

# *Turks & Caicos Islands*

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

## 2014/15 BUDGET ADDRESS

“A Progressive Agenda, for Structural Change, Economic  
Growth and Job Creation”

Presented by:

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**MINISTER OF FINANCE, INVESTMENT & TRADE**

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### Introduction

Mr. Speaker, I rise today, to present my Government's Progressive Agenda, for Structural Change, Economic Growth and Job Creation.

Mr. Speaker, I do so by the grace of God; the invaluable love and support of my family; and the inspiration of those faithful to the just cause of equality, opportunity and fairness. I do so for those who believe in me, and for those unsung heroes of nation building on whose shoulders I now stand.

Mr Speaker, the last 20 months have been a challenging journey that reminds me of Winston Churchill's statement "if you are going through hell, keep on going". The frustration caused by intransigence by Her Majesty's Government (HMG) and arbitrary obstruction by some in this House has severely tested this government, and the people of this country. However, Mr. Speaker, my Government's dedication to the course is now beginning to bear fruit, and for this I must single out some for special thanks.

Mr. Speaker, I am especially thankful to the Permanent Secretary, Finance and her team in the entire Ministry of Finance, Trade and Investment for their dedication and expertise. They continue to work tirelessly to safeguarding scarce public resources, and to deliver value for money to our people. I deeply appreciate your support and your willingness to go beyond the call of duty. I also wish to thank my PA for her unflinching attention to details and her concern for my welfare. I wish to thank, the



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CEOs and their teams of the following entities, that I have portfolio or statutory responsibility over for their co-operation and hard work. Mr. Speaker, I refer to the:

- NIB
- Airport Authority
- Ports Authority
- Civil Aviation Authority
- NHIP

I wish to thank the Deputy Governor, accounting officers and all the public servants for their unwavering commitment to the people of these Islands.

Most of all Mr. Speaker, I am grateful to the people of the Turks and Caicos Islands for the confidence that they have entrusted upon me. Mr Speaker, since ‘the Government is merely trustees for the public’, I am reminded by Shakespeare’s caution: “Be just, and fear not: Let all the ends thou aim’st at be thy country’s, thy God’s, and truth’s.” Mr Speaker, despite being misunderstood, and sometimes maligned, I pledge my efforts to country, God and truth.

Mr Speaker, my call to my colleagues in this House is consistent with that as admonished by Nehemiah 2:17. “Ye see the distress that we are in, how Jerusalem lieth waste, and the gates thereof are burned with fire: come, and let us build up the wall of Jerusalem.” “And they said, Let us rise up and build. So they strengthened their hands for this good work.” I say to them, join me in building up the Turks and Caicos and its people.



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Mr. Speaker, this government is on a path to banish structural deficits and build a record of strong, sound, prudent, and consistent fiscal management. This will lead to a brighter future and opportunities for all. Whether you are from, Salt Cay, Grand Turk, South Caicos, East Caicos, Middle Caicos, North Caicos Parrot Cay, Pine Cay, Providenciales, West Caicos, this plan will represent an opportunity for all.

### **Performance Review 2013/14**

Mr. Speaker, members constantly refer to the Public Financial Management Framework Document more commonly called “the framework document”; however, I am convinced that many are unfamiliar with the document and its influence on my Government’s decisions. Last year, in my address to the nation, I outlined that leading into the fiscal year 2015/16, the budgets tabled will be heavily influenced by restrictions set out under the Public Financial Management Framework Document (PFMFD).

Mr. Speaker, the Framework Document was agreed by the UK Government and the Interim Administration as a condition of the debt guarantee; but also deals with other obligations placed on its OTs by the UK. Mr. Speaker, the PFMFD is a constitutional requirement. Section 109 (6a) states that the document approved by the Interim Administration is the framework document currently in force. Mr Speaker, to avoid confusion, I take pleasure in formally laying the document on the table so that all members may have access to it, and appreciate its importance in the management of TCIG’s finances.



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Mr. Speaker, it is also my government's intention to have a more pragmatic framework document that better promotes and facilitates economic growth and development leading up to fiscal year 2016/17. Mr. Speaker in that regard, my government has begun to engage the UK government on elements of the PFMFD that can be changed leading into February 2016.

### **Fiscal Performance 2013/14**

#### **Macro-economy 2013**

##### *International Market*

Mr. Speaker, the economic recovery in high income countries is gaining momentum. According to the global economic prospects magazine, these economies are expected to grow by 1.9 percent in 2014 and accelerate to 2.4 percent in 2015 and 2.5 percent in 2016. The global economy is projected to expand by 2.8 percent this year and strengthen to 3.4 percent in 2015. Within the advanced economies, our major trading partner, the U.S. which contracted in the first quarter due to severe weather, is expected to register growth of 2.1 percent in 2014, which is slightly down from the previous forecast of 2.8 percent. Further strengthening is projected in the US economy for 2015. The expansion in the U.S. economy has led to a significant reduction in the rate of unemployment in that country. The Euro Area is on target to grow by 1.1 percent this year. China and India are expected to continue registering above-average real growth through to 2015, though at rates somewhat lower than in the recent past. Brazil is expecting a growth rate of 1.5 percent.



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### *Caribbean Region*

Mr. Speaker, in the Caribbean region, Anguilla is expecting a growth rate of 0.94%, Montserrat 1.33%, St. Kitts and Nevis a growth rate of 3.62%, Antigua and Barbuda 2.48% and St. Vincent and the Grenadines 1.87%. Mr. Speaker, these figures show that the economies of the region are on a more stable footing. However, I caution that though the region's economies are on a more sound footing than they were during the shocks of the mid-1990s, most countries of the region are in a weaker position than they were in 2007, prior to the onset of the Great Recession.

### *Local Economy*

Kaushik Basu, Senior Vice President and Chief Economist at the World Bank stated in June of this year that:

*“The financial health of economies has improved. With the exception of China and Russia, stock markets have done well in emerging economies, notably, India and Indonesia. But we are not totally out of the woods yet. A gradual tightening of fiscal policy and structural reforms are desirable to restore fiscal space depleted by the 2008 financial crisis. In brief, now is the time to prepare for the next crisis.”*

Mr. Speaker, what does the scenario above mean for the Turks and Caicos Islands? What is the significance of the growth in these economies to the Turks and Caicos Islands? It is simple. These positive developments augur well for prospects of future growth in this country, and especially for our most important tourism sector. But we must not become complacent; we must aggressively pursue our development goals. At the same time preparing for any external shocks, we must prepare for the next



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financial storm. In doing so, citizens and residents of these beautiful Turks and Caicos Islands must put their shoulders to the wheel and seize the moment.

Mr. Speaker, the Department of Statistics has estimated that real growth of the Turks and Caicos economy in 2013 was 1.32 percent, down significantly from the 3.5 percent rate they had projected earlier last year, and which was quoted in the House on several occasions. One important factor in this weaker-than-expected performance relates to some weaknesses in tourism activity last year. It is estimated that the number of stopover visitors fell by 0.4 percent. Visitors from Canada, the second largest source market fell by 16.1%. There was a reduction in air lift by both Air Canada and Jet Blue. The closure of Beaches in September and October did not help the situation, but also affected the performance of the tourism industry. Also Mr. Speaker, some of the investment projects slated to get started in 2013 did not materialized because of unforeseen delays. This Mr. Speaker, is a reminder to all of us of the fragility and volatility of the tourism sector, and the need for greater diversification of our economy.

Mr. Speaker, last year when I addressed this House, I spoke of the extensive history of a permanent structural deficit that confronted successive administration. Mr. Speaker, our plan for financial prudence will banish this situation as previously alluded to.

### **Financial Performance**

Mr. Speaker, the unaudited figures, showed an operating surplus of \$30.7 million or 32% increase over the budget projections for 2013/14. I stand here as the proud Trustee of this Ministry, as we announce that this milestone achievement of an



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operating surplus, was largely due to growth in the recurrent revenue. Mr. Speaker, we ended the 2013/14 fiscal year with recurrent revenue of \$200.3 million; it was \$9.9 million or 5% above the budget estimates and 11% more than the previous year's collection. This resulted in a contribution to the Sinking Fund of \$17.2 million. Mr. Speaker, this unprecedented performance in recurrent revenue since 2008, is as a result of the restoration of investors, visitors and consumers' confidence in our economy; and the restructuring of the Customs and the Revenue Departments to include increased compliance audits.

Total revenues for the year was \$203.5 million, which was \$0.4 million below the budget target. This shortfall was due entirely to deficiencies in non-recurrent revenues. It is therefore clear that we cannot continue to depend on one-off transactions to finance government expenditure. Non-recurrent revenues were 77% below budget estimates for 2013/14.

Mr. Speaker, last year I mentioned during the budget debate that we were poised to strengthen the overall financial management and governance structures at the Ministry of Finance, Trade & Investment. Mr. Speaker, the strengthening of the management structure, the governance framework and the internal controls that we spoke about during the last budget debate have also returned success in 12 months. I am satisfied that an effective and efficient system is now in place to manage government commitments and to further reduce wastage of public funds.

Mr. Speaker, we closed financial year 2013/14 with recurrent expenditure of \$154.6 million; this was \$7.0 million or 4% lower than the revised budget; this was partially because of:



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- a delay in development projects getting off the ground due mainly to the bureaucracies of the procurement guidelines; Mr. Speaker, the government is working assiduously to fix this problem, and;
- our inability to attract qualified competent staff in some sectors such as Health.

### **The Capital Expenditure Programme Performance 2013/14**

Mr. Speaker, the Capital Programme's unaudited actuals for the period 2013/14 showed total expenditure for locally funded projects of \$8.5m when compared to a revised appropriation of \$9.8m. Overall, the capital programme expenditure from all funding sources totaled \$9.7m in financial year 2013/14. Some of the noteworthy projects throughout the islands in 2013/14 and ongoing are the following:

- The completion of the first phase of the Causeway linking North and Middle Caicos with the installation of additional culverts.
- The construction of the RO building and the installation of the new RO plant for GDT.
- The construction of the warehouse and office for Customs GDT.
- Completion of the twelve classroom block at the Ona Clinton Primary School in GDT.
- Continued construction of the Fish Market in GDT
- Continued replacement of the Dock for South Caicos.
- Continued EU Housing Project, TCIGs counter-part contribution to the EU Grant for refurbishment and construction of houses destroyed in 2008 by hurricane IKE on the islands of South Caicos, Salt Cay and Grand Turk.
- Continued upgrading of the Salt Cay Clinic
- Continued construction of an additional toilet block at CHHS.



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- Continued construction of a bathroom block at Ianthe Pratt Primary School.
- Completion of the Home Economics Facility at the Marjorie Basden High School in South Caicos.

Mr. Speaker, during 2013/14, a number of capital projects when tendered received no bids, and had to be re-tendered on numerous occasions which impacted on the overall performance of the capital programme; added to this was the late approval of the budget which provided less time to implement a number of projects.

### Structural Change, Economic Growth and Development 2014/15 and Beyond

Mr. Speaker, achieving the level of economic growth and development that is desirable by the Islands to place our country among a top ranked globally competitive nation, such as Singapore, can only be achieved through the introduction of broad based, equitable revenue streams, growth and development and or consistent borrowing.

Mr. Speaker, as proud as I am, that the economy is rebounding; it would be remiss of me to pretend that the government is content with the present fiscal position of this country. No, Mr. Speaker, there is the need for far more. It is therefore the intention of my government:

- to continue to provide and improve on healthcare services that are reliable, accessible, affordable, and sustainable;
- to continue to provide first class primary, secondary and tertiary education;
- to continue to provide crime and welfare protection;
- to continue to provide better infrastructures;



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- to continue to ensure greater presence and development of culture and national pride;
- to continue to enforce immigration, labour, and border control policy;
- to continue to improve and maintain good governance;
- to continue to ensure that there is sustainable use of our natural resources;
- and to continue on the path to sustainable economic prosperity.

Mr. Speaker, this Government's tax rationalisation strategy aimed at ultimately reducing the cost of imports has been unsuccessful. We get that our people do not wish to see any further increase in taxes. This may mean that the pace at which we are able to deliver some important services will be altered; but as a government, we are not discouraged; we are committed to ensure that our people can attain a standard of living equal to those in the most successful democracies.

Mr. Speaker, this government has also taken a position that we will not fall in a similar trap to that of some other Caribbean neighbours, and wantonly borrow to develop this nation at the expense of generations yet to be born. Mr. Speaker, prolonged borrowing and extended loan repayment periods, is a recipe for fiscal disaster; all it does is allow us to mortgage the future of future generations. It endangers social programs that we benefitted from, and our children will soon depend on.



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### FISCAL PROJECTIONS

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#### Macroeconomic Indicators 2014/15

Mr. Speaker, Honourable Members, it is important to look back and reminisce about good fortune and bemoan misfortune, in order to inform our decisions and actions for the future. This is necessary to avoid making the same mistakes; and so with the benefit of past experience, it is time to chart a new path out of our national predicament. Mr. Speaker, my Government is irrevocably committed to banishing structural budget deficits; we will not mortgage the future of our children by living above our means. We will continue to monitor and prioritise public investment and recurrent expenditure in a way that will promote economic growth and benefit the masses.

Mr Speaker, because of the difficult common sense decisions of this government, an expansion of 4.6% is forecast for the economy in 2014. This outlook is based on anticipated increases in the main drivers of economic growth (namely tourism and construction). The hotel and restaurant sector is expected to increase in 2014 by 6.1% and construction 4%. It is also projected that other sectors will record increases in economic activity. Inflation remains relatively low in line with the United States. It means that we are now on a good growth path.

Mr. Speaker, we are aware that there are downside risks such as increase in oil prices which can cause air travel to become prohibitive and which can lead to a poor upcoming winter tourism season. Also, poor economic performances and an increase in unemployment in the USA and major source markets can affect our economy, but



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this underscore the need for greater diversification of this economy, which my government is striving towards. Mr. Speaker, our goal is to have an economy that is able to withstand these downside risks. While downside risks are present, the Statistics Department asserts that upside potential clearly exists over the medium term.

My government over the last 20 months, has worked diligently on a quest to strengthen the foundations of this economy, to secure steady growth and investment opportunities in order to facilitate employment creation. Yes, I must admit that whereas we have been able to attract a number of investment projects; these major projects have a lengthy planning cycle, and in some cases the implementation process has been slow, tedious and sometimes frustrating, as government try to balance the need for concessions against benefit for the masses. However Mr. Speaker, my government is continuing its push to develop new and expanded private sector investment projects across the entire Turks and Caicos Islands, of which I will speak to in more detail during the course of my presentation.

### **Budget Estimates 2014/15**

Today, Mr. Speaker, I commit to this House the 2014/15 budget estimates that is built on a record of strong, sound and consistent fiscal management. As president Obama articulated to Americans, so must we, ‘there is a need for a vision – a vision where we live within our means while still investing in our future’; Mr. Speaker, as previously stated when I laid the budget in this House, this budget reflects this elected government’s strategic policies and priorities. It provides for investment in our people while remaining within our means.



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The budget was crafted with the best interest of the nation at heart, Mr. Speaker, and the allocations are prioritized in accordance with the strategic priorities of the government and in accordance with the international obligations; some of which are set out in the Millennium Development Goals (MDG). There has been no compromised to any of the major sectors; health care, education, crime prevention and welfare collectively accounted for approximately 50 percent of the budget allocation.

Mr. Speaker, this budget that is being proposed before you today has no spending cuts. Total expenditure amounts to \$200.5 million; this represents a 5% increase over the revised budget for 2013/14. Of which, \$12.8 million or 6% will be allocated to the capital development fund and approximately \$13.4 million or 7% to the sinking fund to manage our debt portfolio.

### **Health Care**

Mr. Speaker, consistent with the global trends and the Millennium Development Goals (MDGs), health care was allocated 28 percent of the total expenditure budget. Mr. Speaker, I am mindful of the critics that will suggest that we have, over-allocated to the Health Sector and that we are to move to manage the health care contract. But Mr. Speaker, significant efforts have been made to ensure that the accountability framework relating to the hospital contract is improved; in fact, we have reduced our allocation to the NHIP and the Interhealth Canada contract by \$2 million. Mr. Speaker, we have refocused on our health care plan on strengthening primary health care. As such, we have increased our allocation to primary health care by \$2 million. Mr. Speaker, we are also mindful that the majority of Islanders cannot afford and does



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not have private health insurance, and as such we will continue to ensure that they have access to first class health care.

Mr. Speaker, it is my government's aim to:

- Reduce child mortality – the death of one child is too many.
- Improve maternal health
- Combat HIV/Aids and other diseases
- Embark on health, promotion, prevention and health education
- And to provide access to affordable, essential drugs.

Mr. Speaker, last year we allocated \$200,000 to purchase ambulances for South, North and Middle Caicos. Mr. Speaker, there were three tender attempts made that proved futile. In 2014/15, we have allocated an accumulated total of \$500,000 to purchase ambulances for ALL Islands, and Mr. Speaker, the procurement process is well on its way.

### ***Education, Youth, Sports and Library Services***

Mr. Speaker, 10.8% of the budget has been allocated to the Ministry of Education, Youth, Sports and Library Services. This underscores our commitment to provide, first class, early childhood, primary, secondary and tertiary education; Mr. Speaker, we have allocated approximately \$1.0 million dollars in funding for the split of Clement Howell High School. This will ensure that the problem of overcrowding is dealt with and future generations receive the quality of education that they so rightly deserve.



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### **Crime Prevention**

Mr. Speaker, crime prevention is important to this government; protecting our international reputation of a crime free country is even more important. In 2013/14 we invested almost \$1 million into purchasing new vehicles for crime fighting. Once again the police are visible on all Islands. A total of \$20.7 million or 10.3% of the 14/15 budget has been allocated to national security and crime fighting.

### **Tourism**

Mr. Speaker, another check on my delivery list, when I spoke during the budget debates last year, I mentioned that one of our policy reforms was to enhance the tourism product; Mr. Speaker, twelve months later it has been reported that we have a record 41% increase in visitor arrivals in the first quarter of 2014. With the forthcoming budget, my government will continue its support for investment both domestically and foreign direct investment. The new budget provides for increases in marketing by 30%. An additional \$500,000 has been allocated to market the destination.

Mr. Speaker, may I take this opportunity to thank the Turks and Caicos Hotel and Tourism Association (TCHTA) membership and the hospitality industry for the efforts that they are making to introduce our young people to the opportunities in the hospitality industry, through the Young Chefs Program, and this summer the Spa Camp. These will lead to well-paying jobs in the future for these young people.



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### Poverty Eradication

Mr. Speaker, one of the Millennium Development Goals (MDGs) speaks to eradicating extreme poverty and hunger. Mr. Speaker, this government is committed to achieve this goal.

Mr. Speaker, earlier this year the Department of Statistics and CDB released the country poverty report, which we as a government welcomed, because we now have a working document that not only reminds us of the state that we met our people living in, but which also gave us a benchmark to be used as we try to implement policies and programmes to better the lives of our people. What my government finds annoying, is that there are persons who try to mislead the public by giving the impression that this report covered the 20 months that my government has been in office. This is far from the truth. Mr. Speaker, this report even though released in 2014 was conducted in early 2012. Mr. Speaker, it amazes me that some members of this House would mislead the public that this government of 20 months young is responsible for the poverty statistics' in 2012. Mr. Speaker, nobody on this side was a part of the Interim Administration.

Mr. Speaker, the same cannot be said by the Opposition. It is an incontrovertible fact that living standards declined significantly under the Interim Administration, dragging many below the poverty line. The Opposition had considerable involvement in the Interim Administration either directly or by proxy. Can they say that they did their best leading up to this study to influence the decisions which resulted in the deplorable state of poverty in 2012 as reported by the Poverty Assessment Report? I think not, Mr Speaker.



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Mr. Speaker, I am here to tell our people that help is on the way. My government has taken this poverty report very seriously, and even though there are economic challenges; we have started the process during this budget cycle of dealing with the incidence of poverty outlined in this report. Mr. Speaker, if we want to get our people out of poverty we must start with the education sector.

Mr. Speaker, Nelson Mandela opined that, “Education is the most powerful weapon which you can use to change the world”. Mr. Speaker, my government during this financial year with contribution from the CDB BNTF program will construct two early childhood centres in two of our primary schools. The BNTF programme is a poverty alleviation programme. TCIG’s contribution is \$94,010 over two years, with \$55,200 budgeted in 2014/15 and \$38,010 budgeted in 2015/16. This is matched by \$615,502 grant assistance from the Caribbean Development Bank, with \$300,000 budgeted in 2014/15, \$200,000 in 2015/16 and \$115,502 in 2016/17.

Mr. Speaker, my government will use these funds to invest in early childhood programmes in our primary schools, to construct two new centres as well as provide training for our teachers in the area of early childhood development. It is my government’s belief that early childhood is a critical time for our children because it is at this stage they develop the foundation of their brain for learning during the rest of their lives. We are therefore helping our future citizens to become more productive. We are therefore taking a proactive stance by making sure that our children receive a good foundation.



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Mr. Speaker, the EU Housing Initiative is grant funding provided through the European Union to the Government of the TCI. The total project cost is €5,040,000 of which the European Commission's contribution is €4,300,000 and TCIGs contribution is €740,000; €660,000 which is co-financing by the government and €80,000 is in-kind contribution.

The overall objective of the project is the reduction of poverty post Hurricane Ike. The specific objective is to restore to an acceptable standard of living to uninsured, vulnerable citizens affected by Hurricane Ike and strengthen resilience of affected communities in the event of future disaster events.

The project initiative will focus on those islands namely South Caicos, Salt Cay and Grand Turk where most of the housing stock were damaged after the passage of Hurricane IKE in 2008. Mr. Speaker, if you drive around these islands now you will see an increase in construction activities, as new houses are being constructed and damaged houses are being renovated or rehabilitated. This, Mr. Speaker is a part of poverty alleviation. This will also help to increase the level of employment on these islands in the short-term. We are working to ensure that by the time this project is finished, the long-term projects in the pipeline will come to fruition.

### **The Capital Expenditure Programme 2014/15**

Mr. Speaker, this government is committed to the sustainable development of the TC Islands. However, we face the age old challenge, and demand for the duplication of Government resources over a sparsely populated chain of islands stretching over 200 square miles. Nevertheless, we are committed to the equitable distribution of public investment to the benefit of all of our people.



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Mr. Speaker, regrettably our plans for the development of the TCI Infrastructure has been significantly delayed by the setbacks relating to the payroll tax. However, a total of \$18.7 million will be spent on capital development in this fiscal year. Of this amount, \$12.8 million or 6.6% of the national budget has been allocated from the Government's coffer. The additional funding will be provided by other sources such as EU and CDB.

Mr. Speaker the approval of the 2014/15 budget is also late, however, the Public Works Department and the Strategic Planning and Policy Department have begun planning in advance for the implementation of these projects, so there will be an increase in the number of projects that will be implemented during the financial year, and increase employment opportunities for our citizens.

Mr. Speaker, I shall like to make mention of a number of the capital projects to demonstrate our attempt to cover all of the islands.

### Grand Turk

- Light House Road Resurfacing –
- Refurbishment and outfitting of the Wellness Centre
- To continue the construction of the Fish Market, West Road

Salt Cay approximately \$250,000 for the following projects:

- Installation of a water plant
- New construction of a building to house the new RO plant
- Upgrade of the Salt Cay Clinic

Middle Caicos and North Caicos, approximately \$750,000:



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- Middle Caicos bathroom Projects - \$15,000
- Furniture and equipment for the Middle Caicos Clinic \$50,000
- Ongoing work on the North/Middle Caicos Causeway

South Caicos:

- the replacement of dock project;
- recommencement of the South Caicos Airport Development, including the construction of the Control Tower and Fire Station.

Providenciales:

- Construction of a Remand Centre
- Upgrading of the Port at South Dock
- Refurbishment of and Outfitting of the Public Health Lab.

Mr. Speaker, in addition the following new projects are slated for Providenciales:

- Phase 2 of the Border Management Information System.
- Construction of a Canteen at Clement Howell High School.
- Laboratory and Other Equipment for all Schools.

### **Debt Management**

Mr. Speaker, the importance of sound debt management practices cannot be over-emphasized. Risky debt management practices are bad for economies; it leaves economies vulnerable to economic and financial shocks; economies like ours are often at a greater risk because it is less diversified; But, Mr. Speaker, we are committed to meeting our debt obligations.



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Mr. Speaker, we ended the financial year 2013/14 with outstanding public debt of \$207.4 million or approximately 27.47% of GDP. Mr. Speaker, the Sinking Fund balance also stood at \$58.1 million. Mr. Speaker, our net debt, which is the total outstanding government debt less the accumulated amounts in Sinking Fund stood at \$149.4 million. Mr. Speaker, at the end of 2013/14, we were ahead of our Sinking Fund target by \$5 million. Mr Speaker, in 2014/15 our GDP growth rate is expected to rise to 4.6% with GDP per capita growth, moving from a negative 2.0% to a positive 4.8%. Our general government debt is expected to reduce to 23.82% of GDP and interest expenses are expected to reduce from 2.73% to approximately 2.46%. Mr Speaker, our net government debt is expected to reduce to \$137.2 million at the end of 14/15.

Mr. Speaker, the Sinking Fund at the first quarter of 2014/15 increased to \$62.2 million. As such, Mr. Speaker, my government is proud to announce that we retired the Scotia Bank Loan of \$9 million dollars last week using funds accumulated in the Sinking Fund. The new Sinking Fund balance is \$53.2 million. We now have a proven track record of creditworthiness. Mr. Speaker, as a result of our creditworthiness, performance against the framework document and savvy negotiation skills, my government was able to successfully engage the UK Ministers to reduce the Sinking Fund contribution for 2014/15. Mr. Speaker, permit me to publicly thank the Chief Finance Officer and UK Ministers for their confidence in my Government's management of the economy. Their agreement to reduce the transfer to the Sinking Fund is tangible support for the efforts TCIG continues to make to live up to its obligations.



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### Financing the Expenditure Budget

Mr. Speaker, we have introduced a total expenditure package of \$200.5 million. The big question then, is how do we plan to finance the expenditure envelope? Mr. Speaker, this will be financed through new and existing revenue streams.

Mr. Speaker, the total revenue package is \$219.3 million; it is a 2.5% increase over the budget for 2013/14. Recurrent Revenues account for 97% and Non-Recurrent Revenues 3%. There are some new revenue measures that will be featured in this fiscal year, these are:

- Dormant Account receipts; which will provide revenue of approximately \$1,000,000.
- Additional revenue from business licences renewal approximately \$800,000
- Expansion of the Hotel and Restaurant Tax to tourism services provided by independent providers. This measure is expected to yield an additional \$1.5million in revenues.

### Dormant Account Receipts

This new measure is to draw down first year receipts of \$1 million from dormant bank accounts. Under, the proposed legislation an account becomes dormant when it has been inactive for over 7 years. Notwithstanding that transfers may have been made to TCIG from accounts deemed to be dormant, accounts holders can make a claim for repayment and be refunded after due diligence has been exercised.



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### **Business Licences Restructuring**

Mr. Speaker, in November 2013, Cabinet approved the Tax Rationalization Plan which outlined various revenue raising measures to be undertaken including the restructuring of the Business License Fees. The restructuring of the Business License fees included assignment of fees in line with the nature and size of the business and reclassification of the Miscellaneous category.

The new business license fee schedule along with the expansion of the “Reserved” Category and introduction of a “Restricted” category were approved in March 2014 and came into effect on 1 April 2014. This was one of those decisions my Government was forced to introduce because of the intransigence of UK Ministers. As you know Mr. Speaker, it was greeted with derision. Mr. Speaker, my Government got here as a government of and for the people, we listened and acted promptly. The business license fees have therefore been revised, and a new fee schedule more representative of the community request has been implemented with effect from 1 July 2014. Mr. Speaker, the revision saw reduction of fees in several categories particularly in the Retail, Tourism and Construction sectors. We have also considered our young professionals who are desirous of starting their own business and have introduced a new category for sole professional practice at a low rate. Additionally, the date to renew business licences without penalty has also been extended to August 31, 2014.

Mr. Speaker, to further assist the people of TCI, this government will make amendments to the business license regime with a view to make setting up and operating a business in TCI less bureaucratic and onerous.



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### **Expansion of the Hotel and Restaurant Tax base**

Mr Speaker, the Hotel and Restaurant (Taxation) Amendment Ordinance 2013 provides for the imposition of tax on ancillary services (water sports and spa operators) in connection with the accommodation of guests. Mr Speaker, in order to give businesses the opportunity to properly plan, the collection of this tax becomes effective 1 November 2014.

### **REDUCTION IN TAX MEASURES**

#### **Customs Processing Fees and Freight and Insurance Tax**

Mr. Speaker, my government had indicated that subject to passage of the Payroll Tax Bill it would repeal the Customs (Charge on Freight and Insurance) Ordinance 2013 (Freight & Insurance Tax) that was levied in October 2013; however, because of its withdrawal, we are unable to deliver on this promise. Instead, we are reducing it by 50% this year with a view to totally repealing the Ordinance in 2015/16.

We also made a promise to roll back the CPF to 6% subject to the passage of the Payroll Tax Bill. However, for the same reason that we were unable to reduce the FIT, we are unable to roll back the CPF. The net effect of the elimination of these two taxes against the payroll tax would have resulted in savings to the consumers. Unfortunately we cannot now deliver this savings.

#### **Reduction in duty on certain vessels**

Mr. Speaker, water based recreation is an integral part of life in TCI and vital to our tourism product. Under the Interim Administration, duty on boats was increase from 10 percent to 40 percent. The anticipated revenues from the increase were not



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achieved. It proved to be a disincentive to the importation of pleasure crafts. Effective 1<sup>st</sup> April 2014, there was a reduction in Customs Duty on pleasure crafts, other marine vessels and row boats from 40 percent to 12 percent; and that of commercial fishing vessels from 30% to 10% to support the recreational activity for residents and tourists alike. Over the medium term we hope that this will result in an increase in revenue.

### **Changes to Customs Duty Free Shops**

Mr. Speaker, on July 1<sup>st</sup> Amendments were made to the Customs (Duty Free Shops) Regulations, which prescribed values for high value/luxury non-alcoholic/tobacco products destined for duty free shops. Goods falling within the prescribed rates continued to be subject to the 10% lowered rate of royalty. Those goods falling under the prescribed threshold became subject to normal tariff, and not the lower rate of 10% royalty.

### **Credit Ratings**

Mr. Speaker, this government intends to seek refinancing of \$85 million in 2016 when the \$170 million bond expires. As I previously said Mr. Speaker, in my address to this Honourable House, the Ministry of Finance engaged Standards & Poor's Rating Agency, to assess the ratings of the TCI. Mr. Speaker, on July 1, 2014, Standard & Poor's Ratings Services assigned its 'BBB+' long-term. Mr. Speaker, this is another proud moment for the people of the Turks and Caicos Islands.



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Mr. Speaker, Standards & Poor Rating Services, stated that the outlook on the long-term ratings is stable, reflecting their expectation of continuity in economic policies over the next two years. Mr. Speaker, they stated that TCI enjoys favourable growth prospects based on its well-developed tourism industry. Mr. Speaker, this success story is as a result of this government's continued effort to improve the governance framework, remaining financially prudent, facilitating economic growth and development and ability to meet our debt obligations.

Mr. Speaker, my government has a mandate from the people of this country, and as part of that mandate, they are entitled to have reasonable expectation that the government will provide social services, new and improved infrastructure projects; education (schools and upgrades to the community college); waste management; etc. This is only possible by private sector investment - especially through FDI since domestic capital is limited.

Mr. Speaker, the increased investment projects will create employment opportunities for our people, and will help to decrease the incidence of poverty highlighted in this report. My government has allocated \$700,000 for the strengthening of investment, which will help to create economic and employment opportunities for our people. But Mr. Speaker, we will be going even further, we have allocated \$50,000 for the drafting and setting up of a Credit Union legislation which will not only encourage our people to save but will create another avenue for our people to borrow money, which can be used to upgrade their standard of living whether it be for short courses or to upgrade their homes or start small businesses.



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Mr. Speaker, my government recognised that SMEs and Micro businesses are the backbone of a nation's economy and this is true for the Turks and Caicos Islands. These businesses represent the entrepreneurial spirit; create opportunities for innovation and local product offering embodying our nation's cultural expression and innate skills and services and employment opportunities.

Mr. Speaker, the Turks and Caicos Government recognises the importance of this sector, and the need to provide clear guidance and support to foster growth in the sector. In order to do this, we must work in concert with our industry professionals and local establishments to create a platform of growth for our existing businesses, and a sound and stable business environment for the encouragement of development by new businesses through innovative policies, information sharing and support.

Mr. Speaker, to deliver on our promise, to enhance and ensure the continuous growth and sustainability of the SME sector, the Government is working, in partnership, with the private sector (the Bankers Association) to advance our SME Initiative. To demonstrate our commitment, the Government and the private sector contributed matching funds for the advancement of the SME Initiative. This funding enabled the SME Oversight Committee to engage the services of consultants to conduct a research exercise with the objective of recommending the structure and terms of reference for the organization that would facilitate and support the SME sector.

Mr. Speaker, today I am happy to report that this research exercise is completed and the draft report is awaiting review by the Oversight Committee; once the committee



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endorses the report, it will be submitted to Cabinet for acceptance and approval. Cabinet anticipates receiving this report within the next two weeks.

Mr. Speaker, it is said that timing is everything, and this can hold true for our SME Initiative, as the Turks and Caicos Islands was visited, two weeks ago, by a consultant from the EU sponsored OCTs Caribbean Region SME Initiative Programme. The EU Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) aims at supporting the competitiveness, growth and sustainability of enterprises, in particular SMEs, and promoting entrepreneurship.

Mr. Speaker, the regional OCTs Oversight Committee has stated that the overall objective of the Programme is to contribute to the sustainable and climate-resilient economic diversification and prosperity of Caribbean OCTs by improving the competitiveness of SMEs in the territories.

The Programme has three specific objectives:

- A. To strengthen the capacity of the Governments of the Caribbean OCTs to service the business sector.
  
- B. To improve the capacity of Business Service Organizations (BSOs) to engage in public/private policy and administrative reform dialogue with Governments and provide services to their constituency of SMEs.



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C. To promote stronger collaboration, trade and investment relations among the EU, CARIFORUM and the Caribbean Overseas Countries and Territories.

The expected results of Specific Objective A are the improvement of policies and the legislative and administrative framework for SMEs to establish and conduct business in the Caribbean OCTs.

Mr. Speaker, in regards to this objective, I am happy to say that we are well on our way as our first SME Policy will be finalized next week for submission to Cabinet. I would also, at this time, like to thank the PS for the Premier Office for all his hard work in accomplishing this task.

The expected results of Specific Objective B are improved capacity of business support organizations to deliver the necessary services to their members and engage in dialogue with Government and improved competitiveness of SMEs participating in the programme.

Mr. Speaker, as mentioned earlier, Cabinet is anticipating, within the next two weeks, giving approval for the establishment of the business support organization as recommended by the consultants' report.

The expected results of Specific Objective C are improved collaboration, trade and investment relations among the EU, CARIFORUM and the Caribbean OCTs.

Mr. Speaker, with regards to this objective, the Ministry of Finance, Investment and Trade will ensure that the Trade Section of the Ministry is provided with the necessary



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resources to identify and enhance our national trade sector. This can be established in collaboration with our SME Initiative. We will also build on some of the exploratory work, already completed, to identify alternative markets for our local businesses to source products and services, with emphasis on the Caribbean Region whenever possible.

To facilitate the Caribbean OCT's SME Programme, a budget of 15 million Euros has been approved from the 10th EDF.

Mr. Speaker, as we are anticipating a return visit by the consultant from the Caribbean OCT's SME Programme, in the near future, I would like to take this opportunity to invite and encourage our local businesses and entrepreneurs to work with representatives from the Ministry in preparation for this return visit and ensuring that we have a number of business projects that can be submitted for possible financial grants.

### **Building a Prosperous Nation: A Reform Strategy for Growth and Empowerment Foreign Direct Investments**

Mr. Speaker, in 2013 my government commissioned a study aimed at improving the business environment. That study was captioned as: Building a Prosperous Nation: A Reform Strategy for Growth and Empowerment. It emphasized that the Government is keen to build a strong, adaptive economy driven by FDI, local investment, a diverse industry base and a commitment to equality of opportunity and sustainable practices for long-term stability and growth. We accept that even within the parameters of these principles, what constitutes success in economic development and the specific



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strategies to accomplish it will be interpreted differently by different people. However, the Government is determined to create a policy mix that will facilitate economic growth and improve the lives of TCI Islanders.

Mr. Speaker, concerns about investment has a parallel in the TCI Islander community where there are serious worries about incomes and jobs. In an economy where roughly half the workforce is imported, it is wholly understandable that there have been increasing calls for protection. Question marks over the lack of corporate and public responsibility by some investors have helped to fuel these calls. Mr. Speaker, the Premier, and the Minister for Boarder control will speak to specific policies to ensure that the interests of TCI Islander workers are balanced against the interest of FDI. What I can say Mr. Speaker, is that this government true to its promise is now growing the economy, and producing jobs. Better days are coming for employment in the Turks and Caicos Islands. “A promise made a promise kept.”

Mr. Speaker, Sir Winston Churchill once said that “The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty.” Mr. Speaker, optimism is like faith believing is not enough; you got to work your faith. Mr. Speaker, as a result of the hard work of my government, we now see new and expanded investment projects across the Islands with significant prospects for good job creation.

I now turn my attention to some of these projects.

### **Grand Turk**

For far too long our nation’s capital has languished, and the private sector has been shrinking. Mr. Speaker, many areas within the community have become blighted as



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people have migrated away from the old neighbourhood to new subdivisions, and the young people have been forced to move away from home to find jobs in Providenciales. Mr. Speaker, that trend must be reversed, we must, and will undertake a program of community renewal. The Carnival Infrastructure Fund now has substantial funds in it, and several major projects using these funds are slated to be undertaken starting within this year. Among them are: Restoration of NJS Francis Park, Resurfacing of Front Street and Light House Road, Construction of new Vending/Cultural Market, Upgrade/Refurbishment of unused buildings on Government Compound, Demolition of unserviceable structures at South Base, etc. The Minister of GSS would no doubt expand on this. I now turn my attention to the Private sector projects.

### **Dolphin Cove**

The Dolphin Cove Attraction is a \$3 million tourist attraction slated for Grand Turk. It will add attractions for our growing cruise visitors, and generate additional revenue from accommodation tax, now that the tax is expanded to include tourism services. My government has finally signed off on this project after many months trying to resolve a land swap transaction in order to facilitate the development of the North Creek Marina Resort Project.

### **North Creek Marina Project**

This \$60 million marina and resort project is vital to the redevelopment of a vibrant private sector in Grand Turk. It has taken far too long to reach to the stage it now is, for a number of reasons: among them the cumbersome awarding of crown land lease process, and conflicts relating to land owned by DCTCI. This understandable has resulted in frustration by both government and the developer. However contrary to



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the rumours circulating the project has not pulled out. Final changes are being made to the draft lease and licence, and we hope to be able to ink these within the next 10 days in order for the project to proceed. The people of Grand Turk will at last have new job prospects here at home. Mr. Speaker, there are several other job producing projects slated for Grand Turk in the near future including for the first time an FBO developed by a local Grand Turk entrepreneur. Additional projects are under negotiation, but not far enough along to speak to them with certainty

### **South Caicos**

Mr. Speaker, Phoenix is rising, and it is no myth like Grand Turk, South Caicos has seen better days. Mr Speaker, the best is yet to come. A new day is dawning for South Caicos. There is about to be a renaissance - an explosion of commercial activity that will once again establish the importance of South Caicos as the gateway between the islands, and restore it as the Big South. The projects below highlight the beginning of better days, and significant new job creation for South Caicos.

### **East Bay South Caicos**

I am happy to advise that the 4 Star East Bay Hotel will be opened on a phased basis on 1<sup>st</sup> October 2014. There are a total of 137 keys. This will result in increased employment opportunities for upwards to 100 full time employees when this property is fully functional.

### **Sail Rock Resort Development**

Mr. Speaker, CMK bought the extensive land holdings of the former Caicos Holdings Ltd, together with significant other private property, as well as some crown land. Its development vision is long term, and bodes well for South Caicos. It proposes to



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develop an extensive resort community catering for visitors, and long term residents. It currently employs 48 persons directly in the construction of 6 villas, plus a twelve room hotel referred to as the Great House. Four additional villas are slated to be started in August 2014. Mr. Speaker, I am pleased to say that from the outset it has chosen to employ local contractors, and the current contractor is an established son of the soil from South Caicos. The opening of the current phase of the project is scheduled for September 2015. Mr. Speaker we are looking at an additional 50 jobs in South Caicos next fall.

### **North and Middle Caicos**

Mr. Speaker, the twin islands of Middle and North Caicos is benefiting from day visits from the growing number of tourists staying on Providenciales. However, I am unable to report any new development projects for these two islands. Mr. Speaker, despite many expressions of interest, and several due diligence exercises, it is disappointing that the Royal Reef Resort has not been acquired by new developers, and remain derelict. Mr. Speaker, while I am unable to confirm it at this time. I am reliably informed that the St. Charles has been sold to a local entrepreneur, and plans to renovate the property and reopen it is under review. TCIG is reviewing a major project proposal for Middle Caicos. However, it is still too early to judge the potential chances of this project advancing to the development agreement stage.

Parrot Cay Mr. Speaker, two new villa developments on Parrot Cay are being undertaken, producing a number of new jobs. The contractor has a reputation for hiring TCIslanders, and I am told that the tradition continues with these projects..



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### **Providenciales**

Mr. Speaker, I now turn my attention to Providenciales the engine of the economy.

#### Providenciales International Airport

Mr. Speaker, work on the \$10 million expansion of the Providenciales International Airport continues. This project has created a number of jobs, and should help to not only make travelling easier for our visitors and residents but should also help the country to attract increased airlift boosting our tourism product and increasing government revenue. Mr. Speaker this is the first phase in Modernising air terminal facilities in Providenciales. Further expansion is part of our PPP pipe line.

### **Shore Club**

Mr. Speaker, construction on the \$100 million Shore Club which started in January of this year is on schedule for a December 2015 completion. Approximately 200 persons are employed on the project, with TC Islanders content of approximately 60 percent. This project Mr. Speaker, is expected to generate government revenues of approximately \$10 million annually when completed. The developers are actively planning phase two of the project.

### **Circle Holdings Limited**

Mr. Speaker, the development agreement for a \$100 million project on the old Third Turtle location was signed on Wednesday of last week. Construction is expected to begin in 2015. Mr. Speaker, approximately 300 persons will be employed during the construction phase of this project Phase 1 is expected to open for the tourism season



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16/17. It is expected to generate government revenues of \$9 million annually, and employ about 300 persons when completed

### **Desarrollos Hotelco Turks and Caicos Limited**

Currently Mr. Speaker, the developers are planning to develop three (3) luxury resort properties in Turks and Caicos. The first project was initially to be branded under JW Marriott Hotel with a start date in 2014. The project has been delayed because of change in branding. Mr. Speaker, it will be rebranded under the Ritz Carlton brand. The cost of the project is approximately \$200 million. The developers are now working to expedite the planning process with the view of starting construction before the middle of next year. .

### **West Caicos Reserve**

Mr. Speaker, we spoke of the Ritz Carlton West Caicos project in the budget debates last year. However, the project has been delayed. The developers have decided to redesign the project to facilitate a more exclusive clientele; the result is increased scale and cost of the project. They have also migrated away from the original brand in favour of a high end European brand. The developers are currently mobilising for the demolition of the existing structures, and dock facilities in preparation of for new construction expected to start in 2015. The number of persons employed will continue to grow as the project moves forward.

### **Micro Resort Projects**

Mr. Speaker, there are two micro resorts being developed in Providenciales:

#### **The Exclusive Micro Resort**



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The Exclusive Micro Resort known as the Residences by Grace Bay Club on Grace Bay Beach is currently under construction, Mr. Speaker. The Project is a \$12 million high end project, and will add value to the resort offering on Providenciales allow the Grace Bay Club to increase employment, and generate additional revenue for the islands

### **Beach Enclave**

Mr. Speaker, the second resort, the Beach Enclave is scheduled to start construction in September 2014. There will be 9 exclusive villas ranging from \$2 million to \$3.5 million It will also add value to the tourism offering, generate employment and revenue for the Government

### **Memorandum of Understandings Signed**

Mr. Speaker, in addition to the projects mentioned above, in the last 30 days my government has signed MOU's for the following projects:

- ✓ Toscana- ( 40 mill; 54 keys)
- ✓ Utopia (64 mill)

Mr Speaker, several other projects are under consideration, including an adventure resort project for Five Cays, and two new projects for Grace Bay.

### **Economic Diversification**

Mr. Speaker, my Government promised to diversify the economy, our efforts in that direction is starting to pay off.



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Mr. Speaker, this year has seen an increase in the diversification of projects and growth of new sectors such as education tourism, light manufacturing, agriculture and aquaculture.

### **Hothman American University**

Mr. Speaker, the Island is set to see the opening of its first off shore Medical School in down town Providenciales in 2014. The Initial investment of the project is around \$2.5 million. This project will provide new educational opportunities in the medical field for Turks and Caicos Islanders and it represents the arrival of education tourism in the Turks and Caicos.

### **Aquaculture**

Mr. Speaker, government recently approved the establishment of two shrimp farming operations in the islands with a combined capital investment value of \$125,000,000 over four years. Mr. Speaker today, shrimp is the most valuable traded marine product in the world. In 2005, farmed shrimp was a \$10.6 billion industry and the production is growing at an approximate rate of 10 percent annually—one of the highest growth rates in aquaculture. Indeed, despite a weak U.S. economy, Americans' consumption of shrimps has increased during its latest economic woes. TCI makes an ideal location for exporting to the U.S., the largest shrimp consumer in the world, since it is close to the U.S. and not subject to anti-dumping duties. Mr Speaker, the US has recently extended the anti-dumping duties until 2016 on import of warm water shrimps from India, China, Brazil, Thailand and Vietnam.

Shrimp is by far the single most consumed seafood in the world. According to the USDA Foreign Agricultural Service, the world consumes 9.5 billion pounds of shrimp



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annually, with over 1.7 billion consumed in the United States alone. Farmed shrimp accounts for 55% of the shrimp produced globally. Most shrimp aquaculture occurs in China, followed by Thailand, Indonesia, India, Vietnam, Brazil, and Ecuador, and it has generated substantial income in these developing countries. Farming has made shrimp more accessible to an eager, shrimp-loving public in the USA, Europe, Japan and elsewhere.

It is projected that these two operations will employ a minimum 500 skilled and semi-skilled workers on a full-time, year-round basis (and create more than 4,000 indirect jobs according to UNFAO statistics), and generate annual export earnings exceeding \$200 million. It would make TCI the largest aquaculture producer by value in the Caribbean and the only all natural, organic producer according to the sponsors of Global Blue Technologies one of the investors.

In keeping with our emphasis on the environment, the proposed projects will be sustainable, bio-secure, high intensity aquaculture complexes.

### **PUBLIC PRIVATE PARTNERSHIP**

Mr. Speaker, I turn your attention to Public Private Partnership (PPP). It is no secret that the financing requirements of our current and prospective infrastructure needs far outstrip the resources we have available. Meeting these needs is however critical to ensure continued, development and economic growth.

According to the International Project Finance Association, “budgetary constraints and an acknowledgement of private sector efficiencies and know-how are two of the principal reasons why governments around the world are taking the economic and political decision to accelerate the use of private sector finance and adopt Public



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Private Partnership models in order to deliver infrastructure projects which would have been previously built by the public sector using public sector finance.”

Mr. Speaker, my government has therefore set up a working committee to draft a PPP Policy and Framework Document. Mr Speaker, these documents have been approved by Cabinet last year and it is my intention to present these documents to the House for debate soon.

Mr. Speaker, the Turks and Caicos Government is committed to infrastructure delivery options that make the best use of the resources of both the public and private sectors. A Public Private Partnership (PPP) is a proven infrastructure procurement method that is increasingly being used by governments worldwide alongside more traditional methods to deliver infrastructure to the community.

The aim of a PPP, Mr. Speaker, is to deliver improved services and better value for money primarily through appropriate risk transfer, encouraging innovation, greater asset utilisation and an integrated whole-of-life management, underpinned by private financing. Mr. Speaker had TCIG had a PPP Policy and Framework Document we could have avoided some of the issues we face with the Interhealth Agreement.

A best-practice consistent approach to PPP delivery, through adoption of the PPP Policy and Guidance material, will have benefits for both the public and private sectors. These benefits Mr. Speaker, include minimising transaction costs, removal of disincentives to participation, and a stronger pipeline of PPP projects by ensuring only best-suited projects are considered for PPP delivery.

Mr. Speaker, my Government has established a pipeline of major projects, and is currently reviewing the economic impact of these projects before issuing RFPs from



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the private sector. Mr. Speaker, there is significant private sector interest in these projects. One of the big questions is whether the TCI people is ready to accept the social impact some of these projects will bring, especially that of population growth.

The choice between public and private provision of infrastructure will be based on funding availability and a rigorous value for money assessment as part of our procurement strategy. Mr. Speaker, where it is determined that private sector provision of public infrastructure and related services will deliver better value for money, the choice of contractors will be consistent with the Procurement Ordinance.

Mr. Speaker, achieving value for money is a key requirement of government, and is a combination of the service outcome to be delivered by the private sector, together with the degree of risk transfer and financial implications for government. Value for money is the driver for adopting the PPP approach, rather than capital scarcity or the balance sheet treatment.

Mr. Speaker, where the requisite value for money drivers exist, PPPs can potentially deliver significant benefits in design, the quality of services and the cost of infrastructure. PPPs can draw upon the best available skills, knowledge and resources, whether they are in the public or private sector. Departments and agencies can focus their own efforts on the delivery of core services, and use the savings generated to improve or expand other services. Mr. Speaker, PPPs also have the potential to bring forward infrastructure expenditure, including through delivering projects as part of a single package instead of staging capital development over the long term.



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### Financial Sector Reform

Mr. Speaker, the international financial services industry in the TCI has been in decline, for many years. A significant tranche of TCIG revenue goes to regulating this industry. It encompasses the work of the FSC, the EOI Unit, and a substantial portion of the AG chambers resources. Mr Speaker, we are signatories to a slew of regulatory treaties, and have enacted many pieces of legislation as it relates to Money Laundering, POC, Terrorist Funding at inordinate costs to Government, and especially potentially to charities and civic groups. Mr. Speaker, TCIG has a good reputation in the industry, and has been given a compliant rating by the Global Forum on Transparency and Exchange of Information for Tax Purposes

However, Mr. Speaker, while we have focused on legislation to ensure compliance and regulation to conform with best practice and adherence to directives from the various local, regional, and international regulatory bodies, this has increased the cost to the jurisdiction translating into less net revenue to government. At the rate that we are going, unless we can revive this industry it will become a cost centre rather than a revenue centre.

It is therefore critical, Mr. Speaker, that a strategic approach towards the modernization of legislation to support product development, marketing and promotion be undertaken to counter-balance the overarching regulatory function of the jurisdiction.

Mr. Speaker, last Wednesday cabinet approved the establishment of a Working Group representative of public and private sector stakeholders to develop a framework for the creation of an International Finance Centre (IFC). The objective of which is to develop a program and strategy for the marketing and promotion of TCI Financial Services Industry; facilitate and support the creation of new products and services; create strategies for sustainable financing of the IFC and recommendations to grow the industry, raise the profile of the jurisdiction and in time increase its contribution to Government revenue.

Mr. Speaker, so as to pre-empt any conclusion that this would significantly increase cost, let me say that as a cost containment measure the IFC, would initially come



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under the umbrella of the new IPA into which the IU is expected to transition by April 2015.

### Conclusion

Mr. Speaker, Africa's first elected female Head of State, Ellen Johnson Sirleaf, the President of Liberia and the 2011 Nobel Peace Prize Laureate stated in her Nobel Peace Prize acceptance speech that:

*"History will judge us not by what we say in this moment in time, but by what we do next to lift the lives of our countrymen and women. It will judge us by the legacy we leave behind for generations to come."*

Mr. Speaker, I cannot say why other persons entered politics, but many years ago, I felt this burning desire to serve the people of these Turks and Caicos Islands. I re-entered politics because of that desire to serve. Every move that I have made during my time in office whether popular or unpopular was geared towards lifting the lives of my country men and women. Mr. Speaker, this budget being presented here today, despite the many challenges we face, is no exception. There is no doubt that there are challenges, but tell me which country does not have challenges. This does not mean, Mr. Speaker, that we should stick our heads in the sand as some may want us to do and give up. This means that we must find innovative and creative ways to uplift the lives of our people.

Mr. Speaker, I have spoken to the country about the state of the economy which is now on the mend, and beginning to grow again. As stated earlier, our real growth will eventually be buttressed by economic recovery in the major external market. I believe that it was Theodore Roosevelt who once said that "in any situation, the best thing



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you can do is the right thing; the next best thing you can do is the wrong thing; the worst thing you can do is nothing. It is far better to try to do right and end up doing the wrong thing than it is to do nothing at all.”

Mr. Speaker, one can make corrections when a wrong thing is done, but nothing from nothing is still nothing. I have always tried my best to do the right thing, but what you will not catch me doing, is nothing. I believe in lighting a candle instead of cursing the darkness. Mr. Speaker, the most powerful force in our arsenal as a parliament is human cooperation – this could be used as a weapon for construction, or one for destruction. Mr. Speaker, we have a small window of opportunity to work together as a nation, putting party politics aside, and doing what is right and necessary to put our country back on a sustainable path of viability and prosperity, I want the people of the Turks and Caicos to understand that my government is always striving to do the right thing.

Mr. Speaker, I have presented to the people of the Turks and Caicos Islands, the government’s agenda, in the form of this budget, which outlines the government’s pathway to structural fiscal change, economic growth and job creation. It is a progressive agenda which I hope all members would support.

Mr. Speaker, during the next fiscal year the increase anticipated in foreign and domestic investment together with, public investment in capital works and measures to facilitate the ease of doing business, will increase job opportunities, reduce poverty and other social ills.



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Mr. Speaker, I therefore end where I began, by thanking my people of the Turks and Caicos Islands who have placed their faith and trust in me. I want to assure them that all of my decisions are aimed to better their lives. My government will continue over the coming months and years with our progressive agenda to bring structural change in the financing of government, to facilitate economic growth and job creation, and to give hope to those we come here to work for. Mr. Speaker, in the words of the song writer despite the many challenges we can say, “Through many dangers, toils and snares, we have already come, tis grace that brought us safe thus far and grace will lead us on.”

May God give us the courage to exercise integrity in every moment of choice, even when those around us are losing their heads and blaming it on us. May He give us the compassion of the Good Samaritan to be our brother’s keeper, and may He bless us all and bless these Turks and Caicos Islands.