



The Turks and Caicos Islands

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This note briefly reviews the crisis of political and economic governance which has affected the Turks and Caicos Islands since 2008, leading to the imposition of direct rule, the launching of anti-corruption investigations (including against senior government figures) and, with the economy experiencing serious problems, the exceptional introduction by the British Government of a rescue package in the form of a loan guarantee of £160 million over five years (2011-16). Significant sections of the local population strongly resented direct rule. With trials now under way and a range of other measures enacted to improve governance, fresh elections were held in November 2012, bringing to an end the period of direct rule. These elections were won narrowly by the Progressive National Party, now under new leadership, which had been in government when the crisis originally broke. The UK is also currently seeking the extradition from Brazil of former Premier Michael Misick, who was arrested in Rio de Janeiro in December 2012 after his application for political asylum was rejected. Only time will tell whether the Turks and Caicos Islands are now set on a new course – and, if so, what that course is.

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1 Background

In July 2008, the previous Foreign Affairs Select Committee published a report on the Overseas Territories, in which it raised serious concerns about alleged corruption and dishonesty by ministers and officials of the Turks and Caicos Government, including the Premier, Michael Misick, and claimed that there was a “climate of fear” on the Islands. In response, and with the support of the previous UK Government, the then Governor, Richard Tauwhare, established a Commission of Inquiry chaired by Sir Robin Auld to look into these allegations. Following the publication of an [interim](#) report by the Auld Commission of Enquiry on 16 March 2009, the previous UK Government announced its provisional intention to suspend parts of the Constitution of the TCI for a period of up to two years ([HC Deb 16 March 2009 c39-40WS](#)). This would involve the suspension of Cabinet government and the House of Assembly and their temporary replacement by Governor’s rule. The previous UK Government laid a draft Order in Council before Parliament, which was due to come into force after Sir Robin Auld published his final report. The Order in Council provided for the establishment of an Interim Government, headed by the Governor, and supported by an Advisory Council and a Consultative Forum.

The [Final Report](#) of the Auld Commission of Inquiry was handed to Tauwhare’s successor as Governor, Gordon Wetherell, on 31 May 2009 and was published in redacted form on 18 July. It confirmed that the Commission of Inquiry had found evidence of “systemic corruption.” The Misick Government resigned. On 10 August 2009 Helen Garlick was appointed by the Governor as a Special Prosecutor, heading a Special Investigation and Prosecution Team (SIPT) with a mandate to investigate specific corruption allegations. Following a failed attempt to secure judicial review of the Order in Council in the British Courts by lawyers for Michael Misick, parts of the Constitution were duly suspended for two years on 14 August 2009. The Interim Government took office with immediate effect. Working with the Governor, it was tasked with implementing the reforms required to prevent any recurrence of the corruption identified by the Auld Commission of Inquiry.

On 31 March 2010 the Foreign Affairs Select Committee published a follow-up report. The Committee expressed concerns that the previous UK Government had failed to establish adequate funding arrangements for the SIPT, which had caused significant delays to its work. It concluded that this could undermine the effectiveness of investigations and damage public confidence. The Committee disagreed with the previous UK Government’s contention that the British taxpayer should not be required to fund the SIPT and that the Turks and Caicos Government should find the means to do so, arguing that the UK Government had a responsibility to fully fund it. The report also quoted from a letter sent by Sir Robin Auld to the then Foreign Secretary, David Miliband, on 23 March 2010, in which he criticised the previous Government’s failure to provide the resources required to implement the recommendations of his Commission of Inquiry. The Foreign Affairs Select Committee’s follow-up report raised other concerns, including regarding the planned 2011 elections. The Committee argued that, given the slow pace of reform, the previous UK Government’s preferred date for elections of July 2011 was not realistic. It called for elections to be delayed until reforms “have been fully embedded” (para 47).

2 Developments under the current Government

2.1 May-December 2010

On 1 July 2010, DFID announced a short-term loan of up to £10m to meet urgent financial commitments, ‘including staff salaries for the police, health and education services’ ([HC Deb](#)

1 July 2010 c49WS). Further short-term assistance was subsequently provided. In September 2010, the FCO announced that elections would not now be held in the Turks and Caicos Islands in 2011, although it made clear that it did not want to postpone elections any longer than was necessary and that the suspension was not indefinite.

On 9 December 2010, Henry Bellingham, the Parliamentary Under-Secretary of State for Foreign Affairs, highlighted “an unacceptable collapse in the fiscal governance of the territory, which needs urgently to be addressed” and stated that “the Department is reaching the final stages of putting in place a medium-term financial package” for the TCI. It also set out a series of eight specific milestones with regard to good governance and sound financial management, that would need to be met before elections could take place, hopefully in 2012 (HC Deb 9 Dec 2010 c40WS). The milestones were as follows:

1. Implementation of a new Turks and Caicos Islands Constitution Order, in support of recommendations of the Commission of Inquiry, which underpins good governance and sound public financial management
2. Introduction of a number of new ordinances, including those making provision for: (i) the electoral process and regulation of political parties: (ii) integrity and accountability in public life: (Hi) public financial management
3. Establishment of robust and transparent public financial management processes to provide a stable economic environment and a strengthening of the Turks and Caicos Islands Government’s capacity to manage their public finances
4. Implementation of budget measures to put the Turks and Caicos Islands Government on track to achieve a fiscal surplus in the financial year ending March 2013
5. Implementation of a transparent and fair process for acquisition of Turks and Caicos Islander status
6. Significant progress with the civil and criminal processes recommended by the Commission of Inquiry, and implementation of measures to enable these to continue unimpeded.
7. Implementation of a new Crown land policy
8. Substantial progress in the reform of the public service

Meanwhile, in November 2010, the FCO reported that Helen Garlick’s investigations were “making good progress” and that she was “hopeful that she will be able to prefer charges early next year” (HC Deb 9 November 2010 c131-2). The cost of the investigations and their alleged lack of transparency were criticised by some residents of the Islands.

2.2 2011

DFID loan guarantee

Between May 2010 and February 2011, the Turks and Caicos Islands received £30m in loans from DFID. At the end of February 2011, agreement was finalised on a five-year £160m guarantee from DFID on Turks and Caicos Islands government borrowing, intended

to enable the islands to access commercial lending. Using borrowing secured against this guarantee, the original £30m loan was to be repaid. The guarantee was issued subject to the Turks and Caicos Islands government reforming its management of public finances and achieving fiscal surplus by March 2013. On announcing that the guarantee had been finalized, the Minister of State Alan Duncan wrote that it was “in line with DFID's responsibility to underpin the reasonable needs of all British overseas territories”. Nonetheless, loan guarantees are a highly unusual measure for DFID.

Below is the full text of the written ministerial statement by Alan Duncan announcing that the loan guarantee had been finalized ([HC Deb 28 February 2011 c14-15WS](#)):

The Minister of State, Department for International Development (Mr Alan Duncan): Further to the written statement by the Under-Secretary of State for Foreign and Commonwealth Affairs, the hon. Member for North West Norfolk (Mr Bellingham) of 9 December, *Official Report*, columns 40-41WS, and the Department for International Development's minute of 3 February notifying Parliament that the Secretary of State for International Development had approved in principle a loan guarantee to the Turks and Caicos Islands Government (TCIG), I would like to update the House.

The Department for International Development (DFID) has now finalised a guarantee in favour of Scotiabank (Turks and Caicos) Ltd to provide TCIG with access to a maximum capital amount of US\$ 260 million over the next five years. I confirm that TCIG will immediately repay DFID its loan of £29.9 million plus interest.

This level of commercial borrowing is vital if TCIG is to turn around its dire financial situation. It will provide the time TCIG needs to implement budget measures which will lead to achieving a fiscal surplus in the financial year ending March 2013. As the Under-Secretary of State, my hon. Friend the Member for North West Norfolk, and I reported to Parliament on 9 December 2010, this is one of a number of key milestones to be reached before a date for elections can be set. Once the territory is in fiscal surplus it will be able to start to pay off its debt and should, after the five-year period is over, if not before, be able to secure new and reduced bank lending without the need for a UK Government guarantee.

The guarantee is intended to cost the UK taxpayer nothing. It will ensure that TCI does not fall victim to financial ruin and it is in line with DFID's responsibility to underpin the reasonable needs of all British overseas territories.

The current chief financial officer has done an excellent job in getting a grip on TCIG's public finances. To ensure that the financial plan stays on track to achieve a fiscal surplus DFID reserves the right to require TCIG to retain the position of chief financial officer for as long as the guarantee is in force and to nominate the holder of this post who shall then be appointed by the governor.

A new Constitution approved

On 13 July 2011, following a 15-month period of consultation, a new [Turks and Caicos Islands Constitution Order](#) (S.I. 1681, 2011), intended to underpin good governance and sound public financial management, was approved by the Privy Council. It was laid before Parliament on 20 July. The Order will come into force once the milestones set out in Henry Bellingham's parliamentary statement of 9 December 2010 have been met. After it has come

into force, elections must be held within 30 days.¹ Henry Bellingham stated in a wide-ranging [speech](#) made on 14 July, during a visit to the Turks and Caicos Islands:

As expected, consensus on all the provisions was not possible; and I had to take difficult decisions on some sensitive and important issues. But I am convinced that we have got a good result for the people of the Turks and Caicos Islands.

He described the new Constitution as “fit for purpose”. The Order required that a number of new Ordinances be introduced with regard to the electoral process and the regulation of political parties; integrity and accountability in public life; and public financial management. The Order also provided for the phasing out over time of the term ‘[Belonger](#)’ and its replacement with ‘Turks and Caicos Islander’.

Other developments

On 10 March 2011, the Foreign Secretary, William Hague announced a “discretionary grant of £6.6 million to the Turks and Caicos Islands Government to reimburse the costs incurred in the past year pursuing corruption and violent crime” ([HC Deb 10 March 2011 c170WS](#)).

He added:

This is for the special investigation and prosecution team; related civil recovery work; and the Royal Turks and Caicos Islands police. My officials have co-ordinated this carefully with DFID’s work to underpin the territory’s public finances.

This is an exceptional case. Our basic principle remains that it is an integral part of good governance for a territory Government to ensure that the criminal justice system is properly funded. Territories should not look to the UK to fund criminal investigations or prosecutions that they are reluctant to pursue themselves. But the burden in this case has been exceptional. The fiscal rescue package put in place by DFID should enable future costs to be met from the Turks and Caicos Islands Government public purse in the normal way.

On the same day, there was a [debate](#) on the British Overseas Territories in the House of Lords, in which the situation on the Turks and Caicos Islands was one of the main issues discussed. In the debate, Lord Jones of Cheltenham said that one senior lawyer on the Islands who had written to him had likened the current situation to a “dictatorship”.² During the previous week, there had been demonstrations on the Turks and Caicos Islands calling for a date to be set for elections. Critics also alleged that the real motivation of successive British Governments had been to frustrate moves towards political independence for the Islands. In addition, some claimed that there was a racial element underpinning official actions, with predominantly black ministers in the former Misick Government being targeted for persecution on spurious financial grounds. Such claims have all been dismissed by British Governments.

Replying to the Lords debate for the Government, Lord Howell reiterated that it would stick to its target of holding elections in 2012 but that the Governor “remains open to dialogue with responsible community representatives to discuss their concerns.”³

¹ Lord Howell subsequently stated in an August 2011 written answer that the Constitution will come into force when “sufficient progress has been made” against the milestones. However, this is the only occasion on which a concept of sufficiency has been cited by a government minister. See: HL Deb 11 August 2011 c449WA

² Ibid., c1773

³ Ibid., c1794

On 9 June 2011, a [press statement](#) by Helen Garlick, Special Prosecutor and head of the SIPT, was reported by the *Turks and Caicos Sun*. The statement provided information about its activities and sought to respond to criticisms that had been levied against it:

The Special Investigation and Prosecutions Team (SIPT) have interviewed a large number of persons in the Turks and Caicos Islands (TCI) and have made some arrests and executed a number of search warrants.

In a media statement released on Thursday June 9th, the SIPT said: "Investigators have interviewed a large number of persons across the islands, including former Ministers and in other foreign jurisdictions in the US, Canada and Europe. We are working jointly with other law enforcement bodies in these areas to pursue information and evidence pertinent to the SIPT mandate. A considerable number of statements have been obtained which cover the wide range of investigations that the SIPT have been asked to carry out. Arrests have been made and search warrants executed."

According to the statement, the SIPT has been fully operational now for 14 months and has had a permanent presence on the island since April 2010. "The SIPT are very aware that the public wants to know more about their activities, but the investigation has entered a phase where its activities within the TCI and elsewhere in the world have to be kept confidential, to protect the integrity of the investigation and the rights of those individuals involved," the statement added. "The SIPT continues to make good progress and is keeping to its targets and deadlines. This has been achieved with the help, support and cooperation of the TCI communities throughout the difficult period that they find themselves in."

In relation to budgeting, the SIPT said it submitted a budget in September 2009 which was approved, adding that there was no increase in budget for the financial year 2010-11 and none planned for this financial year (2011-12).

"Despite the remit of the SIPT widening considerably during the 2010-11 financial year, the SIPT has ended that period under spent by over 12.5%. The SIPT is ever conscious about the cost of the investigations and seeks every opportunity to reduce costs where possible. The challenge continues, to provide value for money for the TCIG and to continue to ensure financial prudence across all areas," the SIPT statement continued.

Regarding their present accommodation at the Veranda, the SIPT said the move to that location achieved a saving of over 25% on the previous accommodation costs (at the Yacht Club at Turtle Cove) and allowed for more accommodation at a lower cost, noting that all SIPT staff share self-catering accommodation on island.

As far as staffing is concerned, the SIPT release said that numbers of staff in TCI varies depending on the requirements of the investigations. However, there are normally between 15 and 25 staff on island at any one time.

The release said that all SIPT staff are selected independently and have no direct or indirect link to any member of the TCI Government or Interim Administration, now or in the past. This was in reference to reports that Mark Capes' wife was employed with the SIPT.

In a parliamentary answer of 14 November 2011 it was reported that the SIPT had cost US \$4.6 million in financial year 2010/11 and would cost US \$6 million in 2011-12.⁴ Another parliamentary answer of the same date reported that the civil recovery programme had cost

⁴ HC Deb 14 November 2011 c652W

US \$4.2 million in 2010/11 and would cost the same amount in 2011/12. By this date, 29 separate recoveries of land and/or cash had been made.⁵

As the year progressed, SIPT began charging individuals, with the media claiming in late November that [at least nine people had been charged](#) to date. SIPT took the position that it would not make any public comment about any arrests made or charges laid until individuals had been brought before a court of law. The Government took the same position.⁶ The identity of some of these individuals nonetheless became publicly known. For example, one was former Minister Lillian Boyce, who was charged with conspiracy to defraud the government in connection with a land deal. It also emerged that former Premier Michael Misick, who left the Islands in 2010 and was at that time widely [believed to be in the Dominican Republic](#), which does not have an extradition treaty with the Islands, had not so far been charged. His assets were frozen by a court order in June 2011.

On 16 June 2011 the Foreign and Commonwealth Office announced that the new Governor of the Turks and Caicos Islands from September 2011 would be [Damian Roderic \(Ric\) Todd](#). In a [press statement](#) issued on 14 December, he offered an “upbeat” assessment of the prospects for the Turks and Caicos Islands in 2012. He described returning to fiscal surplus in 2012/13 as “perhaps our most challenging milestone”, but welcomed signs of economic recovery. He held open the possibility that elections could be held by the end of 2012.

2.3 Developments during 2012

On 19 January, Governor Todd published a [full assessment](#) of the progress that was being made against the eight milestones that must be met before new elections could be held. This was intended to be the first in a series of quarterly assessment reports. Further such reports were published by him in [May](#) and [September](#).

Ministers also issued a series of statements during the course of the year. At the end of January, Alan Duncan published the British Government’s first “progress report” in the form of a written ministerial statement ([HC Deb 30 January 2012 c34-6WS](#)).

In February, Mr Duncan also informed the House that DFID had provided £1.7 million in technical assistance between February 2011 and January 2012.⁷ During the same month, the Interim Government published a [White Paper](#) setting out proposals for legislative reform across a wide range of issues.

By mid March 2012, the number of people [charged by SIPT](#) had reportedly reached 13, four of them well-known former ministers. All those charged were given bail. Trials have been underway since the middle of the year. Two people facing trial have reportedly settled cases through the payment of large fines and legal costs. On 19 March, SIPT announced that an [international arrest warrant](#) had been issued for former Premier Michael Misick. The process of securing such a warrant had reportedly begun in February. On the same day, Mr Misick issued a public statement declaring that he was seeking [political asylum](#), although he did not state at the time in which country he would do so. It was subsequently reported that he had done so in Brazil but that his application had been refused. On 7 December, Misick was [arrested](#) by the Brazilian authorities in Rio de Janeiro. The British Government will now seek his extradition to Turks and Caicos Islands to face trial. An international arrest warrant has

⁵ Ibid

⁶ HC Deb 14 November 2011 c651W

⁷ HC Deb 27 February 2012 c56W

also been issued for a Turkish businessman and former property developer on the Turks and Caicos Islands, Cem Kinay.

In late March, a Westminster Foundation for Democracy delegation, led by John Spellar MP, visited to discuss the proposed new Elections Ordinance, a draft of which was [published](#) on 29 March. The consultation period ended on 10 April and the Ordinance received assent in May, suggesting that an election date might soon be announced.

On 5 April, the *Miami Herald* published a report in which it claimed that there was a “backlash” against the British Government in the Turks and Caicos Islands and in other Overseas Territories in the Caribbean. The Chief Minister of Anguilla was quoted as saying: “The British were fully aware that corruption existed in the Turks and Caicos Islands and Anguilla for many years. But in many instances they closed their eyes to it; they condoned it.” Governor Todd was quoted as saying: “We want to restore self-government. But before we do that, we need to put in measures which would ensure that that self-government is sustainable and that the problems in the past don’t reappear.”⁸

On 12 June, following the Governor’s second assessment report, the Foreign Secretary, William Hague, announced that enough progress had been made in terms of the “restoration of good governance” for an election date of 9 November to be announced ([HC Deb 12 June 2012 c20-23WS](#)).

On 20 June, the Interim Government issued a statement of ‘[Governance Principles](#)’ to guide its work until the elections in November. When the elections were held, the Progressive National Party, now led by Dr Rufus Ewing, won a narrow victory, taking eight seats to the People’s Democratic Movement’s seven on a high turn-out of 84%. An interim report of election observers sent by the Commonwealth Parliamentary Association gave the elections a broadly [positive endorsement](#).

Following the election and a visit by him to the Islands, the Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs, Mark Simmonds, issued the following statement ([HC Deb 11 December 2012 c28-32WS](#)):

[...] I have just returned from a visit to the Turks and Caicos Islands and in this statement today, I wish to inform the House on the progress made by the interim Government under each milestone in the run-up to the elections;

Implementation of a new TCI Constitution Order, in support of recommendations of the Commission of Inquiry, which underpins good governance and sound public financial management.

The new constitution was brought into force by the Governor on 15 October, and elections held on 9 November within the prescribed 30-day limit. Preparations for the elections were made in line with the revised elections ordinance. A new register of electors was compiled on the basis of a registration exercise for all islanders. An Electoral Boundaries Commission defined 10 new electoral districts with broadly similar numbers of electors. Practical preparations were made for elections at 17 polling stations across TCI’s main islands. The interim Administration adopted a statement of governance principles on 15 June. Under the new constitution, all organs of Government in the islands have a duty to give effect to the statement of governance principles established under the constitution and the Governor has certain powers to ensure compliance with the principles.

⁸ “British receiving backlash in Turks and Caicos, elsewhere in Caribbean”, *Miami Herald*, 5 April 2012

An equality ordinance became law in October to clarify the rights of all members of the community, in line with the non-discrimination provisions in the new constitution.

Introduction of a number of new ordinances, including those making provision for: i) the electoral process and regulation of political parties: ii) integrity and accountability in public life: Hi) public financial management

The political activities ordinance was introduced in August to define acceptable political financing and oversight. Work in this area was assisted by a visit in July by UK political party members, organised by the Westminster Foundation for Democracy, led by my hon. Friend the Member for Brigg and Goole (Andrew Percy).

The chief financial officer (CFO) ordinance was introduced in June 2012 to define this role within the restructured TCI Government, and as provided for in the 2012 Constitution Order and under the arrangements for the \$260 million UK loan guarantee.

Establishment of robust and transparent public financial management processes to provide a stable economic environment and a strengthening of the TCI Government's capacity to manage its public finances

Financial management regulations for the public sector were amended in line with the public financial management (PFM) ordinance and international good practice. A public financial management framework document was agreed that sets out the key principles of good financial management and the debt threshold targets agreed by the Secretary of State. Key requirements are that net debt is less than 110% of revenue by end of 2015-16 and less than 80% of revenue by the end of 2018-19, and that debt service is less than 10% of annual operating revenue and liquid assets at least 25% of annual operating revenue.

The public procurement ordinance was introduced in October creating a central public contracts unit, and defining the framework for future tenders and contracts.

Reforms to the Audit Department in the TCI Government split it into two distinct bodies: the National Audit Office, to operate outside ministerial control; and the Internal Audit Department to focus on internal Government controls, risk management and governance processes.

Implementation of budget measures to put the TCI Government on track to achieve a fiscal surplus in the financial year ending March 2013

The TCI Government are working towards achieving a budget surplus for the full year at the end of March 2013. The interim Government made good progress in stabilising the public finances. A recent mid-year forecast indicated that the expected surplus remains in line with the budget.

Implementation of a transparent and fair process for acquisition of Turks and Caicos Islander status

A revised immigration ordinance and immigration regulations were introduced in July. There is now no discretionary provision in law for the granting of Belonger status. The newly elected Government will need to bring forward an ordinance defining Turks and Caicos islander status in line with the new constitution.

Significant progress with the civil and criminal process recommended by the Commission of Inquiry, and implementation of measures to enable these to continue unimpeded

Thirteen people, including four former Ministers, have been charged with corruption and other serious criminal offences. These cases are now before the courts. The plea and directions hearing has been delayed at the request of the defence and is now expected to be held in April 2013. International arrest warrants and Interpol red notices were issued in respect of the former Premier Michael Misick and the developer Cem Kinay, and Michael Misick was subsequently arrested in Rio de Janeiro in Brazil on 7 December. His extradition to the Turks and Caicos Islands is being sought. The civil recovery team continued to recover property and redress losses arising from corruption. Some 52 separate recoveries of Crown land totalling 2,447 acres have now been made, and financial settlements totalling US\$16 million have been reached.

Implementation of a new Crown land policy

The Crown land ordinance came into force in March 2012. The Lands Commissioner has continued to implement the reforms for land transactions, and assisted with the appointment of a new Lands Registrar.

Substantial progress in the reform of the public service

Progress has continued. The public service has focused on raising the standard of policy development in preparation for transition to an elected Government and providing support to new Ministers. The public service ordinance was introduced in October and defines the roles of Ministers and permanent secretaries, describes new discipline procedures and expects all staff to be subject to measurable performance management. The general orders regulating the work of the public service were updated and a new public service handbook issued to public servants.

Conclusion

A solid foundation has been built for the return to elected Government. Over the last three years an interim Administration, supported by the UK Government, has implemented a wide-ranging reform programme to meet the milestones, including putting the public finances on the road to recovery, establishing a robust framework for good governance, and strengthening the public service. The interim Administration has also modernised the management and delivery of public services, attracted substantial inward investment and restored economic growth. This programme of reforms has been a significant achievement.

The hard work is far from over. The TCI Government benefit from a \$260 million UK loan guarantee. We will keep vigilant to help ensure they meet their fiscal objectives and can finance their borrowing independently and on an affordable and sustainable basis from the end of 2015-16 without a UK guarantee.

A robust framework for the management of public finances has been put in place. The constitution requires the new Turks and Caicos Islands Government to formulate and conduct macro-economic and fiscal policy for the sustained long-term prosperity of the people of the islands, and to manage public funds according to established principles of value for money, affordability and regularity and in the interests of long-term financial stability. The constitution provides the Governor with reserve powers to ensure compliance with the principles of good governance. It establishes a number of institutions to protect good governance including an Auditor-General and a National Audit Office.

A framework document has also been put in place that sets out the key principles of good financial management as well as the debt targets agreed by the Secretary of State. Key requirements are that net debt is less than 110% of revenue by the end of 2015-16 and less than 80% of revenue by the end of 2018-19, and that debt service is

less than 10% of annual operating revenue and liquid assets at least 25% of annual operating revenue. The incoming Government will need to meet the provisions of the framework document including agreeing with the Secretary of State a fiscal and strategic policy statement (FSPS) which is a medium-term plan that includes revenue and expenditure forecasts for at least the next three financial years. The Turks and Caicos Island Government must seek agreement to the FSPS before proposing a budget.

It is important that the new Government maintain a credible and sustainable fiscal policy, including reducing their net debt levels, so that they can refinance themselves independently by the time the debt guaranteed by the UK Government is due to be repaid in March 2016. UK approval to the budget and fiscal plans will be contingent on TCIG formulating credible policies to meet these key objectives. DFID are providing a chief financial officer whose authority and responsibilities are set out in TCI law and who is expected to ensure that fiscal plans are delivered.

We are confident that the above arrangements will ensure sufficient financial controls over the public finances are maintained, including with the objective that a UK loan guarantee is no longer required after March 2016. Achievement of this objective will depend on many factors including the conduct of the Government of TCI and the performance of the TCI economy. Lenders will expect a record of sound fiscal policy as a necessary pre-requisite for the TCI Government to refinance independently.

In line with the overseas territories White Paper published in June 2012, the UK Government look forward to working with the newly elected TCI Government to promote good governance in order to help them attract new investment, maintain economic growth and so deliver sustained long-term prosperity for the people of the islands.

The UK will continue to support TCI to develop its democracy and in its efforts to build on recent reforms, particularly prudent financial management, economic growth and sustainable prosperity.

In his 2012 [Christmas message](#), Governor Todd stated: "TCI can look forward to 2013 with optimism." However, there remains some discontent on the Islands about the relationship with the UK. A [petition](#) has recently been launched calling for Governor Todd to be [recalled](#) to London. At the time of writing, it had 53 signatures. The British Government has expressed its [full confidence](#) in him. The new Premier, Dr Ewing, has affirmed his support for the [eventual independence](#) from the UK of the Islands.

In the shorter-term, the new Turks and Caicos Islands government, which Dr Ewing heads, wants to defer for a year the planned introduction of VAT in April 2013, as provided for by the VAT Ordinance, which was signed into law in July 2012 – before it took office. Dr Ewing has suggested that the new government might be prepared to repeal the Ordinance if deferral proves impossible. The [main opposition party](#) reportedly also supports the proposal to defer. The British Government has stated that whether to defer the introduction of VAT is a matter for the new Turks and Caicos Islands government. But it has also pointed out that the new government is now required to "[aim towards achieving and maintaining a surplus budget.](#)" More broadly, a local media outlet has claimed that a leaked document shows that British officials do not believe that the new government will be able to comply with the [borrowing limits](#) set by the FCO for the end of fiscal year 2015/16, which is when DFID's loan guarantee is due to expire. The new Turks and Caicos government has also inherited a [Development Strategy](#) for 2013-17 from the Interim Government.

Another flashpoint during 2012 was the Interim Government's launching of civil proceedings in pursuit of a court ruling that [the headquarters](#) of the former ruling Progressive National Party in the capital, Providenciales, was built illegally on Crown Land and could be demolished. Party leaders claimed during March, when feelings were particularly high, that hundreds of people were "[prepared to die](#)" to prevent this from happening. Since the case was first lodged with the courts, the Progressive National Party has been narrowly re-elected to office. The next court hearing is due in March 2013.

As 2012 comes to an end, the SIPT continues to support ongoing prosecutions (see above), but its staffing levels have been reduced during 2012. Unlike in the two previous financial years, no exceptional grant by the British Government towards the costs of the SIPT is envisaged for 2012/13. The costs will entirely be the responsibility of the Turks and Caicos Government. The Governor has also [announced](#) that the SIPT will be integrated gradually into the Royal Turks and Caicos Islands Police, thereby creating additional capacity to investigate corruption allegations.

3 Further reading

Foreign Affairs Committee, *Overseas Territories*, [HC 147 I-II](#), Session 2007-08, 6 July 2008

Seventh Report of the Foreign Affairs Committee, Session 2007-08, Overseas Territories: Response of the Secretary of State for Foreign and Commonwealth Affairs, [Cm 7473](#), September 2008

Foreign Affairs Committee, *Turks and Caicos Islands*, [HC 469](#), Session 2009-10, 31 March 2010 [Letter from Sir Robin Auld to David Miliband, 23 March 2010 – See Ev 10-11 of the above report]

Government response to HC 469 ([HC 623](#), First Special Report, Session 2010-11, published 29 November 2010)

Foreign and Commonwealth Office, *The Overseas Territories: Security, Success and Sustainability*, White Paper, [Cm 8374](#), June 2012

Overseas Territories (Governance), [House of Commons Westminster Hall Debate](#), 11 December 2012

Entry in the [CIA World Factbook](#) on the Turks and Caicos Islands

BBC [profile](#) of the Turks and Caicos Islands (last updated October 2012)