



**MINISTER FOR FINANCE & ECONOMIC DEVELOPMENT'S SPEAKING NOTES  
FOR THE LAYING ON THE TABLE OF THE HOUSE OF PARLIAMENT  
THE 2022–2024 STRATEGIC POLICY STATEMENT**

**[The Speaker acknowledges the Honourable Minister]**

Thank you, Mister Speaker.

### **Introduction**

Mister Speaker, on behalf of the Government, I Beg to Lay on the Table of this Honourable Parliament, the Strategic Policy Statement (the SPS), for the 2022–2024 Financial Years.

**[Hon Minister for Finance then hands the SPS to the Sergeant-at-Arms: the Sergeant Lays the SPS on the Table of the Parliament.]**

**The Speaker invites the Hon Minister to speak]**

Thank you, Mister Speaker.

Mister Speaker, the Government's 2022–2024 SPS outlines the Government's fiscal plans, its policies, and broad priorities and outcomes for the next three years for the period 1 January 2022 to 31 December 2024.

This SPS will also guide the development of the detailed budget for the next budget period which will cover the years 2022 and 2023.

That budget Mr. Speaker will be brought to this Honorable Parliament in November.

Mr. Speaker, this SPS is the first one produced by this Administration and it accords with both the Principles of Responsible Financial Management and the terms of the Framework of Fiscal Responsibility as set out in the Public Management and Finance Act.

Mr. Speaker, the SPS also reflects this Government's goals of improved fiscal prudence while creating an environment for economic growth and PACT governance.

Governance Mr. Speaker that is:

- **P**eople-driven;
- **A**ccountable;
- **C**ompetent and;
- **T**ransparent.

### **Broad Strategic Outcomes**

Mister Speaker, this SPS is built on the PACT Government making the necessary steps to making people's lives better in meaningful ways.

The PACT Government has crafted this SPS on strengthening our pillar industry of Financial Services, rebuilding and improving our Tourism

industry following the devastating impact of the COVID-19 pandemic and, diversifying our economy through new and developing industries.

Over the next four years, the PACT Government's key priorities and broad outcomes are:

1. Improving Education to Promote Lifelong Learning and Greater Economic Mobility;
2. Ensure 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. Improving our Financial Services as an Industry, Product and Economic Driver for our Islands; and
10. Improving our Tourism Industry, as a Product and Economic Driver.

### **Economic Forecasts**

Mr. Speaker, over the next three financial years, the Economics and Statistics Office has forecast that our economy is expected to recover over the near term beginning with a growth of 1.2 percent in 2021.

Economic activity is expected to further accelerate by 4.7 percent in 2022 and an average of 2.9 percent per year between 2023 and 2025.

Mr. Speaker, it should be noted that while most industries are expected to contribute to growth in 2021, led by construction; some industries

such as hotels and restaurants along with transport and storage are not expected to grow - as the Islands continue to enforce measures that ensure the safety of our people and in particular our children and other vulnerable groups.

Mr. Speaker, the economic growth which is led by the construction sector, will be directly influenced by several large construction projects from the private and public sectors, including:

- the NCB Hilton Hotel;
- the new Hyatt Hotel at the Pageant Beach site;
- the Indigo Hotel;
- completion of the John Gray High School;
- completion of the long- term mental health facility; and
- continued road network expansion and upgrade.

Mr. Speaker, this Government has made it a policy priority of ensuring that Caymanians have meaningful participation in the workforce and expects that this policy will shift the labour market dynamics and minimise the impact of displacements on the overall unemployment figure.

We believe this policy will result in more Caymanians being employed and will result in the overall unemployment rate moving from a forecast of 5% in 2021 to 4.4% in 2022 and then average 3.6% in the remaining three years.

Mr. Speaker, the Consumer Price Index or CPI, which measures the change in retail prices, is expected to increase by 2.1% in 2021; by 1.9% in 2022; 2.0% in 2023; and by 2.6% in 2024. These forecast changes are primarily driven by forecasts in the United States, the principal market from which the Cayman Islands imports its consumer products.

## **Fiscal Strategy**

Mr. Speaker, 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 expects to be in full compliance with the Principles and the FFR throughout the SPS period of 2022 to 2024.

## **Financial Forecasts**

Mister Speaker, I will now highlight the financial forecasts that are contained in the SPS document.

## **Operating Revenue Forecasts**

Mister Speaker, this SPS does not contain any new fees or taxes levied on the public. 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.

Additionally, Mr. Speaker, Operating Revenues are expected to increase over the forecast period, 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, led by the expansion of the construction sector. Such growth is expected to result in increased demand for goods and services thereby driving revenue from import duties and other consumption-based revenue items.

Mr. Speaker, Government's Total Operating Revenue for the SPS forecast period (2022 to 2024) is forecast to be just under \$2.7 billion – which are broken down as follows:

- \$868.7 million in 2022
- \$895.8 million in 2023 and
- \$930.0 million in 2024.

Mr. Speaker, the main drivers of these revenues 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 License Fees \$150.5 million.

### **Operating Expenditure Forecasts**

Mister Speaker, Government's Total Operating Expenditure for the SPS forecast period is forecast to be just under \$2.6 billion broken down as follows:

- \$843.2 million in 2022;
- \$861.5 million in 2023 and
- \$864.8 million in 2024.

Mr. Speaker, the modest increase in Operating Expenditure is due to Government's new initiatives for education, health, security and social development coupled with increases in health insurance premiums.

Mr. Speaker, Finance Costs are expected to decrease over the SPS forecast period primarily due to the repayment of Government's debt.

Additionally Mr. Speaker, Outputs from Statutory Authorities and Government Companies or SAGCs show small increases over the SPS forecast period. Dominant amongst this expenditure category are the costs of services produced for Government by the Health Services Authority, the Cayman Islands National Insurance Company, the Cayman Islands Monetary Authority and, Cayman Airways Limited.

## Capital Investment Forecasts

Mister Speaker, over the next 3 financial years, the Government is committed to \$434m in planned Capital Investments and Capital Injections.

Government's Ministries, Portfolios and Offices are expected to spend approximately \$331m to fund the following:

- completion of all phases of the John Gray High School in George Town as well as other critical education infrastructure;
- invest in a new submarine communications cable system;
- security improvements to the prison facilities;
- procurement of patrol vessels for the Coast Guard;
- specialised equipment for the Royal Cayman Islands Police Service;
- modernisation of local infrastructure including the road network; and
- the purchase of lands for national environmental conservation – to name a few.

Additionally, Mr. Speaker, over the next 3 financial years the Government expects to inject capital totaling \$103.3 million into SAGCs to support their operations and to fund capital projects. The majority will be invested in:

- The Cayman Islands Airports Authority;
- The National Housing and Development Trust;
- The Cayman Turtle Centre;
- The University College of the Cayman Islands, and
- Cayman Airways.

## **Borrowings**

Mr. Speaker, in 2021 Government intends to borrow \$230.0 million and a further \$100.0 million in 2022. The total borrowings of \$330.0 million will be used, along with Operating Revenues, to fund Capital Investments by Government – which total \$331 million and Government’s investments in its SAGCs of \$103.3 million, over the SPS forecast period.

During the SPS forecast period, the Government is expected to pay off approximately \$145.5 million in outstanding Government debt. At 31 December 2024, it is forecast that Government will have a debt balance of \$398.8 million which will represent 7% of GDP – one of the lowest in the world.

## **Compliance with Principles of Responsible Financial Management**

Mister Speaker, the Government is committed to maintaining full compliance with the Principles throughout the SPS forecast period.

## **Operating Surplus**

The Act requires that the Government maintain a positive Operating Surplus. Throughout the SPS forecast period, the Government is projected to remain in compliance with the requirement to maintain a positive Operating Surplus. The Operating Surplus of Government is forecast to be

- \$25.5 million in 2022;
- \$34.3 million in 2023; and
- \$65.2 million in 2024.

## **Net Worth**

The Act requires that the Government maintain a positive Net Worth. The Government is forecast to maintain a positive Net Worth throughout the SPS forecast period. 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 Ratio**

The Act requires that annual Entire Public Sector debt service costs (interest and principal), not be greater than 10% of Government's Revenues. The Government is forecast to remain compliant throughout the SPS forecast period with the Debt Servicing ratio:

- 8.2% in 2022;
- 8.6% in 2023; and
- 7.1% in 2024.

### **Net Debt Ratio**

The Act requires that the Government's Net Debt does not exceed 80% of Government's Operating Revenues. Net Debt is calculated as the total amount of outstanding Government Debt plus the risk-weighted debt of SAGC's less the liquid assets of Government.

For the SPS forecast period, Net Debt is forecast to remain well below this limit, achieving full compliance with this ratio:

- 26.5% in 2022;
- 29.4% in 2023; and
- 30.7% in 2024.

### **Cash Reserves**

The Act requires that the Government have liquid Cash Reserves of not less than 90 days of estimated executive expenses. This ratio is calculated at the point in a Financial Year when Government's liquid Cash Reserves are expected to be at their lowest, typically the 31 December of each year.

Over the SPS forecast period, 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.

Mister Speaker, I am very pleased to inform this Honourable Parliament that the UK Government's Foreign, Commonwealth & Development Office (the FCDO) has agreed to the SPS that has just been Laid on the Table for the Government's 2022 to 2024 Financial Years: this is an important and significant endorsement of the Government's plans.

Mr. Speaker, with your permission, I would like to lay on the Table the FCDO's agreement to the SPS.

## **Conclusion**

Mister Speaker, the safety of the people living in the Cayman Islands and the recovery of its economy, are the top priorities of the PACT Government.

The Government recognises that difficult decisions have to be made to counter the impact of the COVID-19 pandemic but the decisions must be made within prudent fiscal limits. Simply put Mr. Speaker, we have to be responsible with the people's money.

The financial targets set out in this SPS allows for funding of key policy initiatives including:

- Enhancing education programmes,
- Expanding and modernising health care,
- Enhancing social development programme
- Sustainable development,
- Understanding climate change resiliency, and

- Supporting the Financial Services Sector of 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. Mr. Speaker, we are talking about a child having daily meals at school or persons having access to adequate quality health care.

Mr. Speaker, this Government remains steadfast in its commitment to delivering its programme of 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** but most importantly Mr. Speaker, being People-driven and making sure that we put People first.

Thank you, Mister Speaker.