



**GOVERNMENT OF THE TURKS AND CAICOS ISLANDS**

MINISTRY OF FINANCE  
N.J.S. FRANCIS BUILDING  
GRAND TURK  
TURKS & CAICOS ISLANDS



**2015/16 BUDGET ADDRESS**

**“Continuing Our Commitment to Economic  
Sustainability and Stability”**

Presented by:

**HONOURABLE CHARLES W. MISICK  
MINISTER OF FINANCE, INVESTMENT & TRADE**

Presented on  
Monday, 23<sup>rd</sup> March , 2015



## GOVERNMENT OF THE TURKS AND CAICOS ISLANDS

# Budget Statement 2015/16

## Introduction

Mr. Speaker, following my laying of the draft budget before this House earlier this month, and its subsequent scrutiny by the Appropriations Committee, I rise today to provide you with further details about my government's policies to improve the success and sustainability of the Turks and Caicos Islands economic development.

Our budget of US\$224.7m is a 9 percent increase on last year. This budget will:

- be funded from existing revenue measures
- invest in our future by making significant new investments in education and infrastructure
- ease the tax burden on our people and businesses alike
- make savings wherever possible
- deliver an operating surplus of \$13.4m - which is absolutely critical as we look to reducing our public debts and refinance our loan arrangements, independent of the UK loan guarantee, in February 2016

Mr. Speaker, sustainable budgetary surpluses is important to support the following policies:

- Environmental protection
- Environmental cleanliness
- Marketing and promotion of the family islands as tourist destinations
- Cultural and heritage celebration
- Youth development
- Government information service
- Tertiary education and scholarship allocation
- Improvements in Health Care



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But, Mr. Speaker, before I fully deliver this budget presentation, please permit me to express my gratitude to the following persons:

- To The Premier and Minister of Health, Agriculture, Human Services and District Administration - I would like to express my sincere thanks to you for your expressed confidence in me.
- To my Ministerial colleagues, for their understanding and support
- To the Speaker and Deputy Speaker for the guidance that you continue to provide
- To the Deputy Governor, to the Accounting Officers and to the staff within the civil service - to you all, I express my sincere gratitude for assisting the government to carry out its policies.
- To the Chief Financial Officer (CFO)
- To the Chief Executive Officers and the staff of the:
  - Turks and Caicos Airport Authority
  - Turks and Caicos Islands Ports Authority
  - National Insurance Board
  - National Health Insurance Board
  - and Civil Aviation Authority, for which I have Ministerial responsibilities
- I am most grateful to all of you for your invaluable contribution to this country.
- Mr. Speaker, I express my sincere thanks to the Acting Permanent Secretary in the Ministry of Finance, Investment and Trade. She and her hardworking team have greatly assisted me in the preparation of this budget. They make a vital contribution to the wider success and sustainability of the Turks and Caicos economy.
- And last but by no means least, to the good people of the Turks and Caicos to whom this budget is dedicated, thank you for your patience, support and critique for which I am grateful.



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### **Public Financial Management (PFM)**

To return now to the budget, Mr. Speaker, please permit me to provide an update on the progress of this government in relation to Public Financial Management Reform.

Mr. Speaker, I wish to inform this House that the Turks and Caicos Islands are playing its part in change in PFM reform sweeping the Caribbean;

By improving their governance and transparency, and using this work to greatly improve their success and sustainability too.

A practical example of how seriously we take our hard won reputation in this area is our work in Cabinet to revise the PFM Regulation of 2012.

This will see:

- Permission to vire funding between personal emoluments
- Permission to vire funding between capital projects
- Mr. Speaker, one of the key benefits of these changes will be the elimination of the unhelpful 12-week wait - or thereabouts - for the supplementary appropriation process to sign crucial and critical contracts.

Mr. Speaker, the results of our latest Public Expenditure and Financial Accountability, or PEFA, assessment put us at the cutting edge of PFM reform when compared with some of our sister Caribbean nations.

The latest assessment took place in the Turks and Caicos in February 2015.

Mr. Speaker, I am very proud to inform you and this House today, that the Turks and Caicos Islands have shown remarkable and substantial improvement, since the last assessment in 2011.

This internationally recognized assessment grades our PFM processes according to seven broad indicators, each with many detailed sub-clauses.

This assessment is intended to provide an independent assessment of the participating nations:

- Budget Credibility
- Comprehensiveness and transparency
- Policy-based budgeting
- Predictability and control in budget execution
- Accounting, recording and reporting mechanisms
- its external scrutiny and audit functions
- And its practices towards donors, including the European Union.



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In light of this success, the House will I am sure permit me to read a line from the draft assessment report:

"...the improvements in the indicators... are due... to the restoration of order in the public finances and to there being once again a functioning legislature..."

Further detailed information about this assessment will be made in due course.

Mr. Speaker, as I said, the entire Caribbean is working towards the highest sustainable standards in PFM reform.

I am pleased also to report, therefore, that the Turks and Caicos are playing its part too in the area of strategic budget reform.

This is aimed at enhancing the development of a transparent, sustainable budget and forward estimates.

I am pleased to announce that my government has now re-introduced performance based budgeting which was previously abandoned.

To these ends, this government obtained support from the Caribbean Regional Technical Assistance Centre (CARTAC).

CARTAC has assisted our ministries and departments in their development of new multi-year, Programme, Performance Budgets (PPB).

This vital training greatly benefits our civil service in its service to this House.

Mr. Speaker, Honourable Members, you will note that in the draft 2015/16 budget booklet provided to you that Key Performance Indicators developed by our Ministries and Departments have been included.

It is clearly very important that we strengthen the transparency and accountability of budget spending decisions.

My team in the Ministry of Finance have observed that the challenges with revenue forecast modelling remain.

So, again with the assistance of CARTAC, ten Belongers are being trained in econometrics revenue modelling.

Similarly, Mr. Speaker, personnel in our customs department are reporting that through risk management training received, that they too are now able to better target and manage high risk importers.

Customs staff now have improved skills to carry out control activities which can easily switch from front-end examinations to post import verifications.



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### **The Wider Economic Outlook**

Mr. Speaker, I will now turn my attention to the economic outlook.

Global economic activity is gaining momentum and the leading forecasters on global growth are projecting an expansion of between 2.8 and 3.8 percent this calendar year.

According to the International Monetary Fund, growth in the US - clearly, our major market and trading partner - grew ahead of expectations. Indeed, US growth is expected to exceed 3 percent in this fiscal year.

Mr. Speaker, the reduction in the US unemployment rate, will boost the growth of many Caribbean tourism based economies.

Indeed, the International Monetary Fund (IMF) also forecasts that the average growth rate of the tourism dependent economies within the Caribbean will be 1.1 percent in 2014 and 1.7 percent in 2015.

For example, in 2015, the Bahamas is expecting a growth rate of 2.1 percent, St. Kitts and Nevis a growth rate of 3.2 percent, Antigua and Barbuda 1.7 percent and St. Vincent and the Grenadines 2.6 percent.

Our own Turks and Caicos Strategic Policy and Planning Department are projecting that economic growth will average in the region of 2.5-3 percent over the next three years.

The Turks and Caicos Islands is clearly set to benefit from the global recovery - and with our strong economic framework, budgeting and PFM systems, we can confidently predict a positive and sustainable growth for the foreseeable future.

### **The Outlook for the Turks and Caicos Economy**

The economy of the Turks and Caicos Islands is showing remarkable signs of improvement.

Mr. Speaker last year was the second consecutive year of positive economic growth for the Turks and Caicos Islands.

As I have already said, real GDP growth in the Turks and Caicos Islands on average is expected to be in the region of 3 percent over the next 3 years.

Indications are that our strong tourist season last year will continue.

By way of an example, Mr. Speaker, as you know, in the first three months of 2015, it has been nigh on impossible to find a hotel room on either Grand Turk or Providenciales.

Indeed, some venues are reporting that they are fully booked for the next few weeks when we would normally see things begin to tail off.

While we are mindful that harsh winter conditions in North America contributed to this performance, this is also a testimony of the strength and success of our tourism sector.

The recovery in our tourism sector is based on the ongoing cyclical expansion in major source markets, in particular the USA.



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The tourism sector is recovering:

- Stay-over arrivals recorded robust growth of 49.9 percent in 2014
- Cruise ship passenger arrivals increased by 24.8 percent; which saw 971,838 passengers land in 2014
- The Hotel and Restaurants sector of the GDP grew by 6.1 per cent in 2014

In other sectors, Construction activity increased by approximately 4 percent in 2014 and should see further growth in 2015 and 2016.

### Capital Investment

Indeed, government will continue to play its part in supporting the construction sector through our plans for capital works.

This government's capital expenditure plans will further boost the economy by providing vital support to our construction sector.

Some \$22.1M - almost 10 percent of this budget allocation - will be used to support the construction, its associated professions, trades and service providers.

Some of the most newsworthy of these projects are:

- We are investing \$1.2m (excluding the cost of the Light House Road in GT) to address some of the critical road works that are needed throughout these islands. Infrastructure is a critical input for the economic sustainability of our country. Good infrastructure Mr. Speaker will attract private investment capital.
- Similarly, the second phase of the Repairs to the Causeway Bridge, which includes paving and the installation of an additional culvert, are budgeted at \$ 2.7m.
- We will invest in the renovation of all Royal Turks and Caicos Islands Police Force buildings over the next three years. We will spend \$200,000 on this in 2015/16, the same again in 2016/17 and \$300,000 on this work in 2017/18.
- With our continued commitment to education, the second phase of the Long Bay High School is also on our agenda to commence in this financial year and this is budgeted at \$2m.
- In an effort to enhance teaching and learning in our schools we will upgrade all our schools with ICT equipment which is budgeted at \$190,000.
- The upgrading of sporting facilities will be undertaken throughout the islands over a three-year period commencing this year with a budget of \$250,000.
- Efforts will be made to address illegal development throughout the islands at a cost of \$150,000.
- There will be a refurbishment programme for the Wellness Centre, Grand Turk, as well as for the Juvenile Home



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- There will be new replacement docks in South Caicos and Blue Hills
- We will upgrade the Salt Cay Clinic
- There will be fleet of new public service vehicles including ambulances, a bus for the Marjorie Basden School and new garbage trucks

There are other areas of investment too, Mr. Speaker that will see this government look to secure the future success and sustainability of the Turks and Caicos economy too:

- Mr. Speaker, it is essential that we revise the existing energy laws to make sure that we harness renewable energy sources.
- This is important not only because it is good for the planet, not only because it is good for the environment of the Turks and Caicos, but, Mr. Speaker, we will look to reduce energy costs for our people.
- So, that is why we are investing \$210,000 to ensure that the laws governing the electricity sector are modernized. This will ensure operational, financial and economic efficiencies leading to minimized electricity costs.
- We will invest \$150,000 over the next two years in a National Skills Audit to ensure that we have the collective skills to face the future with confidence.
- Similarly, we are investing in a new tourism master plan also.
- With regard to expediting project delivery, Mr. Speaker, we have allocated \$450,000 to facilitate outsourcing important project management duties. We have also made a special allocation to recruit two additional persons for the Procurement Unit. We have also added an additional Project Economist in the Strategic Planning and Policy Unit to better deal with the cost-benefit analysis of our projects. Collectively, these initiatives will bolster the performance of the capital projects immensely.

Mr. Speaker, in so few words I have only touched on the highlights of how we will secure and sustain a successful Turks and Caicos.

My fellow Ministers will update this House with their specific spending plans in due course.



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### Imports and Exports

Mr. Speaker, if we consider our merchandise inputs to the Turks and Caicos they too point to the dramatic upturn in our economic success story:

- Imports increased by 20.1 percent in 2014, compared to 2013.
- The number of containers and flat racks shipped to the TCI in 2014 increased by 23.6 and 27.3 percent respectively.
- The number of motor vehicles imported into the Turks and Caicos Islands increased by 58.9 percent.
- The number of new building permits issued for private dwellings increased by 24.2 percent in 2014.
- The value of these new building permits also increased by 127.6 percent, from 11.3 million in 2013 to 25.8 million in 2014.

Mr. Speaker, Sir, all of these are clear indicators that our economy is on a positive, and extremely welcome, trajectory.

### Employment

I wish to now turn my attention to the issue of employment.

This Government is fully aware that the day-to-day life can be rough for some of our people.

I wish to assure this House that we remain always mindful that Turks and Caicos Islanders must reap the benefit of our economic efforts. And there are some encouraging developments.

Our Strategic Policy and Planning Department is currently engaged in an exercise of merging the databases of NHIB and NIB.

From this they will publish employment rates in the Turks and Caicos for both 2013 and 2014.

Mr. Speaker, none of the current separate data bases has all of the employed persons in the country. However, taken together in this way, they will provide a clearer picture of our employment and unemployment levels.

The preliminary data from the NIB database, using April as the reference period, appears to show that the number of employed persons in the Turks and Caicos Islands increased in 2014.



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The data shows a 5.5 percent increase in employment from April 2013 to April 2014.

- In the first year the NIB had 13,941 persons registered as being employed
- In 2014 NIB figures shows that 14,702 persons were registered as being employed.

This increase can be seen in both the Belonger and non-Belonger groups.

If we consider only the former category, Mr. Speaker, we see Belonger employment rose a considerable 9.24 percent in this period.

Mr. Speaker I would even go further to state that nearly 200 of these persons - some 89 percent of the total - were under 26 years of age, pointing to a significant reduction in our youth unemployment levels.

As I stated earlier, these preliminary numbers do not yet show the complete picture - we are aware that there are persons who would not be in both data bases or none.

Nevertheless, the increase in employment - especially in the Belonger category - is an extremely encouraging economic indicator.

Mr. Speaker, my government will spare no effort in working to grow this economy and get more of our people back to work.

### **Expenditure Estimates**

Mr. Speaker, the budgeted expenditure being presented to this House today is \$224,720,278.

Of this \$191,760,032 is recurrent expenditure; \$10,817,531 is for non-recurrent expenditure and \$22,142,717 for capital development.

We will deliver a \$13.4m surplus.

Perhaps most importantly, particularly for those listening in today, this budget signals the end of austerity for Turks and Caicos Islanders.

It is built upon an unprecedented fiscal performance which has paved the way for improved living conditions, job creation, creativity and innovation and increased investor confidence.

As I have already said, this is an extremely important year for the Turks and Caicos Islands as we look to take on our own greatly reduced debt, independent of the UK loan guarantee.

I will expand upon this strategically important matter later in this address.

Mr. Speaker, the Turks and Caicos Islands clearly benefits from this mature and responsible government - we are serious about our responsibilities.

The Turks and Caicos pays its way in the world.

These ambitious proposals that I lay before you today are only made possible by my government's continued fiscal prudence.

We have set a course that sees us continue to reduce our debt obligations, while also looking for opportunities to make a real difference in people's lives.



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### **Ministry of Education, Youth and Library Services**

It is against this background, therefore, Mr. Speaker, that I am very proud to announce that our flagship policy for 2015/16 is our massive \$33.2m investment in education.

Thanks to a growing economy and my government we are able to make a massive investment in providing opportunities for our young people with a 27 percent increase in the Ministry of Education, Youth and Library Services' budget.

This Ministry will account for 14.82 percent of all government spending in 2015/16.

- We will spend \$2.7m in the new financial year on phase one of the Long Bay High school - with a further \$1.6m in 2016/17 and a further \$1.5m again in 2017/18 to support our new school at Long Bay Hills also.
- We will spend \$750,000 in additional funding for scholarships.
- I previously announced to this House that there will be an additional \$500,000 made available to the TCI Community College
- There will be \$250,000 spent on upgrading our public sporting facilities
- We will spend \$123,600 in supporting the costs associated with the CSEC Examinations, producing papers, printing and making payments to invigilators
- There will be a \$135,000 increase in our Cadet Programme spending and we will invest \$180,000 each in our Youth Parliament and National Youth Forum.

### **Ministry of Infrastructure, Housing and Planning**

Our second largest area of budget investment is the \$21.8m - a 32.7 percent increase - for the Ministry of Infrastructure, Housing and Planning.

Mr. Speaker, this Ministry will account for 9.71 percent of our planned expenditure in 2015/16.

I have already listed, Mr. Speaker, many of the infrastructure projects that are happening and will not repeat them again here now.

### **Ministry of Tourism, Environment, Heritage and Culture**

There will be \$7m - a 28.1% increase - in the budget for the Ministry of Tourism, Environment, Heritage and Culture.

This Ministry will account for 3.13 percent of planned government expenditure in 2015/16.

- An additional \$430,000 is to be made available to the Turks and Caicos Islands Tourist Board to assist its efforts in marketing our destination
- \$100,000 has been made available to cover the costs of hosting of National Honours and Awards Programme.



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### **Attorney General's Chambers**

There will be \$9m budget - an 18.1 percent increase - for the Attorney General's Chambers, including \$98,161 to be invested in strengthening their human resources capacity of the unit by recruiting four new staff.

This is a vital move as the workload of the Chambers continues to grow.

Indeed, Mr. Speaker, Chambers will account for 4.02 percent of all government expenditure in 2015/16.

We will invest \$77,160 in the digitization of the Land Registry's Parcel Files, which will lead to the more efficient registration of property transactions and allow more timely access to property information.

### **Ministry of Home Affairs, Transportation and Communications**

\$9.6m - a 16.2 percent increase - can be announced today for the Ministry of Home Affairs, Transportation and Communications, including an allocation for a new juvenile detention centre.

This Ministry will account for 4.3 percent of government expenditure in 2015/16.

- Further, \$266,137 has been made available to allow this Ministry to hire eight additional staff who will assist in ensuring that it maximizes revenues through proper enforcement of the law through fines and levies.
- \$25,000 will be spent in additional environmental monitoring through Blue Flag programme, which protects our beaches, Coral Reef Monitoring and Water Quality monitoring, with a further \$25,000 being invested in a new Junior Park Warden.

### **Ministry of Border Control and Labour**

Mr. Speaker, I can announce a \$7.8m - or 15.1 percent increase - for the Ministry of Border Control and Labour.

This Ministry will account for 3.47 percent of all government spending in 2015/16.

This includes nearly \$95,000 to allow them to employ two additional staff in the form of a Vice President Labour Tribunal and a Registrar.

This will result in a more efficient Labour Tribunal, and better facilitate social dialogue which protects the interest, rights and obligations of employers and employees.



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### Controlling Costs

Mr. Speaker, I have tried to impress upon you today just how seriously this government takes its responsibilities to provide a safe, secure and sustainable future for all of our people and residents.

While I am delighted to highlight the significant new investments to this House, I now wish to show where we are making savings and looking after our people's hard earned tax dollars.

It is no great secret that our health costs are high.

Health accounts for 27.05 percent of all government expenditure - so it is vital that we ensure maximum value for money and cost control.

This is our single largest expenditure area, costing us all \$60.7m in the next financial year. So, this government is ensuring that costs are being tightly controlled by providing only a 3.4 percent increase on last year - just above the rate of inflation.

I assure both you and this House, Mr. Speaker, that this government will remain extremely vigilant in this area of spending.

So, in addition to setting a budgetary limit, we are investing \$382,000 in the new Hospital Contract Management Unit.

This will ensure that we extract maximum value for money from our expensive contract with Interhealth Canada.

### Savings

Similarly, Mr. Speaker, as your Minister of Finance, I am making sure that I keep my own house in order.

I am making savings in the budget of my own Ministry of Finance, Trade and Investment reducing this Ministry's budget by 10.3 percent to a spend of \$17.3m this forthcoming financial year.

My Ministry will account for 7.72 percent of all planned government expenditure in 2015/16.

However, I am working hard on your behalf Mr. Speaker to ensure that my department leads the way in transforming the way that the government does business.

- I am proposing to request \$360,000 in a new appropriation required to cover the costs associated with bank service charges which are a result of government receiving more payments electronically via, debit and credit card transactions. This is more convenient for our customers, and is more efficient for government because we get paid immediately and do not have the problems of pursuing dishonoured cheques. This is a key building block in our attempts to make doing business with government easier for our people, residents, visitors and businesses.



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- We will also invest in our Customs Department by investing \$119,000 a year in improving revenue collection through a revamp of the post declaration audit function. This will require additional staff to be hired and trained. The department was previously cut from 90 to 64 persons and the recruitment of new staff further supports this crucial revenue generating department and improves the efficiency of its operations.
- Mr. Speaker, my government will continue to demonstrate its commitment to our brothers and sisters in the family islands by making \$287,500 available by way of a subsidy for flights in order to keep travel costs as low as possible for our people.

### Good Governance

Mr. Speaker, this government is committed to promoting and protecting good governance in the Turks and Caicos Islands.

To achieve this, \$4.2 million of the total budget has been allocated to institutions protecting good governance.

This is an increase of 18 percent over the 2014/15 financial year.

- An additional \$78,200 has been allocated to the Complaints Commission for additional legal support and investigations which is consistent with the Office's legal mandates and objectives.
- The National Audit Office has been given a 44 percent increase in their budget allocation to employ a deputy auditor general, principal audit manager and a senior auditor.
- The Governor's Office - including all six of the Constitutional Bodies that are mandated to protect good governance - accounts for 1.89 percent of government expenditure; an 18 percent increase over the revised 2014/2015 budget.

Mr. Speaker, I will now briefly summarise other key areas of budget expenditure:

- We will provide \$20.9m for the Royal Turks and Caicos Islands Police Force, which accounts for 9.32 percent of all government spending
- There will be a \$6.7m budget for the Judiciary - some 2.98 percent of all government expenditure. This is a reduction of 1.5 percent over the allocation for the 2014/15
- there will be \$2.8m for the House of Assembly, some 1.25 percent of government expenditure
- there will be \$2.3m for the Director of Public Prosecutions, accounting for 1.3 percent of all government expenditure
- There will be two crucial developments in the Deputy Governor's Office in financial year 2015/16.



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- Firstly, \$250,000 is being made available to provide scholarship opportunities to our civil servants. It is vital that we continue to maintain the path of ensuring that our civil servants have the maximum personal and professional development opportunities. This underpins our future success and sustainability.
- A further \$64,090 will be made available to allow the Deputy Governor to recruit additional staffing within the procurement department to monitor the government.
- Mr. Speaker, the Office of the Deputy Governor will account for 0.98 percent of government expenditure in 2015/16.

### **Financing the Expenditure - No New Revenue Measures**

Mr. Speaker, we have introduced a total expenditure package of \$224.7 million.

The big question then, is how do we plan to finance the expenditure envelope?

Mr. Speaker, all of this investment - and savings - in developing the success and sustainability of the Turks and Caicos will be financed through existing revenue streams.

Mr. Speaker, the total revenue package is \$238.1m; it is an 8.6 percent increase over the budget for 2014/15.

Recurrent Revenues account for 96 percent and Non-Recurrent Revenues 4 percent.

There are no new revenue measures that will be introduced in this financial period.

Mr. Speaker, revenue performance improved in 2014/15 particularly due to activities in the tourism sector and the robust compliance program employed by the Revenue and Customs Departments.

Additionally, the base of the Hotel and Tourism Tax was expanded in November 2014 to include tourism services provided by independent providers.

The tax is now being levied on a list of prescribed tourism services including tours, spa, water sports, horseback riding, etc.

This measure levelled the playing field as hotels and resorts were already accounting for tax on these services.

Mr. Speaker, as part of its tax rationalisation plan, the Turks and Caicos Islands Government continues to provide much needed relief to its citizens.

Business License fees are being slashed by an average of 50 percent across the board effective 1st April, 2015.

It is our intention that this relief will encourage more Belongers to launch and or expand their businesses.



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Mr. Speaker the Government has approved variation in the imposition of the Domestic Financial Services Sales Tax (DFSST).

The Bill to give effect to this proposal is currently pending approval of the House of Assembly.

It is intended that effective 1 April 2015; the DFSST will be imposed on outgoing money transfer only at the rate of 12 percent. It will be removed from a wide range of services fee charged by financial institutions to its clients.

Some of the service charges that will no longer be subject to the tax include those relating to Letter of Credit, ATM withdrawals, late payment fees, and returned cheques.

Mr. Speaker, the Government is currently contemplating a proposal to consolidate into one single general services tax five separate sales tax type revenue streams namely:

- the Hotel and Tourism Tax
- Domestic Financial Services Sales Tax
- Stamp Duty on Vehicle Hire
  
- Insurance Premium Sales Tax
- Telecommunications Tax

The consolidation is part of our ongoing effort to reform, strengthen and simplify our tax administration and improve the credibility of our tax system.

This is not a new tax, there will be no surprises and the impact will be revenue neutral.

Freight and Insurance Tax (FIT) has been removed to help stabilise the economy and help give back.

This budget has been designed to support further growth in the TCI.

We understand the needs of Turks and Caicos Islands' businesses.

We have listened to their views.

We are trying to help them conduct their business more easily.

This is why we have budgeted for an additional four staff to work to expedite the speedier processing of work permits.



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### Debt Management

Mr. Speaker, the government's approach to debt management has been centered around striking the right balance between;

- financing cost
- cost stability
- risk

Mr. Speaker, the \$260m UK loan guarantee expires in February 2016. We currently make use of \$170m of this facility.

At the end of the financial year 2014/2015 the Turks and Caicos Public Debt to Gross Domestic Product ratio will be 24 percent. Whereas total revenue to GDP is estimated at 30 percent.

Turks and Caicos' overall borrowing commitments are reducing as a result of the actions of this government.

This is the most prudent course of action - reducing debt as it:

- improves investor confidence in the Turks and Caicos
- improves the quality of our borrowing options as we are seen as safe
- keeps the costs of borrowing as low as possible - great news for the taxpayer
- also ensures that we do not pass on the burden of debt to the next generation

Mr. Speaker total public debt held by the Turks and Caicos government at the end of financial year 2014/2015 is estimated to be \$191.7m. Net public debt by the year-end will approximate \$131.7m.



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### UK Loan Guarantee

Mr. Speaker, I would like to take a moment to discuss the specific plans surrounding the Turks and Caicos refinancing its loans independent of the UK guarantee in February 2016.

The sinking fund currently stands at some \$60m. We are planning to make a further contribution of at least \$37.2m early in the financial year 2015/2016.

Further, I plan a further deposit of \$19m by February 2016 bringing the total in the sinking fund to more than \$116.2m.

Remember we currently make use of \$170m of the \$260m UK guaranteed facility.

So, this would see us need to independently refinance less than \$54m on the markets.

Mr. Speaker sir, I cannot highlight enough just how much of an astonishing turnaround this is.

- We faced real financial difficulty
- We swallowed hard and have now largely overcome these
- We will refinance this balance in February 2016, and look to pay off this lesser amount in a planned and sustained way too.
- In just a few years' time, the Turks and Caicos will be largely debt free, with the associated cost savings that this brings, and can look forward to a future where we are free to invest, spend or save our surpluses as we see fit.
- Mr. Speaker, the Turks and Caicos are clearly taking giant steps towards being financially independent, with all of the responsibility that this implies.

To this end, Mr. Speaker, my acting, Permanent Secretary and our refinancing advisor, met with major regional financial institutions in Trinidad and Tobago last month.

They met with a number of banks, asset managers and other financial institutions in Port of Spain, and began telling them the dramatic story of our successful turnaround.

The response was enthusiastic - our officials were told that the Turks and Caicos had made an 'impressive bounce back', that the government here had 'done the right things' and that our BBB+ investment grade credit rating awarded by Standard and Poor's in 2014 is seen as a critical factor in the future success of this country.



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Mr. Speaker, there are a number of critical steps towards our successful refinancing during this financial year.

- Standard & Poor's will reassess our credit rating in May 2015
- Negotiations will begin around September 2015 with potential refinancing investors
- The refinancing will, of course, take place in February 2016

This is so critical to the future success and suitability of the Turks and Caicos, Mr. Speaker, that it requires cross party political unity at all levels of our society.

Silly, dissenting voices, motivated by misguided short term political gain could - intentionally or unintentionally - damage their country's future prospects for years to come.

### **Business Transformation Programme**

Mr. Speaker, I now turn our attention to the Business Reform Programme, which I prefer to call the Business Transformation Programme (BTP).

The strategy for this was formally approved by Cabinet in January 2014.

The BTP consists of three vectors:

- growing a sustainable economy
- investing in our people
- transforming Government

The BTP is a plan to reengineer the way TCI Government operates to deliver the greatest value.

E-government tools, for example, will serve as a catalyst to initiate significant improvements in the way that business and government interact, clearly, heightening efficiencies in every aspect of what we do.



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### **Investment**

Over the past year the Turks and Caicos Investment Unit has entered into a number of Memoranda of Understanding and Development Agreements.

- the \$175m Caonabo Resort and Spa on Grand Turk
- the \$140m Viceroy development at Cooper Jack on Providenciales
- The \$100m Desarollos Ritz Carlton development in Providenciales

The Government is also in talks with proposers of two shrimp breeding projects worth a combined \$130m, also in Providenciales

Mr. Speaker, I would like to bring your attention to a recent initiative that the government has undertaken to incentivise investment throughout the islands.

The Government has recently decided to establish enterprise zones in designated areas throughout the country. The Premier will provide details on the initiative. In short, what it postulates is that for zones in Providenciales, a 75% discount will be granted on customs duties associated with construction and out-fittings for new investment projects whilst for similar imports in the other islands customs duties will be zero rated for the prescribed zones. There will be specific threshold requirements for Belongers and FDIs too. We hope that this will encourage potential developers to participate and benefit from the window of opportunity.

These too have the future to play their part in securing the future success and sustainability of the Turks and Caicos Islands.

Crucially, they build on our undoubted strengths in tourism, but also offer a real opportunity to diversify our economy also.



## GOVERNMENT OF THE TURKS AND CAICOS ISLANDS

### Summary and Conclusions

In summary, therefore, Mr. Speaker, I commend this budget to this House for the following reasons:

- This forward looking budget will deliver an unprecedented positive financial performance for the Turks and Caicos
- Our stewardship of the economy has seen a return to growth and a dramatic upturn in our economy
- Responsibility will remain our watchword
- This Government has clearly demonstrated its effective stewardship of the Turks and Caicos economy - we all benefit from having one of the most successful economies in the Caribbean
- In this crucial year, where we will seize and once in a lifetime opportunity to shed the burden of debt from our nation, we must continue to be prudent and responsible
- We will continue to play our part as a responsible, transparent and accountable nation in our region
- This Budget paves the way for greatly improved living conditions, job creation, creativity and innovation and increased investor confidence
- Mr. Speaker, this budget signals the end of austerity in the Turk and Caicos Islands - I commend it both to you and this House

Thank you for your attention.