,475	77,062	61,331	3,411	4%	19,142	31%

Non-recurrent expenditures totalling \$23.1 million accounted for 7 percent of total expenditures for the financial year. This was \$7.5 million (25 percent) below budget and \$9.6 million (29 percent) less than the prior year's spending. This was mainly driven by **Statutory Land Acquisitions** of \$8.4 million and \$5.6 million in **SIPT** cost. \$7 million was transferred to the newly formed **Citizens Empowerment Fund** within the National Wealth Fund. This is intended as seed funding for the establishment of a Credit Union.



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Table 21 – Performance of Non-Recurrent Expenditure

<i>Figures in US\$ 000s</i>	Year to date			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
Transfer to National Wealth Fund	7,000	7,000	-	-	0%	7,000	-
Statutory Land Acquisitions	8,369	14,000	19,674	(5,631)	-40%	(11,305)	-57%
SIPT	5,572	5,716	6,723	(144)	-3%	(1,151)	-17%
Civil Recovery Costs	815	830	701	(15)	-2%	114	16%
Covid-19 Expenses	1,291	1,443	5,513	(152)	-11%	(4,222)	-77%
Contingency	-	1,595	-	(1,595)	-100%	-	-
Finance costs	27	30	15	(3)	-10%	12	80%
Total Non-Recurrent Expenditure	23,074	30,614	32,626	(7,540)	-25%	(9,552)	-29%

Capital Expenditure

Ordinance 23 of 2022 commenced on 25th March 2022, and it included an amendment to Regulation 33 of the PFM Regulations 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.

The total amount spent on capital projects for the fiscal year was \$18.2 million, funded by capital contributions appropriated from the Development Fund. The total budgeted expense for capital projects was \$55.7 million.



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Table 22 – Reconciliation of the Development Fund

	Amounts in US\$ '000
Balance as of 31/03/2021	46,606
Awards and commitments	25,317
Capital Expenditure FY2021/22	(22,228)
Closing balance at 31/03/2022	49,696
Awards and commitments	56,775
Capital Expenditure FY 2022/23	(18,186)
Completed projects – savings returned to Consolidated Fund	(14,126)
Lapsed projects – funds returned to Consolidated Fund	(29,797)
Closing balance at 31/03/2023	44,362

Current Liabilities

Table 23 – Payables from Exchange Transactions

	31-Mar-23	31-Mar-22
	US\$'000	US\$'000
Accounts payable & accruals	4,751	5,159
Refundable deposits	17,683	11,031
Total payables from exchange transactions	22,434	16,190

As of 31st March 2023, current liabilities totaled \$22.4 million (2021/22: \$16.9 million). This comprised payables from exchange transactions totalling \$4.6 million and refundable deposits of \$17.7 million. Payables from exchange transactions are non-interest bearing and are normally settled within a maximum of one year. The balances on 31st March 2022 and 31st March 2023 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

Table 24 – Outstanding Public Debt

Statement of Outstanding Public Debt	Interest Rates	Outstanding Balance 01-Apr-22 US\$'000 (Restated)	New Drawdowns 2022/23	Principal Repayment During 2022/23 US\$'000	Outstanding Balance 31-Mar-23 US\$'000
Financial Liabilities - Borrowings	%			US\$'000	US\$'000
Unsecured					
Further Education (04/SFR-OR-TCI)	2.5%	543	-	(87)	456
Climate Resilient Coastal Protection and Management (4/OR-TCI)	5.50%	131	226	(88)	269
Integrated Solid Waste Management (5/OR-TCI)	4.75%	-	-	-	-
Total unsecured debts		674	226	(175)	725
Total outstanding public debts		674	226	(175)	725

Public debt comprises unsecured loans from the Caribbean Development Bank (CDB). On 31st March 2023, total outstanding debts were \$0.7 million (2022: \$0.7 million). Total debt repayments for the year were \$0.2 million (2022: \$0.3 million). Total finance costs for the year ended 31st March 2023 was \$27 thousand (2022: \$15 thousand). No new borrowing was negotiated. Total drawdowns on existing loans during this financial year were \$0.2 million (2022: Nil). TCIG continues to repay its debt on time and expects all current borrowings to be repaid as scheduled.

Table 25 - Contingent Liabilities

The information below is compiled from returns provided by Accounting Officers.		
BY MINISTRY	31-Mar-23 US\$'000	31-Mar-22 US\$'000
Attorney General's Chambers	34,604	31,187
Statutory Charges	485,340	555,214
Ministry of Immigration and Border Services	35	36
Ministry of Health and Human Services	509,099	571,824
Total Commitments and Contingent Liabilities	1,029,078	1,158,261



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Estimates of quantifiable commitments and contingent liabilities at the reporting date stood at US\$1 billion at the end of March 2023 (2022: \$1.2 billion). This includes an estimated long-term commitment of \$509.1 million (2022: \$571.8 million). It also consists of Statutory charges, which are the estimated liabilities and guarantees for providing pension benefits attributable to years of past service for the TCIG public service. Independent actuarial valuations were conducted, and these amounts were assessed to be \$485.3 million as of 31st March 2023 (2022: \$555.2 million). This amount comprises \$115.8 million for established pre-1992 employees (per the Pensions Ordinance). No actuarial review has been conducted to determine the liability arising from the new Public Sector Employees Pension fund covering post-1992 employees. The statutory charges also reflect the unfunded pension liability totalling \$369.5 million relating to the National Insurance Board on 31st March 2019. Section 49(2) of the National Insurance Ordinance states that any temporary insufficiency in the assets of the Fund to meet the liabilities of the Fund shall be met by the TCIG Consolidated Fund.

Contingent liabilities relating to the Attorney General's Chambers comprise \$26.6 million relating to claims and potential claims resulting from damages to persons and property, breach of contract, and other claims against the Government. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted or is reasonably foreseen. Any resulting costs to TCIG will be recorded in the year when ordered, or an amount can reasonably be determined. The amount also reflects \$8 million concerning the Registered Land Ordinance State Guarantee of title. It estimates the contingent risk to the Government inherent to the state-backed title guarantee created by section 141 based on a \$7bn assessed title value and charges under the guarantee. This sum has not been subject to actuarial assessment per paragraph 111 of the Constitution.



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Table 26 – Arrears of Revenue

The information below is compiled from returns provided by Accounting Officers.		
MINISTRY	31-Mar-23 US\$'000	31-Mar-22 US\$'000
Police	1	7
Attorney General's Chambers	15,136	13,475
Immigration and Border services	1,236	47
Finance Trade & Investment	42,209	28,099
Education, Labour Employment & Customer services	5	1,539
Home Affairs & Transportation	662	580
Tourism, Agriculture, Fisheries, Heritage and Religious Affairs	19	15
Total Arrears of Revenue	59,268	43,763

Revenue Arrears include outstanding Crown land rent receivables owed to the Attorney General's Chambers of \$15.1 million; amounts owed to the Ministry of Finance as a result of audit assessments carried out by the Inland Revenue Department for Hotel, Restaurant, and Tourism Taxes - \$30.3 million; Business Licenses fees of - \$3.6 million; Domestic Financial Sales service tax of - \$7.7 million among others; amounts owed to the Ministry of Immigration and Border services with overtime costs recovered totalling \$1.2 million; and receivables by the Ministry of Home Affairs relating to uncollected monies from the sale of water.



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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 26 - Fiscal Risk Matrix

Source: Prepared by the Budget Office



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Primary Sources of Fiscal Risk

- Legal or moral obligations – recurrent expenditure due to binding contracts and 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 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.



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- Liquid Cash Reserves-Net Surplus.
- Low debt portfolio.
- Credit Rating BBB+.
- Expenditure controls.

NATIONAL WEALTH FUND

The Turks and Caicos National Wealth Fund was enacted in 2017. The cumulative Total in the National Wealth Fund is \$50.8 million. The Established Fund has the following components:

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

The National Wealth Fund is funded through surplus 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 percent, then 50 percent 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 percent or more, 70 percent of the excess revenue for that financial year shall be withdrawn from the Consolidated Fund and deposited to the Fund.



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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;
 - (c) where the fall in revenue results in a fiscal surplus and
 - (d) where any available accumulated surplus 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.