

**Turk and Caicos Islands/European Community Development Cooperation**

**Single Programming Document for EDF 9**

**Department of Economic Planning & Statistics**  
**Turks and Caicos Islands Government**  
**Ministry of Finance and National Insurance**

**March 2004**

## **Currency Equivalent**

The €/US\$ exchange rate of November 2003, **1euro = US\$1.12**, has been used as conversion rate throughout this document.

## **Abbreviations**

ACP	-	African Caribbean and Pacific states
BNTF	-	Basic Needs Trust Fund
CDB	-	Caribbean Development Bank
CDE	-	Centre for Development and Enterprise
DFID	-	Department for International Development
EIB	-	European Investment Banks
EC	-	European Commission
EPA	-	Economic Partnership Agreement
EU	-	European Union
EDF	-	European Development Fund
FTAA	-	Free Trade Area of the America
ICAO	-	International Civil Aviation Organization
TIP	-	Territorial Indicative Program
OCTA	-	Association of Overseas Countries and Territories of the European Union
OCT	-	Overseas Countries and Territories
OECD	-	Organization of Economic Cooperation and Development
PSIP	-	Public Sector Investment Program
SCP	-	Strategic Country Programme
SEDC	-	Small Enterprise Development Centre
SDPI	-	Sustainable Development Planning Initiative
SPD	-	Single Programming Document
TCI	-	Turks and Caicos Islands
TCIG	-	Turks and Caicos Islands Government
TCInvest	-	Turks and Caicos Investment Agency
UK	-	United Kingdom
WTO	-	World Trade Organization

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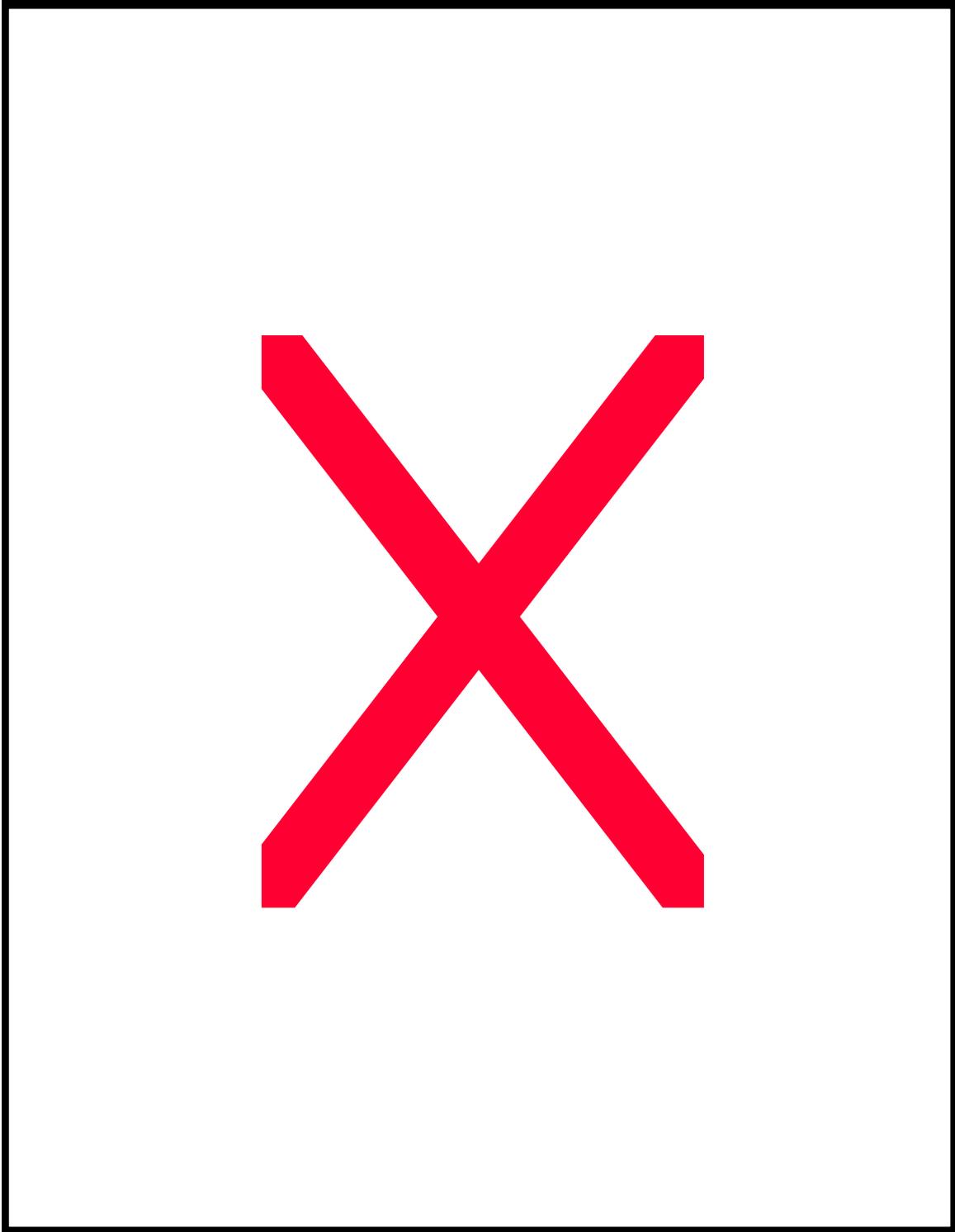
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## Map of the Turks and Caicos Islands



## Summary country data

Surface	166 square miles
Geographic region	Caribbean
Population, total	20,000
Membership of international organizations	CDB, CARICOM, OCTA, UNDP
Population growth (average % past five years)	6.7% in 2001; 6.4 in 2002
Life expectancy at birth (years)	77.7
Fertility rate (births per woman)	4.61
Mortality of under 5 years (per 1000 children)	0.6
Illiteracy total	Information not available
Illiteracy female (% age 15 and above)	Information not available.
Primary enrollment (% of relevant age group)	94%
Secondary enrollment (% of relevant age group)	80.2%
Secondary enrollment, female (% of age group)	65%
Unemployment rate (% of labour force)	9.7%
Unemployment rate, females (% of female labour force)	11.4% in 2001
Poverty rate (percentage population below poverty line)	26.4% in 2000
HIV incidence (per 1000 population)	Information not available
Main natural resources (items)	Marine products (spiny lobster & conch)
Inflation rate (average past three years)	2.8%
GDP per capita	EUR 9,801
GDP growth (average % past five years)	8.5%
Value added in agriculture (% of GDP)	1.7%
Value added in industry (% of GDP)	13.3%
Value added in services (% of GDP)	54,4%
Exports of goods and services (% of GDP)	60.3%
Imports of goods and services (% of GDP)	78,3%
Number of tourists	165,836 in 2001; 156,976 in 2002
External debt (percentage of GDP)	Less than 10% in 2003
Foreign direct investment, stock	Information not available
Overall government budget balance (% of GDP)	Surplus = 2%
Fixed lines and mobile phones (per 1000 people)	584
Personal computers (per 1000 people)	262
Internet users	202

**The Government of Turks and Caicos and the European Commission hereby agree as follows:**

The Government of Turks and Caicos, here represented by Mr. Irvin Hartley Coalbrooke, Permanent Secretary, Finance and Territorial Authorising Officer, and the European Commission, here represented by Mr Gerd Jarchow, Head of Delegation of the European Commission in Jamaica, hereinafter referred to as the Parties, held discussions in 2003 with a view to determining the general orientations for co-operation for the period 2004 – 2007.

In the course of these discussions, the Single Programming Document (SPD) including an Indicative Programme of Community Aid in favour of Turks and Caicos were drawn up in accordance with the provisions of the EU/OCT Association, as mentioned in the Treaty establishing the European Community and in particular Article 182, as well as in both the Council “Overseas Association Decision” 2001/822/EC of 27 November 2001 and in the Commission Regulation No 2304/2002 of 20 December 2002. These discussions complete the programming process relating to the Ninth European Development Fund in Turks and Caicos.

Signatures

For the Government of Pitcairn

For the European Commission

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Date:

Date:

Place:

Place:

## **PART A: COOPERATION STRATEGY**

### **Executive summary**

The Turks and Caicos Islands have recently experienced significant economic growth. During the past 5 years average annual economic growth was about 8%. This allowed expansion of public sector revenue by about 10% per annum in the same period, which was associated with significant expansion in both public sector recurrent and capital expenditure to keep pace with the level of development taking place. The accelerated development in the TCI confronts the Islands with a number of challenges. These are discussed in this document.

The government is committed to a private sector-led development strategy with the Government playing a strong facilitating role through the provision of essential infrastructure, especially in the transport sector. Commitments to infrastructure development are reflected in several government policy documents, including the Strategic Country Program (SCP) agreed with the UK. Adequate transport infrastructure is critical to promoting both tourism development and balanced regional development in the islands and is vital also to the long term sustainability of public sector revenue flows, and - ultimately - to the eradication of poverty.

Starting 1993 successive governments have undertaken several transport sector studies to improve the contribution of the sector to overall economic development in the Islands. The Government also plans to undertake an integrated transport sector study during 2004 to ensure complementarity between all sector investments.

Past EU TIPs have already supported the implementation of key projects in the tourism and transport sub-sectors of the economy. The TCI government has also accessed support from the regional Caribbean Tourism Development Program, which has contributed to growth and diversification in the tourism sector. The Islands have developed significant capacity in absorbing EU funded projects at the national level and would like to build on this during EDF 9.

Given the importance of the transport sector for the overall development of the Islands, the government of the Turks and Caicos has identified the securing of the development of the transport sector as main target of EDF 9 funding. The Government consequently proposes that the EDF 9 allocation of about EURO 10.7 million is to be used as direct support to the budget to guarantee the Government sufficient resources to implement its development policy for the transport sector, in order to ensure the sector's contribution to overall long term development, as well as the promotion of balanced development and poverty reduction in the Islands. A Public Finance Assessment has already been completed, based on which a recommendation has been issued to allow the 9<sup>th</sup> EDF support to be provided through budgetary support.

### **CHAPTER 1: The EC co-operation objectives**

In accordance with Article 182 of the Treaty Establishing the European Community, the purpose of the association between the European Community and the Overseas Countries and Territories shall be

*"to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole".*

These objectives have been confirmed and reinforced in Article 1 of the Council Decision of 27 November 2001 on the association of the overseas countries and territories with the European Community. In accordance with Article 1, such objectives will be pursued in accordance with the principles set out in Articles 184 to 188 of the Treaty by focusing on the reduction, prevention and, eventually, eradication of poverty and on sustainable development and gradual integration into the regional and world economies.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or crosscutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the territorial 'policy agenda presented in the next chapter constitute the starting point for the formulation of the present SPD, in accordance with the principle of territorial ownership of development strategies.

## **CHAPTER 2: Policy agenda of The Turks and Caicos Islands government**

The Turks and Caicos Islands recently emerged from a prolonged electoral period during the first half of 2003. A new government took office in August 2003. The new Government is committed to a private sector led development strategy. This requires the government to provide the necessary conditions for economic development to take place. In its Policy Statement for 2003-2007, which was delivered to the Legislature in September by the new Chief Minister, the Government states that it accords high priority to ensuring that the current pace of development in the Islands is sustained. The Policy Statement is a public document that will underpin future government budgets and sectoral initiatives in the short-term. It also provides a tool for the public to hold the government accountable and judge its effectiveness. The government's policy priorities are also reflected in the Strategic Country Plan SCP which forms the basis for development co-operation between TCIG and The United Kingdom Government. Further elaboration of policies will be undertaken in the context of the formulation of a new Ten-Year Economic Development Plan (for the period 2004-2013).

The new Government is committed to good governance in the Islands and to provide effectively the traditional functions of government: – infrastructure, health and education, improved security, ensuring functioning utilities and the regulation and functioning of institutions (courts, protection of property rights). The government is keen to improve the enabling environment for attracting local and foreign direct investment by the pursuit of sound fiscal policies and ensuring economic stability. It is increasing its promotion and marketing of the Islands, as an emerging tourism and financial services jurisdiction. The government is also keen to promote the effective participation of TCI Islanders in the development of the Islands by the introduction of business and human resource development programs that are aimed specifically at empowering them.

In the area of financial management, the Government is committed to prudent financial management of the Islands, including fiscal reform programs (introduction of modern revenue and expenditure management systems, staff development and improvements to budget preparation and monitoring) and sound debt management. While tourism will remain the main economic sector in the Islands, the Government is keen to promote economic diversification in the Islands by the development of the financial sector as a major contributor to Gross Domestic Product, subject to OECD compatible regulation.

Consistent with the Government's priorities, private sector led development strategy will promote sustainable resource utilisation in the Islands to protect the interests of future generation of Turks and Caicos Islanders and the natural environment on which the future development of the Islands depends. The Government is also committed to 'balanced development' of all the Islands of the Turks and Caicos Islands. These policy objectives are to be advanced as part of the process of preparing a Ten-Year Economic Development Plan for the Islands. In preparing the Plan consultations will take place with local communities and the private sector, commencing with a number of 'Roundtable Meetings' that were announced in the 2003-2007 Policy Statement. In the Policy Statement, the Government envisages that one of primary outcomes of the Ten-Year Economic Development Plan will be the strengthening of development planning and coordination processes, which should allow complementarity between social, economic and environmental issues vital to the development of the TCI.

The plan will formulate a development vision for the Islands, with related objectives, programs, projects and output targets. It will set out the main public and private sector interventions that are required to promote sustained economic growth and development for the benefit of the people. It will also set out a framework for key economic and social priorities and targets to be identified, monitored and achieved. The Ten Year Economic Development Plan will also embrace the Millennium Development Goals. The Development Plan will furthermore be a tool to aid the development of capacity to deliver the required outcomes and would inform the Government's resource mobilization strategy. In this regard, the Government is keen to maximize donor complementarity in support of its development objectives to ensure efficiency of investment in the Islands' development.

The Policy Statement for 2003-2007 places emphasis on the need to maximise the contribution of the transport sector to the overall development in the Islands. Accordingly, the Government is committed to undertaking a number of activities relating to ports, roads and infrastructure within the maritime sector over the next years.

The Government has articulated a firm intention to undertake an Integrated Transport Sector study to guide sectoral interventions in the transport sector in a consistent manner. The study

will address, *inter alia*: security issues, financing and a phased plan for the implementation of priority sectoral projects. As part of its plan to improve the delivery of infrastructure, the Minister of Finance in his 2003/04 Budget Address (delivered in September) announced plans to establish an Infrastructure Development Fund to meet the future costs of providing improved public sector infrastructure. An excerpt from the section of the Policy Statement on the Government's infrastructure policies is attached in Box 1.

## **CHAPTER 3: Assessment of the political, economic and social situation**

### 3.1 Institutional and political situation

Queen Elizabeth II is the head of State, and is represented locally by a UK appointed Governor. Under the Turks and Caicos Islands Constitution, day to day administration of the Islands rest with the Executive Council which consist of an elected Chief Minister and 5 elected ministers, the Governor as President; and 2 ex-officio members [the Chief Secretary and the Attorney General]. Ministers have portfolio assignments for all important areas which affect day to day living conditions in the Islands. The Governor, however, has reserve powers, which gives him responsibility for security, foreign affairs and administration of the civil service.

The Islands have a single-chamber legislature, which consists of the members of the Executive Council (excluding the Governor) and 7 other elected and 3 appointed officials for total membership of 18. The legislature is responsible for making law recommended by the Executive Council, as well as private members sponsored ones. The term of each legislature is limited to four (4) years after which general elections must be called. The legislature also has public accountability and oversight responsibilities through its Standing Committees (including the Public Accounts Committee, which always chaired by the Leader of the Opposition).

In practice there is a high level of local government autonomy. Although in the final analysis laws passed locally are subject to final approval by the UK which remains overall responsible for good governance in the Islands. The UK 'White Paper: Partnership for Prosperity and Development' outlined its expectations for good governance in the Islands; including ones related to preservation of the environment, promotion of high standard of financial accountability and respects for human rights and the rule of law. The UK is committed to the eventual self-determination of Islands and during 2002 a constitutional modernization process was commenced in the Islands. The outcome of this process is still being debated. It is expected that the outcome of the constitutional modernization process will lead to increased governmental responsibilities being transferred to locally elected officials.

The expected outcome of the constitutional modernization process (with increased local governance) is consistent with the financial and economic strength of the TCI. It should be noted that while the TCI is an UK Overseas Territory it is not significantly dependent on UK

financial assistance and grants. The TCI has a strong record of good governance and the government is committed to promoting and protecting the highest attainable standards of civil, political, social, economic, and cultural and human rights. As a UK Overseas Territory the TCI is obliged to implement human rights policies in line with the international standards accepted by UK and in accordance with the TCI Constitution. The TCI's legal system is based on UK Common Law, with the UK Privy Council being the highest Court of Appeal.

As a UK territory, the TCI has very limited involvement in regional affairs. It has associated membership in the Caribbean Community and Common Market (CARICOM). The TCI's relation with CARICOM is mainly in the area of functional cooperation (mostly in the areas of tourism, health and education) and does not extend to economic matters such as participation in the Caribbean Single Market and Economy. The Islands are a full member of the Caribbean Development Bank.

## **3.2 Economic situation**

### *3.2.1 Recent economic performance*

The Turks and Caicos Islands are in the midst of rapid economic growth, which is fuelled mainly by expansion in the tourism sector. Tourism in TCI depends to a significant extent on the development and use of vacation homes by foreign, mainly US tourists. The real estate sector is therefore closely related to tourism. Hotel accommodation also forms an important aspect of TCI's tourism. Over the last decade tourist numbers have increased by more than 10 percent pa, in turn pushing construction, imports and overall activity, resulting in estimated economic growth of some 6 percent pa during the last few years.

According to data for 2001 from the Caribbean Development Bank, the tourism sector accounts for about 38 percent of GDP. The tourism sector is followed by construction with 12 percent of GDP. Government services with 10 percent and other (mainly financial) services with 9 percent of GDP. During the 6 years period 1996 to 2001 estimated GDP growth averaged 6.5 percent. GDP growth peaked at 13 percent in 1998 and has declined in subsequent years.

The 11 September events impacted during 2001/02 with a fall in visitor arrivals. Despite the recent slow down in the US economy, local tourism growth has been recovering since then. With continued investor interest in the TCI; increased promotional and marketing efforts; and expansion in the tourism sector (a number of major projects are planned for Providenciales) economic prospects for the Islands look good.

Most tourism development is taking place in Providenciales. Development in the other Islands, especially the Caicos Islands (North, Middle and South) has lagged behind. Difficulties in access and associated high costs of transportation are important factors for the lack of development in these islands. Grand Turks as the seat of government takes an intermediate position in terms of economic development.

The off-shore financial sector has been promoted to achieve some measure of economic diversification. The sector currently contributes about 5 percent of public sector revenue and provides a source of 'white collar' employment as well as important synergies with the tourism sector. The Government is keen to develop the sector consistent with the current status of OECD/EU standards. Accordingly, regulatory legislation has been strengthened, also

based on a number of sector reviews including ones undertaken by the Caribbean Financial Action Task Force (CFATF) and the International Monetary Fund.

### 3.2.2 Public finance

In line with the recent economic growth both Government revenue and expenditure have grown significantly. However, expenditure grew faster than revenue in response to increasing demands for infrastructure and services. In line with increased economic growth the countries liquid assets (reserves) rose to nearly \$18 million (€16.7 million) in 1998/99. However, they then fell over the next two years as expenditure (especially in the areas of staffing, health care and scholarships) grew faster than revenue Liquid assets fell to \$0.4 million (€0.36 million) by March 2002.

As a result of the deteriorating public finance position adjustment measures needed to be taken to stabilize public sector finances by expenditure containment measures and improve revenue collection. Fiscal reform measures included investment in automated revenue and expenditure control systems and strict prioritization of expenditure by introduction of output and performance budgeting. As a result of these initiatives the government recorded a recurrent surplus of \$6 million (€5.34 million) during fiscal year 2002/03. However there was an overall deficit of about \$2.5 million (€2.2 million) for the same period when including capital expenditure.

The aforementioned program of fiscal adjustments is still ongoing; and will be enhanced by additional measures that were announced by the Minister of Finance in the 2003/04 Budget Address. The new Minister of Finance, announced that the Government's main short term financial management priority was the replenishment of government reserves, which have fallen to zero, to underpin the government's borrowing plans and to give the country the ability to withstand 'shocks' from unfavourable international economic conditions or those arising from natural phenomena such as hurricanes. Some of the new adjustment measures announced by the Minister included reform to health and education programs and reorientation of the Budget preparation process to accord priority to achieving surplus and reserve targets. In the long term the government plans to achieve a reserve level equivalent to 90 days of recurrent expenditure cover (about \$US22 million - €19.6 million - based on the 2003/04 Budget).

Summary information on the Government fiscal position during the period 1995/96 to 2002/03 and forecast outturns for the 2003-2007 period are presented in Table 1 below.

**Table 1: Public Finance (TCIG Funds only) Summary 1996-2002 & Estimates 2004-2006; \$,000**

Year	Actual				Revised		Estimates			
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Recurrent Revenue	39,653	45,887	57,275	62,978	72,771	75,467	84,423	89,395	96,795	100,789
Recurrent Expenditure	34,579	39,987	46,010	58,464	65,588	76,949	78,476	87,324	89,718	90,223
Recurrent Surplus/ (deficit)	5,074	5,900	11,265	4,514	7,183	-1,482	5,947	2,071	7,077	10,566
Capital Revenue	1,690	4,767	716	938	990	1,417	2,979	15,000	11,000	11,000
Capital Expenditure	1,000	5,056	5,418	10,631	8,712	9,718	11,306	11,848	12,636	13,576
Capital Surplus/ (deficit)	690	-289	-4,702	-9,693	-7,722	-8,301	-8,327	3,152	-1,636	-2,576
Overall Surplus /(deficit)	5,764	5,611	6,563	-5,179	-539	-9,783	-2,380	5,223	5,441	7,990
liquid assets net overdraft	6,405	11,767	17,774	11,876	10,637	434	-2,549	2,402	6,235	12,448

1 euro=US\$1.12 [November 2003]

The main sources of public sector revenue are import duties, accounting for 37 percent of the total. This is followed by taxes with 34 percent; fees and charges with 18 percent and licenses with 5 percent of the total. Revenue as a percentage of Gross Domestic Product is about 30 percent. An analysis of recurrent expenditure programs show that the bulk of expenditure is allocated to the Ministries of Education and Health, with 20 percent and 18 percent of the total, respectively. These areas are followed by the Ministry of Development, Tourism and Natural Resources with 18 percent and the Ministry of Finance with 13 percent of the total.

As a result of recent economic growth, The Turks and Caicos Islands have largely graduated from being a grant recipient country for the financing of capital expenditure under its Public Sector Investment Program (PSIP). The Islands no longer qualify for concessional loans from its main lender - the CDB - as it has been graduated to a level 2 member country of the Bank. An analysis of the government's PSIP for 2003/04 reveals that its own resources and loans are responsible for funding 35 percent and 43 percent, respectively of the planned investments. This is followed by grants and private sector finance with 21 percent and 1 percent, respectively. The grant funding is mainly from EU/EDF sources. The Islands still have small grant funded technical assistance programs with the Caribbean Development Bank (CDB) and the UK Government. It is projected that grants will continue to decline, while PSIP financing by the private sector should increase. The most important sectors in the PSIP are transport, education and health accounting for 49 percent, 8 percent and 6 percent of total capital expenditure, respectively.

Based on the Public Finance Assessment, it was recommended to allow the 9<sup>th</sup> EDF support to be provided to TCI through Budgetary Support. The EC Budgetary Support will provide the Government with the necessary speed, cost-effectiveness, flexibility and awareness in the implementation of the budget and economic reforms and in the pursuit of the development policy.

The Government intends to channel this budgetary Support towards the implementation of the Port on North Caicos and the Causeway linking North and Middle Caicos as major factors to revitalize and develop these two islands.

### *3.2.3. Public sector debt*

The Turks and Caicos Islands Government have a very low level of disbursed debt. Disbursed public debt was \$23.1 million (€20.6 million) or less than 10 percent of GDP at the end of the last financial year (2002/03). In the Government's Policy Statement for 2003-2007, a detailed plan is presented to use a mixture of debt and private sector partnerships to finance the expansion of infrastructure needed to sustain the Islands' development. The Government is, however, committed to prudent debt management. As part of its debt management policy, the government has agreed Borrowing Procedures with the UK, which set sustainable limits on debt exposure.

### *3.2.4. Trade*

The Islands have limited visible trade and import all foodstuff, consumer durables and construction materials. According to estimates from the Customs Office in 2002 imports valued \$148 million (€132 million), while exports valued only \$8 million (€7.12 million) The

main exports consist of marine products (scale fish, spiny lobster and conch). The value of marine sector exports totalled \$2 million (€1.78 million) for 2002/03. The Islands' main trading partner is the US. Given developments in the Islands it is likely that the trade deficit will increase in the short-term. There is however the potential to expand the fisheries sector which could have positive implications for the balance of trade. Consistent with the new Government's Policy Statement 2003-2007 it has articulated a plan to promote expansion of the fisheries sector on the Island of South Caicos, which is one of the least developed Islands of the TCI. The Government is aware of an ACP Regional Fisheries Development Project and will examine the possibilities to link up with the project.

As was noted previously, customs duties account for more than a third of public sector revenue. The average tariff is 33 percent. Tariffs are not however used as a means of trade protection but rather it is the main method of collecting government revenue. With moves toward trade liberalisation in the framework of WTO and FTAA, this source of revenue could be eroded as tariffs barriers are lowered and unified. Though the Islands as a UK OCT have no legal obligations to liberalise trade, the government intends to follow international trends with respect to its trade regime. In this context, it also wishes to become associated with the EPA process currently being undertaken between regional ACP groupings and the EU. The Islands commissioned a technical study by the Caribbean Regional Technical Assistance Centre (CARTAC) to advise it on its options. The Government is in the process of reviewing the recommendations of the CARTAC study, which should be implemented in late 2004.

### *3.2.5 Transport*

The transport sector is critical to the development of the TCI's tourism led growth strategy as well as to social development within the TCI. The majority of visitors to the islands arrive by air and more than 90 percent of food consumed locally is imported by sea. The TCI is served by a variety of airports, seaports and a network of all weather roads on all the inhabited Islands of the TCI. Grand Turk and Providenciales are the main commercial centres in the Islands and have the most expansive provision of transport sector infrastructure. The PSIP is dominated by transport sector projects, which account for close 49 percent of recent capital outlays. The TCI has in place adequate legislation to govern the transport sector and is also building capacity to improve sector management.

The government is keen to develop the sector in a consistent manner and several studies have been concluded in recent years, including the Ports Masterplan and Aviation Economics Study. A new Integrated Transport Sector Study is now planned to be undertaken. The Integrated Transport Sector study is intended to allow a more integrated approach to the development of the transport sector. The goal of this transport sector study will be to develop a plan to maximize the contribution of the transport sector to overall (tourism) development within the Islands through the implementation of complementary terrestrial, maritime and aviation sub-sector projects.

### *3.2.6 Employment and prices*

The average national unemployment rate is about 12 percent, although according to the recent Poverty Assessment (2001) the unemployment rate is higher than 25 percent on the lesser developed Islands of North, South and Middle Caicos. The unemployment problem on the lesser developed Islands has been eased by internal migration to Providenciales. Generally, persons in the lowest socio-economic groups, who lack skills and education, experience

higher unemployment (21 percent) than persons in the higher socio-economic groups (5.7 percent). The government's Statistical Office does not collect information on inflation. However, since the US is the Islands main trading partner prices tend to move along the line of US prices.

### **3.3. Social situation**

#### *3.3.1 Population*

According to 2002 estimates by the government Statistical Office, the Islands have a population of about 20,000. This represents nearly a doubling of the population since the last census in 1990. The change in the population is mainly due to rapid immigration (about 50 percent of the population is estimated to be immigrants) to meet the rapid increase in the demand for workers in both skilled and unskilled categories. Meeting labour requirements with workers from abroad has had positive and negative impacts for the Islands. On the positive front there have been technological transfers and opportunities for cultural enrichment. On the negative side, there has been increased illegal immigration from Haiti. One recent survey (the Poverty Assessment, 2001) noted that the recent development of the TCI has been associated with a massive influx of immigrants to the extent that the 'physiological' carrying capacity of Islands is stretched.

There has also been a significant internal movement of people in the last decade from the less developed Islands to Providenciales in search of employment. It is estimated that in 2002 about 65 percent of the population resided on Providenciales, 20 percent on Grand Turk (the capital), 7 percent on North Caicos, 3 per cent on Middle Caicos and 5 percent on South Caicos. The population dependency ratio (ratio population below 15 and above 64 to person between the ages of 15 and 64) was estimated at 48 percent in 2001 by the Statistical Office.

#### *3.3.2 Education*

Education is seen by TCIG as the major mechanism for the development of its human resource capacity. By law all persons between the ages of 4 and 16 year old legally residing in the Islands must attend school. Education for these age groups is provided free of charge by the government. According to the Education Department in 1999/00, the total school population for the TCI was 3,111 of which 2,121 primary school students and 990 high school students. The student teacher ratio was 21:1 at the primary school level and 9:1 at the high school level. In recent years tertiary education has been instituted in order that Belongers (nationals of TCI) and other eligible persons can acquire skills necessary for employment and the generation of economic output. About 67% of the school population are Turks and Caicos citizens, with Haitian nationals accounting for about 24% of school age population.

The education system, however, encounters a number of challenges resulting from the fragmented geography of the islands, which presents major problems for delivering uniform quality services and magnifies cost. In recent years pressure on the education system has been exacerbated by influxes of immigrants, mainly from Haiti. This problem is most prevalent on the Island of Providenciales. Additional school space is required in order to accommodate increased enrolment as well as an increase in teaching resources.

A number of steps have been taken and are ongoing to address the impact of social change on the education system. These include the use of CDB/BNTF funding to expand the provision of educational facilities and the implementation of a Primary Education Infrastructure Project (funded jointly by TCIG and the UK Department for International Development). A Five Year Education Plan has also been prepared, which envisages an expanded role of the private sector in the provision of education. Overseas scholarship programs have been expanded and have peaked at \$5.2 (€4.6) million recently to meet the demand for a skilled work force. Tertiary education is increasingly available locally through the expansion of the number of courses available at the TCI Community college, which was recently upgraded with funding from a CDB loan of above \$3 (€2.7) million.

### *3.3.3 Health care system*

Primary health provision in TCI is available to almost all the population through a network of clinics located in communities throughout the islands. Beyond this there are small hospitals in Grand Turk and Providenciales that offer routine diagnostic, medical and surgical services. Local provision is backed up by treatment overseas. The national birth rate per 1000 was estimated at 24 in 2001; while the death rate is 3.6. In recent years there has been an escalation in overseas medical cost which reached about \$7 (€6.25) million in 2001. Therefore, an important health sector priority has been the containment of overseas medical cost by the introduction of a Treatment at Home Programme, which requires investment in local diagnostic capacity and infrastructure. This program is one element of a longer term Health Visioning Exercise, which aims to improve planning and coordination in the health sector; improve access to health care services in line with population demand, and to achieve cost containment and efficiency. The Health Visioning Exercise will also address the issues of affordability and access, with particular emphasis on the poor and the population on the less developed Islands of the TCI.

A National Nutrition Plan was approved in 1998. There are affective country-wide AIDS and Drugs public awareness campaigns and information and education programs. The government has taken measures to stem the flow of illegal drugs into the Islands which arise due to the transshipment of drugs for neighbouring countries. As part of its efforts to address this problem the government has developed inter agency cooperation and intelligence exchange with Customs, Immigration and Police services in neighbouring countries such as the United States and the Bahamas.

### *3.3.4 Environment*

The Government is keen to protect the quality of the environment on which tourism development depends. Consistent with this objective, a number of policy measures have been introduced in the last decade, with UK funding assistance. These include: capacity building programs, institutional changes and the introduction of a Conservation levy. A National Environmental Centre was constructed to be at the core of number of public/private sector environment protection activities. The Islands also signed an Environmental Charter with UK Government in 2001.

The Government is currently in the process of concluding appraisal work for a National Solid Waste Management project, which will involve improvement to landfills, capacity building, institutional reforms and the introduction of an environmental levy. There will also be scope for private sector participation in the project.

### *3.3.5 Poverty situation*

A Country Poverty Assessment was undertaken in 2001. It revealed that 26 percent of the population of the TCI was living below the national poverty line (i.e.: earning less than \$2,424 (€2,164) per year), with an indigent poor population 3.2 percent (i.e. earning less than \$880 (€786) per year or \$2.41 (€2,16) per day). Thus almost all individuals are able to meet their basic nutritional requirements. The poorest islands were North Caicos, Middle Caicos and South Caicos. Nearly 31 percent of the poor live on Providenciales and 30 percent live on Grand Turk. Males accounted for 48 percent of the poor and females 52 percent. Approximately 54 percent of the poor were under 25 years old and as much as 48 percent of this group is under 20. TCI Nationals (“Belongers”) comprise 50 percent of the population and other nationalities (predominantly Haitian and Dominican) make up the remainder. Haitians comprise 30 percent of the population but accounted for 38 percent of those living below the poverty line. Thus, the TCI have an element of imported poverty. It is planned that an updated Poverty Assessment will be undertaken during 2005.

The Poverty Assessment noted concerns about the lack of participation of the local population in the development process. It recommended the need for the implementation of programs to ensure that the local indigenous population is not marginalized. To address these concerns a Small Enterprise Development Centre (SEDC) was established in 2000 at the Turks and Caicos Islands Investment Agency (TCInvest). The SEDC has since its establishment undertaken a number of training courses both to strengthen existing business development skills and to introduce new ones. It is the intention of TCIG that the SEDC will be strengthened and that it will coordinate its activities with other agencies engaged in similar work.

### *3.3.6 Community organizations*

NGO development in TCI has been limited. Nevertheless there are in most communities’ active churches that offer mutual support and, in many instances, basic welfare and social services. In this sense, they comprise a valuable element of the social ‘safety net’. There is scope to strengthen the contribution made by religious organizations especially in the area of poverty reduction programs and support for persons infected and affected by HIV/AIDS. A number of service clubs are also active in the islands. These include Soroptomists, Kiwanis and Rotary, all of which sponsor community work of various kinds, and who might prove useful partners in public/private initiatives.

The main Islands of the TCI have Chambers of Commerce, which carry out traditional activities of these types of organization. In addition, there are sector specific organizations such as Hotel and Water sports associations, which look after the interest of their members; and may also be subgroups of the Chambers of Commerce.

There is a National Trust which has a mandate for environmental and heritage conservation. More recently the Trust has also focused on eco-tourism and is working with rural communities on Middle and North Caicos to train the inhabitants in tourism skills such as tour guiding, bed and breakfast packages and guest-house management. This is part of an integrated approach to community development.

The Government is keen to promote closer and more formal development partnerships with non-state actors as part of a more consultative and participatory approach to governance. In some instances there is the need to build the capacity of non-state actors to allow them to take on more developmental activities. TCIG is supportive of such programs as well as to improve the participation of the local population in these organisations. These commitments have also been elaborated in the Government's Policy Statement 2003-2007.

### **3.4 Medium term challenges**

Despite impressive economic growth, there are a number of domestic and international challenges facing the country: challenges, which in many respects are the results of successful growth not stagnation. These include, failure to adequately promote human development of the local population resulting in their 'potential' marginalization from the development process, alienation of prime land to foreign investors, increased social and linguistic diversity and associated social tensions, concentration of economic activity on Providenciales with declining activity on a number of other islands, lack of adequate housing and infrastructure, importation of poverty from neighbouring countries, problems with waste management, and increased pressure on the fragile environment and degeneration of the very resources which draw the tourists.

While challenges exist, there are also opportunities. The TCI is easily accessible to the large North American market, still has much space and beautiful beaches, and enjoys considerable investor interest. These attractions are supported by continued developments in telecommunications, which allow isolated places to become more accessible, and thus more attractive to live and invest in. If managed properly, the availability of these resources could support continued solid growth for several years to come.

There is an increasing need for Government to expand its capacity in areas of core government functions to meet increased demand for infrastructure and social programs. In the short term as noted in section 3.2 above, the main public sector challenge is the need to increase public sector savings to increase the local share of the financing needs of the PSIP and to restore reserves to allow the government to expand its borrowing programs to finance infrastructure provision.

The TCI Government is concerned by the concentration of current developments on Providenciales. In the long term it is keen to promote balanced development, especially through tourism development, across the archipelago. However, this effort is hampered by the absence of infrastructure, especially in the transport sector, which results in very high costs of moving goods and people throughout the islands. The dispersed geography of the Islands also raises the cost of public administration and services by the need to duplicate projects across several islands. A major challenge is therefore meeting the need for expanded transport infrastructure requirement to accommodate increased tourism sector growth, achieve more balanced economic development in the less developed Islands, and reduce the cost of development and public administration.

Another critical challenge facing the TCI is its dependency on outside labour to augment the domestic labour supply. There are serious skill gaps within both of the TCI's public and private sectors. There is also a need for the country to its build planning and coordination capacity.

## **CHAPTER 4: Assessment of past and ongoing EC co-operation**

### **4.1 EC/EIB assistance programs**

#### *4.1.1. Territorial / Indicative Program/Sectoral interventions*

A number of EU assistance instruments have been available to the TCI, of which the main ones have been resources from successive EDFs under TIPs. A number of major physical infrastructure projects including: the Grand Turk Dock, New and Expanded Apron at the Provo Airport and the new Water and Sewerage System for Provo have been undertaken under the TIP arrangements.

Under EDF 8, the TCI and the Commission agreed to focus interventions on the transport sector. This intervention was to be based on earlier technical studies completed by a Port Masterplan Study which was commissioned by the Government and the Caribbean Development Bank in 1993. The Ports Masterplan Study concluded that maritime transportation was critical to the Turks and Caicos Islands overall development strategy. Specifically, it suggested that port improvements throughout the TCI archipelago were critical to lowering the cost of living and investing in the Islands and were essential to the development and diversification of the Islands tourism product.

Difficulties were experienced in implementing any projects in this sector under EDF 8 due to resource and budgetary restraints. As a result no progress was made and no funds were drawn down.

Given the new implementation modalities offered in the context of the 9<sup>th</sup> EDF, TCIG concluded that it would be better to use the funds to support its policy in the sector rather than concentrate them on a specific project.

#### *4.1.2. Regional projects*

The track record of regional projects being implemented in the TCI is mixed. In the past the Islands participated in the Caribbean Tourism Development project, being coordinated by CARIFORUM. This project allowed tourism promotion, as part of an EU Regional Program and was of considerable importance to the TCI. However, there have been little developments in the areas of Regional Projects for the last few years. A number of factors contribute to this lack of activity, including capacity limitations in the OCTs and the lack of some form of secretariat to coordinate programming and project preparation of Regional Projects across the OCTs. In this respect the creation of the OCT Association is welcome and it is hoped it will be instrumental in enhancing better cooperation on the part of the OCTs.

#### *4.1.3. European Investment Bank funding*

The TCI has borrowed about \$3 million (€2.68 million) from the European Investment Bank over the years. These include funding for a feasibility study, which led to the establishment of the Turks and Caicos Islands Investment Agency in 1985; and a line consolidated line of credit (\$2.5 million (€2.2 million) in 2002 to facilitate lending to the local private sector.

#### *4.1.4. Conclusions*

A number of factors impacted on the pattern of utilization of EU instruments described above. These include: capacity limitations within TCIG as well as bureaucratic delays on both sides. Because of capacity limitations, TCIG was not in a position to devote adequate manpower to developing a clearer understanding of EU assistance programs.

Over the years EU funded projects accounted for close to 10 percent of the average annual Public Sector Investment Program. TCIG/EU development cooperation has emphasised a single sectoral intervention over an EDF period, usually 5 years. The single sector intervention has worked and is well suited to the capacity limitations within the TCI.

Projects implemented in the TCI have had a positive economic impact in the country. The enhanced ports facilities at Grand Turk have enabled improved efficiency in the trade sector. The Provo Airport apron has enabled larger aircraft to use the airport and has improved safety conditions and is therefore a major contributor to economic growth and tourism development on that Island. Participation in regional tourism promotional activities has enabled the TCI to be marketed in new areas, contributing to the diversification of its tourism markets. Efforts to promote the TCI in Europe under the Caribbean Tourism Development Program have also been effective in limiting the effects of seasonality in the tourism sector.

Based on past experience and the Government's policy priorities, it is considered desirable to make use of the 9<sup>th</sup> EDF funding as a support guarantee for the implementation of the transport policy as part of the national development strategy. For this purpose the budget support instrument would naturally complement the TCI's development strategy

#### 4.2. Programmes of EU Member States – The United Kingdom Government

Development cooperation with the UK has evolved over the last decade. Starting 1992 the Islands the UK agreed on 'Policy Matrix' which was underpinned by a \$42 million (€37.5 million) aid package. The Policy Matrix was in turn succeeded by the Country Policy Program (CPP) and Strategic Country Program (SCP) which were associated with reduced UK development assistance. In the last three years the level of UK assistance totalled about \$9 million (€8 million) and is projected to decline further over the next few years (with assistance being targeted in capacity and institutional strengthening in a few strategic areas). The aforementioned documents have focused on targeted plans of action aimed at engendering socio-economic development with the basic goal being, "cooperation and partnership aimed at promoting good government and self-sustainable growth and economic autonomy for TCI over the medium to long term".

Over the years the TCI took more responsibility for the SCP, which has evolved into broad development document encompassing the Islands relationship with all external development partners. The most recent SCP agreement (2002) has a one of its objective '*to have in place mechanisms for the provision of the required infrastructure using an appropriate mix of government and private sector initiatives*'. In addition, in its 'White Paper' (Partnership for Progress and Prosperity, 1999, Pg.30), the United Kingdom Government makes a commitment to sustainable development in the Overseas Territories by stating among other objectives '*to ensure in the meantime that basic needs are met including the provision of essential infrastructure.*'

## **CHAPTER 5: Response strategy**

### **5.1 Principal elements**

Given the situation outlined in Chapter 3 (country analysis) and Chapter 4 (past performance and result of EC cooperation), the following elements are the principal factors for consideration in the EC response strategy:

- The challenges and opportunities presented by globalization, trade liberalization, and “good governance” (taken to mean adherence to minimum internationally accepted standards in the provision of financial services, transport and security in addition to traditional areas such as social, cultural and human rights) and the need to adapt a country of limited natural resources to these new realities.
- Government’s policy priorities as reflected in a recent Policy Statement for 2003-2007 and the Budget for 2003/4-2005/6 and to be developed further in a Ten Year Economic Development Plan for the period 2004-2014 aims at expansion of the tourism sector along with achieving some measure of economic diversification to attain sustained economic growth. An important objective is furthermore more balanced between different islands and groups of the population.
- Along with sustained economic growth, the government aims at improving the provision of social services in the form of education, health and poverty alleviation programmes.
- An important requirement for effective government interventions is to put public finances on a sound footing. This will be achieved by more effective revenue collection and improving the efficiency of government expenditure, facilitating also the replenishment of reserves.
- Sustained development of the tourism sector will require significant investment in the transport sector, including air transport and maritime transport. Transport infrastructure development in the TCI will be guided by a Transport sector study and will include: implementation of projects to expand infrastructure in all sub-sectors, improvement in operation and maintenance to meet internationally accepted standards of safety and security, tariff reform, institutional, legislative and capacity reforms to sector management.
- In order to promote tourism and associated economic development in the less developed islands, particularly the Caicos Islands, implies a priority for improving transport infrastructure to facilitate internal transport. Consequently strategic priorities within the transport sector are the development of a port in North Caicos and the establishment of road and causeway linkages between North and Middle Caicos in the context of a long term strategic aim to connect the whole group of Caicos Islands.
- The transport sector was also the main sector covered by past and on-going EC cooperation as well as by cooperation from other development partners.

### **5.2 The EC support strategy**

Taking into account the initiatives being funded by the Turks and Caicos Islands Government and other development partner for the most pressing needs of Turks and Caicos Islands and in view of the already existing schemes of both bilateral and regional EC funds, the funds under the 9<sup>th</sup> EDF programming cycle are to be used for the development of the transport sector, in

particular port sector development in the less developed areas of the Turks and Caicos Islands to achieve more balanced development throughout the archipelago to aid poverty reduction and lower the cost of public administration thereby contributing the overall development of the Islands.

In view of the funds available, the Government of Turks and Caicos Islands sees an opportunity for the EC in conjunction with the Government, the Caribbean Development Bank and the European Investment Bank to take a leading role in developing this sector wide approach.

### **5.3 Proposed focal sector for EU support**

Based on the foregoing discussion and analysis the TCI Government has selected the transport sector as the focal sector for EU support under EDF 9, which should be implemented as direct budgetary support.

The following considerations underlay the selection of transport as the focal sector.

As a main economic challenge for economic development in TCI, the improvement and expansion of transport infrastructure facilities was identified to facilitate continued tourism development, internal trade and balanced development. Consequently one of the main priorities of government development policy is the improvement of transport infrastructure facilities. Past EU support has been very effective in supporting the development of transport infrastructure in the TCI. EU support in the transport sector under EDF 9 will be particularly aimed at improving transport infrastructure in the less developed Islands. In these Islands improved transport infrastructure will result in reduced investment cost and cost of living facilitating private sector development and in particular tourism development. In turn this will create increased employment and income earning opportunities. Improvements in the transport sector infrastructure will also contribute to a lowering of the cost of public administration and to providing public services in the less developed islands.

In various documents the government has elaborated its priorities for transport sector infrastructure development. These have been referred to in Chapter 2. Specific strategic priorities within the government's transport sector programs within the less developed communities include:

The construction of a new port in North Caicos and the establishment of a road causeway link between North and Middle Caicos is part of the Government's strategic priorities within the framework of a long-term integrated programme involving the linking of the Caicos Islands.

A summary of major transport development programs and projects is presented in annex 3. The indicative financing plan is consistent with the PSIP analysis presented in section 3.2.2 (Public Finance). Accordingly, in the medium term, the Government will finance the majority of the transport sector PSIP through loan and private finance initiatives. The Government also proposes to seek loan funding from the EIB and the CDB. It is envisaged that UK assistance will focus on the continuation of the Strengthening of Civil Aviation Management and Planning Project, which commenced in 2001.

In order to ensure an optimally integrated transport infrastructure development for all modes of transport the Government intends to undertake an Integrated Transport Sector Study and to ensure efficient management of the sector a Transport Management Study will also be undertaken.

#### **5.4 Coherence with EU policy**

The selection of the transport sector as the focal sector for EC support is justified for the following reasons:

- Support for the transport sector constitutes an integral part of the association between the European Community and the Overseas Countries and Territories for the reduction, prevention and eventual eradication of poverty and promotion of the sustainable development of the OCTs.
- There is the recognition that in many cases their small size notwithstanding, the OCTs are just as subject (perhaps even more so) to the pressures and challenges of the global industry and economy and therefore must have the necessary human and physical capital infrastructure to ensure sustainable economic growth and poverty eradication in such an environment. Accordingly, the Turks and Caicos and EC have agreed and advanced plans for transport sector projects (in the ports sub-sector) under arrangements for EDF 8 with the aim of expanding tourism development in the less developed Islands to promote overall development in the TCI, lower the cost of living and administering them thereby contributing to overall economic growth and development in the country. The proposed focal sector support under EDF 9 would provide the opportunity to consolidate and build on such initiatives.
- Improving and developing transport sector programmes, facilities, services and mechanisms will allow Turks and Caicos to maintain its current level of tourism activity and facilitate the overall expansion of tourism and development and diversification of the Turks and Caicos economy.

#### **5.5 Consistency with Government policy and donor interventions**

The proposed sectoral interventions are consistent with Government's policy objective (see section 2) and UK Government policies concerning the Overseas Territories (see section 4.2) and sector program matrix elaborated in Annex 3.

### **PART B: INDICATIVE PROGRAM**

#### **CHAPTER 6: Indicative Program**

##### *6.1 Finance envelope*

The Turks and Caicos Islands has been allocated €8.4 Million under EDF 9. This amount along with a carry over of €2.3 Million from EDF 8 means that the TCI will have approximately 10.7 Million euro available for support purposes to be secured under EDF 9.

Based on the available resources and the government’s PSIP, an indicative timetable for the disbursement of the tranches and timelines is as follows:

	EUR (million)	%	November 2004	November 2005	November 2006
<b>TIP Balance EDF 6, 7, 8</b>	2.3		2.3		
<b>TIP EDF 9</b>	8.4		2.1	4.2	2.1
<b>Total</b>	10.7		4.4	4.2	2.1

The TCIG is committed to develop strategies to secure that sufficient resources can be allocated to the transport sector in consistency with the Government’s overall development objectives.

The TCIG is also supportive of plans to link up with CARIFORUM Regional programs, particularly those supporting the development of the focal sectors, including tourism, export promotion, private sector development, transportation development and social sector development.

6.2 *Focal sector*

The response strategy involves supporting the development of the transportation sector of TCI. The selection of this sector is based on the need to meet the challenge of increased and diversified transportation needs, particularly of the less developed islands. Improved transportation access for the less developed islands will reduce cost of living and the costs of investment. Consequently transport improvement will promote private sector development and creation of employment and income earning opportunities in the less developed islands. An integrated transport study will be conducted which will result in a transportation strategy and medium term expenditure framework. The strategy will identify transport infrastructure needs. The EU support will be used to secure the implementation of this strategy. The strategy will be based on expected future developments in the flows of goods and people into TCI, modern transportation technologies, and efficiency. Major inputs into the transportation sector study will be the Port Master Plan of 1995, and the economic study of airports currently being conducted. Within the transportation sector strategic priorities are the construction of a new port in North Caicos and the establishment of a road/causeway link between North and Middle Caicos. The government also plans to undertake a study of the management of the transport sector, which will address issues related to institutional reform, the need for capacity strengthening and financial management.

The Transport Sector Study and Management plans are delayed. Added effort will be made to commence the exercises once the SPD process is completed. It is envisaged that the Government’s sector strategy will be further informed by the completion of these exercises, therefore flexibility will be an integral component of the government’s plan to implement the sector strategy.

It is proposed to implement this strategy in the form of direct budget support, because this would allow the Government an appropriate degree of flexibility in the implementation of the transportation strategy. It would also lessen bureaucratic delays, which have affected past assistance programs, thereby enhancing the absorption rate of EU assistance. Progress in the achievement of the Government’s objectives will be measured by indicators and targets that

are specified in Annex 1. In parallel with the sector strategy being clearly outlined, all the present indicators will have to be further developed at the time of drafting the Financing Proposal, in that they will have to be quantified and time-bound.

#### *6.2.1 Overall objective*

The overall objective of the measures to be implemented in the transportation sector is to improve access to and from the outside world, particularly in the less developed islands and therewith to a more balanced development of the economy of TCI through the further development of the private sector and in particular of the tourism industry.

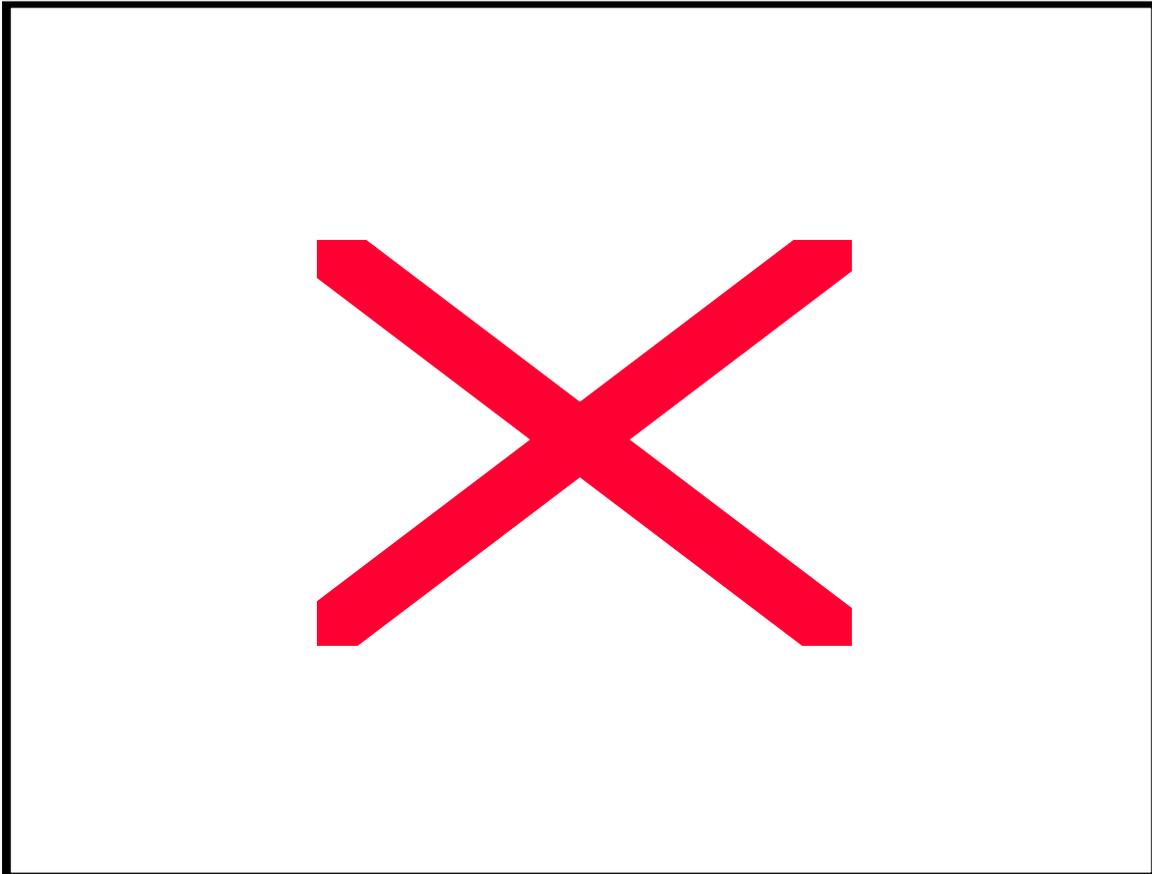
#### *6.2.2 Specific purposes and results*

Particular attention will be given to the area of the establishment of port and road facilities in the less developed islands. The programme will be implemented as direct budget support.

#### *6.3 Evaluation*

The present SPD will be evaluated in accordance with Article 25 of the Commission Regulation. In view of the review process foreseen by Article 21 and 22 of the same Regulation (annual and mid-term review), an evaluation will be carried out at the end of the exercise.

## **Annex 1: Assistance framework**



In parallel with the sector strategy being clearly outlined, all the present indicators will have to be further developed at the time of drafting the Financing Proposal, in that they will have to be quantified and time-bound.

## **Annex 2: Indicative timetable for commitments and activities, Timeline of activities**

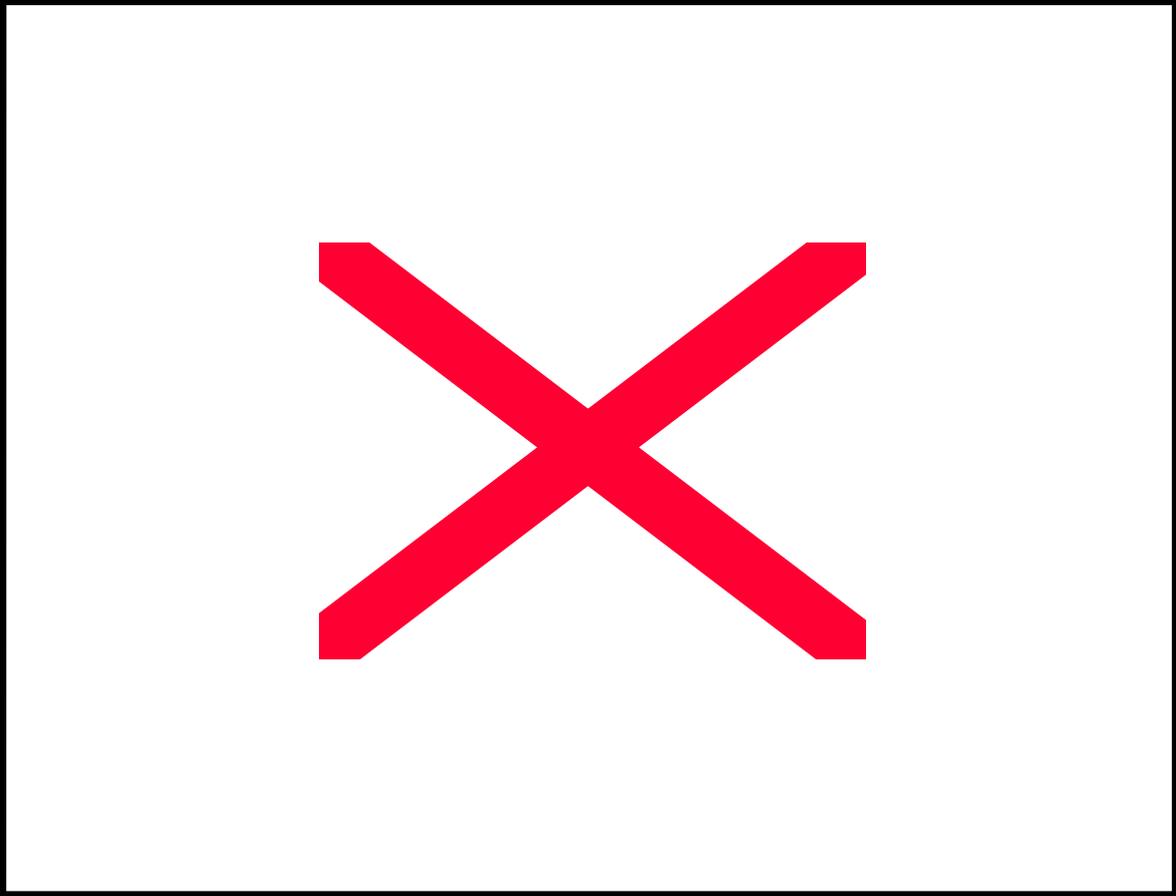
### **Timeline of Activities**

<b>Titles</b>	<b>Amount (M €)</b>	<b>Identification</b>	<b>Appraisal</b>	<b>Financing decision</b>
Budget support for TCI	10.7	June 2004	September 2004	October 2004

### **Indicative Timetable for Commitments and disbursements**

<b>Titles</b>	<b>Commitment</b>	<b>Disbursement</b>	<b>Disbursement</b>	<b>Disbursement</b>
Budget support for TCI	November 2004	December 2004	December 2005	November 2006
Mio €	10.7	4.4	4.2	2.1

**Annex 3: Transport Sector Program Matrix**



### **Box 1: Excerpt from Government Policy Statement 2003-2007 on Infrastructure Development**

*“Mr. Speaker, proper infrastructure is vital if economic growth is to take place in the Turks and Caicos Islands. Infrastructural development is one of the core mandates of my administration. We are committed to undertaking infrastructure projects that will benefit all of the Islands. This is why the Minister of Finance has devoted considerable time to informing the nation of the sustainable financial plan, which will enable us to implement our infrastructure development programme.*

*Honourable Members, Ladies and Gentlemen, we have already begun to make plans for the timely provision of essential infrastructure we need to continue our development. Already, we have had discussions concerning a project to strengthen the runway at the Providenciales International Airport. Advanced discussions have already taken place with the European Union concerning financing of the North Caicos Port and North/ Middle Caicos Causeway Project. I would hasten to add that the latter project will be the first phase of the major infrastructure development project to link the Caicos Islands. My administration, therefore, reiterate its commitment to a Spine Link project to link the Caicos Islands. Such a project will allow us to reduce the cost of administration and infrastructure provision and improve the efficiency of capital in the Islands by limiting the need to duplicate projects and programmes.*

*Mr. Speaker, Governments around the World are increasingly utilizing joint ventures and private finance initiatives to ensure timely provision of infrastructure. The Turks and Caicos Islands have limited experience in this area. This administration plans to use these vehicles to speed up the delivery of infrastructure. However, we are committed to improving the transparency of such transactions as well as our capacity to monitor and regulate them in order to maximize the returns to society,*

*In addition, we plan to include joint venture projects among business development opportunities that will be marketed by TCInvest. In this way, we will be able to encourage innovative solutions and more competition to reduce final project costs.”*

**Source: Statement by Chief Minister Michael Misick to the Legislature, September 25, 2003**