

FISCAL AND STRATEGIC POLICY STATEMENT 2025/26 - 2028/29



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

The Fiscal Strategic Policy Statement (FSPS) for 2025/26-2028/29 serves as the medium-term budgetary framework that outlines fiscal plans for the current year and the following three financial years. Per the requirements of under section 109(3) and (4) of the Turks & Caicos Constitution it provides details of the:

- a) limits on levels of public debt relative to public revenue;
- b) limits on debt service costs as a proportion of total public expenditure and
- c) levels of reserves relative to public expenditure.

It also provides insights into the financial implications of new and existing government policies while assessing their projected impact on future fiscal outcomes.

The Government of the United Kingdom and the Turks and Caicos Islands, through the revised Framework Document 2023, have established five fiscal parameters to ensure good governance and support public financial management within the islands:

- a) Enhancement of revenue streams relative to the size of the economy;
- b) Maximizing the performance of Statutory Authorities and Government Companies;
- c) Unless, in exceptional circumstances, ensuring that existing revenue streams can meet government recurrent expenditure;
- d) Controlling Public Debt; and
- e) Where possible, costs and risks can be minimised by partnering with the private sector.

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



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The government's fiscal targets are based on existing revenue streams, but it is actively working to restructure and modernise the tax system. This reform aims to create a more progressive and equitable tax base that can adapt to current and future economic conditions. The initiative focuses on ensuring that the tax system is fair, where higher-income individuals and corporations contribute proportionally more while addressing inefficiencies and closing loopholes. By leveraging modern technologies, the restructured system will be more flexible and responsive to economic shifts, helping to secure the necessary revenue for public services while reducing inequality.

Similarly, the Turks and Caicos Islands Vision 2040 identifies five (5) high-level Sustainable Development Dimensions (SDDs) to guide policy outcomes:

- SDD 1: High National Income and Wealth
- SDD 2: A socially cohesive society
- SDD 3: The healthy natural environment, heritage and cultural assets
- SDD 4: Citizen Security
- SDD 5: Good governance¹

The Turks and Caicos Islands Vision 2040, the Framework Document 2023, and the Medium-Term Development Strategy are aligned with the United Nations' Sustainable Development Goals (SDGs). They collectively establish the islands' specific objectives and goals. These objectives and goals support the Government's triple-bottom-line strategy, geared towards improving the quality of life of citizens and residents through a balanced focus on social, environmental, and economic sustainability.

In the medium term, the Government's strategic focus will continue to focus on:

¹TCI's Vision Document 2040



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

The FY 2025-2026 expenditure ceiling, including current and capital expenditures, is \$520.3 million, representing 28.2% of GDP. Of this total, \$52.6 million is allocated for capital expenditure. These targets do not reflect investments in new infrastructure through Debt or Public-Private Partnership (PPP) financing.

The remainder of the paper covers the following key sections:

1. Economic Outlook
2. Aggregate Fiscal Targets
3. Fiscal Outlook
4. Statement of Previous Performance
5. Fiscal Risk Assessment
6. National Wealth Fund



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ECONOMIC OUTLOOK

International Economy

The IMF's July 2024 World Economic Outlook projects global growth at 3.2 for 2024 and a slight increase to 3.3% in 2025. This increase in growth, though less than the 6.5% growth recorded in 2021, reflects trends in regions such as Latin America, the Caribbean, Italy, Brazil, and France. It was also driven by restrictive monetary policies, reduced fiscal support, and low productivity. The growth outlook highlights a shift from the rapid post-2020 recovery as economies adjust to structural constraints and persistent inflation pressures. The IMF emphasises that addressing these growth limitations—particularly enhanced productivity, balanced policy measures, and fiscal resilience—will support sustainable economic activity and mitigate the impacts of tighter financial conditions globally. Table 1 below illustrates the details regarding the projection:

Table 1- International Economic Assumptions

	Actuals			Projections	
	2021	2022	2023	2024	2025
World Growth	6.5	3.5	3.3	3.2	3.3
US	5.8	1.9	2.5	2.6	1.9
Canada	5.3	3.8	1.2	1.3	2.4
UK	8.7	4.3	0.1	0.7	1.5
China	8.5	3.0	5.2	5.0	4.5
Euro Area	5.9	3.4	0.5	0.9	1.5
Latin America and the Caribbean	7.3	4.2	2.3	1.9	2.7
Emerging Markets and Developing Economies	7.0	4.1	4.4	4.3	4.3
Low-Income Developing Countries	4.1	4.2	3.9	4.4	5.3

Source: IMF World Economic Outlook – July 2024

Global growth is projected at 3.2% in 2024 and 3.3% in 2025 as activity levels align more closely with potential. However, service price inflation hampers disinflation efforts and complicates monetary policy normalisation. Increased inflation risks may lead to prolonged high interest



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rates, necessitating a carefully sequenced policy mix to ensure price stability and support economic growth.

The July 2024 IMF World Economic Outlook (WEO) maintained growth projections for advanced economies at 1.7% in 2024 and 1.8% in 2025, despite a slower-than-anticipated start in the US, which revised its 2024 forecast down by 0.1 percentage points to 2.6%. This adjustment has significant implications for regions like the Turks and Caicos Islands, where the US is a significant trading partner and the primary tourism market. Advanced economies' growth will remain below the anticipated steady 4.3% for emerging markets and developing economies for 2024-2025. The 2025 outlook improved for the most advanced countries except for the US and Spain. The US is expected to decelerate to 1.9% in 2025, partly due to moderated consumption, tighter fiscal policies, and a cooling labour market. Spain's growth trajectory also indicates a gradual decline from 2.5% in 2023 to 2.1% in 2025. Conversely, growth projections show improvement for Canada, the United Kingdom, Germany, France, Japan, and Italy in 2025, with Germany seeing a notable rise from 0.2% in 2024 to 1.3% in 2025, despite manufacturing challenges. Only Japan and the US faced lowered 2024 forecasts due to temporary supply disruptions and reduced investments, while growth expectations for Spain, Canada, France, and the Euro Area improved for 2024.

Post-2021, growth trends for Emerging Markets and Developing Economies diverged from those of Advanced Economies and the global economy. Between 2022 and 2025, global growth declined from 3.5% to 3.3%, and advanced economies dropped from 2.6 to 1.8%, while Emerging Markets improved from 4.1% to 4.3%. Although global growth shows a general slowdown from 2022-2024, Advanced Economies remained steady at 1.7% in 2023 and 2024, while Emerging Markets experienced minor declines but maintained growth at 4.3% for 2024 and 2025, following 2023's 4.4% increase. Growth projections for Emerging Markets 2024 and 2025 rose by 0.1 percentage points since April 2024, driven by more robust activity in China and



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India, though regional disparities persist. In 2024, growth is expected to rise in Sub-Saharan Africa, the Middle East, and Central Asia. Europe alone is forecast to maintain 2023's 3.2% rate into 2024, with 2025 anticipating improved growth across most sub-regions except Asia and Europe.

In the July 2024 WEO update, China and India emerged as the only countries among Emerging Markets and Developing Economies to receive improved growth forecasts compared to the April 2024 WEO. China's growth forecast was raised by 0.4 percentage points for 2024 and 2025, driven by increased private consumption and exports. However, its growth is expected to decelerate over the 2025-2029 period, from 4.5% to 3.3%, due to an ageing population and declining productivity. India's 2024 growth was revised up by 0.2 percentage points to 7.0%, attributed to more robust private consumption, though a slight dip to 6.5% is projected for 2025. In contrast, Mexico and Brazil's 2024 growth forecasts fell to 2.2% and 2.1%, respectively, due to moderated demand in Mexico and flooding impacts in Brazil. However, both economies are expected to experience improved growth in 2025 as Brazil's reconstruction efforts and recovery of hydrocarbon production bolster growth. Meanwhile, Saudi Arabia's 2024-2025 growth projections declined due to anticipated reductions in oil output, aligned with OPEC+ agreements. For advanced economies, the UK is projected to grow by 0.7% in 2024 and 1.5% in 2025, bolstered by real income recovery amid disinflation. The Euro Area is set to expand by 0.9% in 2024 and 1.5% in 2025 as its economy stabilises. In Latin America and the Caribbean, growth is forecast to slow from 2.3% in 2023 to 1.9% in 2024, primarily due to flooding and weakened demand, before rising to 2.7% in 2025, with Brazil's improvement contributing significantly. Growth in Low-Income Developing Countries slowed to 3.9% in 2023, affected by high interest rates and inflation, but is expected to rise to 5.3% by 2025 despite ongoing financial challenges. This WEO update underscores more robust growth in emerging markets and developing economies relative to advanced economies amid varied economic drivers and inflation dynamics across regions.



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Regional Economy

The Caribbean region is experiencing an optimistic economic outlook, with forecasts of 9.7% growth in 2024 and 6.7% in 2025. Much of this growth will stem from non-tourism-dependent economies, projected at 13.6% and 9.3% for those years. In contrast, tourism-dependent economies anticipate more modest growth of 2.5% in 2024 and 2.1% in 2025 as tourism stabilises. Around 60% of Caribbean economies surpassed pre-pandemic output in 2023, with tourism and service-exporting countries seeing the most growth. However, as most countries recovered to their economic potential, growth decelerated. Economic growth across the Caribbean dropped from 14.0% in 2022 to 8.3% in 2023, with tourism-dependent economies experiencing a decline from 9.0% to 3.5%. The World Bank noted that tourism recovery limited future growth in this sector. Similarly, non-tourism-dependent economies saw growth slow from 17.0% in 2022 to 11.0% in 2023. Despite this trend, Saint Vincent and the Grenadines and Montserrat—tourism-dependent countries—reported growth increases to 6.2 and 3.8%, respectively, while Trinidad and Tobago, a non-tourism-dependent country, experienced an increase from 1.5 to 2.1%.

The Caribbean is enhancing its tourism sector while strategically investing in financial services, manufacturing, agriculture, and energy. However, core risks include sluggish global growth, high inflation, and climate-related challenges. The Caribbean Development Bank advises investing in climate-resilient infrastructure, digitalisation, artificial intelligence, and sustainable energy to improve energy security and intra-regional trade logistics to enhance resilience.

Key risks to global economic activity include inflation, geopolitical tensions, policy uncertainties, currency depreciation, weak productivity, and trade tariffs. Future measures to enhance growth involve careful policy calibration, sound fiscal frameworks, prudent foreign reserve use, and strategic labour force integration.



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Domestic Economy

The Turks and Caicos Islands economy is projected to maintain its growth trajectory in 2024 and 2025, propelled by heightened activity in both the traded and non-traded sectors. The nominal GDP growth for 2025 is projected to be around 6.5%, propelled by an increase in tourism activity, which would enhance development in the non-traded sectors of the economy. Continued private and public investments are anticipated to stimulate short- to medium-term growth. The rise in domestic demand is mainly driven by increased private investments, especially large-scale commercial and residential developments. These expenditures will include ongoing infrastructural advancement in the travel sector, digitisation of public services, and the augmentation of personal competencies through expanded educational and training programs.

The domestic economic growth forecast for the Turks and Caicos Islands is primarily based on anticipated developments in the tourism sector, real estate sector, and significant construction initiatives undertaken by government and private entities. Key economic indicators, particularly GDP, are projected to reflect positive growth, suggesting a resilient and healthy economy. Specifically, GDP is anticipated to maintain an upward trend, boosted by strong domestic demand, increased investments, and supportive government policies. Projections indicate real GDP growth rates of 3.9% in 2024 and 5.8% in 2025, influenced mainly by increased activity in the hotel and restaurant sector, as well as real estate investments and construction activities. Because of external factors beyond the government's control and the openness of the TCI economy, fluctuations in growth and expansions across various sectors are expected.

The Turks and Caicos Islands are undergoing an economic and tourism resurgence. The island's robust post-pandemic recovery is evidenced by significant GDP growth and a flourishing tourism industry. The TCI Statistics Authority has indicated a robust post-pandemic recovery for the Turks and Caicos Islands, with nominal GDP growth projected at 5.9% in 2024, after a 14.1% increase in 2023 and an increase of 16% in 2022. Robust growth rates are anticipated across



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multiple sectors, bolstered by increased construction activity and the hospitality industry.

The demand for real estate continues to rise, with property values increasing significantly in recent years, indicative of heightened interest from international and domestic investors. The economic growth increase is attributed to heightened activity in the hospitality, transportation, storage, communication, real estate, rental, business services, and construction sectors. The hotel room inventory is set to expand in 2025 due to the reopening of establishments like the former East Bay Resort on South Caicos and the introduction of additional properties throughout the country, leading to a marginally elevated occupancy rate in 2025. Moreover, the short-term rental of alternative accommodations has surged in 2024 and is projected to rise further in 2025.

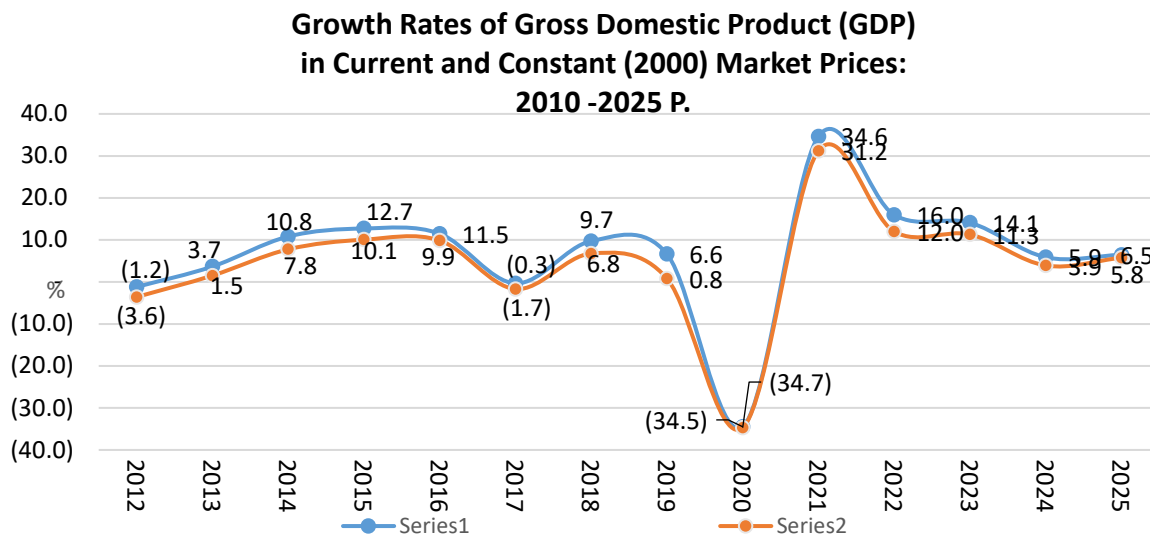


Figure 1 – GDP Growth Rates in Current and Constant Market Price

The Statistics Authority forecasts that wholesale and retail trade operations, which increased significantly in 2023, are projected to grow by more than 4% in 2024 and 6% in 2025. The construction industry is anticipated to rise by more than 6% in 2024, with additional expansion



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expected in 2025. The real estate sector, which excelled in 2023 and 2024, is expected to experience heightened activity in 2025.

According to the Statistics Authority forecast, the average inflation rate should stabilise between 2.5 and 3.0% by 2024. The Statistics Authority, however, warns that the inflation forecast is still susceptible to supply chain interruptions because of current international events such as the Russia-Ukraine War, the Israel-Hamas conflict, the Red Sea tensions, the present Panama Canal congestion, and many other factors. High inflationary pressures remain in specific sectors despite a decreased overall inflation rate. There are still persistent high fuel, housing, and other essential costs, causing significant hardship for many residents. Price hikes brought on by supply chain interruptions following the epidemic and the conflict in Ukraine were especially harsh on import-dependent countries like the Turks and Caicos Islands. Many Turks and Caicos Islands residents are still experiencing prolonged hardship from these economic shocks.

Despite the Turks and Caicos Islands' significant recovery from prior economic crises, obstacles to expansion, including restricted access to finance and challenges with essential infrastructure, remain. Addressing these limitations is essential for promoting sustainable development and enhancing the quality of life in the Turks & Caicos Islands.



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Table 2 Domestic Macroeconomic Assumptions – 2019 to 2025

	Actuals					Projections	
	2019	2020	2021	2022	2023	2024	2025
Nominal GDP (bill. US\$)	1.4	0.92	1.24	1.43	1.64	1.73	1.84
Nominal GDP Growth (%)	6.6	-34.5	34.6	16.0	14.1	5.9	6.5
Real GDP (%)	0.8	-34.7	31.2	12	11.3	3.9	5.8
CPI (%)	2.2	2.3	4.5	6	5.5	2.7	2.3
Population	43	44.5	46.1	47.7	49.3	50.9	52.5
Nominal GDP per capita \$)	32,632	20,618	26,803	30,044	33,174	34,025	35,138
Value of Imports (\$MN)	487.6	349.9	485.9	681.4	800.8	880.9	969.0
Exports (\$mn)	5.3	4.1	11.3	2.6	2.6	3.0	3.5
Balance of Trade	-482.3	-345.8	-474.7	-678.8	-798.2	-877.8	-965.5
Foreign Direct Investment (%)	3	2.5	3	3	3	3	3
Unemployment (%)	7	11	9	8	7	6	6

Source: Statistics Authority

Unemployment is declining, signifying job creation and workforce participation progress, providing more opportunities for the local population. Based on projections of the current economic environment and projected developments over the next several years, the unemployment rate is expected to decline to 6% in 2024 as economic conditions continue to improve and more people enter the workforce.

Table 2 shows the Nominal and Real GDP per capita for 2019–2025. Both indexes indicate that TCI’s economic growth has increased significantly over time. Between 2010 and 2019, the nominal GDP grew from \$686.8 million to \$1.4 billion. Unfortunately, the nominal GDP dropped to \$918 million in 2020 due to the COVID-19 pandemic. However, by the end of 2024, it will rebound to \$1.7 billion. It is anticipated that this growth path will continue into 2025 and 2026.

The economy is estimated to have witnessed nominal growth of roughly 14.1% in 2023. It is forecasted to expand by 5.9% in 2024, thanks to strategic capital development targeted towards the Turks & Caicos Islands’ recovery and predicted large-scale development projects. The



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nominal GDP per capita peaked in 2019 at \$32,632, dropped to \$20,618 in 2020, and is estimated to have risen to \$26,803 in 2021. It is estimated to have increased to \$33,174 in 2023.

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

Year	Nominal GDP \$m	Nominal GDP Per Capita (\$)
2016	1,202,078	31,709
2017	1,197,958	30,109
2018	1,314,329	31,771
2019	1,401,638	32,632
2020	918,387	20,618
2021	1,236,459	26,803
2022	1,433,690	30,044
2023	1,635,800	33,174
2024	1,731,691	34,025
2025	1,843,617	35,138

Source: Statistics Authority

Agriculture and Fishing

The Turks and Caicos Islands' fishing and agricultural industries account for less than 1.0% of the country's GDP. Their combined growth is expected to average 2% yearly over the following few years until 2026. In recent years, the government has stepped up its enforcement activities, successfully monitored fishermen, and informed them of the dangers posed by coral reef bleaching. These measures have minimised illegal fishing and the number of lobsters caught that were not the correct size. Additionally, the government will be strengthening the fisheries sector's capacity to conduct more efficient patrols to safeguard the maritime resources of the TCI. It is anticipated that these factors will continue to help the industry.

The government has implemented initiatives such as "eat what you grow, and grow what you eat," which are designed to support and grow the agricultural sector and the fishing business, thereby increasing its overall contribution. Additionally, local farmers can sell their goods in Providenciales' well-established farmers' market.



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Trade

Data on foreign trade in products indicates that the value of imports rose by 17.6% in 2023, primarily due to heightened activity in the hospitality, wholesale, retail, and construction sectors. A significant portion of these gains is due to the importation of construction materials to develop commercial and residential properties for an expanding global clientele. Nonetheless, the robust sales and tax revenues from a flourishing real estate sector offset the imports of construction materials. The forecast projects an average yearly growth of 10% between 2024 and 2025. Notwithstanding the preceding, the Turks and Caicos Islands' intangible trade balance—encompassing exports of services such as financial, professional, and tourism—when aggregated with their tangible trade balance results in a net positive trade balance. The objectives specified in the government's policy paper include enhancing the nation's growth in invisible exports, reducing dependence on imported basic supplies (such as food), and ultimately achieving sovereignty over critical products.



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Tourism

Tourism significantly contributes to the economy of the Turks and Caicos Islands. Tourism-related and associated services contribute about 65% of the country's GDP. Historically, tourism has attracted the predominant share of foreign direct investment (FDI), and the government actively promotes investment in this sector. The consistent increase in visitor arrivals, particularly in stay-over tourism, has positively impacted employment rates and government revenue, improving hotel occupancy. Economic growth momentum is anticipated to persist in 2025 and 2026, driven by investment and tourism, consistent with the steady expansion observed in the January–March quarter of 2024.

The TCI maintains a strong relationship with the United States, as seen by substantial expansions in passenger seating capacity from North America. Recent advancements, such as Southwest Airlines' initiation of direct flights to Orlando, FL, and American Airlines' commencement of service to South Caicos in the first quarter of 2025, are expected to improve overall stayover arrivals. The hotel and restaurant sector is anticipated to expand at an annual pace of 6.0% over the next two years, substantially enhancing overall GDP growth.

The government aggressively pursues strategies to diversify the travel and tourism sector in collaboration with the Airport Authority and the Ministry of Tourism. The Statistics Authority anticipates continuous economic growth between 2024 and 2025. The local economy has rapidly regained its trajectory towards sustained global competitiveness in the tourism sector, bolstered by the TCI brand's resilience under environmental and economic challenges. This is extremely important given the significance of tourism to the nation's economy. The government's current investments and strategic focus aim to enhance and broaden the Turks & Caicos Islands' exceptional tourism offerings.

The government, via the Airport Authority and the DMO, is implementing a comprehensive marketing plan to enhance tourism. This strategy encompasses several collaborative activities



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with airlines, etc. The government has collaborated with and plans to engage several public relations firms to promote the destination. The government is concentrating on creating captivating and informative material in partnership with content creators to highlight the island's distinctive attributes. It will prioritise airlift expansion through the DMO, which will partner with the Airport Authority to develop a multi-year strategy. The primary objectives will be to attract more airlift capacity from regions such as the USA, Canada, and Europe and to enhance frequency with current airlines.

Construction

The construction industry exhibited robust performance in 2023 and is projected to sustain its excellent performance in 2024, 2025 and 2026. The activities of businesses and individuals are projected to propel the expansion of this sector, which is estimated to average approximately 5% between 2025 and 2026.

The construction sector will continue to benefit from new foreign direct investment in large-scale tourism-related projects alongside the revival of previously stalled initiatives and new private sector developments. Public sector spending on capital projects, including extensive road works across the TCI, will further support this growth. Additionally, domestic private construction activity is expected to rise, driven by increased employment opportunities for individuals in the sector. Considering these optimistic forecasts, it is essential to remain vigilant regarding potential downside risks that could impede the TCI from reaching its projected growth targets.

Downside Risk

The economic outlook for the Turks and Caicos Islands (TCI) remains generally optimistic. However, several risks could adversely affect the economic trajectory. As tourism is the primary driver of GDP, the government must prioritise fiscal prudence and diversify the economy to reduce this dependency. International supply chain disruptions substantially threaten growth,



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potentially affecting trade balances and overall economic performance. Over 90% of all imports into the Turks and Caicos Islands come from the United States of America. Any additional and prolonged hazards, such as a United States port closure, could result in shortages of supplies, disrupting daily life and business activities. Shipping delays may also cause items to become more expensive owing to scarcity and potential price gouging. If essential goods are unavailable or more costly, it could negatively impact the hotel and restaurant sector, deter tourists, and decrease overall economic activity. The closure might expose vulnerabilities in the TCI's supply chains, highlighting overreliance on U.S. imports for essential goods and services. Geopolitical tensions also pose a considerable threat to the economic stability of the Turks and Caicos Islands. Heightened tensions can deter foreign investment, and without sufficient investment, economic growth may stagnate, leading to reduced job opportunities and lower tax revenues. A decline in tourism would have significant repercussions, reducing contributions to GDP and impacting overall economic health reflected in the national accounts. The TCI is also susceptible to natural disasters, particularly hurricanes, which could lead to hotel closures and travel cancellations during the peak season from June to November. Historical precedents, like the 2017 Hurricane Irma, highlight the vulnerability of the islands' economy to such events, particularly when they coincide with global uncertainties. Another risk could be the potential crude oil production cuts imposed by OPEC+. Such cuts can lead to increased international oil prices, which will impact the islands. Higher fuel prices can contribute to inflation, decreasing consumer purchasing power. This situation could exacerbate the trade balance, as the Turks and Caicos Islands may have to spend more on oil imports, potentially leading to a current account deficit in the balance of payments. Moreover, rising local crime rates or threats from global terrorism could negatively impact tourism revenues, further straining the TCI economy. With tourism accounting for over 65% of GDP and more than 75% of stay-over tourist arrivals coming from the United States of America, any economic slowdown in the U.S. would profoundly affect the TCI. Past experiences, particularly COVID-19, underscore the islands' vulnerability to external economic fluctuations. Acknowledging potential risks from international economic developments for the



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Turks and Caicos Islands is essential. By remaining adaptable to these global risks, the islands can better navigate economic challenges and work towards maintaining a stable inflationary climate and overall economic resilience.

A multifaceted approach is essential to mitigate the downside risks facing the Turks and Caicos Islands (TCI). The TCI economy can channel resources into initiatives to diversify the economy beyond tourism. This could involve encouraging other sectors, such as agriculture, construction, and financial intermediation, to create new job opportunities and reduce dependency on the tourism industry.



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FINANCIAL TARGETS

The aggregate financial targets for core Government operations, listed below, represent FY2025/26 and the three forward years - i.e., FY2026/27 to FY2028/29, 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	2023-2024	2024/25			2025/26	2026/27	2027/28	2028/29
	Unaudited Actual \$'000s	Orginal Estimate \$'000s	Revised Budget \$'000s	Forecast outturn \$'000s	Estimate \$'000s	Projection \$'000s	Projection \$'000s	Projection \$'000s
OPERATING TARGETS								
Recurrent Revenue	456,684	473,049	481,034	493,632	524,405	550,625	578,156	607,064
Non-Recurrent Revenue	2,208	3,117	3,117	2,548	2,516	1,502	1,502	1,502
Total Revenue	458,892	476,166	484,152	496,179	526,921	552,128	579,659	608,567
Recurrent Expenditure	360,754	429,147	445,630	435,688	462,683	462,443	462,405	454,179
Non-Recurrent Expenditure	6,539	8,761	7,711	7,377	4,953	39	30	1
Total Operating Expenditure	367,293	437,907	453,340	443,065	467,636	462,482	462,435	454,180
Surplus Before Capital Programme	91,598	38,259	30,811	53,114	59,285	89,645	117,224	154,387
Capital Development Projects	(27,610)	(60,759)	(61,925)	(61,925)	(52,620)	(55,243)	(57,996)	(60,886)
Net Operating Surplus/Deficit	63,988	(22,499)	(31,113)	(8,810)	6,664	34,403	59,228	93,501
BALANCE SHEET TARGETS	-	-	-	-	-	-	-	-
Net Government Debt	(300,500)	(295,978)	(287,364)	(309,643)	(321,371)	(335,823)	(294,944)	(257,763)
CASH FLOW TARGETS	-	-	-	-	-	-	-	-
Opening Cash Balance	269,274	346,448	346,448	346,448	350,503	357,015	391,442	450,585
Net Operating Cash Surplus	63,988	(22,499)	(31,113)	(8,810)	6,664	34,403	59,228	93,501
Other Net Cash Inflows	13,298	13,000	13,000	13,000	-	-	-	-
Debt Repayment	(338)	(380)	(380)	(380)	(390)	(236)	(86)	(26)
Closing Consolidated Fund Cash Balance	346,448	336,814	328,200	350,503	357,015	391,442	450,585	544,059

Table 4- Aggregate Financial Target

Source: Prepared by the Budget Office

Operating Targets

The Operating targets reflect the three (3) primary areas: Operating Revenue, Operating Expenses, and Operating Surplus.

According to Table 4, Total Revenue in FY2025/26 is forecast at \$527.0 million, which is \$30.7 million higher than the currently projected outturn for FY2024/25 and \$68.0 million higher than the unaudited actuals for FY2023/24.

Total Expenditure before the Capital Contribution is forecast at \$467.6 million, an increase of \$24.6 million (5.5%) over the projections for FY2024/25 and \$100.3 million (27.3%) higher than



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the unaudited actuals for FY2023/24. Capital expenditure is forecasted at \$52.6 million. An operating surplus is projected for FY2025/26.

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 to be negative at \$321.4 million.

Cash Flow Targets

Net Operating Surplus before Debt Repayment is forecast at:

- \$6.7 million in FY2025/26.
- \$34.4 million in FY2026/27.
- \$59.2 million in FY2027/28.
- \$93.5 million in FY2028/29.

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 2025/26, and the net debt is forecasted at negative 61.3% of the recurrent revenue. The number will decline in future years as the Airports Authority enters into the final arrangements to expand the airports using the PPP funding model with a government guarantee.



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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	(20,122)
	2024/25	(22,499)
	2025/26	6,664
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	0.1%
	2024/25	0.1%
	2025/26	0.1%
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	-58.8%
	2024/25	-62.6%
	2025/26	-61.3%
2026/27	-61.0%	
2027/28	-51.0%	
2028/29	-42.5%	
Liquid Cash Reserves: Should be no less than 90 days of estimated expenditure by 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	305
	2024/25	286
2025/26	281	
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 2025/26 and the following 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 FY2025/26 is projected at two hundred and eighty-six (286) days of planned spending, 196 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 changes to long-term, Liquid Cash Reserves will reflect that change.



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FISCAL OUTLOOK

Budget Aggregates

The aggregate financial targets for FY2025/26 comprise the economic outlook for FY2025/26 to FY2028/29. 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, which will be pursued through a revenue generation regime that balances efficiency, equitability, and fairness principles.

	Unaudited Actual	Original Estimates	Revised Outturn	Forecast Outturn	Estimate	Projections		
	2023-24		2024-25		2025-26	2026-27	2027-28	2028-29
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Revenue	456,684	473,049	481,034	493,632	524,405	550,625	578,156	607,064
Per cent of GDP	27.92%	27.32%	27.78%	28.51%	28.44%	28.98%	28.91%	28.91%
Recurrent Expenses	(360,754)	(429,147)	(445,630)	(435,688)	(462,683)	(462,443)	(462,405)	(454,179)
Per cent of GDP	22.05%	24.78%	25.73%	25.16%	25.10%	24.34%	23.12%	21.63%
Underlying cash balance	95,929	43,902	35,404	57,943	61,722	88,182	115,751	152,886
Per cent of GDP	5.86%	2.54%	2.04%	3.35%	3.35%	4.64%	5.79%	7.28%
Total Revenue	458,892	476,166	484,152	496,179	526,921	552,128	579,659	608,567
Per cent of GDP	28.05%	27.50%	27.96%	28.65%	28.58%	29.06%	28.98%	28.98%
Total Expenses	(367,293)	(437,907)	(453,340)	(443,065)	(467,636)	(462,482)	(462,435)	(454,180)
Per cent of GDP	22.45%	25.29%	26.18%	25.59%	25.37%	24.34%	23.12%	21.63%
Net operating balance	91,598	38,259	30,811	53,114	59,285	89,645	117,224	154,387
Net capital investment	(27,610)	(60,759)	(61,925)	(61,925)	(52,620)	(55,243)	(57,996)	(60,886)
Fiscal balance	63,988	(22,499)	(31,113)	(8,810)	6,664	34,403	59,228	93,501
Per cent of GDP	3.9%	-1.3%	-1.8%	-0.5%	0.4%	1.8%	3.0%	4.5%
GDP	1,635,800	1,731,691	1,731,691	1,731,691	1,843,617	1,900,000	2,000,000	2,100,000

*GDP forecast for 2023-2025 provided by Statistics Authority and 2026-28 S&P

Table 6 - Budget Aggregates Table

Prepared by Budget Office

The FY2025/26 projection for Recurrent Revenues is \$524.4 million (287.4% of GDP), which is approximately \$30.8 million higher than the projected outturn for FY2024/25 and \$67.7 million higher than the actual performance for FY2023/24.

Non-recurrent revenue for FY2025/26 is projected at \$2.5 million.



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Total revenues are \$526.9 million (28.6% of GDP), approximately \$30.7 million higher than the forecasted outturn for FY 2024/25 and \$68.0 million higher than FY 2023/24.

Recurrent expenditure in FY2025/26 is projected at \$462.7 million (25.1% of GDP), approximately \$27.0 million higher than the forecast for FY2024/25, and \$101.9 million higher than FY2023/2024. Total expenditure excluding Capital is forecasted at \$467.3 million (25.3% of GDP) in FY2025/26. The increase in recurrent expenditure is pegged at 6.2% through FY2028/29.

Projections for Total Expenditure in:

- FY2026/27 = \$462.5 million.
- FY2027/28 = \$462.4 million.
- FY2028/29 = \$454.2 million.

Total Net Capital Investment for FY2025/26 to FY2028/29 is projected at \$226.7 million, with \$52.6 million projected for FY2025/26.

Table 7- Summary General Government Sector Cash Flows Table

	Unaudited Actuals	Original Estimate	Revised Estimate	Forecast Outturn	Estimate	Projections		
	2023-24 \$'000s		2024-25 \$'000s		2025-26 \$'000s	2026-27 \$'000s	2027-28 \$'000s	2028-29 \$'000s
Cash Receipts								
Recurrent Revenue/ Operating cash receipts	456,684	473,049	481,034	493,632	508,170	533,578	560,257	588,270
Non Recurrent Receipts	2,208	3,117	3,117	2,548	2,516	1,502	1,502	1,502
Total cash receipts	458,892	476,166	484,152	496,179	510,686	535,080	561,759	589,772
Cash Payments								
Recurrent Expenditure/Operating cash payments	360,754	429,147	445,630	423,908	449,183	448,586	448,841	441,082
Non Recurrent Expenditure	6,539	8,761	7,711	7,377	4,953	39	30	1
Capital Expenditure	27,610	60,759	61,925	61,925	50,997	53,538	56,206	59,007
Total cash payments	394,904	498,666	515,265	493,209	505,133	502,163	505,076	500,090
Underlying cash balance	95,929	43,902	35,404	69,723	58,987	84,992	111,416	147,188
Per cent of GDP	5.86%	2.54%	2.04%	4.03%	3.20%	4.47%	5.57%	7.01%
Fiscal Balance	63,988	(22,499)	(31,113)	2,970	5,552	32,917	56,683	89,683
Per cent of GDP	3.91%	-1.30%	-1.80%	0.17%	0.30%	1.73%	2.83%	4.27%
GDP	1,635,800	1,731,691	1,731,691	1,731,691	1,843,617	1,900,000	2,000,000	2,100,000

Prepared by Budget Office

Source: GDP forecast for 2025-29 provided by S&P



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A fiscal balance of \$6.7 million, reflecting 0.4% of GDP, is projected for FY2025/26. The TCIG is projecting Operating Surpluses of:

- \$34.4 million (1.8% of GDP) in FY2026/27,
- \$59.2 million (3.0% of GDP) in FY2027/28, and
- \$93.5 million (4.5% of GDP) in FY2028/29.

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 5.6% higher than the forecast estimates for FY2024/25 in the future years. Effective 2025-2026 the allocation for Capital Investments is projected at approximately 10.0% of recurrent revenue for the medium term.

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

	2025-26	2026-27	2027-28
	Budget Ceiling	Forward Estimates	Forward Estimates
	\$'000s	\$'000s	\$'000s
Budget and Forward Estimates (rolled forward from 2024/25 budget document)	453,660	454,967	454,967
+ Forward Year Impact of 2024-25 Post-Budget Decisions	6,983	4,492	7,455
+ Adjustment of New Spending Requests Approval (Recurrent)	47,679	44,609	44,279
+ Adjustment of New Spending Requests Approval (Capital)	21,440	21,741	22,007
- Saving Options	(9,506)	(12,109)	(12,119)
BASELINE BUDGET CEILING	520,257	513,700	516,588

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 FY2025/26, the Operating Expenditure target is \$467.6 million, with Capital Expenditure set at \$52.6 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	2025/26						2026/27	2026/27
	Baseline Budget Ceiling R/F from 2024/25	Post Budget Adjustments	New Spends	Saving Option	Revised Based Line Ceiling	% of Total Expen.	Forward Estimates	Forward Estimates
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000	\$'000
Office of the Governor	6,552	535	358	-	7,444	1.4%	7,486	7,579
Police	40,235	704	6,385	(2,500)	44,823	8.6%	43,213	44,298
Attorney General's Chambers	6,261	22	-	(618)	5,666	1.1%	5,666	5,796
Judiciary	10,218	281	-	(1,000)	9,499	1.8%	7,192	7,352
Statutory Charges	57,954	(2,500)	48,290	(268)	103,477	19.9%	103,068	100,059
Ministry of Immigration & Border Services	27,123	276	960	-	28,358	5.5%	27,676	28,266
Ministry of Finance, Investment & Trade	26,484	1,352	1,433	-	29,269	5.6%	29,117	28,492
Office of the Deputy Governor	4,242	268	-	-	4,509	0.9%	4,359	4,499
Ministry of Education, Youth, Sports and Culture	61,987	2,116	279	-	64,383	12.4%	64,756	66,168
Office of the Director of Public Prosecution	2,744	5	-	-	2,749	0.5%	2,749	2,837
Ministry of Home Affairs and Transportation	17,959	(1)	2,841	(858)	19,941	3.8%	19,930	20,214
Office of the Deputy Premier and Ministry of Physical Planning & Infrastructure Development	33,915	186	116	(1,818)	32,399	6.2%	32,401	32,888
Ministry of Tourism, Agriculture, Fisheries, Religious Affairs & the Environment	21,620	2,302	2,439	(355)	26,005	5.0%	25,148	25,403
Ministry of Health and Human Services	93,493	1,512	1,972	(1,000)	95,977	18.4%	95,809	96,651
House of Assembly	4,479	61	9	-	4,549	0.9%	4,549	4,693
Office of the Premier and Public Policy	7,707	5	8	(789)	6,931	1.3%	6,981	7,109
National Security Secretariat	7,845	32	2,614	-	10,491	2.0%	10,171	10,313
Ministry of Public Safety and Utilities	15,764	(38)	352	(300)	15,777	3.0%	15,777	16,180
National Land Secretariat	4,758	(125)	1,064	-	5,696	1.1%	5,338	5,432
National Audit Office	2,322	(8)	-	-	2,314	0.4%	2,314	2,361
BASELINE RECURRENT BUDGET CEILING	453,660	6,983	69,119	(9,506)	520,257	99.6%	513,700	516,588

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. Saving options reflect changes in government priorities.



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Funding Prioritisation

The table 10 below provides details of the approved new spending for 2025-2026

Policy	Details	Sustainable Development Dimension	Necessary Condition
Professional Consultancy to Improve the Output for the Internal Audit Review	The internal Audit Department is at full staff complement but cannot deliver the normal audit plans due to several ongoing special audit investigations - \$248,000	SDD 5 – Good Technical Governance	NC – 5.3 Effective implementation of national plans
Bolster the Crime-fighting plan.	Increase the staff complement of the police force by 75 and allocate to accommodate additional police stations - \$6.4m	SDD 4 – Citizen Security	NC – 4.4 More effective policing
Investment in the FMIS system for Treasury Management and Reporting	The existing FMIS system is approaching end-of-life support. Allocation to support Financial and Supplies Management Cloudsuite - \$1.1m	SDD 1 – High National Income and Wealth	NC-1.7 Adequate skills and capacity to facilitate economic growth, diversification and sustainable development.
Border Force Equipment	Investment for Border Force Equipment and Asycuda upgrade - \$960,000	SDD 4 – Citizen Security	NC 2.6 – National Security
Investment in Human Capital	To procure group life and health insurance for the public service - \$2.5m	SDD 2 – Enhanced Social Cohesion	NC 2.2 – Adequate access to health care and optimal health status of the population
Local Government	Allocation to support the autonomy of the district boards -\$2m	SDD 5.2 – Good Political Governance	NC 5.3 – Effective implementation of national plans status of the population
Social Welfare	To accommodate a 25% increase in costs for the welfare benefits -\$800,000	SDD 2 – Enhanced Social Cohesion	NC 2.8 – Social Inclusion
Environmental Protection	Allocation to facilitate the maintenance of parks, facilities and beach accesses and sargassum cleanup - \$1.4m	SDD 3 - The healthy natural environment, heritage and cultural assets	NC- 3.1. Good ecosystems, marine and aquatic resource management



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Policy	Details	Sustainable Development Dimension	Necessary Condition
Protection of the Fisheries sector	Allocation to carry out consultancy to carry out conch fishery and sustainable fishery livelihood -\$981,000	SDD 3 - The healthy natural environment, heritage and cultural assets	NC- 3.1. Good ecosystems, marine and aquatic resource management
Environmental Health Protection	Allocated to support a comprehensive mitigation and enhancement initiative to enhance street cleaning and pest control management - \$1.3m	SDD 2 – Enhanced Social Cohesion	NC 2.2 - Adequate access to healthcare and optimal health status of the population.
National Security	Allocation to assess the national security capabilities to determine resource requirement -\$200,000	SDD - 4 Citizen Security	NC- 4.4 National Security
National Security	Support the reduction in informal settlement -\$1.2m	SDD - 4 Citizen Security	NC- 4.4 National Security
National Security	Disaster Management - Allocation to support equipment and weather cameras -\$100,000	SDD 3 - The healthy natural environment, heritage and cultural assets.	NC - 3.2 Disaster Risk Management and Climate Resilience.
National Security	Military Force - Miscellaneous allocation for the military force -\$1.0m	SDD - 4 Citizen Security	NC- 4.4 National Security
National Land Secretariat	To purchase physical and infrastructural technology and establish a policy and planning unit for the secretariat -\$1.0m	SDD 3 - The healthy natural environment, heritage and cultural assets.	NC. – 3.4 Adequate rural and urban planning
New Staffing	Allocation for new staff within the civil service - \$4.0m	SDD 1 – High National Income and Wealth	NC-1.7 Adequate skills and capacity to facilitate economic growth, diversification and sustainable development.



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Policy	Details	Sustainable Development Dimension	Necessary Condition
Unallocated Resources	\$18.0 million remains unallocated to address urgent priorities in the public transportation and health sectors.	SDD 2 – Enhanced Social Cohesion	NC 2.2 - Adequate access to healthcare and optimal health status of the population.

The table 11 below breaks down the allocation by Economic classifications:

	Unaudited Actuals	Original Budget	Revised Budget	Forecast Outturn	Estimate	Projections		
Recurrent Expenditure	2023-24	2024-25			2025-26	2026-27	2027-28	2028-29
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Total Personnel Costs	124,593	157,236	159,061	151,805	172,058	172,058	176,360	176,360
Pension and Gratuity	11,538	12,481	12,481	14,553	13,581	13,920	14,268	14,625
Transfers to NHIB and Medical Treatment Overseas	35,492	35,492	35,739	35,739	35,739	36,633	37,548	38,487
Hospital Provisional Charges	25,605	25,633	25,633	25,657	25,661	26,303	26,961	27,635
Subventions	25,962	34,881	40,223	39,887	39,838	40,834	41,855	42,901
Rental of Assets	6,823	7,515	7,515	7,441	7,506	7,693	7,886	8,083
Other Expenditure	130,740	155,910	164,978	160,605	168,300	165,001	157,528	146,088
Total Recurrent Expenditure	360,754	429,147	445,630	435,688	462,683	462,443	462,405	454,179
<i>Annual per cent recurrent expenditure inc</i>	31.89%	18.96%	3.84%	-2.23%	6.20%	-0.05%	-0.01%	-1.78%
Grant Funding	583	1,615	1,615	1,279	1,014	25	25	-
Civil Recovery	1,146	700	700	700	-	-	-	-
SIPT Legal Aide	1,895	3,307	2,257	2,259	2,307	-	-	-
SIPT Prosecution	2,881	3,110	3,110	3,110	1,610	-	-	-
Debt service, interest and fees	34	29	29	29	23	14	5	1
Special Projects	-	-	-	-	-	-	-	-
Total Non-Recurrent Expenditure	6,539	8,761	7,711	7,377	4,953	39	30	1
Total Operating Expenditure	367,293	437,907	453,340	443,065	467,636	462,482	462,435	454,180

Table 11 - Expenditure by Economic Classifications

Source: Budget Office

Staff Costs

For FY2025/26, Personnel costs are budgeted at \$172.1 million, 36.8% of expenditure, and 37.2% of Recurrent Revenues. This financial year's allocation includes a 2.5% increase for performance increment and an additional \$4.0 million for new staffing across the public sector (excluding police).



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Pension and Gratuity

The Pension and Gratuity allocations for FY2025/26 are \$13.6 million, representing 2.9% of total spending and 2.9% of recurrent revenue.

Subventions to the NHIB

The TCIG is allocating \$35.7 million for a subvention to the National Health Insurance Plan (NHIP) to subsidise the treatment abroad programme and health care costs for juveniles and the indigent population. This is 7.6% of recurrent expenditure and 7.7% of recurrent revenue. In addition to the TCIG subvention, approximately \$46.0 million is projected to be received in Contribution Income. Hospitals' related debt obligations for the construction and equipment contract is \$25.7 million, approximately 5.5% of recurrent expenditure and 5.0% of recurrent revenue.

Subvention (Net NHIP)

The subvention allocation for Statutory Bodies is \$39.8 million, 8.5% of recurrent expenditure and 8.6% of recurrent revenue.

Special Investigation and Prosecution Team (SIPT)

The annual forecast allocation for the prosecution and defence of the ongoing Special Investigation (SIPT) trials is \$3.9 million, 0.9% of the Recurrent Expenditure. The total grants for the prosecution team are \$1.0 million, and legal aid for the defence team is \$2.3 million.

Other Goods and Services

The Government continues to provide funding in the budget for the following priority areas:

- Border Force modernisation.
- National security



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- 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.
- Financial Assistance Program for the Elderly
- Maintenance of government physical and technological infrastructure.
- Fiscal prudence and good governance.
- Destination management.

Capital Expenditure

Over the years, strong fiscal discipline has allowed for the release of additional funds to improve public infrastructure. The TCIG 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. The annual Capital Investment Programmes the funding allocation for FY2025/26 has been set at \$ 52.6 million, i.e. 10% of recurrent revenue.



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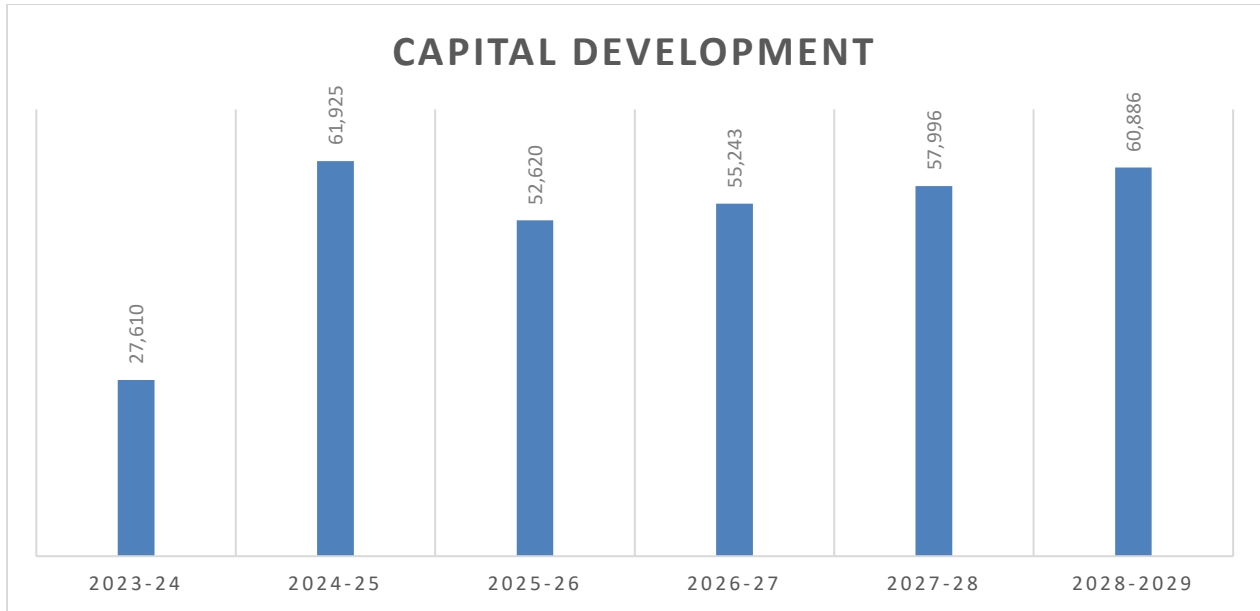


Figure 3- Capital Expenditure Allocations - 2025/26 to 2028/29

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 country-wide 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) Make arrangements to fully amortise each loan by its maturity date.

Borrowing requirement

No new borrowing is anticipated and budgeted for FY2025/26. Below is a summary of the FFD ratio thresholds and TCIG's projected compliance with the same:

1. The Operating Surplus is projected in FY2025/26, and the Operating Surplus target will be met in all forward budget years.
2. Net debt must not exceed 80% 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% of Annual Operating Income.
 - a. This target will be met in all forward budget years.
4. Liquid Cash Reserves should not fall below 25% 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 \$34.8 million. Net government debt is predicted to be negative 17.4% of GDP. **The forecast for the future years includes a debt guarantee for the proposed PPP for the Howard Hamilton airports at a worst-case scenario of 100% risk rating.**



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GOVERNMENT DEBT	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
CDB Loans	700	560	348	112	26	-
Core Government Debt	700	560	348	112	26	-
Imputed PPP Hospital debt outstanding	45,248	40,031	34,813	29,595	24,378	19,160
Total Government Debt	45,948	40,591	35,161	29,707	24,404	19,160
Net Government Debt	(300,500)	(309,643)	(321,371)	(335,823)	(294,944)	(257,763)
Net Core Debt	(345,748)	(349,674)	(356,184)	(390,587)	(449,815)	(543,316)

Table 12- 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% of GDP.

Table 32- Net Worth, Net Financial Worth, Net Debt and Net Interest Payments

	Unaudited	Revised	Forecast	Estimate	Projection		
	Actuals	Estimates	Outturn				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	
	\$'000s	\$'000s		\$'000s	\$'000s	\$'000s	\$'000s
Net debt	(300,500)	(287,364)	(309,643)	(321,371)	(335,823)	(294,944)	(257,763)
Per cent of GDP	-18.37%	-16.59%	-17.88%	-17.43%	-17.67%	-14.75%	-12.27%
Net Interest payments	34	29	29	29	23	14	5
Per cent of GDP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
GDP	1,635,800	1,731,691	1,731,691	1,843,617	1,900,000	2,000,000	2,100,000

Table Prepared by Budget Office Source: GDP forecast - S&P



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Strategy 3 - Revenue Enhancement Strategy

The medium-term revenue forecast does not anticipate any new revenue streams. However, the Government is focused on transforming the taxation system to reduce its volatility and susceptibility to global, regional, and environmental factors while ensuring that it is fair, equitable, and efficient.

Inland Revenue Department (IRD)

The Inland Revenue Department (IRD) continues to meet budgetary expectations. During the COVID-19 pandemic, revenue streams such as hotel restaurant and tourism tax (HRTT) and vehicle hire stamp duty have exponentially grown. Whilst these two revenue streams are highly correlated, they are also susceptible to shocks in this volatile/unpredictable sector. HRTT is a dominant tax/revenue stream in a predominantly tourism-based economy.

The IRD has a critical mandate to ensure the sustainability and buoyancy of revenue streams, streamline processes, and engage industry experts to facilitate programmes and initiatives that would transform the Department into a more modern version; several revenue strategies or measures are crucial. The following strategies are expected to be deployed for the 2025-26 fiscal year.

- Establishment of a non-filers programme: The HRTT taxpayers account for over 90% of all taxpayers/registrants on the IRD tax roll. The filing compliance has been lingering around a 50% margin. Filing compliance is easily translated into payment. Therefore, the more persons filing regularly will ultimately translate into more tax remittances. With limited resources, the Department hopes to establish a filing compliance unit focusing solely on enhancing the filing rate. This will require assessing the tax roll/registry to



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determine whether the status is active and then conducting best-of-judgment assessments on those who fail to file.

- Implementation of new tax software: The Department is engaging experts from Estonia to assist with transitioning to comprehensive and robust tax software.
- E-service Drive: The Department anticipates having 90% online users for business license applications and payments by the 2025-26 fiscal year. This process has commenced and is ongoing to achieve this mandate.
- Implementation of recommendations from the Enhancement Project to IRD. The Department's functional arms are anticipated to be reviewed and streamlined for greater operational efficiencies. These recommendations are expected to set the basis for achieving greater economies of scale related to collecting and administering taxes in the TCI.

Revenue Assumptions

The primary revenue streams are subject to volatility as they are directly or indirectly linked to the tourism sector, which is particularly sensitive to global events. To account for this uncertainty, revenue projections have been developed using Best-Case, Most Likely, and Worst-Case scenarios, with the baseline adjusted by +/- 10%. The revenue forecasts for the financial year are based on an estimated average hotel occupancy rate of approximately 80%.

Revenue streams influenced by tourist arrivals include Hotel, Restaurant, and Tourism Taxes (HRTT), Customs and Related Duties, Work Permit Fees, and Fuel Tax.



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Recurrent Revenue	Unaudited	Original Estimate	Revised	Forecast	Estimate	Per. R/R	Projection		
	Outturn		Estimate	Outturn			2026-27	2027-28	2028-29
	2023-24	2024-25	2024-25	2025-26	2025-26		2026-27	2027-28	2028-29
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s		\$'000s	\$'000s	\$'000s
Import Duty	106,017	112,460	112,460	112,439	123,697	23.6%	129,882	136,376	143,195
Hotel & Restaurant Tax	120,040	119,606	123,606	124,770	137,247	26.2%	144,109	151,314	158,880
Customs Processing Fee	37,150	38,763	38,763	39,063	42,638	8.1%	44,770	47,008	49,359
Stamp Duty on Land Transactions	49,504	50,000	52,785	53,969	56,668	10.8%	59,501	62,476	65,600
Work Permits and Residency Fees	42,312	42,905	42,905	48,820	54,062	10.3%	56,765	59,604	62,584
Fuel Tax	8,971	10,937	10,937	11,849	12,572	2.4%	13,201	13,861	14,554
Business Licences	7,699	7,313	7,313	7,846	8,509	1.6%	8,934	9,381	9,850
Other Recurrent Revenues	84,991	91,065	92,265	94,875	89,013	17.0%	93,463	98,137	103,043
Total Recurrent Revenue	456,684	473,049	481,034	493,632	524,405	100.0%	550,625	578,156	607,064
MOF annual per cent revenue increase			5.3%	-2.6%	6.2%		4.8%	5.0%	5.0%
Non-Recurrent Revenue									
Land Sale Receipts	1,625	1,502	1,502	1,269	1,502	0.3%	1,502	1,502	1,502
EU Grants and Other Grants	583	1,615	1,615	1,279	1,014	0.0%	0	0	0
Civil Recovery Program	-	-	-	-	-	0.0%	-	-	-
CCRIFF Payout	-	-	-	-	-	0.0%	-	-	-
Total Non-Recurrent Revenue	2,208	3,117	3,117	2,548	2,516	0.3%	1,502	1,502	1,502
Total Revenue	458,892	476,166	484,152	496,179	526,921		552,128	579,659	608,567

Table 14- Revenue Forecast

Prepared by the Budget Office



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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, and a new performance matrix has been developed to score the performance of the SBs. There is a statutory requirement for all statutory and constitutional bodies to remit proportions of their net surpluses to the Government annually. For FY 2025/26, the forecast remittance from these entities is \$17.0 million.



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Airports Authority

The Turks and Caicos Islands Airports Authority (“TCIAA”) continues investing in developing, upgrading and commercialising airports across the islands. This is premised on the recognised need for safe and reliable travel to, from, and between the islands to ensure country-wide access to critical resources and to expand opportunities for socio-economic development throughout the Islands.

Driven by sustained growth in passenger numbers and a pressing need to upgrade airport infrastructure, the TCIAA and Turks and Caicos Islands Government (TCIG) have embarked on the redevelopment of the Howard Hamilton International Airport (HHIA) via a public-private partnership financing model. The model contemplates design, build, finance, operation and management for the thirty-year projected life cycle. The project has advanced through the intermediate business case to the negotiation and tender phase for five prequalified bidders. Final tender submissions are anticipated before December 2024.

The HHIA tender package is projected at around US\$350 million (not to exceed US\$400 million). It includes the construction of a new, world-class passenger terminal, a new parallel taxiway, additional parking ramps, and jet bridges. The business case considers, to varying degrees, certain mandatory works to improve the aesthetics and operations of the existing passenger terminal space during the construction of the new passenger terminal building.

In advance of the Howard Hamilton International Airport Redevelopment, the TCIAA is projected to spend circa US\$6 million on immediate capacity and security expansion works within the existing passenger terminal. Approximately \$3.7 million is projected to be expended by Q4 FY2024-25. At HHIA, the TCIAA is also poised to have completed its Airside Canopy and Walkway for operational use by November 2024. This intervention will greatly enhance guest service while satisfying safety and security requirements. Similarly, works toward



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completing the new control tower and firehall facility at HHIA continue with target completion for Q4 2024-25.

The Airports Authority unveiled the conceptual design plans for the new passenger terminal and runway paving at the Clifford Gardiner International Airport (North Caicos); the completion of the passenger terminal and perimeter fence at the Norman Saunders International Airport (South Caicos); also, the completion of the perimeter fence and returned to Tier 1 status at JAGS McCartney International Airport (Grand Turk). Marketing and promotional efforts are strengthened to address the growing passenger demand. Capital injections are programmed into budgetary assumptions, including additional works at the Norman B. Saunders International Airport, South Caicos, Clifford Gardiner International Airport, North Caicos, and JAGS McCartney International Airport in Grand Turk. Notwithstanding the highlighted airports, infrastructural and asset enhancements are progressing throughout the network. Details of the Airports Authority of the Airports Authority's long-term vision for airport development are itemised in its Strategic Master Plan, which is soon to be available for public awareness.

For context, in July 2011, the Turks & Caicos Islands Airports Authority (TCIAA) completed an initial rehabilitation of its 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 large passenger jets, 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. Based on the forecast, the terminal size increased from 51,462 square feet to 92,321 square feet, which is considered sufficient to accommodate passenger growth up to 2028. HHIA has long exceeded these forecasts.



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Passenger throughput at Howard Hamilton International Airport (HHIA) has grown at a cumulative average growth rate of 5.8% during the past decade. And a conservative outlook projects a continued, stable, positive growth. The Airport's Strategic Master Plan conservatively estimates passenger growth for the airport over the next thirty years to reach 2.2 million passengers annually. As a result, it has become imperative that long-term infrastructure planning be implemented to accommodate increased passenger inflow to HHIA and, by extension, the Turks and Caicos Islands.

Ports Authority – Seaport Redevelopment

The development of Seaport infrastructure in the Turks & Caicos Islands is consistent with the Vision 2040 Document, the MTDS, and 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 port infrastructure's continued improvement, maintenance, and resilience. The Ports Authority is progressing in rebuilding and rehabilitating all seaports in the TCI, prioritising the redevelopment and modernisation of South Dock, Providenciales.

Phases 1 and 2 and the new port office building continued during FY 2024/25. The new port office building and phase 1 construction are on target for completion by FY 2024/25; Phase 2 will be completed in 2025/26. Work is advanced to launch tenders for the phases 3 and 4 construction in FY 2024-2025. Developments during 2025/26 will inform future funding requirements for the redevelopment project.

Project expenditure should continue at the same levels during the next few years as phases 1 and 2 are completed and phases 3 and 4 come on stream.



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Phase 4 includes a fuel discharge mooring project. The project initiation and development phases have already been completed, which included a comprehensive feasibility study to assess viability, costs, and potential economic impact. The government is working through the funding model to support the fuel discharge mooring project, and future drafts of the fiscal policy paper will provide more details.

Strategy 5 - Public-Private Partnerships

The Government's fifth fiscal strategy focuses on enhancing the country's infrastructure to stimulate economic growth. The PPP contract for the two major hospitals is ongoing, and the Government has made progress towards using the Public-Private Partnership (PPP) funding model to spearhead the redevelopment of Howard Hamilton International Airport. The TCIG will provide a government guarantee for the PPP contract. Accordingly, the net government debt beginning in FY 2026-2027 has been adjusted to reflect this decision. Similarly, anticipated TCIG net revenue from the Airports Authority has been removed from the future revenue forecast since indications are that the private partner will design, build, operate and maintain (DBOM) over the long term.



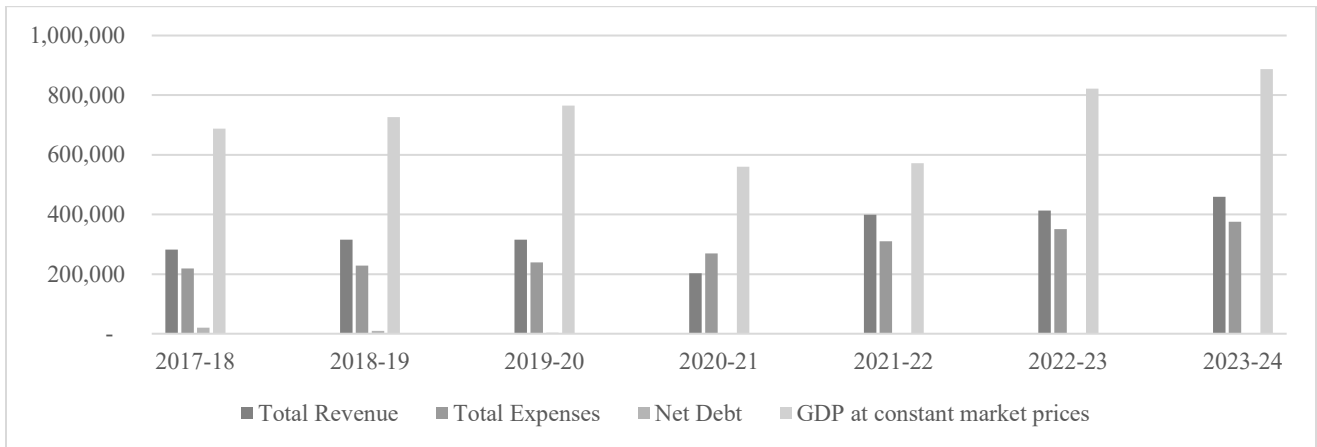
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STATEMENT OF FISCAL PERFORMANCE – (Previous Two Financial Years)

Table 15: Performance against GDP at Constant Market Prices

	2017-18		2018-19		2019-20		2020-21		2021-22		2022-23		2023-24	
<i>figures in US\$ '000</i>														
Recurrent Revenue	261,416	38%	303,622	42%	314,374	41%	195,652	35%	396,861	69%	406,688	50%	454,255	51%
Recurrent Expenses	213,409	31%	218,786	30%	230,910	30%	254,503	45%	277,179	48%	328,253	40%	354,237	40%
Total Revenue	282,172	41%	315,025	43%	315,288	41%	202,293	36%	398,775	70%	413,235	50%	458,890	52%
Total Expenses	218,858	32%	228,849	32%	239,620	31%	269,176	48%	309,789	54%	351,237	43%	375,758	42%
Net Operating Balance	63,314	9%	86,176	12%	75,668	10%	(66,883)	-12%	88,986	16%	61,998	8%	83,132	9%
Capital Investments	16,058	2%	17,581	2%	17,581	2%	25,302	5%	22,228	4%	18,186	2%	27,610	3%
Fiscal balance	47,256	7%	68,595	9%	58,087	8%	(92,185)	-16%	66,758	12%	43,812	5%	55,522	6%
Net Debt	19,783	3%	9,394	1%	3,021	0%	839	0%	538	0%	725	0%	700	0%
Finance Cost	984	0%	699	0%	324	0%	122	0%	15	0%	27	0%	34	0%
Underlying Cash balance	36,255	5%	62,154	9%	44,629	6%	(77,629)	-14%	74,852	13%	70,400	9%	76,953	9%

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





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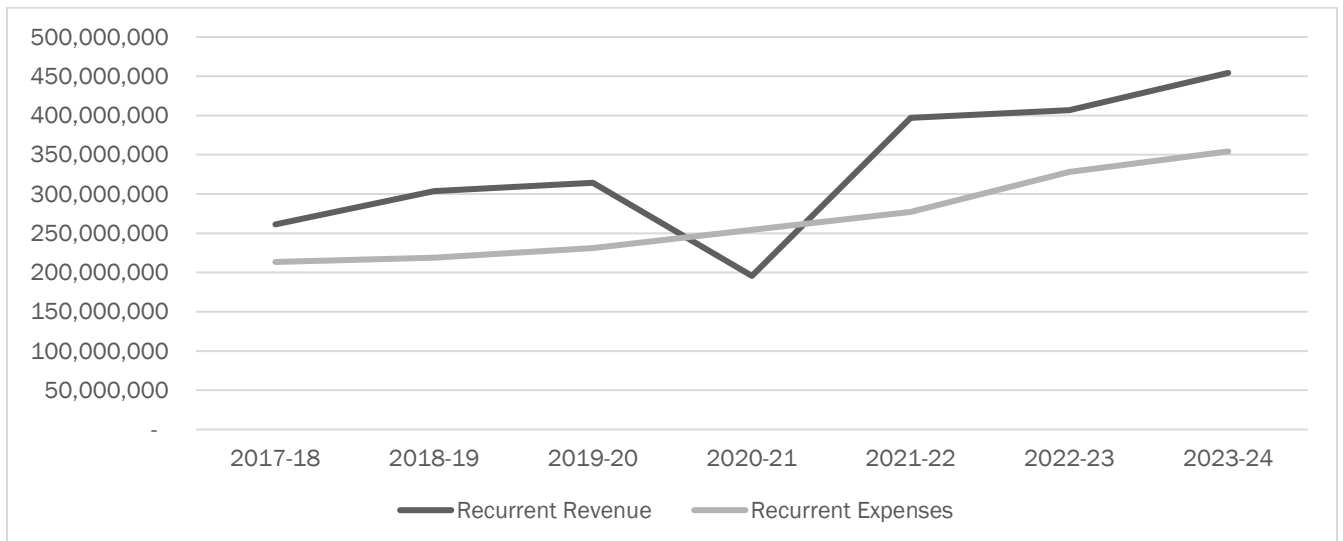
Fiscal Summary

At the end of FY 2023-24, the Turks & Caicos Islands Government posted an operating surplus of \$83.1 million (2023: \$61.9 million), an increase of \$21.2 million (34%) on the prior year's performance. Compared to the budget, the performance was 116% better than the projected \$38.4 million. Capital expenditure of \$27.6 million (2023: \$18.1 million) and debt repayment of \$338 thousand (2023: \$175 thousand) were also incurred during the year.

Table 16: Performance Revenue and Expenditure

<i>Figures in US\$'000</i>	31-Mar-24			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year	
Recurrent Revenue	454,255	414,916	406,688	39,339	9%	47,567	12%
Non-Recurrent Revenue	4,635	2,931	6,547	1,704	58%	(1,912)	-29%
Total Revenue	458,890	417,847	413,235	41,043	10%	45,655	11%
Recurrent Expenditure	354,237	356,083	328,253	(1,846)	-1%	25,984	8%
Non-Recurrent Expenditure	21,521	23,342	23,074	(1,821)	-8%	(1,552)	-7%
Total Expenditure	375,758	379,425	351,327	(3,667)	-1%	24,431	7%
Operating Surplus	83,132	38,422	61,908	44,710	116%	21,224	34%

Figure 4: Recurrent Revenue & Expenditure Performance





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Revenue Performance

The overall revenue performance was due to increased economic activities, tourism, and real estate market improvements. The Revenue Department's enhanced compliance and audit review measures also contributed to the performance.

Table 17 – Total Revenue Summary

(All figures in US\$'000)		31-Mar-24	31-Mar-23
Taxation			
	Taxes on Goods and Services	198,636	181,548
	Duties (excluding stamp duty)	153,416	138,641
	Licenses	17,416	15,510
		369,468	335,699
Non-Tax Receipts			
	Fees, Fines and Permits	50,354	40,182
	Finance Income	410	645
	Other Receipts	15,728	12,879
		66,492	53,706
Transfers			
	Transfers from Controlled Entities	22,348	21,981
		22,348	21,981
Donations, Grants and Other Aid			
	Grants from Multilateral Agencies	581	1,849
		581	1,849
Total receipts		458,889	413,235

Aggregate Revenue for FY2023/24 totalled \$458.9 million. This result was \$41 million more than the projected Revenue of \$417.8 million. On a year-over-year basis, Revenue was up by \$45.7 million compared to the results of FY2022/23. The four main revenue lines of Hotel and Restaurant Tax, Import Duty, Stamp Duty on Land Transactions and Customs Processing Fees contributed 70% of the total Revenue.



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Table 18 – Recurrent revenue summary

	31-Mar-2024			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenues							
Import Duty	106,017	98,505	95,589	7,512	8%	10,428	11%
Hotel & Restaurant Tax	120,040	106,513	102,506	13,527	13%	17,534	17%
Customs Processing Fee	36,679	34,387	33,319	2,292	7%	3,360	10%
Stamp Duty on Land Transactions	49,504	58,326	56,777	(8,822)	-15%	(7,273)	-13%
Work Permits	31,402	26,460	25,771	4,942	19%	5,631	22%
Fuel Tax	8,562	7,936	7,694	626	8%	868	11%
Excess revenues from Stat. Bodies	22,348	16,232	21,981	6,116	38%	367	2%
Other Revenues	79,703	66,557	63,051	13,146	20%	16,652	26%
Total Recurrent Revenue	454,255	414,916	406,688	39,339	9%	47,567	12%

Total Revenue for the 2023-24 fiscal year comprised 26% from hotel and restaurant tax, 23% from import duties, and 11% from stamp duty on land transactions. Customs processing fees, work permits, excess revenues from statutory bodies, and all others accounted for 40% of revenues.

Taxes on goods and services were \$10 million or 5% higher than budgeted and \$17.1 million or 9% more than last year's results; the favourable variance against budget and prior year results is mainly due to collections from tourism activities that have been making significant gains, as reflected in the HRT Tax results of \$120 million collected for the year. Hotel and restaurant tax increased by \$13.5 million or 13% over both budgets and by \$17.5 million or 17% over last year's results. Stamp Duty on Land Transactions was \$8.8 million or 15% below the budgeted outturn and \$7.3 million or 13% less than last year's \$56.8 million.

Total duties (excluding stamp duty) collected for the year were \$153.4 million (2023: \$138.6 million). This represented an increase of \$14.8 million or 11% over last year's results and \$10.4 million or 7% over budget estimates, attributable to increased economic activity. Inflationary pressures that led to price increases of imported items also led to an increase in imports. Total duties included Import Duties of \$106 million, a \$10.4 million or 11% increase from last year, which was \$7.5 million, or 8%, above budget. Fuel Tax increased by 11% when compared to the previous year and was 8% above budget.



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Customs Processing Fees increased over the last year by 10% or \$3.4 million and were \$2.3 million or 7% over the budgeted allocation. The rise in customs processing fee revenue can be attributed to increased import activities, especially in the construction industry, and inflation in imports.

Transfers from controlled entities totalling \$22.3 million were received in FY 2023/24. The receipts were \$6.1 million or 38% above budget and \$0.4 million or 2% more 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 \$50.4 million increased by \$10.2 million, or 25%, compared to last year's results, and they were also \$8.5 million, or 20% million, above the budget. Work Permit fees of \$31.4 million accounted for 7% 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 2023/24 was \$4.6 million, mainly comprised of \$1.6 million in land sales, \$0.6 million in grant revenue, and \$2.4 million in civil recoveries. This was \$1.7 million, or 58% above estimates, and \$1.9 million, or 29% lower than the prior year's result.

Expenditure Performance

TCIG's expenditure (excluding capital) for the 2023-24 fiscal year totalled \$375.8 million, \$3.7 million (1%) below the budget amount and \$24.4 million (7%) more than FY 2022/23. The underspend against budget is mainly attributed to Personnel Costs due to the number of vacancies that remained unfilled during the year and lower than expected disbursement of Subventions, Grants and contributions & maintenance expenditure. The increased spending compared to the prior year is mainly attributed to the pay grade adjustments implemented in December 2023, inflationary adjustments, and increased social welfare expenses, among others.



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Table 18- Total Expenditure Summary

(All figures in US\$'000)	31-Mar-24	31-Mar-23
Operations		
Wages, Salaries and Employee Benefits	(136,133)	(118,075)
Other Operating Expenses	(194,331)	(172,612)
	(330,464)	(290,687)
Transfers		
Subventions to Statutory Bodies	(25,947)	(25,273)
Grants and Contributions	(12,313)	(28,340)
Transfers to the Mortgage Corporation Fund	(7,000)	-
Transfers to the Citizen's Empowerment Fund	-	(7,000)
	(45,260)	(60,613)
Loan and Interest Repayments		
Finance Costs	(34)	(27)
	(34)	(27)
Total payments	(375,758)	(351,327)

Table 19 – Performance of Recurrent Expenditure

	31-Mar-24			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Expenditure							
Total Personnel Costs	136,133	139,474	118,075	(3,341)	-2%	18,058	15%
Transfers to NHIB	35,492	35,492	35,947	-	0%	(455)	-1%
Grants and contributions	12,313	13,314	28,340	(1,001)	-8%	(16,027)	-57%
Hospital Provisional Charges	25,605	25,605	24,299	-	0%	1,306	5%
Subventions	25,962	27,824	25,273	(1,862)	-7%	689	3%
Maintenance Expenses	14,515	15,599	13,043	(1,084)	-7%	1,472	11%
Professional and Consultancy Services	12,016	13,481	8,859	(1,465)	-11%	3,157	36%
Other Expenses	92,201	85,294	74,417	6,907	8%	17,784	24%
Total Recurrent Expenditure	354,237	356,083	328,253	(1,846)	-1%	25,984	8%

Personnel Costs, which accounted for 36% of expenditures for the year, totalled \$136.1 million and were 2% or \$3.3 million behind budget while being \$18.1 million or 15% ahead of the prior year's cost. The increase against the preceding year primarily results from cost-of-living salary adjustments introduced in FY 2022/23 and a 10% increase to 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 16% of total expenditures for the year. The costs were in line with the budget, and they were 1% lower and 5% higher than the prior



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year. TCIG is actively pursuing measures that it hopes will reduce the cost of healthcare while maintaining or improving the delivery of care for its citizens.

Subventions accounted for 7% of expenditure. \$26 million was expended during the year. This was 7% below budget and 3% more than the prior year. The increase against the prior year is due to the establishment of the Destination Management Organization.

Grants and Contributions totaled \$12.3 million. This includes \$3.8 million for Community Enhancement Programs, \$4 million for Continuing student scholarships, \$2.3 million for Other Grants and Contributions, \$1.2 million as Contributions to regional Institutions, and \$0.9 million for Subsidies. The expenditure is 8% behind budget and 57% less than the same period in the prior year. The performance against the prior year results from the Citizen's inflation adjustment stimulus program completed in FY 2022-23.

Other recurrent expenditures of \$92.2 million accounted for 25%. Excluding the depreciation expenses, the other recurring expenditures were 2% behind budget and 30% ahead of the prior year. Underspending on security expenses mainly drove the performance against budget, local travel costs, and recurrent sub-programs, which were offset by overspending on claims against the government. The major increases against the prior year are due to inflationary cost adjustments, increased Social welfare expenses, and repatriation costs.



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Table 20 – Performance of other recurrent expenditure

	31-Mar-24			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Social welfare	9,713	9,755	7,668	(42)	0%	2,045	27%
Rental of assets	6,917	7,016	6,074	(99)	-1%	843	14%
Recurrent Sub Programmes and Projects	4,360	4,820	3,673	(460)	-10%	687	19%
Utilities	5,114	5,547	5,284	(433)	-8%	(170)	-3%
Security expenses	2,480	3,221	2,171	(741)	-23%	309	14%
Local Travel and Subsistence	4,243	4,755	4,469	(512)	-11%	(226)	-5%
International Travel and Subsistence	2,506	2,795	2,613	(289)	-10%	(107)	-4%
Communication Expenses	2,243	2,459	1,998	(216)	-9%	245	12%
Depreciation	8,515	-	9,911	8,515	-	(1,396)	-14%
Bank charges	1,468	1,428	1,368	40	3%	100	7%
Data Communication cost	1,907	1,915	1,512	(8)	0%	395	26%
Insurance Expenses	2,089	2,201	1,730	(112)	-5%	359	21%
Hosting and Entertainment	2,831	2,991	2,448	(160)	-5%	383	16%
Repatriation and exportation expenses	5,761	5,806	3,767	(45)	-1%	1,994	53%
Other supplies, materials & Equipment	4,573	4,910	2,551	(337)	-7%	2,022	79%
Computer License & Hardware Maintenance	2,421	2,505	1,837	(84)	-3%	584	32%
Fuel	1,716	1,718	1,428	(2)	0%	288	20%
Special Projects on Informal Settlements	1,089	1,278	1,218	(189)	-15%	(129)	-11%
Other Recurrent Expenditure	22,253	20,171	12,695	2,082	10%	9,558	75%
TOTAL OTHER RECURRENT EXPENDITURE	92,201	85,294	74,417	6,907	8%	17,784	24%

Non-recurrent expenditures totaling \$21.5 million accounted for 6% of total expenditures for the year. This was \$1.8 million or 8% below estimates and 7% or \$1.6 million less than the prior year's spend. This was mainly driven by Statutory Land Acquisitions of \$9 million and \$4.4 million in SIPT cost. \$7 million was transferred to the newly formed Mortgage Corporation Fund within the National Wealth Fund. This is intended as seed funding toward establishing a Mortgage Corporation in the Islands and to encourage and promote more accessible and affordable home ownership in the Islands.



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Table 21 – Performance of Non-Recurrent Expenditure

<i>Figures in US\$ 000s</i>	31-Mar-24			Variances			
	Actual	Budget	Last Year	Budget		Last Year	
Transfer to National Wealth Fund	7,000	7,000	7,000	-	0%	-	0%
Statutory Land Acquisitions	8,983	9,927	8,369	(944)	-10%	614	7%
Special Investigation Prosecution Team	4,358	5,087	5,572	(729)	-14%	(1,214)	-22%
Civil Recovery Costs	1,146	1,286	815	(140)	-11%	331	41%
Covid-19 Expenses	-	5	1,290	(5)	-100%	(1,290)	-100%
Contingency	-	15	-	(15)	-100%	-	-
Finance costs	34	22	27	12	55%	7	26%
Total Non-Recurrent Expenditure	21,521	23,342	23,073	(1,821)	-8%	(1,552)	-7%

Capital Expenditure

Legal notice 32 of 2023 (PFM amendment No.2 Regulations 2023), which commenced on June 1, 2023, included an amendment to regulation 33 of the PFM Regulations to revise the previous amendment in FY2022-23. The effect of the new regulation was to remove the two-year allowance for the commitment of appropriated funds that had previously been instituted in 2022. If not committed by the end of a financial year, any funding will expire and be returned to the Consolidated Fund.

The total amount spent on capital projects for the fiscal year was \$27.6 million, funded by capital contributions appropriated from the Development Fund. The total budgeted expense for capital projects was \$65.5 million.



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Table 22 – Reconciliation of the Development Fund

	Amount (US\$ '000)
Closing 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 31/03/2023	44,362
Restatement of opening balance	1,410
Opening 1/04/2024 -restated	45,773
Awards and commitments	41,710
Capital Expenditure FY 2023/24	(27,610)
Completed projects - savings returned to Consolidated Fund	(376)
Closing 31/03/2024	59,496

Current Liabilities

Table 23 – Payables from Exchange Transactions

	31-Mar-24	31-Mar-23
	US\$'000	US\$'000
Accounts payable & accruals	7,909	4,751
Refundable deposits	13,424	17,683
Total payables from exchange transactions	21,333	22,434

As of March 31 2024, current liabilities totaled \$21.3 million (2022/23: \$22.4 million). This comprised payables from exchange transactions totalling \$7.9 million as well as refundable deposits of \$13.4 million. Payables from exchange transactions are non-interest bearing and are generally settled within a maximum of one year. The balances on March 31, 2023, and March 31, 2024, 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-23 US\$'000 (Restated)	New Drawdowns 2023/24	Principal Repayment During 2023/24 US\$'000	Outstanding Balance 31-Mar-24 US\$'000
Financial Liabilities - Borrowings	%			US\$'000	US\$'000
Unsecured					
Further Education (04/SFR-OR-TCI)	2.5%	456	-	(87)	370
Climate Resilient Coastal Protection and Management (4/OR-TCI)	4.90%	269	57	(213)	112
Integrated Solid Waste Management (5/OR-TCI)	4.90%	-	255	(37)	218
Total unsecured debts		725	312	(338)	700
Total outstanding public debts		725	312	(338)	700

Public debt is comprised of unsecured loans from the Caribbean Development Bank (CDB). On March 31, 2024, total outstanding debts were \$0.7 million (2023: \$0.7 million). Total debt repayments for the year were \$0.3 million (2023: \$0.2 million). Total finance costs for the year ended March 31, 2024, were \$34 thousand (2023: \$27 thousand).

No new borrowing was negotiated. Total drawdowns on existing loans during this financial year were \$0.3 million (2023: \$0.2 million). As of March 31, 2024, the undisbursed or undrawn borrowings on the existing loans were \$0.4 million (2023: \$0.7 million), and commitment fees totalling \$5 thousand (2023: \$7 thousand) were paid in respect of the undisbursed amounts. There was no undrawn borrowing relating to new loan facilities.



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Table 25 – Contingent Liabilities

The information below is compiled from returns provided by Accounting Officers.		
BY MINISTRY	31-Mar-24	31-Mar-23
	US\$'000	US\$'000
Attorney General's Chambers	36,426	34,604
Statutory Charges	556,430	485,340
Ministry of Immigration and Border Services	-	35
Ministry of Health and Human Services	483,422	509,099
Total Commitments and Contingent Liabilities	1,076,277	1,029,078

Estimates of quantifiable commitments and contingent liabilities at the reporting date stood at US\$1.1 billion at the end of March 2024 (2023: \$1 billion). This amount includes an estimated long-term commitment on expected reconciliation payments for the Hospital Contract amounting to \$483.4 million (2023: \$509.1 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 \$556.4 million as of March 31, 2024 (2023: \$485.3 million). This amount comprises \$435.8 million for TCIG Guarantees on NIB unfunded Pension liabilities. 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. Additionally, actuarial liabilities amounting to \$87.7 million for the Public Servants' Pension Plan and \$32.9 million for the Retirement Allowance Plan (Legislator's Pension) have also been reflected.

Contingent liabilities relating to the Attorney General's Chambers comprise \$28.4 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. The amount is an estimate of the contingent risk to the Government inherent to the state-backed guarantee of title created by section



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141 based on a \$7bn assessed value of title and charges under guarantee. This sum has not been subject to actuarial assessment per section 111 of the Constitution.

Table 26 - Arrears of Revenue

The information below is compiled from returns provided by Accounting Officers.		
	31-Mar-24	31-Mar-23
MINISTRY	US\$'000	US\$'000
Police	5	1
Attorney General's Chambers	15,992	15,136
Immigration and Border services	1,187	1,236
Finance Trade & Investment	25,191	42,209
Education, Labour Employment & Customer services	-	5
Home Affairs & Transportation	-	662
Public Safety and Utilities	1,395	-
Tourism, Agriculture, Fisheries Heritage Religious Affairs	35	19
National Security Secretariat	10	-
Total Arrears of Revenue	43,816	59,268

Revenue arrears include outstanding Crown land rent receivables owed to Attorney General's Chambers amounting to \$16 million, amounts owed to the Ministry of Finance as a result of audit assessments carried out by the Inland Revenue Department for Hotel and Restaurant Taxes - \$10.6 million, Business Licenses - \$3.1 million, Domestic Financial Sales service tax- \$8.3 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 Public Safety and Utilities relating to uncollected monies from the sale of water.



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Table 27 - Commitments

The information below is compiled from returns provided by Accounting Officers.		
BY MINISTRY	31-Mar-24	31-Mar-23
	US\$'000	US\$'000
Office of the Governor	21	32
Police	345	120
Immigration and Border services	217	97
Finance Trade & Investment	26	162
Office of the Deputy Governor	1	34
Education, Labour, Employment & Customer services	147	62
Director of Public Prosecutions	6	1
Home Affairs & Transportation	10	124
Public Safety	147	-
Physical Planning & Infrastructure Development	131	141
Tourism, Agriculture, Fisheries Heritage Religious Affairs	28	127
Health & Human Services	77,037	63,000
House of Assembly	66	48
Office of The Premier & District Administration	1	69
National Security Secretariat	34	23
Total Commitments	78,218	64,043

Commitments reflect the value of purchase orders issued for goods and services as well as unpaid invoices as of March 31, 2024. Also reflected is the current portion of payments relating to the unitary, equipment, and clinical costs on the hospital contract for the entire FY 2024-2025.



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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"> • 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"> • NIB – Pension plan • Attorney General’s Chamber – Claims against Government • NHIB – Healthcare costs for Treatment Abroad Programme
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"> • Ex-post natural disasters • Any default of state-owned enterprises on non-guaranteed obligations (AA, NHIB, NIB, FSC, Ports Authority and Telecommunication Commission)

Table 28 - 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 emanating from 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.

Residual Risk Management Strategies – Ex-Post Disaster/Catastrophic Event Response

- Contingency Fund
- Budget reallocation for expenditure control
- Liquid Cash Reserves-Net Surplus
- Low debt portfolio



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- National Wealth Fund
- Credit Rating BBB+

NATIONAL WEALTH FUND

The Turks and Caicos National Wealth Fund was enacted in 2017 and amended in 2024. The cumulative total in the National Wealth Fund is \$92.0 million. The Established Fund has the following components:

- Stabilisation Fund - \$45.5 million
- Infrastructure and Competitiveness Fund - \$13.0 million
- Heritage Fund - \$6.3 million
- Citizens' Empowerment Fund - \$7.1 million
- Mortgage Corporation Seed Funding - \$20.1 million

The National Wealth Fund is funded through surplus Revenue from the Consolidated Fund, which is 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% but is less than 20%, then 50% 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% or more, 70% of the excess Revenue for that financial year shall be withdrawn from the Consolidated Fund and deposited into 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% 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% 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% of the gross domestic product.*



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4. *“The funds in the Citizens Empowerment Fund may be withdrawn from time to time subject to the approval by the House of Assembly to establish and support critical empowerment institutions in the Islands, to build wealth and to improve the quality of life for residents”.*

5. *“The funds in the Mortgage Corporation Fund may be withdrawn from time to time subject to the approval by the House of Assembly to establish the Mortgage Corporation in the Islands, to encourage and promote more accessible and affordable home ownership in the Islands”.*