



Cayman Islands
Government

2022-2024

Strategic Policy Statement

July 2021

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Government of the Cayman Islands
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Foreword

As required by Section 23 of the Public Management and Finance Act (2020 Revision) (“PMFA”), this Strategic Policy Statement (“SPS”) for the next budget period, which consists of two financial years, 1 January to 31 December 2022 and 1 January to 31 December 2023 must be presented to the Parliament by a Member of Cabinet, not later than 14 July 2021, for approval within two months.

The SPS has an outlook of three financial years and its purpose is to outline the Government’s policy priorities. It also establishes the foundation for the development of the Budgets for the next two financial years – i.e. 1 January to 31 December 2022 and, 1 January to 31 December 2023.

This SPS contains the following elements:

- Economic forecasts for each of the next three financial years;
- Total financial targets for the Core Government for the next three financial years, relating to operating revenues, operating expenses, surpluses, borrowings, net worth and cash reserves;
- An explanation of how the Core Government forecast financial statements accord with the Principles of Responsible Financial Management;
- Targets for operating expenditure and capital investments allocated to each Minister, Official Member, the Office of the Ombudsman, the Office of the Director of Public Prosecutions and the Audit Office for the next three financial years; and
- A summary of the Broad Outcomes, the Specific Outcomes and the links between them, that the Government intends to achieve in each of the next three financial years.

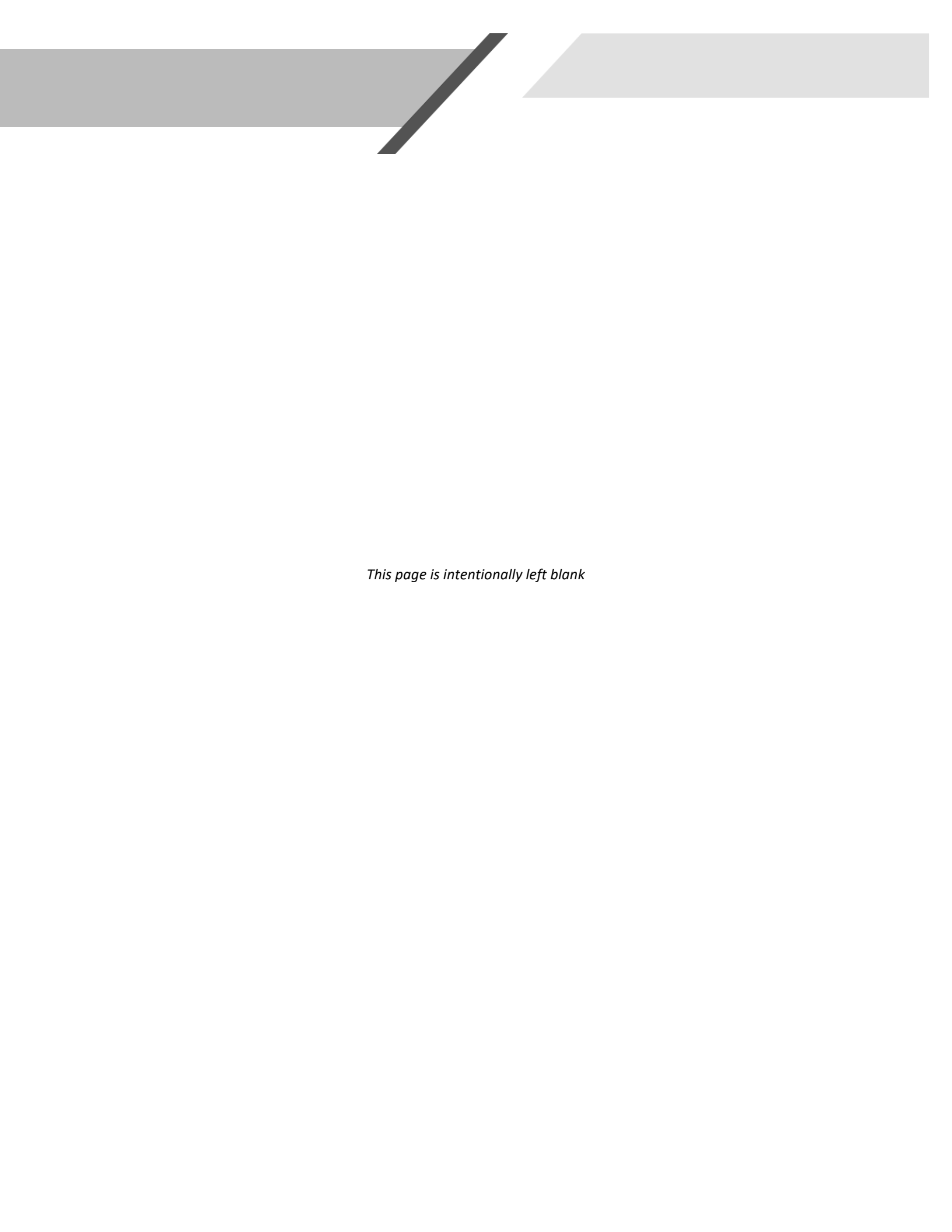
This SPS demonstrates the Government’s continued commitment to managing public finances responsibly – in order to ensure that compliance with the six Principles of Responsible Financial Management is maintained, as required by the PMFA.

The information contained herein is based on the professional judgement of staff in the Ministry of Finance and Economic Development, using the most recent information available on economic conditions, fiscal performance and forecasts. The information considers, to the fullest extent possible, all Government decisions made up to 30 June 2021 and all other known circumstances that may have a material effect on the economic and fiscal outlook.

The forward-looking information provided in this document is based on a number of factors and assumptions. Forward-looking financial statements carry an element of inherent risk and uncertainty. As a result, actual results may differ from those forecasts.

**Dates on which the Data Forecasts and Other Information in this SPS
were Finalised**

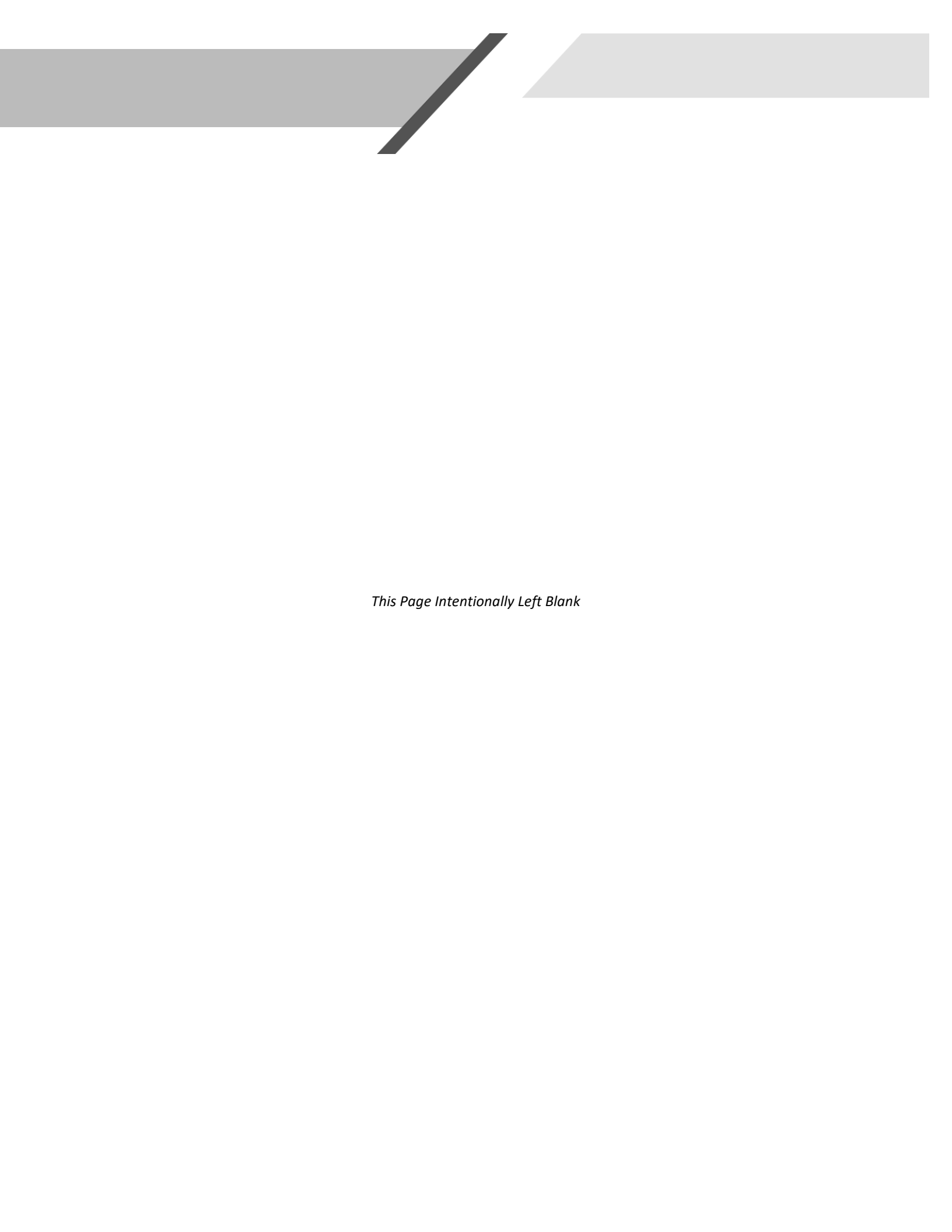
Economic Data	30 June 2021
Economic Forecasts	30 June 2021
Fiscal Data	31 May 2021
Fiscal Forecasts	31 May 2021
Finalised Text	12 July 2021



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Message from the Honourable Premier

I consider it an honour to provide this message with respect to the Government of the Cayman Islands' Strategic Policy Statement for Financial Years 2022-2024.

This SPS details the PACT Government's plan for public finances and maintains the principles of sound financial management in full compliance with the Public Management and Finance Act (2020 Revision).

We must first remember what the PACT Government stands for:

- ✓ **People-driven**
- ✓ **Accountable**
- ✓ **Competent**
- ✓ **Transparent**

In this SPS, we have 10 broad policy outcomes and objectives as evidence of our approach of being People-driven. In short, we are putting People first!

All of these motivating values guide every element of our policies and are interwoven throughout our Strategic Policy Statement.

A core aspect of our approach is that people do not have to suffer in order for a government to employ sensible fiscal discipline. Rather, a targeted approach to budgeting puts public funds where they are most needed, and reduces them where they are not doing the most good.

In this SPS, we have put our money where our mouth is, so to speak. Our strategies and policies are People-driven. You will see strategic spending aimed at programmes that will benefit and enrich the people of the Cayman Islands.

Despite the setbacks of the COVID-19 pandemic, investor confidence in the Cayman Islands economy remains high. Current investments in Medical Tourism and growth in Government's revenue since the elections are already proving the confidence that consumers and investors have in this new Government. Coupled with improving Government finances, this renewed confidence in our Islands creates economic growth.

A defining ethos for the PACT Government is that in times of overall economic abundance, there should be no economic famine. We can no longer find it acceptable to leave any member of our community behind.



We are committed to improving the lives and welfare of all of our people. It is our mandate, and what all of our broad policy outcomes are aimed at.

In concentrating our energies on improving what is already good in our society and rebuilding what needs improvement, we will be addressing every area of Cayman's economy and society with the community at the centre.

From focusing on the wellness of our people – in areas such as education, healthcare, employment, and housing, to addressing our Islands' infrastructure needs through a revised National Development Plan and a new emphasis on sustainability, our SPS is a holistic one.

We carefully reviewed and addressed every area of life in the Cayman Islands starting at the community level. In our policies, you will see our plans to strengthen our pillar industry of Financial Services, rebuild and improve our Tourism Industry following the devastating impact of the COVID-19 pandemic, and to diversify our economy through new and developing industries.

You will note our emphasis on good governance, on transparency and communication, and our commitment to inclusion.

We are, first and foremost, in these seats of responsibility through the mandate of the Caymanian people. We are here to serve the people to further their hopes, dreams and wishes – for themselves and also for their children, grandchildren and generations to come.

Our plans are built not only for today, but also for tomorrow.

We hope you will see the thought and care that went into crafting these strategies, and in budgeting the required resources to see them through.

I, and indeed my Government as a whole, remain indebted to the hard work that our dedicated public servants have put into this SPS. I look forward to working with them as we grow from strength to strength, pulling the Cayman Islands out of the COVID-19 pandemic and creating a brighter future for all Caymanians and the people who call these shores home.



Honourable G. Wayne Panton, MP, JP
Premier and Minister of Sustainability and Climate Resiliency

12 July 2021

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Message from the Honourable Minister for Finance and Economic Development

I am pleased and honoured to have been given the privilege of leading Government's efforts to forge a way forward over this Strategic Policy Statement's three-year horizon (Financial Years 2022–2024). And, I am delighted to have crafted a return to fiscal prudence as early as the next Financial Year – 2022.

This Strategic Policy Statement, the first of the PACT Government, shows adherence to all six Principles of Responsible Financial Management and compliance with the Framework for Fiscal Responsibility, in each year from 2022–2024.



I am an Accountant by training and profession, but first and foremost I am a representative of the people. Throughout this process, I have had to carefully balance the needs and wishes of the Caymanian people with the country's requirement to maintain fiscal responsibility.

It is often difficult to achieve the delicate balance needed between social development and fiscal prudence, but aided by a dedicated team of public servants through long days and nights of hard work, we have achieved this balance as demonstrated by our policy priorities. In short, this SPS is People-driven.

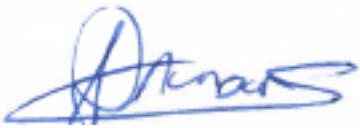
This Strategic Policy Statement is the PACT Government's first step toward a Cayman Islands which makes people's lives better in meaningful ways. Fiscal prudence, creating an environment for economic growth, and governance defined by the principles of being **People-driven**, **Accountable**, **Competent** and **Transparent** – are key to making this vision a reality.

We cannot ignore the added challenge that the COVID-19 pandemic has thrown us. As we work toward reopening, the decisions we make now are just as important, and indeed more difficult to make, as those made at the start of the pandemic.

In crafting our policies and developing our budget, this Government had to consider not only the pandemic's impact on Government revenues, but also its ongoing impact on our people. We have therefore built the needs of recovery into our budget and policies, so we can effectively plan for the required spending and allocation of resources.

I am grateful to my Cabinet colleagues, His Excellency the Governor and the UK Government for the assistance rendered in the development of this Strategic Policy Statement.

Most of all, I am thankful for the support of my team and the encouragement received from those I answer to first – the Caymanian people.



**Honourable Chris Saunders, MP
Deputy Premier and Minister for
Finance and Economic Development,
Border Control and Labour**

12 July 2021

Statement of Responsibility

The forecast financial statements presented in the SPS have been prepared in accordance with the PMFA. The statements report the forecast financial results and positions for the Core Government for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024.

The forecast financial statements were prepared by the Ministry of Finance and Economic Development (“the Ministry”). The Ministry used its best professional judgement in preparing these forecast statements.

The forecast financial statements incorporate all Government decisions and circumstances as at 31 May 2021.

We accept responsibility for the accuracy and integrity of the financial information in these forecast financial statements and their compliance with the PMFA.

To the best of our knowledge, these forecast financial statements:

- (a) are complete and reliable;
- (b) fairly reflect the forecast financial position as at 31 December 2022, 31 December 2023 and 31 December 2024, and performance for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024;
- (c) include all policy decisions and other circumstances that have, or may have, a material effect on the forecast statements; and
- (d) comply with generally accepted accounting principles as defined by International Public Sector Accounting Standards (IPSAS), except for IPSAS 39, Employee Benefits, as it relates to the accounting for post-retirement benefits and IPSAS 35, Consolidated and Separate Financial Statements, as it relates to the non-consolidation of the Public Service Pensions Board.



Honourable Chris Saunders, MP
Deputy Premier and Minister for
Finance and Economic Development,
Border Control and Labour



Kenneth Jefferson, JP
Financial Secretary and Chief Officer of the
Ministry of Finance and Economic Development

12 July 2021

Summary of Economic and Fiscal Forecasts

This SPS provides medium term economic and financial forecasts for the Government for the next three financial years covering the period 1 January 2022 to 31 December 2024 (the “SPS Period”) along with the Government’s Broad Outcomes which will guide the development and implementation of Government Policy during this period.

In addition, this SPS sets the parameters for the preparation of the detailed 2022 and 2023 Budgets and provides the Operating Expenditure and Capital Investment targets to be achieved by each Ministry, Portfolio, and Office over the next three financial years.

Summary of Key Economic Indicators

	Forecast			
	2021	2022	2023	2024
Real Gross Domestic Products (GDP)%	1.2	4.7	4.3	2.3
Consumer Price Index (avg.%)	2.1	1.9	2.0	2.6
Unemployment(%)	5.0	4.4	4.0	3.2

Overall economic growth in the Cayman Islands is expected to recover over the near term. Economic growth, as measured by changes in the Gross Domestic Product (GDP), is forecast to grow by 1.2% in 2021 and accelerate further to 4.7 percent in 2022; 4.3 percent in 2023; and 2.3 percent in 2024. Growth in the U.S. is expected to accelerate by 6.4 percent in 2021 and average 2.0 percent in 2022, 2023 and 2024. Caribbean economies are expected to grow by 3.3 percent in 2021 before accelerating to a growth of 11.1 percent in 2022. The wider Caribbean economic performance is driven by the rapidly expanding Oil and Gas sector in Guyana which grew by 43.4 percent in 2019.

The Consumer Price Index (CPI), which measures the change in retail prices, is expected to increase by 2.1 percent in 2021; 1.9 percent in 2022; 2.0 percent in 2023; and 2.6 percent in 2024. These changes are primarily driven by forecasts from the United States (U.S.), the principal market from which the Cayman Islands imports its consumer products. U.S. inflation is anticipated to rise by 2.3 percent in 2021; 2.4 percent in 2022; 2.5 percent in 2023; and 2.5 percent in 2024.

Summary of Key Fiscal Indicators

Key Fiscal Indicators	2019 FY Unaudited Actuals \$000	2020 FY Unaudited Actuals \$000	2021 FY Forecast \$000	2022 FY Forecast \$000	2023 FY Forecast \$000	2024 FY Forecast \$000
Core Government Operating Revenue	861,961	797,359	859,434	868,650	895,769	930,044
Core Government Operating Expenditure	701,645	884,348	875,214	843,152	861,496	864,835
Core Government Operating Surplus/(Deficit)	160,316	(86,989)	(15,780)	25,498	34,273	65,209
Statutory Authorities and Government Companies Net Operating Surplus/(Deficit)	4,332	(14,037)	(62,726)	(40,114)	(29,062)	(22,793)
Entire Public Sector Net Operating Surplus/(Deficit)	164,648	(101,026)	(78,506)	(14,616)	5,211	42,416
Core Government Year-End Cash Balances	524,426	447,962	478,971	441,670	352,461	291,618
Core Government Debt	284,380	248,555	444,331	499,105	446,353	398,781

Despite the impact of the COVID-19 pandemic on the Government's financial performance and forecast financial results, along with the Government's response to ensuring the health and safety of the people of the Cayman Islands and stimulating the local economy, the Government remains committed to maintaining fiscal prudence and forecasts to be in full compliance with the Principles of Responsible Financial Management, as prescribed by the PMFA, throughout the SPS Period.

Operating Revenues, which total \$2.7 billion over the SPS period, are driven by the continued strong performance anticipated in the financial services sector and the local real estate market, together with the planned full reopening of the Cayman Islands borders to stayover tourism in the first Quarter 2022. Fees from the financial services sector are expected to contribute revenue of \$1.1 billion over the three-year period ending 31 December 2024.

Operating Expenditure, which totals \$2.6 billion over the SPS period, will be used over the next three years to fund the following key priorities:

- **Ministry of Sustainability and Climate Resiliency** – Developing and implementing robust programmes and policies that will protect the environment and address existential threats posed by climate change; establishing safeguards for the biodiversity of the Cayman Islands and the sustainability of our ecosystems through the expansion of protected areas; facilitating the country's transition to a green economy by achieving goals for renewable energy and embracing appropriate green technology; regulating transport and incentivizing cost-friendly, electric solutions to promote a cleaner environment and lower the impact of carbon emissions; protecting native mangroves and preservation of wetlands. Full implementation of the National Energy Policy.
- **Ministry of Finance and Economic Development** – Continue to foster sustainable economic growth and international competitiveness through effective and accountable use of public finances that enhance quality of life in the Cayman Islands.
- **Ministry of Investment, Innovation and Social Development** – Building and enhancing the reputation of the Cayman Islands to promote suitable foreign investment in the Cayman Islands' economy; continuing to develop global opportunities and connections for Cayman's people, businesses and

government; supporting and uplifting Cayman's most vulnerable people; strengthen the work of the Sunrise Adult Training Centre to deliver quality vocational training programmes for adults with disabilities; providing quality affordable housing for Caymanians; continued support of Government entities which provide assistance to persons in need; increased collaboration between Needs Assessment Unit and Work Force Opportunities and Residency Cayman; and achieving and maintaining a consumer market that is fair, efficient, responsible and sustainable for the benefit of consumers within the Cayman Islands.

- **Ministry of Tourism and Transport** – Continued enhancement of tourism marketing to high value source markets while ensuring a safe and stable recovery plan when the country initiates a phased reopening of borders; diversification of tourism products along with a greater focus on sustainable Eco-Tourism; reintegration of Caymanians within the Tourism sector to fill the void of expatriate workers who returned home due to the pandemic; continuing service by Cayman Airways to strategic tourism markets; continued enhancement of the air and sea port to meet the growth of the country; revision of public transport legislation in order to enhance and better regulate public transport; utilization of environmentally cleaner modes of public transport; and the continued implementation of the National Tourism Plan.
- **Ministry of Financial Services and Commerce** – Enhancing the Financial Services policy functions of the Ministry and the regulatory services provided by the Cayman Islands Monetary Authority in response to recent international regulatory changes; ensure adequate resources are used effectively to keep the Cayman Islands in compliance with global financial regulations; active engagement in taking the necessary steps towards removal from Financial Action Task Force grey list; using information Technology tools to strengthen the regulatory framework.
- **Ministry of Planning, Agriculture, Housing and Infrastructure** – Revising the national development plan in order to address development in a controlled, sustainable manner that is mindful of climate and environmental concerns of the community; addressing the Islands' infrastructure needs such as roads, storm water management and drainage; developing the internet and telecommunications sector through investment of a submarine communication cable; supporting the farming community to build a stronger, more vibrant and modern agricultural sector to enhance national food security; utilising technology to streamline processes at public facing departments for greater efficiencies and service delivery. Ensuring that government-owned properties and equipment are maintained and protected. Investing in young Caymanians through the successful delivery of training and development programmes to build a better future; and providing energy efficient affordable housing and home ownership that will improve the quality of lives for our people.
- **Ministry of Education** The provision of free meals to students across all public schools; continuing the enhancement of teaching and learning in schools with a focus on increasing the use of online and computerised testing; supporting the One-to-One laptop programme and the continued roll-out of the Department of Education Services' connectivity programme as part of the overall digital strategy to facilitate effective home learning, and to provide a world-class education for all students;

strengthening core curriculum across primary and secondary schools; increasing early education programmes and focusing on stronger Early Childhood learning; increase funding of scholarships for advanced, specialised tertiary education – such as Medical and Special Education Needs; and providing free or low cost tertiary education at the University College of the Cayman Islands and the International College of the Cayman Islands.

- **Ministry of Health and Wellness** – Ensuring a sustainable and successful healthcare system for our Islands in the provision of optimal health and wellbeing for our people, while reducing health inequalities; enhancing the standards of healthcare services and recognizing healthcare as a basic human right through the reform of the current healthcare system and provision of centralized health insurance coverage; and a more preventative care focused approach to improve overall wellness, leading to better physical and mental health outcomes, allowing our people to thrive.
- **Ministry of Border Control and Labour** – Continuing the development of an effective and efficient administration, implementation, enforcement, and evolution of the border control legislations, improved compliance with international obligations under treaties and conventions related to the management of regular and irregular migration; and enhancing employment and workforce development.
- **Office of the Police Commissioner** – Continue to develop and improve operational capability of the Royal Cayman Islands Police Service and Coast Guard Unit through funding a full range of mandated policing services including national security, cybercrimes, anti-money laundering, intelligence, drug and firearm interdiction; enforcement of maritime security act, maritime border control, search and rescue, maritime accident and disaster response and marine environmental protection.
- **Ministry of Home Affairs** — Enhance public safety and resiliency of the Cayman Islands through continued strategic and operational improvement relevant to national security, emergency response, offender management, and victim support services.
- **Ministry of Youth and Sports** – Enhance and Develop organizational structures and programmes for all age groups that will identify and promote all forms of Talent and Potential, empower our Youth, and Preserve our Culture and Heritage, throughout the Cayman Islands which will allow for awareness and competitiveness locally and internationally.
- **Ministry of District Administration and Lands** – Continue to support and improve the business of government in Cayman Brac and Little Cayman, ensuring the timely and efficient implementation of government policies; enhance services to Cayman Islands citizens and companies in the areas of land registration, surveying, geographic data, valuation, and the management of government facilities

The Government is forecast to maintain positive Operating Surpluses of \$25.5 million, \$34.3 million and \$65.2 million in 2022, 2023 and 2024, respectively.

The Government is forecast to maintain Cash Balances of \$441.7 million or 167.1 days of executive expenses in 2022; \$352.5 million or 125.2 days of executive expenses in 2023; and \$291.6 million or 94.3 days of executive expenses in 2024.

The Government intends to utilise the established C\$330.5 million Line of Credit in order to fund forecast capital expenditure. Core Government's debt balance is forecast to be \$499.1 million at 31 December 2022, \$446.4 million at 31 December 2023 and \$398.8 million at 31 December 2024.

Economic Forecasts

Introduction

This section presents a review of the domestic and global economic performance in 2020 and updated macroeconomic forecasts for 2021 to 2025, along with their major underlying assumptions.

World Economic Performance and Forecasts¹

Global demand tanked in 2020, evidenced by a 3.3 percent contraction in world output. This decline was relative to a growth of 2.8 percent in the previous year. The reduction in economic activity was reflected across countries as both demand and supply declined amidst the pandemic. Economic output in advanced economies fell by 4.7 percent, compared to 1.6 percent for the previous year, with most of the major economic groups contracting. Global economic activity is projected to expand at a pace of 6.0 percent in 2021 before decelerating to a growth of 4.4 percent and 3.5 percent in 2022 and 2023, respectively. In the medium term, economic growth is then expected to average 3.4 percent for 2024 and 2025.

Among advanced economies, the United States (U.S.) economy contracted by 3.5 percent in 2020 relative to a growth of 2.2 percent in 2019. Growth in the U.S. is expected to accelerate to 6.4 percent in 2021 and average 2.0 percent between 2022 and 2025. Economic growth in the U.K. slowed to 1.4 percent in 2019, its lowest increase in six years. The U.K., which contracted by 9.9 percent in 2020, is expected to grow at an average pace of 3.1 percent between 2021 and 2025. Economic activity in the Euro Area fell by 6.6 percent in 2020 and is expected to rebound with an average growth of 2.6 percent per year between 2021 and 2025.

Emerging markets and developing economies contracted by 7.0 percent in 2020 and are projected to record an average growth of 3.0 percent annually between 2021 and 2022. Within this category, output in Caribbean economies fell by 4.3 percent for 2020 compared with a growth of 3.3 percent in 2019. This contraction was evident in all Caribbean countries except for Guyana, which grew by 43.4 percent. The Caribbean is projected to expand by 3.3 percent in 2021 before accelerating to growth of 11.1 percent in 2022.

Global inflation moderated to 3.2 percent in 2020 from 3.5 percent in 2019 (see Table 2.3). This reflected a slower pace of inflation in most regions led by advanced economies which moderated to 0.7 percent relative to 1.4 percent a year ago. The Caribbean recorded inflation of 7.7 percent in 2020 relative to 2.8 percent in 2019 (see Table 2.4). This increase was partly influenced by high inflation levels in Haiti and

¹ This assessment is based generally on the World Economic Outlook (International Monetary Fund (IMF), April 2021).

Suriname, which recorded inflation of 20.5 percent and 52.1 percent, respectively. Inflation in advanced economies is projected to expand by 1.6 percent in 2021 and 1.7 percent in 2022. The U.S. inflation is anticipated to rise by 2.3 percent and 2.4 percent in 2021 and 2022, respectively. Caribbean inflation is expected to accelerate to 8.4 percent in 2021 and 7.5 percent 2022.

International Developments and Risks

The rollout of vaccination programmes worldwide has reduced uncertainty in global demand as most countries now expect to begin reopening their borders within the medium term. The increased global vaccination levels are expected to narrow the progress gap between Cayman and the rest of the world. On the other hand, the fast pace of recovery in the U.S. coupled with emerging short-term mismatches in the labour market has increased pressure on inflation expectations. If these expectations remain persistent, they are likely to add additional inflationary pressures over the medium term to the Cayman Islands economy.

In addition, the financial services sector continues to face the increased risk due to changes in regulatory requirements from international regulatory and political organizations. Notably, the addition of Cayman to the FATF grey list and continued talks of the European Union adopting stricter criteria on economic substance could lead to an additional burden on the sector.

Table 1: Comparative Macroeconomic Indicators and Forecasts (%)

	2018	2019	2020	Projections	Forecast			
				2021	2022	2023	2024	2025
Real GDP growth (%)								
Cayman Islands*	4.2	3.8	-6.7	1.2	4.7	4.3	2.3	2.0
United States	3.0	2.2	-3.5	6.4	3.5	1.4	1.5	1.6
Advanced Economies	2.3	1.6	-4.7	5.1	3.6	1.8	1.6	1.5
World	3.6	2.8	-3.3	6.0	4.4	3.5	3.4	3.3
Consumer Prices Index (avg. %)								
Cayman Islands	3.0	6.0	1.0	2.1	1.9	2.0	2.6	2.8
United States	2.4	1.8	1.2	2.3	2.4	2.5	2.5	2.4
Advanced Economies	2.0	1.4	0.7	1.6	1.7	1.8	1.9	1.9
Unemployment (%)								
Cayman Islands	2.8	3.5	5.2	5.0	4.4	4.0	3.2	3.7
United States	3.9	3.7	8.1	5.8	4.2	3.7	3.5	3.5
Advanced Economies	5.1	4.8	6.6	6.2	5.5	5.2	5.0	4.9
Current Account of the Balance of Payments (% of GDP)								
Cayman Islands*	-16.8	-9.8	-21.2	-25.1	-21.3	-19.5	-18.3	-18.0
United States	-2.2	-2.2	-3.1	-3.9	-3.1	-2.5	-2.2	-2.1
Advanced Economies	0.8	0.7	0.3	0.2	0.4	0.7	0.7	0.8

* The GDP growth and current account balance for 2020 are preliminary estimates based on actual indicators.

Sources: IMF World Economic Outlook (April 2021) for the United States and other global data; and the Cayman Islands Government, Economic and Statistics Office for the Cayman Islands data.

The Cayman Islands' Economic Performance in 2020

GDP Growth: Gross domestic product is estimated to have contracted by 6.7 percent in 2020 based on actual indicators for the year. The contraction in the economy was driven by reduced economic activities arising from the pandemic. The impact of closing the borders to travel and domestic lockdown was partly mitigated by various stimulus measures, most notably: strict public health protocols to limit transmission of COVID-19 pandemic; early resumption of construction activities; private-sector pension withdrawals by beneficiaries; suspension of monthly employer/employee pension contributions; monthly cash stipends for displaced Tourism workers; loan guarantees for small to medium sized businesses impacted by the pandemic.

The economic contraction in the year was relatively broad-based, with only the health sector and some government sectors increasing. The hotels and restaurants sector is estimated to have contracted by 76.6 percent, the largest sectoral decline in the year. This sharp downturn in the industry halted a decade of

consecutive growth in stay-over visitor arrivals, which has recorded an average annual growth of 6.4 percent since 2010.

The transportation sector is estimated to have contracted by 31.5 percent in 2020, the second-largest sectoral decline. This was a direct result of the closure of Cayman's air and seaports. Curfew measures implemented in the second and third quarters of the year also affected local transportation. Consequently, transport storage and communication fell by 14.4 percent as communication services increased by 7.5 percent. The fall in tourism activity and the restrictions on movements and activities during the year also led to a 23.2 percent fall in the 'other' sector. This sector includes arts and entertainment activities and domestic and household activities, which were all significantly restricted.

The wholesale and retail sector contracted by 4.3 percent, consequent on the decline in tourism and limitations on local activities and a slowdown in demand. The decline in wholesale and retail activities was precipitated by a decrease in merchandise imports by 6.3 percent for the year. The construction sector is estimated to have contracted by 4.4 percent in the year, driven by the sector's lack of activity during the shutdown period. The impact of restrictions on the sector was partly offset by Government initiatives aimed at driving activities in the sector during the last quarter of the year. Notably, the government prioritized the reopening of the construction sector by conducting mass COVID-19 testing and including the sector's workers as part of the first phase of reopening. Additionally, to boost activity in the sector, measures were taken to streamline the planning approval process and minimize administrative bottlenecks for the sector. These include initiating some levels of digital inspection to ensure projects could proceed in the short term.

The financing and insurance services sector is estimated to have grown by 0.3 percent for the year, while business services fell by 4.7 percent. Both of these sectors showed some resilience during the pandemic as the industry got employees to work remotely. One positive benefit of the pandemic was that it created a need for investors to restructure entities and develop new business models amidst the pandemic. This may have benefitted the industry positively by generating increased demand for business services. Increased money supply by the Federal Reserve bank and other central banks may have also added increased liquidity in the investment space and created an increased demand for Caymans' services. Further, the removal of Cayman from the European Union's "blacklist" may have also boosted demand for financial services, as uncertainty fell.

Despite the general contraction in the overall economy, efforts by the Government to combat the pandemic and subsequently, to support the local economy resulted in some sectors expanding. The health and social work sector is estimated to have grown by 15.7 percent due to increased mobilization and purchases. Other Government services are also estimated to have expanded by 7.2 percent for the period.

Inflation: The average consumer price index moderated by 1.0 percent in 2020. The slowdown in inflation for the year mainly reflected the decline in global demand, coupled with a fall in crude oil prices on the world market. The fall in international oil prices led to a reduction of 12.2 percent in the electricity sub-index and a 0.8 percent fall in the transportation index. The decrease in tourism demand led to a 0.3% fall in the index for restaurants and hotels as the cost for packaged vacations fell amidst declining tourist numbers. The index for recreation and culture fell 3.2 percent during the year owing to the slowdown in demand emanating from shutdown measures.

During 2020, inflationary pressures emanated mainly from food and non-alcoholic beverages, communication and education, which rose by 5.1 percent, 5.9 percent and 4.4 percent, respectively. The rise in food prices reflected imported inflation and was driven by a general increase in all food indices on the international market. Communication prices may have risen due to increased demand resulting from more persons working from home and increased digital communication during the curfew period.

Employment: The contraction of the local economy in 2020 contributed to a reduction in the demand for labour during the year. Total employment declined by 12.1 percent to reach 41,644 in the Fall 2020 Labour Force survey. With the decline in labour demand outweighing a 10.5 percent fall in the labour force, the overall unemployment rate rose to 5.2 percent in 2020.

Current Account of the Balance of Payments²: The contraction in international demand, particularly in tourism, resulted in a higher deficit on the current account of the Balance of Payments. The fall in tourism revenue was sufficient to outweigh declines in imports and travel payments. During 2020, total merchandise imports declined by 6.3 percent to \$1,114.4 million from a year ago. The total arrival of tourists from abroad fell by 71.7 percent to settle at 660 thousand. The Islands' current account deficit balance in 2020 is projected at \$982.2 million or 21.2 percent of GDP.

Projections and Assumptions for 2021 to 2025

GDP Growth: The domestic economy is expected to recover over the near term beginning with a growth of 1.2 percent in 2021. Economic activity is expected to accelerate further by 4.7 percent in 2022 and an average of 2.9 percent per year between 2023 and 2025. Most industries are expected to contribute to growth in 2021, led by construction; however, some industries lead by hotels and restaurants along with transport and storage are expected to fall even lower as the islands continue to enforce quarantine measures.

² The current account of the balance of payments measures the total value of the Islands' transactions against the rest of the world in terms of trade in goods and services, income and transfers. A deficit in the current account means that the Cayman Islands made more payments to the rest of the world compared to its receipts from these transactions.

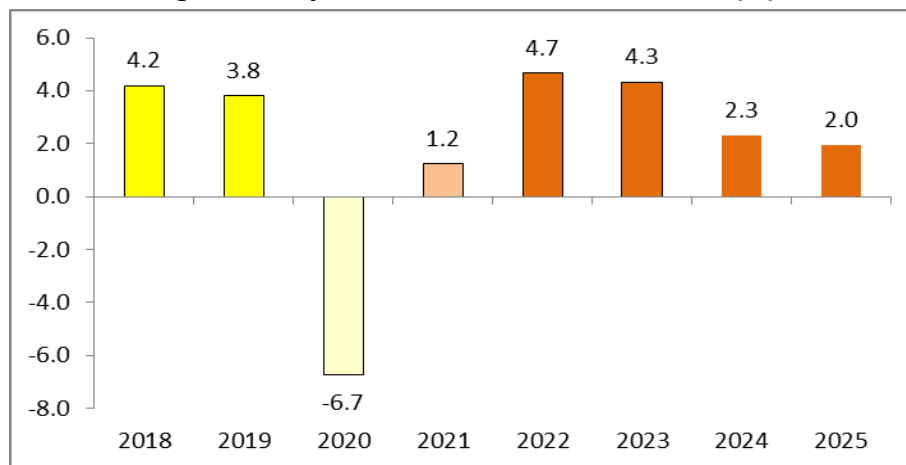
The economic recovery should be led by the construction sector, with further expansions foreseen as the measures implemented in 2020 take full effect during 2021. The sector's growth is expected to reflect several large-scale private sector projects, including many high-end condominium complexes coupled with some hotel projects. Hotel projects expected to peak in 2021 include the NCB Hilton Hotel, the new Hyatt Hotel (Pageant Beach site), the starting of the Mandarin Hotel at Beach Bay, and the Indigo Hotel. Additionally, government projects such as work on the John Gray High School, the construction of a Long-Term mental health facility and continued road network expansion and upgrade should contribute to growth over the medium term. The sector is projected to expand by 10.3 percent in 2021 before averaging growth of 5.1 percent per year between 2022 and 2025.

The multiplier effect of the growth in the construction sector, which has the highest interlinkage with the local economy, is expected to boost some auxiliary sectors' activities. Electricity and water supply is projected to expand by 2.6 percent in 2021 and an average of 2.7 percent per year between 2022 and 2025. Growth is also projected for the wholesale and retail sector, which is anticipated to rise by 2.1 percent in 2021, with an average increase of 3.9 percent per year between 2022 and 2025. The sector is expected to benefit from a further rebound in tourism activities from 2022 onwards.

Sustained growth is anticipated in the financial services sector, conditional mainly on continuing growth in domestic lending and a rebound in the financial listing and licensing business. Domestic lending should also benefit from low interest rates, as most major economies commit to keeping rates low. Given these assumptions, the finance and insurance sector is projected to expand by 2.9 percent in 2021, with an average growth of 1.9 percent per year between 2022 and 2025.

Activity in the tourism and transport sector is expected to remain repressed for 2021 as the island's borders are expected to remain closed until the fourth quarter of the year, with partial restrictions expected even after reopening in the last two months of the year. Consequently, the hotels and restaurants sector is expected to contract further by 88.0 percent in 2021. The sector is then expected to recover partially, with average annual growth of 67.8 percent per year for 2022 and 2025. The transport sector is also expected to worsen due to the continued closure of the Islands' border, with limited passenger air services being operated by Cayman Airways and British Airways on a restricted schedule. Transport activities are projected to contract by 23.4 percent in 2021 before recovering to average annual growth of 9.3 percent in the next four years. With Cruise arrivals also expected to lag, the resumption of stay-over arrivals growth in transport is expected to peak the latter part of 2022 into early 2023.

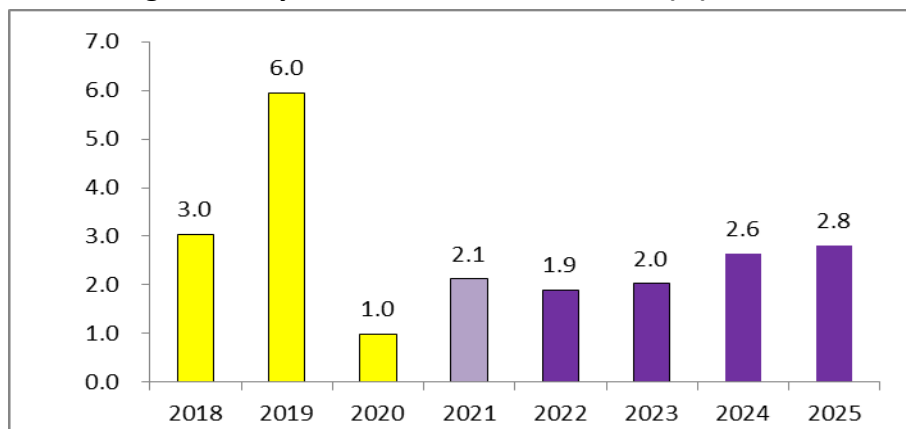
Figure 1: Cayman Islands' Real GDP Growth (%)



Note: Data for 2020 is preliminary; 2021-25 are forecasts.

Source: Economics and Statistics Office

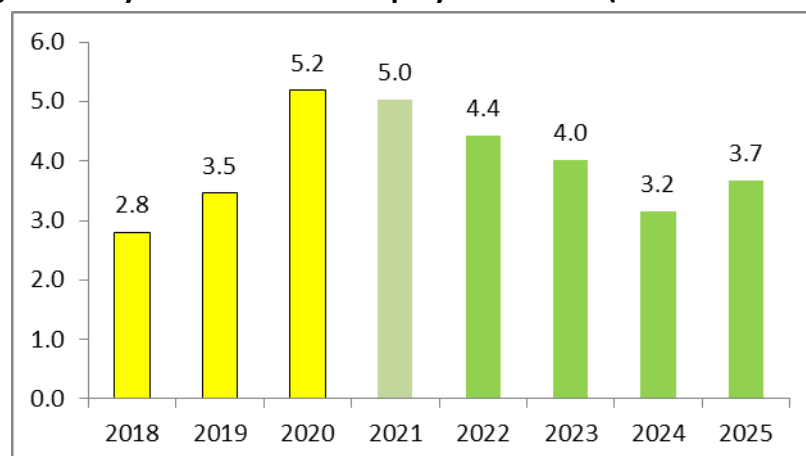
Inflation Rate: Constrained global demand over the medium term is expected to support low price levels in the international market. Consumer prices in the U.S. are projected to trend upward by 2.3 percent in 2021 and average 2.4 percent per year for the next four years. Contingent on the factors mentioned above, it is anticipated that there will be moderate imported inflation in the medium term. Crude oil prices are foreseen to rise by 21.2 percent in 2021 but will decline marginally by 2.4 percent in 2022. While this should add some pressure to energy-related inflation, low demand levels are expected to constrain some of the increase. Further, with no expected spike in food or energy demand in the islands' the rise in energy-related and imported inflation is not expected to exert excessive inflationary pressures. The average inflation rate is forecast at 2.1 percent for 2021, 1.9 percent for 2022 and an average of 2.5 percent for the next three years.

Figure 2: Cayman Islands' Inflation Rates (%)

Note: Figures for 2021-25 are forecasts

Source: Economics and Statistics Office

Employment: The demand for labour is expected to track the GDP growth forecasts. An increase in employment opportunities is expected from planned construction projects. However, the tourism industry's continued closure will result in further restructuring in the local labour market as businesses are forced to recalibrate their business models. Over the medium term, new employment is expected from the Islands' hotel industry as the sector begins to recover in the latter stage of the forecast window (2022 – 2025) and within the context of the added capacity created by current construction projects.

Figure 3: Cayman Islands' Unemployment Rates (% of Labour Force)

Note: The rates for 2021-25 are forecasts

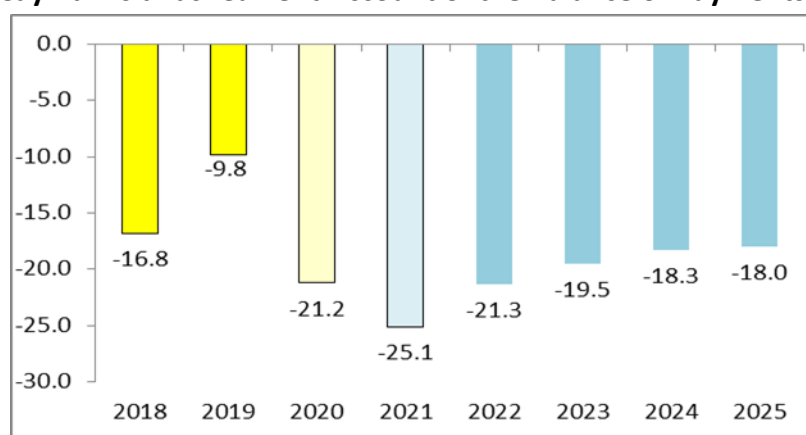
Source: Economics and Statistics Office

The Government's policy to prioritize the integration of displaced Caymanians into the workforce is also expected to shift the labour market dynamics and minimize the impact of displacements on the overall unemployment figure. Given the projected rise in the labour force and employment, the unemployment rate

is forecast at 5.0 percent of the labour force in 2021. The unemployment rate is then expected to improve to 4.4 percent in 2022 and then average 3.6 percent in the remaining three years.

Current Account of the Balance of Payments: The current account deficit is forecast to deteriorate further as the tourism sector remains closed for most of the year. The current account balance is projected at 25.1 percent of GDP in 2021 and 19.3 percent between 2023 and 2025. These are in the context of assumed increases in payments for the importation of goods for new private sector projects. It is also assumed that improvements in current account receipts from new tourism-related projects will partially offset the impact of higher merchandise imports.

Figure 4: Cayman Islands' Current Account of the Balance of Payments (% of GDP)



Note: Data for 2020 is a preliminary estimate; figures for 2019-22 are forecasts

Source: Economics and Statistics Office

Past Fiscal Performance

2019 Unaudited Financial Results and Analysis

2019 Unaudited Results				
Amount in CI\$000s				
	Budget	Actual	Dollar Variance over/(under)	Percentage Variance over/(under)
Revenues				
Coercive Revenue	683,448	795,509	112,061	16.40%
Sales of Goods & Services	35,352	46,766	11,414	32.29%
Investment Revenue	3,958	18,431	14,473	365.66%
Donations	30	1,237	1,207	4023.33%
Other Revenue	50	18	(32)	-64.0%
Total Revenues	722,838	861,961	139,123	19.25%
	Budget	Actual	Dollar Variance (over)/under	Percentage Variance (over)/under
Expenses				
Personnel Costs	310,900	299,785	11,115	3.58%
Supplies and Consumables (including Leases)	107,662	119,227	(11,565)	-10.74%
Depreciation and Amortisation	30,169	35,982	(5,813)	-19.27%
Finance Costs	24,845	22,067	2,778	11.18%
Litigation Costs	542	367	175	32.29%
Outputs from Statutory Authorities and Government Companies	111,222	129,923	(18,701)	-16.81%
Outputs from Non-Government Output Suppliers	23,804	50,028	(26,224)	-110.17%
Transfer Payments	38,910	39,458	(548)	-1.41%
Other (Gains)/Losses	(1,986)	(5,813)	3,827	192.70%
Other Operating Expenses	11,704	10,621	1,083	9.25%
Total Expenses	657,772	701,645	(43,873)	-6.67%
Core Government Surplus	65,066	160,316	95,250	
(Deficit)/Surplus on Statutory Authorities and Government Companies	(5,781)	4,332	10,113	174.94%
Net Surplus	59,285	164,648	105,363	

A Net Surplus of \$164.6 million was achieved by the Entire Public Sector (“EPS”) for the year ended 31 December 2019, which was \$105.4 million higher than budgeted for the same period.

Coercive revenues performed better than expected primarily due to higher receipts of \$24.4 million for Levies on Property, \$24.5 million for Import Duties, \$12.4 million for Tourism Accommodation Tax and \$4.8 million for Banks and Trust Licences. Higher cash balances than budgeted also yielded more investment revenue than forecast.

Savings in Personnel Costs (\$11.1 million) were offset by higher spend of \$11.6 million in Supplies and Consumables and \$26.2 million for Outputs purchased from Non-Government Output Suppliers driven by local and overseas tertiary medical expenses for uninsured persons. Overspend in Outputs from Statutory

Authorities and Government Companies (“SAGCs”) is attributable to higher health care premiums paid to the Cayman Islands National Insurance Company and increased output costs of the Health Services Authority.

Positive operating results for the Core Government yielded overall favourable closing bank account balances at 31 December 2019, including fixed deposits, of \$524.4 million; \$175.1 million of which were held as Reserve and Restricted deposits and \$349.3 million as Operating Bank Account balances.

2020 Unaudited Financial Results and Analysis

2020 Unaudited Results				
Amount in CI\$000s				
			Dollar Variance	Percentage Variance
Revenues	Budget	Actual	over/(under)	over/(under)
Coercive Revenue	783,391	741,973	(41,418)	-5.29%
Sales of Goods & Services	34,389	39,545	5,156	14.99%
Investment Revenue	7,008	8,496	1,488	21.23%
Donations	193	3,125	2,932	1519.17%
Other Revenue	53	4,220	4,167	7862.3%
Total Revenues	825,034	797,359	(27,675)	-3.35%
Expenses	Budget	Actual	Dollar Variance (over)/under	Percentage Variance (over)/under
Personnel Costs	363,564	352,991	10,573	2.91%
Supplies and Consumables (including Leases)	124,903	153,721	(28,818)	-23.07%
Depreciation and Amortisation	38,389	38,695	(306)	-0.80%
Finance Costs	12,539	13,267	(728)	-5.81%
Litigation Costs	1,001	393	608	60.74%
Outputs from Statutory Authorities and Government Companies	131,793	164,867	(33,074)	-25.10%
Outputs from Non-Government Output Suppliers	31,658	43,361	(11,703)	-36.97%
Transfer Payments	45,051	69,706	(24,655)	-54.73%
Other (Gains)/Losses	-	6,326	(6,326)	-100.00%
Other Operating Expenses	11,469	41,021	(29,552)	-257.67%
Total Expenses	760,367	884,348	(123,981)	-16.31%
Core Government Surplus	64,667	(86,989)	(151,656)	
Deficit on Statutory Authorities and Government Companies	(17,230)	(14,037)	3,193	-18.53%
Net Surplus/(Deficit)	47,437	(101,026)	(148,463)	

The outbreak of the COVID-19 pandemic and the measures adopted by the Government to mitigate the pandemic’s spread have significantly impacted the Government’s financial performance and position for the 2020 financial year. These measures required the Government to enter a period of lockdown and close the jurisdiction’s borders from late March 2020, thereby reducing activity in the local economic market and revenues derived from the tourism sector. The Government also sought to increase support to individuals and businesses which were negatively impacted by these measures.

For the year ended 31 December 2020, the EPS recognised a Net Deficit of \$101.0 million; this amount is \$148.4 million less than the Net Surplus of \$47.4 million budgeted for the period. Total Operating Revenues of Core Government for the period were \$797.4 million, which was \$27.6 million less than the projected \$825.1 million. Operating Expenses, Financing Costs and Non-Operating Costs, were \$884.3 million; SAGCs reported an Operating Deficit of \$14.0 million.

Tourism sector related revenues recorded the most significant negative variances: namely Tourist Accommodation Charges (\$25.7 million variance), Cruise Ship Departure Charges (\$8.2 million variance) and Environmental Protection Fund Fees (\$4.1 million variance).

Outputs from Statutory Authorities and Government Owned Companies of \$164.9 million were \$33.1 million more than the 2020 budget amount. This variance relates mainly to Cayman Airways Limited and the Health Services Authority.

Outputs from Non-Government Output Suppliers of \$43.4 million were \$11.7 million more than budgeted. The variance is mainly due to “NGS 55 - Tertiary Care at Local and Overseas Institutions” being \$13.1 million above the 2020 full year’s budget.

Transfer Payments of \$69.7 million were \$24.7 million more than budgeted for 2020. This negative variance is mainly due to the overages in spending due to assistance to the local economy which included Sports and Cultural Tourism Programmes Assistance (\$15.3 million variance), Support for Business Initiatives (\$4.1 million variance), Temporary Financial Assistance (\$4.2 million variance), and Education, Agriculture and Land Services – COVID-19 Response and Recovery (\$2.4 million variance).

Other Operating Expenses (which total \$41.0 million), include \$32.7 million of costs incurred in order to combat the COVID-19 pandemic which were unbudgeted.

As at 31 December 2020, Net Assets of the Government were \$1.5 billion. Total overall closing bank account balances, including fixed deposits, at 31 December 2020 were \$447.9 million; \$171.9 million of which were held as Reserve and Restricted deposits and \$276.0 million as Operating Bank Account balances.

2021 Forecast Financial Results

2021 Forecast Results CI\$000s		
Revenues	Budget	Forecast
Coercive Revenue	806,565	817,158
Sales of Goods & Services	35,110	39,453
Investment revenue	7,760	1,566
Donations	236	170
Other revenue	53	1,087
Total Revenues	849,724	859,434
Expenses	Budget	Actual
Personnel costs	373,488	372,802
Supplies and Consumables (Including leases)	127,254	104,086
Depreciation and Amortisation	39,678	39,365
Finance costs	10,949	13,574
Outputs from Statutory Authorities & Government Companies	135,228	160,475
Outputs from Non-Governmental Suppliers	29,233	44,563
Transfer Payments	46,395	119,775
Other (Gains)/Losses	(1,976)	(2,340)
Other Operating Expenses	14,745	22,914
Total Expenses	774,994	875,214
Core Government Surplus/(Deficit)	74,730	(15,780)
Surplus/(Loss) on Statutory Authorities and Government Companies	(16,953)	(62,726)
Net (Deficit) /Surplus	57,777	(78,506)

The uncertainty about the economic impact of the COVID-19 pandemic, including restrictions imposed to slow the spread of the virus, creates uncertainty for the Cayman Islands' economic and financial outlook. The forecasts assume the ongoing successful prevention of the transmission of the virus and are therefore more dependent on assumptions about future developments, than normally is the case.

For the 12-month period ending 31 December 2021, Core Government's Operating Deficit is forecast to be \$15.8 million. This amount is \$90.5 million lower than the \$74.7 million Operating Surplus originally budgeted.

The fall-off in revenue from the Tourism Sector has been countered by a robust Financial Services Sector: Private Funds are forecast to be \$48.0 million in 2021; Other Company Fees to be \$124.2 million; Mutual Fund Administration Licence Fees \$48.2 million; Partnership Fees \$66.0 million; Stamp Duty on Land Transfers of \$53.3 million; Other Import Duty \$132.7 million; and Work Permit Fees of \$74.4 million.

The major increase in Operating Expenditure is primarily due to the Transfer Payments category, which is forecast to be \$120.0 million. This increase in expenditure is primarily driven by the payment of stipends to persons in the Tourism Sector; Scholarships and Bursaries; support to local businesses; and other financial assistance to vulnerable citizens.

Outputs from Non-Government Suppliers are forecast to increase by \$15.3 million. The variance is mainly due to “NGS 55 - Tertiary Care at Local and Overseas Institutions”.

Outputs to Statutory Authority and Government Companies are forecast to increase by \$25.2 million to \$160.5 million, which is primarily due to an increase in funding to the Health Services Authority.

Financial Forecasts: 1 January 2021 – 31 December 2024

Forecast Statement of Financial Performance

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE

	SPS Forecast			
	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
	\$000	\$000	\$000	\$000
Revenues				
Coercive Revenue	817,158	827,806	854,461	887,708
Sales of Goods & Services	39,453	38,087	39,071	40,352
Investment revenue	1,566	1,564	1,154	877
Donations	170	169	8	8
Other revenue	1,087	1,024	1,075	1,099
Total Revenues	859,434	868,650	895,769	930,044
Expenses				
Personnel costs	372,802	392,990	399,230	402,152
Supplies and Consumables	104,086	108,645	113,889	114,559
Depreciation and Amortisation	39,365	39,665	39,915	40,215
Finance costs	13,574	17,665	16,959	15,057
Outputs from Statutory Authorities & Government Companies	160,475	160,475	163,041	164,890
Outputs from Non-Governmental Suppliers	44,563	44,563	44,563	44,563
Transfer Payments	119,775	57,575	62,575	62,575
Other (Gains)/Losses	(2,340)	(2,340)	(2,590)	(3,090)
Other Operating Expenses	21,988	22,988	22,988	22,988
Litigation costs	926	926	926	926
Total Expenses	875,214	843,152	861,496	864,835
Core Government Surplus	(15,780)	25,498	34,273	65,209
Surplus/(Deficit) of SAGCs	(62,726)	(40,114)	(29,062)	(22,793)
Net(Deficit)/Surplus	(78,506)	(14,616)	5,211	42,416

The Government's four-year financial forecasts (Financial Years 2021 to 2024), as shown above, are based on information and decisions known at 30 June 2021.

The revenue forecasts do not include any new revenue measures during the SPS period. The forecasts assume the ongoing successful prevention of the transmission of the virus and are therefore more dependent on assumptions about future developments, than normally is the case.

Revenues are expected to increase over the SPS forecast period (2022 to 2024), surpassing pre-COVID 19 levels. As the Tourism Sector begins to recover, other major sectors of the local economy are showing tremendous resilience and growth, the expansion of the construction sector, is expected to result in increased demand for goods and services - driving additional revenue from import duties and other consumption-based revenue items.

Core Government's total Operating Revenue for the SPS forecast period (2022 to 2024) is forecast to be \$2.7 billion. The major revenue items are: Other Company Fees \$387.5 million; Other Import Duty \$449.0 million; Private Fund Fees \$152.5 million; Partnership Fees \$240.4 million; and Mutual Fund Administrators Licence Fees \$150.5 million.

Core Government total Operating Expenditure for the SPS forecast period (2022 to 2024) is forecast to be \$2.6 billion. The Government is taking definitive steps to maintain a sustainable level of Operating Expenditure. Growth in Operating Expenditures is primarily due to health care premium increases (which impacts personnel costs), and a number of new initiatives for education, health, security and social development being pursued by the Government.

Finance Costs are expected to decrease over the SPS forecast period (2022 to 2024). This reduction is primarily due to the repayment of Core Government's debt.

Outputs from SAGCs show small increases over the SPS forecast period (2022 to 2024). This is primarily due to the support of the Health Services Authority, the Cayman Islands National Insurance Company and Cayman Airways Limited.

Transfer Payments are expected to increase marginally over the SPS forecast period (2022 to 2024). This marginal increase is driven primarily by additional amounts being made available for Scholarships and Bursaries and Financial Assistance.

Forecast Statement of Financial Position

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL POSITION

	SPS Forecast			
	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
	\$000	\$000	\$000	\$000
Current Assets				
Cash and cash equivalents	183,816	109,050	59,340	15,437
Investment	295,155	332,620	293,121	276,181
Trade receivables	13,327	13,594	13,865	14,143
Other Receivables	15,351	15,658	15,971	16,290
Inventories	3,757	3,832	3,909	3,987
Prepayments	7,770	7,925	8,084	8,246
Loans	20,138	20,541	20,952	21,371
Total Current Assets	539,314	503,220	415,242	355,655
Non-Current Assets				
Trade receivables	427	436	444	453
Investments	831	831	831	831
Net Worth - Public Entities	364,834	365,794	372,175	376,174
Property, plant and equipment	1,615,635	1,707,358	1,759,055	1,826,712
Intangible Assets	2,659	2,526	2,400	2,280
Total Non-Current Assets	1,984,386	2,076,945	2,134,905	2,206,450
Total Assets	2,523,700	2,580,165	2,550,147	2,562,105
Current Liabilities				
Trade payables	17,834	30,065	43,449	57,341
Other payables and accruals	95,012	96,929	98,867	99,842
Unearned revenue	85,255	86,960	88,699	90,473
Employee entitlements	8,989	9,168	9,352	9,539
Unfunded pension liability	23,595	23,595	23,595	23,595
Current Portion of Borrowings	34,225	45,225	52,752	47,572
Total Current Liabilities	264,909	291,941	316,713	328,362
Non-Current Liabilities				
Unfunded pension liability	472,501	472,501	472,501	472,501
Unearned revenue	13,723	13,997	14,277	14,563
Long Term portion of Borrowings	410,106	453,880	393,601	351,209
Total Non-Current Liabilities	896,330	940,378	880,379	838,273
Total Liabilities	1,161,238	1,232,318	1,197,093	1,166,635
Net Assets	1,362,462	1,347,845	1,353,054	1,395,470
NET WORTH				
Reserves	167,932	160,384	173,947	180,742
Revaluation reserve	490,968	490,968	490,968	490,968
Accumulated surpluses/(deficits)	703,562	696,493	688,139	723,760
Total Net Worth	1,362,462	1,347,845	1,353,054	1,395,470

The Government recognizes the significance of managing public debt in order to keep it at affordable and acceptable levels and within the limits prescribed in the Principles of Responsible Financial Management.

The Government intends to borrow \$230.0 million in 2021 and a further \$100.0 million in 2022. The borrowings of \$330.0 million will be used, along with Operating Revenues, to fund Capital Expenditure/Investments in Core Government – which total \$330.8 million and Core Government's investments in its SAGCs of \$103.3 million, over the SPS forecast period (2022 to 2024)

The Government's forecast financial position is robust and improving. Over the SPS forecast period (2022 to 2024), Core Government's Net Worth is expected to improve from \$1.3 billion in 2022 to \$1.4 billion in 2023 and thereafter increasing to the higher end of \$1.4 billion in 2024. Those positions will be made possible by forecasted improvement in Government's operations and the resulting surpluses expected.

The Government is expected to close the 2022 fiscal year with a cash balance of \$441.7 million, \$352.5 million in 2023 and \$291.6 million in 2024. Amounts in Restricted Funds such as the General Reserves, Environmental Protection Fund, and the National Disaster Fund are forecast to be \$160.4 million at the end of 2022 thereafter improving to \$180.7 million by the end of 2024.

Core Government's debt is expected to be \$499.1 million by the end of the 2022 fiscal year. The Government plans to reduce the outstanding debt to \$398.8 million by the end of 2024.

Forecast Statement of Cash Flows

GOVERNMENT OF THE CAYMAN ISLANDS CASH FLOWS FROM OPERATING ACTIVITIES

	SPS Forecast			
	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Operating Cash Inflows</i>				
Coercive Receipts	817,411	828,292	855,040	888,392
Outputs to other government agencies	4,634	4,592	4,653	4,644
Sale of goods and services - third party	34,977	33,774	34,907	36,065
Interest received	1,465	1,590	1,468	1,203
Donations / Grants received	170	169	8	8
Other receipts	10,231	10,421	10,273	10,319
<i>Operating Cash Outflows</i>				
Personnel costs	(373,055)	(393,476)	(399,809)	(402,836)
Supplies and consumables	(104,086)	(108,924)	(114,378)	(114,916)
Outputs from public authorities	(160,633)	(160,475)	(163,041)	(164,890)
Outputs from non-governmental organisations	(44,563)	(44,563)	(44,563)	(44,563)
Transfer payments	(119,775)	(57,575)	(62,575)	(62,575)
Financing/interest payments	(13,574)	(17,665)	(16,959)	(15,057)
Other payments	(22,914)	(24,840)	(24,840)	(24,840)
Net cash flows from operating activities	30,289	71,319	80,183	110,953
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Investing Cash Inflows</i>				
Proceeds from sale of Loans/investments	805,364	578,935	193,113	34,586
Receipt of Dividends/Capital withdrawals	2,915	3,104	3,638	3,654
<i>Investing Cash Outflows</i>				
Purchase of property, plant and equipment	(160,527)	(131,389)	(91,612)	(107,872)
Purchase of Loans/investments	(807,172)	(610,436)	(146,838)	(10,860)
Equity injection paid to SAGCs	(30,443)	(41,074)	(35,443)	(26,792)
Net cash flows from investing activities	(189,862)	(200,860)	(77,142)	(107,284)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings	230,000	100,000	-	-
Repayment of Borrowings	(34,225)	(45,225)	(52,752)	(47,572)
Net cash flows from financing activities	195,775	54,775	(52,752)	(47,572)
Net increase/(decrease) in cash and cash equivalents	36,201	(74,766)	(49,710)	(43,903)
Cash and cash equivalents at beginning of period	147,615	183,816	109,050	59,340
Cash and cash equivalents at end of period	183,816	109,050	59,340	15,437
Term Deposits (with maturity > 90 days but < 1 year)	295,155	332,620	293,121	276,181
Total Cash and Deposits	478,971	441,670	352,461	291,618

The forecast Statement of Cash Flows shows year on year increases in Cash Flows from Operating Activities and financing activities. This stems from increasing revenues expected through modest economic growth,

combined with declining Government expenditures and proposed borrowings. In 2022, operating cash flows are expected to generate approximately \$71.3 million; this amount is expected to improve to \$80.2 million in the 2023 and \$111.0 million in 2024.

In line with the Government's policy priorities, net investing cash flows are targeted throughout the SPS forecasted period (2022-2024) to fund capital expenditure/investment programmes. The Government plans to restrict capital investments to \$172.5 million in 2022, to \$127.1 million in 2023 and, to as well as \$134.7 million in 2024.

The Government expects to reduce the debt of the Core Government by repayments of principal of approximately \$145.5 million over the SPS forecast period (2022 to 2024). During the 2022 financial year, Government intends to borrow a further \$100.0 million; therefore, over the SPS forecast period (2022 to 2024), the net reduction in debt is expected to be \$45.5 million. Yearly principal repayments of debt are shown in the financing activities section of the Statement of Cash Flows and shows that the Government will be able to meet all its debt servicing obligations in a comfortable manner over the SPS forecast period (2022 to 2024).

Forecast Statement of Core Government Debt Portfolio

Cayman Islands Government Core Government Debt Portfolio						
Loan	Opening Balance \$000	Addition \$000	Forecast 2022 Principal Repayments \$000	Forecast 2023 Principal Repayments \$000	Forecast 2024 Principal Repayments \$000	Closing Balance for Each Facility \$000
FCIB Loan # 10276203	3,275		2,620	655	-	-
FCIB Loan # 10330158	4,433		2,533	1,900	-	-
FCIB Loan # 10331239	6,125		3,500	2,625	-	-
FCIB Loan # 10444245	69,403		15,423	15,423	15,423	23,134
BOB 2019 Bond Refinancing	131,094		10,149	10,149	10,149	100,647
FCIB LOC 2021	230,000	100,000	11,000	22,000	22,000	275,000

The table above shows the Core Government's debt portfolio, the opening balance for each facility and the associated principal obligations over the SPS forecast period (2022 to 2024).

Forecast Statement of Changes in Net Worth

Statement of Changes in Net Worth				
	Statutory Reserves	Revaluation Reserve	Accumulated Surplus/ (Deficits)	Total
Balance at 31 December 2020	171,536	490,968	778,464	1,440,968
Changes in Net Worth for 2021				
Transfers	(3,604)	-	3,604	-
Deficit for the period 2021			(78,506)	(78,506)
Balance at 31 December 2021	167,932	490,968	703,563	1,362,462
Changes in Net Worth for 2022				
Transfers	(7,547)	-	7,547	-
Surplus for the period 2022			(14,617)	(14,617)
Balance at 31 December 2022	160,385	490,968	696,493	1,347,845
Changes in Net Worth for 2023				
Transfers	13,563	-	(13,563)	-
Surplus for the period 2023			5,209	5,209
Balance at 31 December 2023	173,947	490,968	688,139	1,353,054
Changes in Net Worth for 2024				
Transfers	6,795	-	(6,795)	-
Surplus for the period 2024			42,416	42,416
Balance at 31 December 2024	180,742	490,968	723,760	1,395,470

The Government's Net Worth position is expected to improve over the SPS forecast period (2022-2024), from \$1.3 billion as at 31 December 2022, to \$1.4 billion in 2023 and thereafter increasing to the higher end of \$1.4 billion in 2024. This change is primarily due to the improvement from an EPS Deficit of \$14.6 million in 2022 to an EPS Surplus of \$5.2 million in 2023 and an EPS Surplus of \$42.4 million in 2024.

Operating Expenditures Targets by Minister/Official Member

The targets in this SPS have been derived from an exercise involving all Ministries, Portfolios and Offices. In an effort to promote a resilient fiscal recovery from the COVID-19 pandemic crisis, this method has allowed the Government to more accurately reflect the expected financial impact of Government's policy priorities. These targets were established to ensure that they are sustainable over the medium term – so that the targets are consistent with the Principles of Responsible Financial Management.

The Government considered strategic goals and objectives within the context of its overall fiscal strategy. Where a critical need was identified and the Government could afford to fund it, appropriate resources were directed to the relevant area. The allocations by Agency are shown in the table below.

Operating Expenditure Targets by Agency/ Allocation by Minister/Official Member \$000s			
Agency	2022	2023	2024
Parliament	10,391	10,422	10,460
Public Accounts Committee (Audit Office)	3,000	3,015	3,034
Attorney General (Judicial Administration)	20,596	20,682	20,787
Attorney General (Director of Public Prosecutions)	4,142	4,163	4,188
Attorney General (Portfolio of Legal Affairs)	9,824	10,272	10,730
Deputy Governor (Portfolio of the Civil Service)	46,638	48,732	48,846
Cabinet Office	10,669	10,756	10,860
Office of the Ombudsman	2,269	2,284	2,303
Office of the Commissioner of Police	50,482	51,927	52,464
Minister for Ministry of Sustainability and Climate Resiliency	9,964	10,025	10,098
Minister for Ministry of Finance and Economic Development	93,174	91,317	89,590
Minister for Ministry of Border Control and Labour	50,479	48,071	48,606
Minister for Ministry of Education	135,610	151,721	152,795
Minister for Ministry of District Administration and Lands	17,862	18,045	18,267
Minister for Ministry of Home Affairs	45,521	45,909	46,377
Minister for Ministry of Youth, Sports, Culture and Heritage	9,996	10,024	10,058
Minister for Ministry of Tourism and Transport	50,266	50,327	50,400
Minister for Ministry of Financial Services and Commerce	41,034	41,146	41,280
Minister for Ministry of Investment, Innovation and Social Development	65,971	66,269	66,630
Minister for Ministry of Planning, Agriculture, Housing and Infrastructure	59,149	59,514	59,955
Minister for Ministry of Health and Wellness	108,015	108,776	109,092

Capital Investment Targets by Minister/Official Member

Capital Allocation by Minister and Official Member \$000s			
Agency	2022	2023	2024
Parliament	1,668	825	5,547
Public Accounts Committee (Audit Office)	10	10	10
Attorney General (Judicial Administration)	2,227	3,480	507
Attorney General (Director of Public Prosecutions)	59	341	42
Attorney General (Portfolio of Legal Affairs)	147	42	42
Deputy Governor (Portfolio of the Civil Service)	734	253	235
Cabinet Office	269	130	92
Office of the Ombudsman	21	21	21
Office of the Commissioner of Police	4,876	4,841	2,632
Minister for Ministry of Sustainability and Climate Resiliency	12,330	3,091	10,390
Minister for Ministry of Finance and Economic Development	5,106	4,813	4,815
Minister for Ministry of Border Control and Labour	3,075	1,844	565
Minister for Ministry of Education	39,335	21,100	27,896
Minister for Ministry of District Administration and Lands	11,058	10,095	10,576
Minister for Ministry of Home Affairs	10,087	4,061	4,500
Minister for Ministry of Youth, Sports, Culture and Heritage	1,289	1,250	414
Minister for Ministry of Tourism and Transport	24,402	20,165	13,973
Minister for Ministry of Financial Services and Commerce	436	420	500
Minister for Ministry of Investment, Innovation and Social Development	3,870	3,516	3,460
Minister for Ministry of Planning, Agriculture, Housing and Infrastructure	43,589	42,980	45,250
Minister for Ministry of Health and Wellness	7,875	3,776	3,196

The Government will continue its prudent approach to Public Sector capital development over the medium term with specific emphasis on affordability and need.

Planned capital investments into Ministries, Portfolios and Offices total \$330.8 million over the SPS forecast period (2022 to 2024) primarily to fund:

- The continued expansion of educational facilities including completion of the New John Gray High School; expansion to the Lighthouse School and expansion of all schools to include nursery and learning support classrooms;
- A new Sunrise Adult Training Centre;
- Land acquisition for farming and the conservation, protection and securing Cayman's natural environment;
- Improvement to the agriculture facility;
- Modernising Cayman's infrastructure including the investment for a high-tech telecommunication system;

- Expansion of the weather service network;
- Maintenance and improvement of the road network; and
- Improvement to the prison facilities.

The planned capital investments into SAGCs total \$103.3 million over the SPS forecast period (2022 to 2024) provide for the following:

- Cayman Islands Airports Authority: \$30.0 million;
- National Housing Trust: \$20.0 million;
- Cayman Turtle Centre: \$9.0 million;
- University College of the Cayman Islands: \$10.2 million; and
- Cayman Airways Limited: \$9.0 million.

Compliance with Principles of Responsible Financial Management

Compliance with Principles of Responsible Financial Management				
Principle	Degree of Compliance	Degree of Compliance	Degree of Compliance	Degree of Compliance
	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Operating Surplus : should be positive (Operating surplus = core government operating revenue – core government operating expenses)	Does Not Comply Deficit = \$15.8 million	Complies Surplus = \$25.5 million	Complies Surplus = \$34.3 million	Complies Surplus = \$65.2 million
Net Worth: should be positive (Net worth = core government assets – core government liabilities)	Complies Networth = \$1.4 billion	Complies Networth = \$1.3 billion	Complies Networth = \$1.4 billion	Complies Networth = \$1.4 billion
Borrowing: Debt servicing cost for the year should be no more than 10% of core government revenue (Debt servicing = interest + other debt servicing expenses + principal repayments for core government debt, public authorities debt and self financing loans)	Complies Debt servicing = 6.5 %	Complies Debt servicing = 8.2 %	Complies Debt servicing = 8.6 %	Complies Debt servicing = 7.1 %
Net Debt: should be no more than 80% of core government revenue (Net debt = outstanding balance of core government debt + outstanding balance of self financing loan balance + weighted outstanding balance of statutory authority/government company guaranteed debt - core government liquid assets)	Complies Net debt = 15.9 %	Complies Net debt = 26.5 %	Complies Net debt = 29.4 %	Complies Net debt = 30.7 %
Cash Reserves should be no less than estimated executive expenses for 90 Days: (Cash reserves = core government cash and other liquid assets)	Complies Cash reserves = 178.9 days	Complies Cash reserves = 167.1 days	Complies Cash reserves = 125.2 days	Complies Cash reserves = 94.3 days
Financial risks should be managed prudently so as to minimize risk	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.

The ratios above were calculated in accordance with the Framework for Fiscal Responsibility (“FFR”) specified in the PMFA.

Operating Surplus

Throughout the SPS forecast period (2022 to 2024), the Government is projected to remain in compliance with the requirement to maintain a positive Operating Surplus. The Operating Surplus of Core Government is forecast to be \$25.5 million in 2022; \$34.3 million in 2023; and \$65.2 million in 2024.

Net Worth

The Government is forecast to maintain a positive Net Worth throughout the SPS forecast period (2022 to 2024). Net Worth is forecast to be \$1.3 billion at the end of 2022; \$1.4 billion at the end of 2023; and \$1.4 billion at the end of 2024.

Debt Service or Borrowing Ratio

As per the FFR, this measure requires that the EPS Debt Servicing Cost (interest + principal repayments + other debt servicing expenses), be no more than 10% of Core Government revenue.

The Government is forecast to remain compliant throughout the SPS forecast period (2022 to 2024): 8.2% in 2022; 8.6% in 2023; and 7.1% in 2024.

Net Debt Ratio

The Government is required to maintain a Net Debt balance that is not greater than 80% of Core Government's revenue in a year. For the SPS forecast period (2022 to 2024), Net Debt is forecast to remain well below this limit, achieving full compliance with this ratio. Net Debt is forecast to be 26.5% in 2022; 29.4% in 2023; and 30.7% in 2024.

Cash Reserves

The Government is required to achieve and maintain cash reserves (liquid assets) equivalent to at least 90 days of executive expenditures. For the purposes of the cash reserve days calculation, liquid assets are limited to unrestricted operating bank balances and General Reserves.

This ratio is calculated at the point in the financial year when cash reserves are expected to be at their lowest point. This point usually occurs in December of each year given the current cycle for revenue inflows.

The Government is forecast to continue compliance throughout the SPS forecast period (2022 to 2024).

Over the SPS forecast period (2022 to 2024), unrestricted cash reserves are expected to be 167.1 days of executive expenses in 2022; 125.2 days of executive expenses in 2023; and 94.3 days of executive expenses in 2024.

Public Sector Debt Profile and Debt Management Strategy

Core Government Debt Profile

Cayman Islands Government Core Government Debt Portfolio As at 31 May 2021													
Loan	Currency	Guaranteed	Date of Origin	Original Amount	Amortised or Bullet	Current Balance KYD	Annual Principal KYD	Interest Rate	Maturity Date	KYD Balance 31-Dec-21	KYD Balance 31-Dec-22	KYD Balance 31-Dec-23	KYD Balance 31-Dec-24
FCIB Loan # 10276203	KYD	No	26-Oct-07	39,300,000	Amortised	4,584,973	2,620,002	2.67%	11-Feb-23	3,274,971	654,969	-	-
FCIB Loan # 10330158	KYD	No	24-Jun-08	38,000,000	Amortised	5,699,974	2,533,335	2.71%	24-Jul-23	4,433,306	1,899,971	-	-
FCIB Loan # 10331239	KYD	No	27-Jun-08	52,500,000	Amortised	7,874,965	3,500,003	2.71%	24-Jul-23	6,124,963	2,624,960	-	-
FCIB Loan # 10444245	KYD	No	19-Apr-11	154,228,978	Amortised	77,114,228	15,422,846	5.44%	19-Apr-26	69,402,806	53,979,960	38,557,114	23,134,269
BOB 2019 Bond Refinancing	KYD	No	25-Nov-19	152,238,928	Amortised	137,014,314	10,200,000	5.44%	25-Nov-34	131,094,475	120,945,226	110,795,976	100,646,726
FCIB LOC 2021	KYD	No	30-Jun-22	330,000,000	Amortised	-	22,000,000	3.25%	30-Jun-37	230,000,000	319,000,000	297,000,000	275,000,000

The Government remains committed to the reduction of debt through regular scheduled principal payments. The Government plans to borrow an additional \$230.0 million during the 2021 financial year and a further \$100.0 million in 2022.

Cayman Islands Government Public Authorities Debt Portfolio As at 31 May 2021													
Loan	Currency	Guaranteed	Date of Origin	Original Amount	Amortised or Bullet	Current Balance KYD	Annual Principal KYD	Interest Rate	Maturity Date	KYD Balance 31-Dec-21	KYD Balance 31-Dec-22	KYD Balance 31-Dec-23	KYD Balance 31-Dec-24
C.I. Development Bank	KYD	YES	29-Jun-15	30,666,691	Amortised	9,999,475	4,076,459	Libor + 1.125%	30-Jun-23	7,621,205	3,544,747	-	-
Cayman Airways	KYD	YES	28-Feb-19	19,833,349	Amortised	19,970,583	2,845,000	US Prime - 1.75%	28-Feb-29	18,311,000	15,466,000	12,621,000	9,776,000
National Housing Development Trust	KYD	YES	24-Oct-04	12,083,343	Amortised	3,209,333	820,000	5.23800%	28-Oct-24	2,731,000	1,911,000	1,091,000	271,000

It is anticipated that SAGCs will not incur any new borrowings during the SPS forecast period (2022 to 2024).

Debt Management Strategy

A robust debt management strategy is a key component of the Government's overall fiscal strategy to comply with the Principles of Responsible Financial Management as set out in the PMFA.

In 2021, Government intends to borrow \$230.0 million and a further \$100.0 million in 2022. The borrowings of \$330.0 million will be used, along with Operating Revenues, to fund Capital Investments by Core Government – which total \$330.8 million and Core Government's investments in its SAGCs of \$103.3 million, over the SPS forecast period (2022 to 2024).

During the SPS forecast period (2022 to 2024), the Government is expected to pay off approximately \$145.5 million in outstanding Core Government debt. At 31 December 2024, it is forecast that Core Government will have a debt balance of \$398.8 million.

Liability Management Plan

The Government consists of 'Core Government' (Ministries, Portfolios and Offices), plus SAGCs.

The Government is exposed to various contingent liabilities as part of its normal course of business. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may require an outflow of resources.

The main recurring contingent liabilities which have a financial impact for the Government are: Guarantees; Litigation; and Post-Retirement benefits obligations.

Guarantees

The Government is not currently planning to issue any new guarantees during the SPS period.

It currently has outstanding guarantees in respect of:

- debt of SAGCs;
- the Government Guaranteed Home Assistance Mortgage (“GGHAM”) program; and
- the Government Guaranteed Loan Programme (GLP) for Medium Size Business (MSBs) and Large Size Business (LSBs).

Debt of SAGCs

In accordance with Section 50 of the Financial Regulations (issued under the authority of the PMFA), Government is expected to calculate the portion of the guaranteed debt of SAGCs. This represents at minimum, the Government's immediate level of exposure and, as such, is disclosed as a contingent liability. Guarantees issued by the Government in respect of the debt of SAGCs are reflected in the calculation of the Net Debt ratio, to assess PMFA compliance, at the following rates:

- (a) SAGCs that require an unpredictable level of budgetary support from the Cabinet, are given an 80% weighting;
- (b) SAGCs that are financially stable and require predictable levels of budgetary support are given a 50% weighting; and
- (c) where the SAGC has not required budgetary support during the last three years, a 20% weighting is given.

The GGHAM

The GGHAM program that is administered by the National Housing Development Trust was introduced on 9 November 2007 and, to date, has helped over 325 households achieve home ownership.

The initial 5-year GGHAM agreement provided approval for \$5.0 million to each of the six participating banks. Due to the high demand for this program, some participating banks reached the maximum lending amounts, which required that additional funding be put in place.

Core Government approved additional funding for this program, through a supplementary agreement to the participating banks.

The current GGHAM approved amount is \$65.0 million; however, this agreement expired in November 2012. To date, the GGHAM drawn balance is approximately \$57.3 million for which, on face value, indicates that Core Government is committed to a contingent liability of approximately \$2.7 million.

The GLP for MSBs and LSBs

Due to the COVID-19 mitigation efforts mandated by the Government in March 2020 which resulted in an immediate and severe reduction in economic activity within the Cayman Islands, on 7 December 2020 the Government entered into an agreement with five participating local banks to guarantee a loan program to offer and provide new credit facilities (NCFs) to qualifying MSBs and LSBs that are under financial duress for the purpose of providing critical working capital, critical capital expenditures and loan restructuring necessary for the economic viability of the eligible borrowers.

The amounts guaranteed by the Government equal 50% of the aggregate of the outstanding principal, unpaid interest and other NCF costs of the eligible borrowers, provided that at no time shall the guaranteed amount exceed \$375,000 for a MSB and \$1,500,000 for a LSB.

Eligible borrowers need to be approved by the respective five local banks under the GLP no later than 30 November 2021 at which time the GLP shall come to an end. The period of repayment for a NCF shall not exceed seven years from the date of execution of the loan.

The Government and the participating banks have agreed that \$200 million shall be the maximum aggregate principal amount made available to eligible borrowers under the GLP.

As at 31 December 2020, the amounts advanced as NCFs by the participating banks under the GLP amounted to \$0 from 1 January 2021 to 31 May 2021, three borrowers have been approved for NCF's under the GLP amounting to \$1.9 million. As at 30 June 2021 there are two additional borrowers awaiting approval and finalisation amounting to \$1.9 million.

Litigation

The factors considered in developing legal provisions include the merits and jurisdiction of the litigation, the nature and number of other similar current and past litigation cases, the nature of the subject matter of the litigation, the likelihood of settlement and current state of settlement discussions, if any.

The Government is routinely engaged in litigation arising in the ordinary course of its business. It is Government's policy to rigorously assert its position in such cases.

Post-Retirement Benefit Obligations

Past Service Pension Liability

The Government, through the Public Service Pensions Board, operates both defined benefit and defined contribution pension schemes for Public Servants, Parliamentarians and the Judiciary. These various public service pension plans have varying degrees of past service liabilities based on the contributions to the pension Funds and the accrued length of service of the participants of the various Plans. The overall liability arising from the Plans is recognised in Government's financial statements.

IPSAS 39 – requires that the pension liabilities be revalued annually in order to present the fair value of the fund balances. The Government has employed actuaries to do this annual fair value assessment. The result of the 2020 actuarial valuation is a pension net liability of \$496.1 million. The Government has included \$17.2 million annually throughout the SPS forecast period towards reducing the net liability.

Presently, the Public Service Pensions Board is able to fund all of the monthly pension benefits from its existing resources, and with the regular receipt of monthly pensions contributions from Core Government and other participating Public Sector Entities. This is expected to remain the position over the forecast period.

Post-Retirement Healthcare Liability

The Government acknowledges its obligations for the future healthcare costs of Civil Servants (including their dependents) and other parties.

The Public Service Management Act requires that Civil Servants have a minimum of 10-years' qualifying service with the Cayman Islands Government, and also retire from the Civil Service in order to be entitled to a healthcare benefit upon retirement.

The results of healthcare liability actuarial valuation, completed in April 2021, estimated the post-retirement healthcare obligation as at 31 December 2020 to be \$2.4 billion with the post-retirement medical expense totaling \$184.4 million for the year ended 31 December 2020. The post-retirement healthcare obligation and related expenditure have not been formally recognised in the Statements of Financial Position and Performance.

The Government is on a "pay-as-you-go" plan in respect of post-retirement healthcare liabilities. Currently, no long-term assets are set aside off balance sheet in respect of the Government's post-retirement healthcare liability.

Broad Outcomes

The Government has developed 10 strategic broad outcomes and specific actions aimed at achieving these outcomes through the delivery of Government programmes, Cabinet policy actions and legislative changes. These outcomes are outlined below:

1. Improving education to promote lifelong learning and greater economic mobility
2. Ensuring an equitable, sustainable and successful healthcare system
3. Providing solutions to improve the well-being of our people so they can achieve their full potential
4. Strengthening good governance for more effective government
5. Supporting climate change resilience and sustainable development
6. Increasing social justice in the workforce
7. Utilising sports to enhance the lives of our people
8. Building a modern infrastructure to ensure a successful future for our Islands
9. Improve our financial services as an industry, product and economic driver for our islands.
10. Improve our tourism, as an industry, product and economic driver

Broad Outcome 1

Improving Education to Promote Lifelong Learning and Greater Economic Mobility

1. Build a stronger integrated education foundation

- a) Provision of free meals in public schools
- b) Provide mental health education programmes to reduce stigma and to promote emotional wellbeing among children
- c) Increase and strengthen early education programmes
- d) Ensure all schools have adequate reception classes
- e) Programmes to integrate Caymanians and non-Caymanians into school system
- f) Ensure each public school has a teacher's assistant in every class up to year 9
- g) Introduce homework centres through collaboration with Public school's PTA's
- h) Implement programmes to assist with early-morning supervision of students on school premises
- i) Improve the provision of learning support services to offer a learning support centre in each public school
- j) Ensure each public school has a resident nurse
- k) Increase funding and support for after-school programmes
- l) Improve school graduation criteria to end social promotion

2. Provide financial and learning support for lifelong education

- a) Increase capacity in public high schools to allow the reintroduction of A-Levels
- b) Expand the scholarship age limit for post-graduate degree programmes
- c) Incentivise Caymanians for upskilling themselves through implementation of a reward system
- d) Strengthen and enhance the transition year programme between high school and college
- e) Free tertiary education at University College of the Cayman Islands (UCCI) and International College of the Cayman Islands (ICCI)
- f) Offer a Post-Graduate Certificate in Education at UCCI linked to an accredited UK university to develop more Caymanian teachers
- g) Allow afterhours access to school facilities to provide educational opportunities for seniors

Broad Outcome 1 (Continued)

Improving Education to Promote Lifelong Learning and Greater Economic Mobility

3. Invest in tomorrow's economy through STEAM, training and technology

- a) More STEAM (Science Technology Engineering Arts Mathematics) training
- b) Promote more private sector internship/apprenticeship opportunities
- c) Increase access to technology through provision of free devices
- d) Improve technology infrastructure in schools to support increased usage
- e) Partner with a local telecoms provider to ensure students have access to the Internet at home
- f) Increase investment in and awareness of technical and vocational training programmes
- g) Centralised Technical and Vocation Education and Training (TVET) curriculum starting at the primary school level

4. Implement the governance model to enhance accountability in education

- a) Enact legislation and create a framework to increase accountability for schools and teachers
- b) Establish Board of Governors to enhance operations of public schools
- c) Introduce programmes to incentivise parents to get involved in school improvement

Broad Outcome 2

Ensure an Equitable, Sustainable and Successful Healthcare System

- 1. Promote Caymanians in the healthcare industry**
 - a) Promote and highlight local career and employment opportunities and programmes
 - b) Incentivise Caymanian medical professionals to return home to work
- 2. Promote healthier living and provide wellness education**
 - a) Better marketing of public health services
 - b) Encourage more wellness checks
 - c) Strengthen youth mental health support
- 3. Modernise the healthcare legal framework**
- 4. Expand public healthcare services throughout our communities**
 - a) Enhance medical services in public schools
 - b) Offer more public health services and improved facilities in district clinics
 - c) Implement a district clinic shuttle system for transport to and from doctor appointments and to collect prescriptions
- 5. Enhance the Cayman Islands Health Services Authority (HSA) building and services**
 - a) Move to a more efficient service at HSA - less waiting time and a more welcoming approach
 - b) Ensure quality control at the hospital = frequent inspections
 - c) Provide a specialised youth mental health facility
 - d) Initiate an overhaul of hospital rooms, waiting areas and Emergency Response area.
 - e) Implement proper sleeping facilities for family members staying with patients overnight
 - f) Provide increased amenities on site for patients and family members, e.g. a 24- hour snack shop
 - g) Beautify and enhance HSA premises and grounds
- 6. Enhance the overall standard of healthcare services**
 - a) Develop a Joint-Ministerial Council to establish additional assisted living homes and retirement facilities through public/private partnership
 - b) Implement public education programmes on the negative impact of over-utilisation of healthcare services
- 7. Recognise healthcare as a basic human right**
 - a) Revamp and expand CINICO services
 - b) Provide free healthcare for children and the elderly
 - c) Reform existing criteria to access free healthcare
 - d) Promote better mental health and special needs insurance coverage

Broad Outcome 3

Providing Solutions to Improve the Well-Being of Our People so they can Achieve their Full Potential

1. Support the family system and communities

- a) Provide financial assistance to help working families offset the costs of day care services
- b) Consider a pilot programme at GAB for a day care centre
- c) Increasing the number of parks, civic centres and multi-purpose halls within communities
- d) Promotion of activities that encourage family participation

2. Create safer communities

- a) Support the neighbourhood watch programmes in our communities, making their communities safer by neighbours looking out for neighbours
- b) Encouraging a culture of openness to combat the culture of fear by urging and incentivizing communities to cooperate with the police by providing information.
- c) Improve border security through the continuing development and integration of Customs and Border Control and Coast Guard services;
- d) Work with the National Security Council to improve oversight and accountability of the RCIPS to improve the force's relationship with the communities it serves
- e) Provide more cultural sensitivity training and support to all front-line police officers, including community safety officers
- f) Provide funding for all necessary equipment and facilities to improve responsiveness and increase law-enforcement visibility and crime deterrence in vulnerable communities
- g) Address the root causes of criminality in our communities in order to develop and implement an effective anti-gang strategy to reduce crime and to support vulnerable young people
- h) Fund programmes to rehabilitate and assist young offenders before they become long-term criminals
- i) Improve anti-recidivism programmes and increase rehabilitation efforts, including the expansion of the Second Chance programme matching ex-offenders with suitable employment opportunities
- j) Develop a modernized Courts building and infrastructure to relieve current backlogs and meets future requirements
- k) Commit to building a modern, fit-for-purpose prison for the Cayman Islands to fully address all security concerns and avoid over-crowding

Broad Outcome 3 (Continued)

Providing Solutions to Improve the Well-Being of Our People so they can Achieve their Full Potential

3. Create a modern social infrastructure

- a) Create new industries and expand existing – e.g. film, agriculture
- b) Creation of new opportunities to access capital for homeowners and businesses
- c) Modernisation of Financial Assistance legislation
- d) Reduce import duty on essential items
- e) Create a user- friendly system to access government services
- f) Implementation and enforcement of a consumer protection law
- g) Improved public transport system
- h) NAU, DCFS and WORC joint collective approach
- i) Promote pride in our national identity

4. Provide adequate and affordable housing in our communities

- a) Government-guaranteed home-assisted mortgages
- b) Provision of quality affordable housing
- c) Lower cost of borrowing through CIBD programmes
- d) Reduce stamp duty on land for Caymanians

5. Create healthy communities

- a) Lower overall health insurance rates by increasing CINICO's competitiveness
- b) Promote programmes that offer greater work/life balance
- c) Enact legislation to reform the current pensions system to provide greater retirement protection.
- d) Provision of social and personal development programmes and activities for seniors and other vulnerable groups.
- e) Increase the number of recreational green spaces
- f) Ensure cleaner communities through recycling and improved waste management

6. Create greater employment opportunities for Caymanians

- a) End dependency on cheap labour
- b) Increase training and development opportunities
- c) Reform work permit fees
- d) Increase labour enforcement
- e) Provide lifelong education opportunities for all ages
- f) Partner with private sector to offer on-the-job training programmes
- g) Increase minimum wage and consider the implementation of Universal Basic Income (UBI)
- h) Reduce discrimination against young people in education and employment through decriminalisation of marijuana

Broad Outcome 4

Strengthening Good Governance for More Effective Government

1. Enhance participatory democracy

- a) Create fully-functioning constituency offices
- b) Implement district councils

2. Promote accountability within Parliament and the Executive

- a) Proper compliance with publication of Annual Reports
- b) Develop and implement a transparent Concessions Policy
- c) Timely response to Auditor General reports and recommendations
- d) Appoint Compliance Officer for each ministry
- e) Update the Parliament Standing Orders
- f) Better vetting and background checks of board appointees
- g) Implement a Code of Conduct for both Parliament and Cabinet

3. Promote stronger enforcement of current legislation

- a) Changing current culture by increased enforcement
- b) Enhance access to fair, equitable and timely justice
- c) Increase accountability to the public for private sector and civil organisations
- d) Enact “Sunshine laws” to provide greater transparency

4. Increase public communications and access to information

- a) Frequent press briefings
- b) Transparency in all Government activities (where able)
- c) Publication of Cabinet decisions in summary form
- d) Provide a platform to encourage greater public participation in decision making
- e) More sharing of information across Government departments to reduce silos

Broad Outcome 5

Supporting Climate Change Resilience and Sustainable Development

1. Provide support and funding for renewable energies

- a) Provide funding for solar and renewables
- b) Micro loans to assist with conversion to renewable energy
- c) Change planning fee structure to encourage smaller and energy-efficient homes
- d) Create climate change trust to fund climate change policy

2. Promote the electrification of transport

- a) Reduce the number of second-hand cars being imported from Japan
- b) Increase the number of electric charging stations
- c) Promote the use of electric vehicles in the public transport system

3. Secure our natural environment

- a) Stiffer fines for environmental violations
- b) Re-plant buffer zones that have been damaged
- c) Continue the purchase of land, especially beach lands, for public usage and the benefit of future generations
- d) Limit the sale of Crown lands to cases of exceptional circumstances
- e) Ensure the protection of mangroves (natural carbon sinks)

4. Build awareness and understanding of climate change

- a) Increase environmental education in schools
- b) Public education campaign on the effects of climate change

5. Build a legacy of sustainability

- a) Offer incentive programmes to encourage recycling and reduce waste
- b) Increase the number of solar farms through public/private partnership
- c) Upgrade CI Government facilities to utilise renewable energy
- d) Update the draft 2011 climate change policy, and adopt a modern 2021-2022 version
- e) Ensure climate change policies are included in development laws
- f) Fully implement National Energy Policy
- g) Establish a sustainability and climate change task force
- h) Change existing laws to regulate construction in the dynamic beach zone
- i) Raise duty on items that are not environmentally friendly
- j) Bolster food security efforts
- k) Review and revise the national development plan

Broad Outcome 6

Increasing Social Justice in the Workforce

- 1. Enhance job opportunities for Caymanians through a data-driven and robust compliance approach**
 - a) Establish a national job criteria list to reduce the number of fraudulent employment ads
 - b) Implement a system to match all work permit applications to unemployed Caymanians with the relevant skills and experience
 - c) Enact changes to existing labour laws and regulations
 - d) Increase enforcement of existing labour laws and regulations
 - e) Institute a joint approach between WORC and Ministry of Education to match available jobs to new graduates
 - f) Introduce a whistle blower programme that incentivises employees to report illegal practices
 - g) Implement an accreditation system which rewards employers for hiring, training and development of Caymanians
 - h) Establish a culture that discourages abuse of the work permit system
 - i) Consider increasing work permit fees in areas where Caymanian labour is readily available
 - j) Increase administrative fines for illegal employment practices
 - k) Start naming and shaming companies that consistently engage in poor labour practices
- 2. Create and regulate a fair and safe workplace environment**
 - a) Enact family leave policies
 - b) Ensure maternity, paternity and vacation leave policies are in line with international standards
 - c) Promote diversity in the workplace
 - d) Introduce a national wellness programme that incentivises employers and encourages employees to strike a better work/life balance
 - e) Spread health insurance risk by introducing a CINICO healthcare plan that is affordable and covers pre-existing conditions
 - f) Implement national anti-bullying and sexual harassment policies and Legislation
 - g) Establish a centre that offers free labour advice so employees are aware of their rights and obligations
 - h) Enact stronger legislation to protect the disabled, elderly and other vulnerable groups

Broad Outcome 6 (Continued)**Increasing Social Justice in the Workforce**

- 3. Increase the minimum wage**
 - a) Gradually enhance the minimum/liveable wage
- 4. Increase work experience opportunities through public/private sector partnerships**
- 5. Review the Permanent Residency point system to ensure greater protection for Caymanians**
 - a) Reform the rollover policy
 - b) Provide initiatives to address underemployment of Caymanians

Broad Outcome 7

Utilising Sports to Enhance the Lives of Our People

1. Promote the benefits of sports

- a) Encourage a culture of fitness in communities through public education campaigns
- b) Promote academic opportunities through sports
- c) Develop and enhance sports tourism opportunities

2. Improve standards through accountability

- a) Establish a National Sports Council
- b) Set-up criteria to determine national focus sports, and their resourcing needs

3. Facilitate healthy competition to improve performance

- a) Support more competition in schools and inter-island
- b) Promote gender equality in sports
- c) Encourage Caymanian and non-Caymanian integration
- d) Increase regional competitive engagements
- e) Establish district level sports programmes for our seniors

4. Support growth through funding

- a) Provide funding for sports development
- b) Provide funding to augment sports scholarships
- c) Mandate that all sporting organisations seeking funds from Government have vibrant/established youth programmes

5. Enhance facilities for optimum results

- a) Increase access to more localised facilities within communities
- b) Develop national sports academies
- c) Develop existing sporting facilities to include additional general exercise areas
- d) Provide greater access to facilities for persons with disabilities
- e) Establish public/private partnership to increase the number of sporting facilities
- f) Ensure proper lighting/security at all public sports facilities
- g) Increase number of swimming pools available for public use

Broad Outcome 8

Building a Modern Infrastructure to Ensure a Successful Future for Our Islands

1. Plan tomorrow's infrastructure today

- a) Provide for public education and consultation on national infrastructure development
- b) Update and revise the National Development Plan
- c) Provide funding for land acquisition for agricultural purposes
- d) Develop a national road transportation plan
- e) Create a national infrastructure fund
- f) Foster healthy partnerships with private sector stakeholders

2. Build a modern infrastructure

- a) Provide funding for the implementation of a new underwater communications cable to ensure Cayman remains connected to the world
- b) Develop and implement a national storm water management plan, including remediation of chronic flooding areas
- c) Enact legislation and regulations to ensure property developments have the proper infrastructure in place, such as drainage, street-lighting, speed bumps, etc.
- d) Establish a public/private partnership to implement a national sewage and wastewater system
- e) Ensure compliance with existing legislation regarding physical access for persons with disabilities
- f) Implement a national early warning system for natural disasters
- g) Establish a public/private partnership to install an underground utilities network, inclusive of fibre
- h) Expansion of water delivery system in Cayman Brac and Little Cayman
- i) Increase the number of final resting places

Broad Outcome 9

Improving our Financial Services as an Industry, Product and Economic Driver for Our Islands

1. Pro-actively engage the international and local communities

- a) Centralise the voice of stakeholders
- b) Re-define how we position the Cayman Islands as a tax-neutral jurisdiction
- c) Educate local populace on the positive economic impact of the financial services industry
- d) Increase funding to NGOs to promote Cayman's financial services industry
- e) Promote compelling initiatives to de-bunk tax haven myths
- f) Engage proactively with international political and regulatory organisations
- g) Network with key EU/UK/US stakeholders

2. Maintain our best-in-class reputation

- a) Implement more IT tools to enhance our regulatory framework
- b) Ensure CIMA has sufficient resources
- c) International promotion of the Cayman Islands' strong legal, regulatory and compliance infrastructure
- d) Clarify laws and regulations on the opening of bank accounts
- e) Removal from FATF Gray list (and other consequential high risk lists)
- f) Pass legislation that makes Cayman a proactive jurisdiction
- g) Continue to keep our financial services products cutting edge

3. Promote greater Caymanian participation and new revenue streams

- a) Identify new fee opportunities with limited adverse impact
- b) Promote more functions performed in Cayman
- c) Continue to promote and support Caymanian participation in the industry

Broad Outcome 10

Improving our Tourism Industry, as a Product and Economic Driver

1. Develop a sustainable national tourism plan

- a) Better use of data by policy makers to ensure a sustainable approach
- b) Revamp the national tourism plan

2. Expand and diversify our domestic tourism product

- a) Promote and grow sports and event tourism
- b) Diversify tourism product with greater eco-tourism focus
- c) Expand into emerging and secondary tourism markets
- d) Market to high-net worth visitors
- e) Expand Cayman Airways routes
- f) Promote Cayman Brac and Little Cayman
- g) Reimagine cruise tourism
- h) Increase and improve infrastructure in the Eastern districts

3. Modernise our travel and transport infrastructure

- a) Establish a public/private partnership to construct a new general aviation terminal
- b) Improve public transport through legislative and infrastructure reforms
- c) Improve ports of entry to enhance visitor experience

4. Encourage stronger Caymanian participation in the industry

- a) Expand and enhance the current national tourism education strategy
- b) Promote greater Caymanian ownership of tourism-related businesses

5. Enhance quality and service delivery standards

- a) Enact a public transport code of conduct
- b) Create and execute a national beautification plan

Conclusion

The recovery of the Cayman Islands' economy and the safety of the people are the top priorities of the PACT Government. The Government recognises that choices have to be made within prudent fiscal limits in order to counter the impact of the COVID-19 pandemic. The financial targets set out in this SPS allows for funding of key policy initiatives including sustainable development, understanding climate change resiliency, enhancing education programmes, expanding and modernising health care, enhancing social development programmes and supporting the Financial Services Sector –being a mainstay economic driver in the Cayman Islands.

The Government recognises that setting these financial targets are not just simply numbers but that these targets affect the lives of our citizens at a personal level – for example a child having daily meals at school or persons having access to adequate quality health care.

The Government remains steadfast in its commitment to delivering its programme to improving the quality of life for all Caymanians whilst balancing the need to manage the Country's finances in an accountable, competent and transparent manner.



Government of the Cayman Islands

End of Document