



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 and, with the economy experiencing growing 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. The British Government has expressed the hope that elections for a new Turks and Caicos Government can take place in 2012. Direct rule has caused considerable discontent amongst some sections of the local population.

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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 claiming 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 since May 2010

Since the May 2010 general election, the Conservative-Liberal Democrat Government has taken a range of steps on the TCI. 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 TCI 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. In December 2010, the 2009 Order-in-Council was [extended](#) (SI 2966/2010) beyond 14 August 2011. On 9 December 2010, the FCO 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 milestones, including 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](#)).

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](#)). This has not yet happened. The cost of the investigations and their alleged lack of transparency have been [criticised](#) by some residents of the TCI.

2.1 The DFID loan guarantee (February 2011)

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

2.2 March 2011 to the present

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. Lord Jones of Cheltenham quoted Helen Garlick as having said in a newspaper article that there “may be several trials, each of which includes several people and many different allegations within a single indictment, but most certainly not 50 trials because that would be absurd.”¹

Lord Jones added 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. Replying to the 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

On 9 June 2011, Helen Garlick, Special Prosecutor and head of the SIPT, was reported by the *Turks and Caicos Sun* to have issued a [press statement](#):

¹ HL Deb 23 March 2011 c1772

² Ibid., c1773

³ Ibid., c1794

The Special Investigation and Prosecutions Team (SIPT) has 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.

An indication of the continuing opposition to British policy of a significant number of the inhabitants of the Islands can be gained from this recent press article, also in the [Turks and Caicos Sun](#):

Brits should own TCI's fragmented economy, says PNP Leader Clayton Greene

By Vivian Tyson - SUN Senior Editor

Leader of the Progressive National Party (PNP) Clayton Greene said the United Kingdom (UK) Government should own the shredded Turks and Caicos Islands economy, since they are the ones presiding over it for the past two years.

Speaking at a news conference at the party headquarters, Airport Road, on Thursday, June 9, Greene accused the UK instituted administration of running the country into the ground with end in sight, as a result of the Interim Administration being bankrupt of fresh ideas for growth and development of the TCI. Likening the Interim Administration's fiscal policy to that of strangulation of inward investment, Greene predicted that by the end of 2011, the Turks and Caicos Islands will record double digit unemployment and rising fuel and food costs, which he said would bound to diminish the national standard of living.

The PNP Head accused the Interim Administration of cutting spending to a counterproductive level on service delivery and the wider economy. According to him, the balancing of the budget should not rest solely on slashing public sector spending and the implementation of taxes, but rather to seek inward investments. Greene urged the government to take a leaf from the page of the Bahamas and the Dominica Republic who, unlike the Turks and Caicos, have doled out investment concessions to successfully lure developers and investors to their shores. To this end, Greene pressed the UK-direct government to reinstate the concessions which were once enjoyed under the relevant ordinance before its political disruption.

"In two years our debt has grown by more than \$140 million. Today, the Interim Government has racked up \$260 million in national debt, while the same government only projects the collection of \$160 million for this year. The same government is spending \$171 million this year.

"The current figure shows a dismal picture of our economy. Our national debt is 163 percent of our recurrent revenues. In contrast, during our last politically-elected government, our national debt was only 45 percent of recurrent revenue. At present we have no reliable data on GDP figures, but judging from what is evident in front of us, our country's GDP is likely to be less than half of the \$700 million per year that was being enjoyed during its peak in 2008," Greene highlighted.

The PNP Leader also used the opportunity to pump the Interim Administration to release projects that have been put on hold for the past two years, saying that they accounted for hundreds of millions of dollars worth of inward investment, and before they folded, provided full employment for the people up to 2009.

"Today, inward investments have been totally wiped out, and the country's employment rate has skyrocketed. We believe that these conditions have been infused by ill-conceived plans and an administration that imbued contempt for our people and our quality of life.

"We suggest that the SIPT fast track all of their investigations that concern developers, so that they can give developers (1) a clean bill of health or (2) put the matters before the court. If those developments that are now caught in the balance and others like them that have been the economic lifeblood of these islands, government, therefore has a responsibility to ensure that their progress is not unnecessarily delayed," Greene charged.

Finally, on 16 June 2011 the Foreign and Commonwealth Office announced that the new Governor of the Turks and Caicos Islands from September 2011 will be [Damian Roderic \(Ric\) Todd](#).

Background: Foreign Affairs Committee reports and Government responses

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)