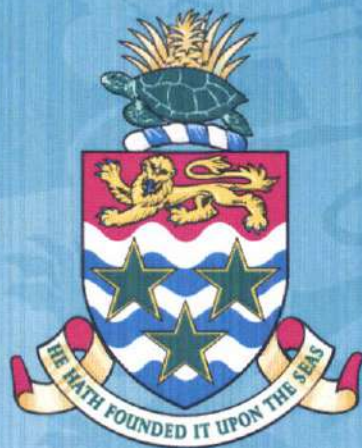




CAYMAN ISLANDS
GOVERNMENT

2013/14

**STRATEGIC POLICY
STATEMENT**

CAYMAN ISLANDS
GOVERNMENT

THE SEAS
LANDS
MENT

Cayman Islands Government

Table of Contents

Introduction	2
Message from the Honorable Premier and Minister for Finance Tourism & Development.....	3
Past Fiscal Performance and Analysis.....	4
Economic Statistics, Trends and Forecasts.....	7
Medium Term Fiscal Plan	14
Public Sector Debt Profile.....	30
Accounts Receivable Aging Summary.....	34
Liability Management Plan.....	34
Capital Investment Plan.....	35
Planned Revenue and Expense Measures.....	36
Broad Outcome Goals.....	37
Conclusion	48

Introduction

The Strategic Policy Statement (SPS) is published on an annual basis and outlines the high level fiscal plan and objectives of the present Government.

The requirements of the SPS are outlined in Section 23 of the Public Management and Finance Law (2010 revision) PMFL.

The format of the 2013/14 presentation has changed from what was normally presented in earlier years. This was necessary in order to fulfill the requirements of the Framework for Fiscal Responsibility (FFR).

In accordance with the FFR, additional details are now provided on the Government's past fiscal performance, the entire Public Sector debt profile and debt management strategy, accounts receivable aging summary, liability management plan, operating performance by Agency as well as discussions on any material revenue or expenditure measures planned.

As in earlier versions of the SPS, the document also focuses on the 19 Broad Outcome Goals that the United Democratic Party Government intends to achieve over the medium term and identify the specific intervention measures that will be undertaken in order to achieve them.

The section on economic analysis examines recent trends, statistics and forecasts from key sectors of the Economy such as Tourism and Financial Services. A broader outlook into certain strategic markets in the international arena is also provided due to the Cayman Islands' global participation in those areas.

Additionally, the document outlines the forecast Operating Statement, Statement of Financial Position, Statement of Borrowing, Statement of Changes in Net Worth and forecast Statement of Cash Flows for the current year and the next three Financial Years. An analysis is then presented on how these forecasts accord with the principles of responsible financial management as outlined in Section 14 of the PMFL.

Finally, the document apportions the fiscal resources amongst the various Ministries, Portfolios and Offices of the Government. The subsequent detailed budget for the periods covered will be broadly consistent with the high level fiscal parameters outlined in this document. .

Message from the Honourable Premier and Minister for Finance, Tourism & Development

It is my pleasure to present the Strategic Policy Statement of the Cayman Islands Government for the period 1st July 2013 to 30th June 2016.

This document formally sets out much of the recent work that was carried out by my Government working in conjunction with the United Kingdom Foreign and Commonwealth Office (FCO) in order to develop a path that is fiscally sustainable, prudent, supportive of our Economy and one that will return the Cayman Islands to the level of fiscal comfort it once enjoyed.



It also outlines further strategies and initiatives that my Government intends to implement over the medium term, to ensure growth, employment opportunities and continued investment in our physical and human capital while meeting our varying international obligations.

The Government is dedicated to these strategies and initiatives, however, in pursuit thereof, we must continue to be mindful of decisions, those we make and those made for the Country, which could result in economic shocks or create barriers in the Private Sector that will stifle growth. Achieving balance in this regard is a delicate matter which must be handled with skill, sensitivity and a measured level of patience in an uncertain world economy.

Government's policies will be supportive of the Private Sector which is the lifeblood of our economy. In this regard, I believe in a more efficient Public Sector, one which facilitates commerce so that much needed employment opportunities for our people can be created; and one which exercises prudence and responsible governance in its fiscal management strategies.

Over the next three years, the Government intends to facilitate the provision of much needed tourism and other key infrastructure facilities. It also plans to introduce measures to stimulate Private Sector growth while providing enhanced educational opportunities for our citizens. In addition, measures will be taken to maintain our national security, while accommodating the introduction of the Bill of Rights prescribed by our Constitution.

This Strategic Policy Statement represents my Government's commitment to these strategies and initiatives and these will be effectively implemented in order to ensure the continuation of a vibrant, secure and prosperous Cayman Islands.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. McKeeva Bush', written over a horizontal line.

Hon. W. McKeeva Bush OBE, JP, Hon Msc

2013/14 Strategic Policy Statement

Cayman Islands Government

1. Past Fiscal Performance and Analysis

1.1. Unaudited results and analysis for Fiscal Year 2010/11

Unaudited 2010/11 results				
	Budget	Actual	Dollar Variance	Percentage Variance
Revenues				
Coercive Revenue	460,144	481,278	21,134	4.59%
Sales of Goods & Services	49,994	52,725	2,731	5.46%
Investment Revenue	200	451	251	125.50%
Donations	-	596	596	100.00%
Total Revenues	510,338	535,050	24,712	4.84%
Expenses				
Personnel Costs	228,952	214,711	14,241	6.22%
Supplies and Consumables	87,138	80,236	6,902	7.92%
Leases	9,854	9,348	506	5.13%
Depreciation	21,406	14,829	6,577	30.73%
Finance Costs	32,859	30,067	2,792	8.50%
Litigation Costs	529	843	(314)	-59.36%
Outputs from Statutory Authorities and Government Owned Companies	102,163	103,844	(1,681)	-1.65%
Outputs from Non-Government Output Suppliers	22,260	24,417	(2,157)	-9.69%
Transfer Payments	34,400	29,835	4,565	13.27%
(Gains)/losses on foreign exchange transactions	20	(847)	867	n/a
(Profit/Loss on Statutory Authorities and Government Owned Companies	1,591	3,763	(2,172)	-136.52%
Other Operating Expenses	3,564	3,841	(277)	-7.77%
Total Expenses	544,736	514,887	29,849	5.48%
Net Surplus/(Deficit)	(34,398)	20,163	54,561	

The Government submitted the 2010/11 Financial Statements for all Government Agencies to the Office of the Auditor General by the legal of August 31st, 2011. That was the first timely submission made under the new Public Management and Finance Law and shows the commitment of this Government to prudent fiscal management.

Based on those submissions, the unaudited results of the Government shows an operating surplus of \$20.2 million for the fiscal year ended 30th June 2011. This was \$54.6 million better than the full year forecasted deficit of \$34.4 million.

Revenues for the twelve month period exceeded budget by \$24.7 million while expenses were \$32.0 million below budget. The net operating results of the public entities reflected a \$3.8 million deficit.

The positive variance in revenue primarily resulted from an improved outturn in Coercive Revenue of \$21.1 million. The main contributing areas were \$14.4 million from Levies on Domestic Goods and

Cayman Islands Government

Services and \$8.6 million from Levies on Property. Those amounts were partially offset by a lower than expected amount of \$1.9 million in import duties.

Personnel Costs (which accounted for 42% of Core Government **Expenses**) were \$14.2 million less than the full year Budget. Those savings were the result of restrictions on recruitments, lower staff allowances and a rollback of the 3.2% cost of living adjustment (COLA).

Through prudent financial management, the Government was also able to save a further \$6.9 million in Supplies and Consumables. Those savings were found primarily in the areas of marketing, maintenance and the renegotiation of our insurance premiums.

Cayman Islands Government

Unaudited results and analysis for Fiscal Year 2011/12

Unaudited 2011/12 results				
	Budget	Actual	Dollar Variance	Percentage Variance
Revenues				
Coercive Revenue	492,311	485,951	(6,360)	-1.29%
Sales of Goods & Services	56,179	55,018	(1,161)	-2.07%
Investment Revenue	162	447	285	n/a
Donations	4,100	4,100	-	0.00%
Other Revenue	-	280	280	100.0%
Total Revenues	552,752	545,796	(6,956)	-1.26%
Expenses				
Personnel Costs	230,466	224,425	6,041	2.62%
Supplies and Consumables	91,192	90,304	888	0.97%
Leases	9,241	8,554	687	7.43%
Depreciation	21,622	21,149	473	2.19%
Finance Costs	33,410	33,481	(71)	-0.21%
Litigation Costs	270	329	(59)	-21.85%
Outputs from Statutory Authorities and Government Owned Companies	101,647	101,652	(5)	0.00%
Outputs from Non-Government Output Suppliers	24,655	29,460	(4,805)	-19.49%
Transfer Payments	34,177	30,950	3,227	9.44%
(Gains)/losses on foreign exchange transactions	417	(1,900)	2,317	n/a
(Profit/Loss on Statutory Authorities and Government Owned Companies	6,934	7,825	(891)	-12.85%
Other Operating Expenses	6,042	6,846	(804)	-13.31%
Total Expenses	560,073	553,075	6,998	1.25%
Net Surplus/(Deficit)	(7,321)	(7,279)	42	

At the end of Fiscal Year 2011/12, the Government once again submitted Financial Statements for all Government Agencies by the legal deadline of 31st August 2012. The unaudited result of those submissions showed that the overall results of the Government were 99.4% in line with the Budgeted expectations. Overall **revenues** were 1.26% less than budgeted primarily due to lower than expected performance in the areas of Domestic Levies on Goods and Services (\$3.7 million) and levies on properties (\$2.4 million).

The negative variance in revenues was offset by a positive variance of 1.25% in **expenses**. This amount was primarily the result of savings in personnel costs of \$6.0 million due to recruitment deferrals, savings of \$3.2 million in Transfer Payments due to prudent management of the Financial Assistance Voucher and Scholarship programs (\$1.6 million) and the deferral of the Housing Repairs and Assistance program (\$0.9 million). Those savings, along with a \$2.3 million positive variance in foreign exchange earnings were partially offset by a \$4.8 million increase in Outputs from Non-Government Outputs Suppliers. This amount was necessary primarily to respond to increased demand for tertiary medical care at various overseas institutions.

2. Economic Statistics, Trends and Forecasts

Introduction

The domestic economy showed signs of recovery in 2011 following three consecutive years of output contraction. Stronger growth is expected for 2012, conditional on the upturn of domestic private sector investments amidst a weaker global economic growth. This section presents the forecasts for FY 2013/14 to FY 2015/16 and their major assumptions along with a review of the domestic and global economic performance in 2011 and first six months of 2012.

World Economic Performance and Forecasts

The forecasts for the world economy have seen sharp changes from the last Strategic Policy Statement, reflecting the high degree of uncertainty among the advanced economies which are traditionally considered as the Cayman Islands' major source markets for financial and tourism services.

In 2011, global growth was estimated to have slowed to 3.9 percent following a strong recovery of 5.3 percent in 2010. This performance is in view of the lower-than-expected growth of the advanced economies particularly the Euro zone economies. Gross domestic product (GDP) of the advanced economies slowed to 1.6 percent in 2011 as compared to 3.2 percent in 2010.

Growth in the United States of America (US) slowed from 3.0 percent in 2010 to 1.7 percent in 2011 as a number of factors kept household and business confidence low in the first half of the year. High unemployment rate persisted while heightened uncertainty in the management of the fiscal deficit led to a downgrading of the US sovereign credit rating.

Economic growth in the US is expected to be 2.0 percent in 2012. A stronger growth of 2.3 percent is foreseen in 2013, conditional on a solid and sustained recovery of domestic private demand underpinned by strong market confidence.

In Canada which is a growing source of demand for the Cayman Islands' stay-over tourism market, GDP growth in 2011 moderated to 2.4 percent from 3.2 percent the previous year. Growth in government spending slowed due to fiscal consolidation while private consumption also slowed as the unemployment rate remained high. Growth forecast for 2012 and 2013 is 2.1 percent and 2.2 percent respectively, as the government is expected to continue its fiscal tightening.

The Euro area recorded economic growth of 1.5 percent in 2011 down from 1.9 percent in 2010, as countries recovered with uneven pace with Germany leading the growth in the Euro area with 3.1 percent while Greece, Spain, Portugal and Slovenia had a drag on the region's growth. Some periphery countries from the Euro area were challenged with sovereign debt crisis and a general loss of confidence. The outlook over the medium term remains uncertain, with projected decline in 2012 of 0.3 percent but suppressed growth in 2013 forecasted at 0.7 percent.

In the United Kingdom (UK), growth has been relatively low and trending downwards, from 2.1 percent in 2010 to an estimated 0.7 percent in 2011 and forecasted to be at 0.8 percent in 2012. Over the

Cayman Islands Government

medium-term, private sector growth is expected to increasingly lead the recovery as fiscal consolidation continues. GDP growth in 2013 is forecasted at 1.4 percent.

Meanwhile, the emerging and developing economies continued on the uptrend in 2011. Overall output growth for this group was 7.5 percent in 2010 which slacked off to 6.2 percent in 2011 and forecasted to continue of its downward trajectory, this time by 5.7 percent in 2012. Barring adjustments from overheating in some countries such as Brazil, and strong adverse impact from the low growth of the major economies, emerging and developing economies are expected to remain upbeat with output growth of 5.9 percent forecasted in 2013.

General price levels picked up in 2011, with the average inflation rate among the advanced economies inching upward to 2.7 percent from 1.5 percent in 2010. Monetary policies remained timid in containing inflation as growth objectives were accommodated. Commodity prices remained high but were marginally lower than the previous year while oil prices moved higher. Oil prices rose sharply during 2010 and early 2011 to about US\$115 a barrel, then eased to about US\$100 a barrel. The general price level in emerging markets and developing countries grew at a much stronger rate of 7.2 percent due to strong domestic demand coupled with tighter monetary policy and higher energy prices. Inflation is forecasted to moderate to 2.0 percent in 2012 and 1.6 percent in 2013 among advanced economies.

The Cayman Islands' Economic Performance and Forecasts for FY 2012/13

Output (GDP) Growth. In 2011, economic activity grew by an estimated 1.1 percent, following a 3.4 percent decline in 2010. The key sectors on the recovery trend were hotels and restaurants, real estate, renting and business services, financial services and wholesale and retail trade. However, other sectors continued to perform weakly led by construction, government services, and transport storage and communications. For the first half of 2012, GDP growth was estimated 1.2 percent as all sectors excluding utilities recorded small positive growth.

Domestic recovery has been led so far by tourism services. The strong growth in the stay-over market continued in 2011 with air arrivals increasing by 7.2 percent although cruise visitors decreased by 12.3 percent. For the first six months of 2012, total visitor arrivals increased at 4.8 percent as stay-over moderated to 3.5 percent and cruise rebounded by 5.1 percent from the decline during the same period a year ago.

In 2011, economic activity of the domestic financing and insurance sector which comprises approximately half of the country's GDP saw an increase in their total foreign investment (6.2%) and loans to non-residents (4.8%), reversing the declines posted in 2010. Total domestic credit also rose by 3.3 percent in 2011, a reversal of last year's performance, on the back of higher public sector borrowings. Domestic credit for the first half of 2012 rose by 2.9 percent as compared to the first half of 2011. This resulted as credit to the private sector grew by 4.0 percent despite a 4.5 percent decline in public sector borrowings.

Cayman Islands Government

Meanwhile, the financing and insurance services industry is estimated to have shown a modest, positive growth in 2011 from a decline of 4.8 percent in 2010. Financial services indicators continued to turn-in mixed performance during the first two quarters of 2012, strong growth was recorded for mutual funds registration by 15.5 percent, however, this growth emanated from a newly regulated category. Other upward performances were stock exchange listing (5.1%) and insurance companies (0.5%), alternatively, bank and trust companies, and new company registrations declined by 6.0 percent and 1.0 percent respectively.

The real estate, renting and business activities sector grew in 2011 at 3.1 percent, accounted mainly by the real estate sub-sector and business activities aided by a steep increase in the value of property transfers due to a few high-value properties and growth in new company registrations. The value of property transfers as at June 2012 declined by 46.1 percent following an unusual amount of high valued properties traded during the period a year ago.

In construction, the severe curtailment of demand persisted with double-digit declines in total value of building permits and project approvals in the years 2010 and 2011. This downward trajectory continued during the first half of 2012 as the value of building permits declined by 11.6 percent, amidst the decline in permits building materials imported grew strongly, aided by a concession in the rate of import duties aimed at spurring economic activity.

The county's merchandise imports comprise a significant source of government revenue. Since 2008, this has trended downward due to depressed domestic demand following the Hurricane Ivan reconstruction years. However, in 2011, aggregate imports grew by 10.4 percent to reach \$762.0 million, although this was largely due to the higher imports of fuel. Non-petroleum and related products import growth in 2011 was 3.1 percent. For the first half of 2012, merchandise imports grew by 1.2 percent as non-petroleum and related products imports grew by 5.1 percent coupled with strong reductions in petroleum-related imports. This is a welcomed change as it shows signs of economic recovery.

GDP growth forecast for 2012 is revised downwards to 1.4 percent from the 1.8 percent forecasted earlier in the year, this reduction in the growth forecast was dominated by lower-than expected growth in air arrivals, continued lackluster financial services indicators, slower than anticipated implementation of private sector construction projects, and contraction of government expenditure coupled with higher fees. Tantamount to the revised GDP growth the FY 2012/13 is now at 2.1 percent.

Inflation. Domestic inflation was higher at 1.3 percent in 2011 as average prices of food and non-alcoholic beverages, transport, and communications picked up while housing-related prices remained subdued. The average inflation for the first half of 2012 is now 1.4 percent influenced by higher prices for food and non-alcohol beverages, transport, and clothing and footwear. Average inflation is forecasted to be 1.7 percent for the calendar year 2012. Therefore the inflation forecast for FY 2012/13 is placed at 1.9 percent, conditional on the anticipated higher global prices of oil and non-oil commodities, and marginally higher inflation forecast for the US.

Cayman Islands Government

Employment. The economic downturn had severe impact on labor supply and employment. The total labor force had a slight increase of 0.8 percent in 2011 following contraction in 2010 as work permits for expatriate labor fell by 13.1 percent due largely to the loss of work opportunities in construction, hotels and condominiums and financial services. Consequently, the unemployment rate went up to 6.2 percent in 2010.

Work permits fell by 2.9 percent in 2011 and for the first half of 2012 were higher by 1.2 percent. The unemployment rate increased slightly at 6.3 percent in 2011, mainly as a result of the reduction in expatriate labor force. Conditional on a modest GDP growth in 2012, the unemployment rate is forecast to remain stable at 6.3 percent. The resulting forecast unemployment rate for FY 2012/13 is placed at 6.2 percent, a marginal improvement from 6.3 percent for FY 2011/12.

Current Account¹. Total merchandise imports increased by 10.4 percent in 2011 to \$762.0 million as local demand for consumption and other merchandise goods picked up as compared to the previous year. This, along with reduced outflow of workers' remittances induced the narrowing of the country's forecasted current account of the balance of payments to 18.4 percent of GDP in 2011.

During the first half of 2012, merchandise imports was 1.2 percent higher than a year ago, however, with imports of non-petroleum and related products growing at 5.1 percent coupled with the anticipated increase in international oil and commodity prices, merchandise imports is forecast to increase by 3.5 percent for 2012. However, this is expected to underperform the estimated tourism and financial service receipts from abroad, narrowing the current account deficit to 17.6 percent of GDP in 2012. The resulting forecast for FY 2013/14 is 16.8 percent of GDP.

Economic Assumptions and Forecasts for Financial years 2013/14 to 2015/16

GDP Growth. Overall economic growth of the Cayman Islands in the next three fiscal years will increasingly rely on private investments in the domestic sectors in light of heightened financial and fiscal uncertainty in the major external markets and the government's commitments in the Framework for Fiscal Responsibility. The overall growth forecast for the advanced economies remains positive but modest at 1.4 percent in 2012 and 1.9 percent in 2013.

Construction is assumed to contribute towards the sustained recovery of domestic GDP with the implementation of recently announced private sector investment projects such as a cruise ship berthing facility in George Town; the development of Cayman Enterprise City; the setting up of a new private hospital mainly for medical tourism; several projects to enhance tourism facilities and infrastructure along the Seven Mile Beach as part of ForCayman Investment Alliance; and the extension of the Owen Roberts Airport. It is assumed that during the period of this SPS, these projects would have commenced

¹ The current account of the balance of payments measures the total value of the country's transaction 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.

Cayman Islands Government

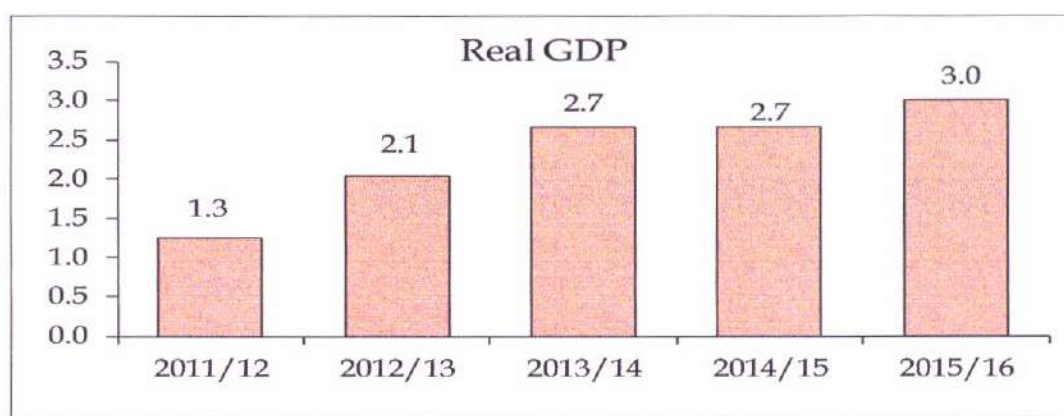
and will be mostly in the initial construction phase, namely, ForCayman Investment Alliance and Health City Cayman Islands (medical tourism). The construction phase of these projects are expected to stimulate the demand for services in several sectors such as wholesale and retail; real estate, renting and business activities; hotels and restaurants; financing and insurance.

It is assumed that the downward adjustments in the advanced economies' forecast growth for the medium-term will pose downward risks in the sustained recovery of the financial and tourism services sectors. However, it is also assumed that the impact of such risks will be mitigated by continuing industry programs (Cayman Airways and private sector stakeholders in offering short-term, tactical promotions, designed to increase visitor arrivals for current attractions, and to cultivate new businesses).

The government also continues to sustain its support in enhancing the services, structure and expertise of the financial services industry while the Monetary Authority implements three (3) strategic goals: (a) to further modernize and enhance regulation and ensure that the country keeps on par with the relevant standards and best practices that are evolving; (b) to intensify its international cooperation and involvement and enhance the country's reputation; and (c) to facilitate the efforts of the government and the private sector in further developing the country as an international financial centre.

The above external and domestic assumptions support a forecast growth of real GDP in 2013/14 of 2.7 percent (see Figure 1). Stable growth of 2.7 percent for FY 2014/15 and 3.0 percent forecasted for FY 2015/16, conditional on the operations of the private sector investment projects and the modest but stable growth of demand for tourism and financial services.

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



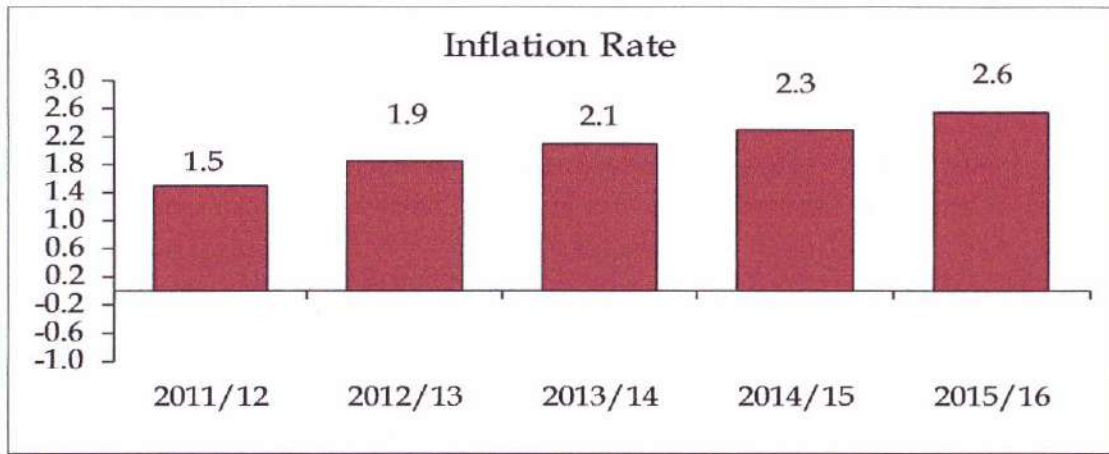
Source: Cayman Islands Government (Economics and Statistics Office)

Inflation Rate. A gradual improvement of the population level in the out-years as construction projects pick-up, along with a moderate US inflation, is assumed to slightly push domestic inflation in the succeeding fiscal years (see Figure 2). For FY 2013/14, inflation is forecasted at 2.1 percent. Barring

Cayman Islands Government

sharp price increases in US goods and domestic housing rentals, inflation is expected to inch up with construction demand at 2.3 percent in FY 2014/15 and inch upward to 2.6 percent in FY 2015/16.

Figure 2: Cayman Islands' Inflation Rates (%)

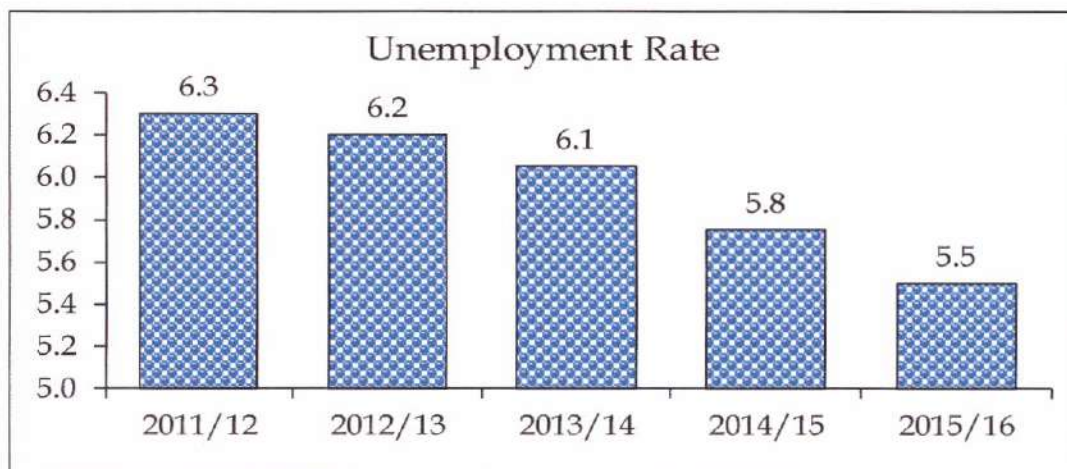


Source: Cayman Islands Government (Economics and Statistics Office)

Employment. Local employment is assumed to have a lagged response to forecast output growth. New employment is expected to emanate from construction projects and in other local services with strong linkages to the envisioned private sector projects.

Unemployment rate is forecasted at 6.1 percent in FY 2013/14, followed by gradual improvements to 5.8 percent in FY 2014/15 and 5.5 percent in FY 2015/16 (see Figure 3).

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

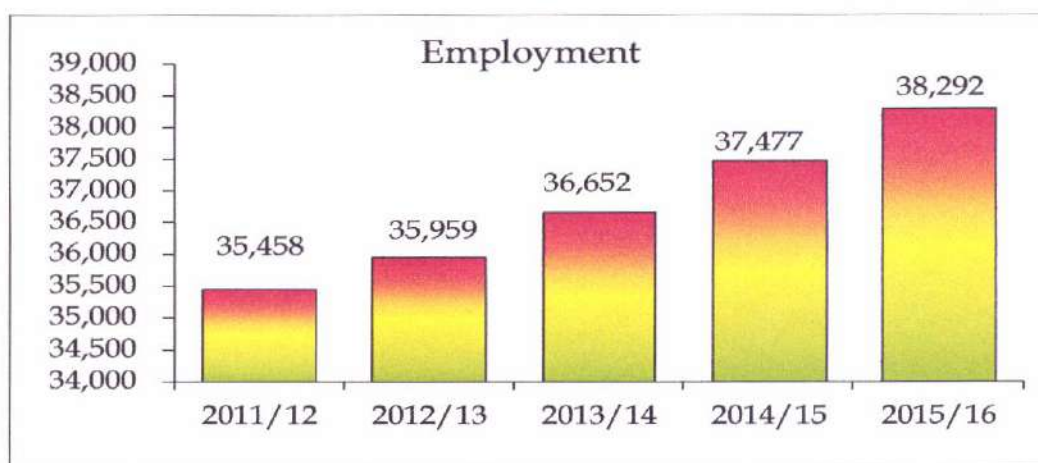


Source: Cayman Islands Government (Economics and Statistics Office)

Sustained improvements in the employment level are expected in the next three years to 38,292 in FY 2015/16 (see Figure 4).

Cayman Islands Government

Figure 4: Cayman Islands' Employment Level



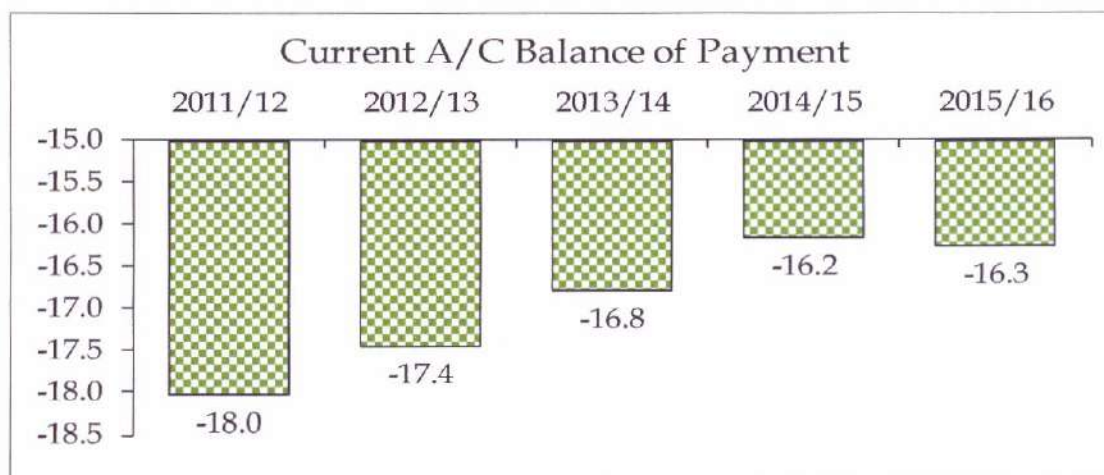
Source: Cayman Islands Government (Economics and Statistics Office)

Current Account. For the financial year 2013/14, the deficit on the current account of the balance of payments (BOP) is expected to improve to 16.8 percent of GDP. It is assumed that growth in imports and remittances will underperform changes in inflows from tourism boosted by the medical tourism and financial services of the previous year.

In the next two fiscal years, the current account deficits are forecasted at 16.2 percent of GDP and 16.3 percent of GDP respectively (see Figure 5). These forecasts are premised on the growth of current account inflows outperforming the growth of outflows. It is assumed that the target private investment projects will induce income inflows that will offset increases in imports and remittances.

Figure 5: Cayman Islands' Current Account of the Balance of Payments

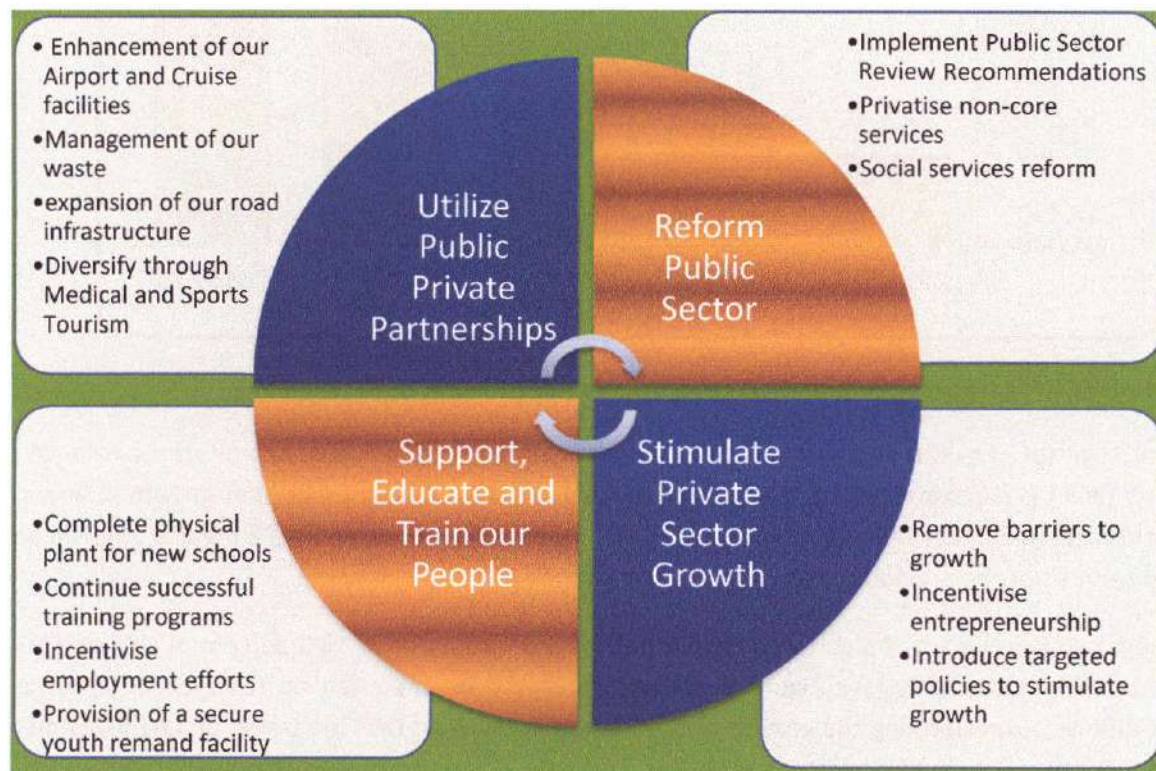
(% of GDP)



Source: Cayman Islands Government (Economics and Statistics Office)

3. Medium Term Fiscal Plan

Economic and Fiscal Objectives



Supporting Education and Training our People:

In order to grow the economy while maintaining social harmony among the local resident population, the Government intends to continue in the **support, education and training** of our people.

Our economy currently generates approximately 35,000 jobs. The Caymanian work force represents approximately 43% of that amount, yet unemployment among Caymanians in the work force is greater than 9 percent.

In the domestic economy, economic activity is generated in two primary areas:

- Public Sector spending/consumption; and
- Private Sector spending/consumption.

The Deputy Governor is leading an initiative to gradually reduce the size of the Public Sector relative to the overall economy; therefore, in order to grow the economy there will be a need for greater Private Sector consumption and spending.

Cayman Islands Government

The Government will not support a policy which entails vast inflows of immigrant workers to support the Private Sector if local Caymanian workers are unable to participate. We will build on our successes in education and produce an increased number of Caymanians with five or more Level 2 passes and other accredited Technical Vocational qualifications. This will produce higher skilled Caymanian workers who are able to fully participate in the economy. The Government will also ensure that our labor policies continue to be intricately linked to our training and scholarship programs.

Over the past 3 years, the Government has invested hundreds of millions in the provision of Education for our people. This includes **new physical plant**, improved standards and outcomes in early years, primary and tertiary years as well as Vocational and Scholarship programs.

As the Government continues to strive for inward investment and growth in our economy, it is paramount that we continue to prepare our present and future generations to participate in the opportunities that flow from those efforts. A **good education system** is critical in that preparation.

The Government is therefore resolute in its commitment to prepare its people to avail themselves of present and future opportunities and to be able to fully participate in the success of the Cayman Islands.

To this end, specific changes to our immigration policy will be carried out to ensure harmonious growth and balance in the economy; the capital program to modernize the physical plant for education will be completed; and we will continue with successful programs such as the Passport2Success, the Superior Auto apprenticeship program as well as other targeted training initiatives, while introducing new ones to assist a number of individuals to attain self-sufficiency.

Working together through PPPs:

The Government, as part of its fiscal policy, intends to **support Public/Private Partnerships (PPPs)** for the provision of much needed infrastructure. The Government considers the Cayman Islands fortunate to have partners who, sharing in the positive outlook for our Country, are willing to invest significant sums for the provision of facilities such as Cruise Berthing, Waste Management, Roads and a Hospital. In line with the FFR, this form of alternative financing can count towards the national debt.



Cayman Islands Government

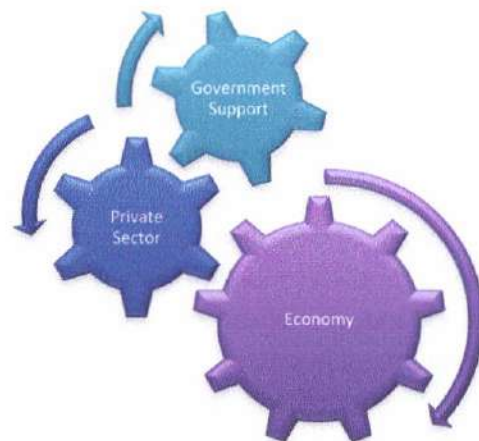
The Government intends to fully capitalize on these opportunities as they provide the potential for significant economic activity, provision of employment and maintenance of competitive advantage in the key sectors of tourism and local commerce. These opportunities will also provide more cost effective healthcare; increased activity for struggling merchants; higher occupancy in our local rental housing market; and much needed Government revenues through increased imports and other consumption-based fees.

In order to incentivize and encourage these investments, the Government intends to implement policies to reduce, and where possible, remove bureaucracy in order to more efficiently and effectively facilitate these imminent projects. It will provide concessions where necessary – forgoing modest short term revenues in favor of the substantial long term benefits that these investments will bring to the people of the Cayman Islands.

Stimulating Private Sector Growth:

The Government recognizes the importance of **supporting the Private Sector as the agent of economic growth**. The United Democratic Party Government has therefore incorporated that philosophy as an explicit component of our medium term fiscal policy.

In order to further enhance the Private Sector's efforts to drive positive economic change, the Government intends to take the following key measures:



- Support small business and entrepreneurs by facilitating increased access to capital through the banking and credit system;
- Provision of a highly trained workforce through enhanced education and training;
- Removal of barriers to employment and disincentives to work;
- Provision of key infrastructure for Transportation and Tourism;
- Facilitate partnerships by providing incentives to potential investors;
- Review immigration policies to ensure their conductivity to commerce;
- Provision of Legislative Frameworks to promote businesses;
- Improve consumption through increased tourism and balanced growth;
- Reduce cost of doing business through more efficient public administration;
- Maintain the Cayman Islands as an attractive place to live and work;
- Maintain our competitive edge through continued vigilance in our Financial Services Sector;
- Facilitate Infrastructures development such as berthing facilities, airport facilities, medical facilities and additional room stock to promote tourism;
- Continued pursuit of sports tourism and medical tourism to boost visitor numbers;

Cayman Islands Government

- Opening of new gateways to Panama, Dallas and direct international flights into Cayman Brac to improve trade opportunities and visitor numbers;
- Enhance the Cayman Brac Airport to increase direct flights and visitor numbers;
- Shifting of certain non-core Government services to the Private Sector and reduce Government's competition with that sector where that now occurs; and
- Implement an effective offender reintegration program to reduce recidivism and instances of crime against commercial and private interests.

In stimulating the private sector, the Government will also continue to further enhance an aggressive crime reduction strategy to reinforce investor confidence and uphold the rule of law.

Reforming the Public Sector - essential for future sustainability:

The Government also intends to continue with its **support for Public Sector reform in order to improve efficiency**. This process involves three distinct phases.



The Government carried out 3 rounds of **Public Sector efficiency reviews** and a fourth is currently underway. Those reviews identified several opportunities for reducing Public Sector cost over the medium term.

Total dollar value identified as of 31st March 2012 was CI\$57.8 million. Of this amount, Cabinet evaluated and accepted \$23.6 million and \$31.8 million is expected to be presented to Cabinet for further review and evaluation during the second quarter of fiscal year 2012/13.

Several of these measures have already reached the implementation phase with tangible savings realized. Those measures have enabled the Government to provide enhanced provisions for national security in order to comply with aspects of the new Constitution (such as new Office of Director of Public Prosecution and various Commissions), meet the demands of increasing global healthcare costs, resume contribution to the Past Service Pension Liability as well as provide additional social assistance without significantly increasing Public Sector expenditure levels.

The Public Sector "emoluments bill" is the single largest component of the Government's overall expenditure budget. Therefore, in order to reform and reduce the size of the Public Sector to sustainable levels, an additional element of personnel reduction will be necessary. The Government is

Cayman Islands Government

supportive of the Deputy Governor in reducing the size of the service by approximately 10% over the next 3 years.

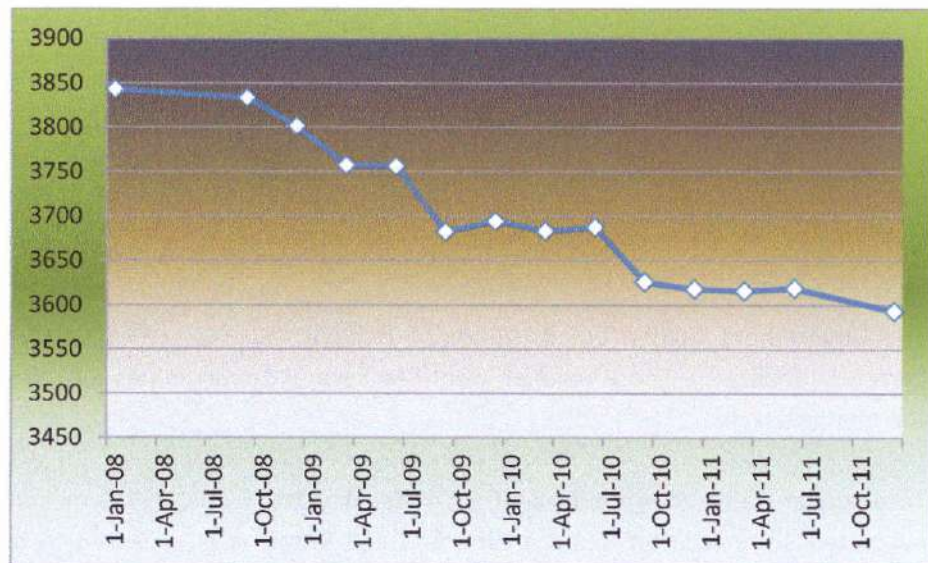
While the Government has been able to reduce the number of employees in the service by 6.5% over the past 3 years (see Figure 1 below), a more aggressive reduction was not pursued as the Private Sector simply did not have the capacity to absorb any sudden influx of workers transitioning from the Public Sector.

With Caymanians representing close to 75% of Public Sector workers, the result would simply be a transfer from the annual “emoluments bill” to the annual “social assistance bill.”

The reduction of 250 employees in the Service decreased the overall personnel cost. However increases in global health care costs and the

resumption of annual contributions of approximately \$15.0 million to the Past Service Pension Liability obligation served to offset a significant portion of those savings. This is a tremendous accomplishment and shows the Government’s commitment to prudent fiscal management.

Figure 1 Changes in the number of Core Government employees



Possible changes to the Public Service Pensions plans will likely involve an increase in the retirement age from the current 60 years of age to as high as 65 years of age. The Portfolio of the Civil Service and the Public Service Pensions Board will be conducting the reviews and are expected to make recommendations to Cabinet for amendments during the 2012/13 financial year. The necessary annual contributions over the forecast period will be updated upon completion of the reviews – and in time for inclusion in the 2013/14 Budget.

During the 2010/11 fiscal year, 421 employees left the Core Government, this represented 11.6% of the average number of employees (3,620) for the year. With that level of turnover, the Government sees significant scope for a material decrease in Public Sector workers via the attrition process over the medium term.

Cayman Islands Government

However, as noted earlier, the Government's policy initiatives must be done with due care and economic shocks must be avoided. Therefore, in our context the growth of the Private Sector and the reduction of the Public Sector are not mutually exclusive, rather, we believe they are mutually dependent.

Forecast Operating Statement

		SPS Forecast			
		Current			
Revenues		Budget	2013/14	2014/15	2015/16
Coercive Revenue		590,559	609,242	621,973	634,704
Sales of Goods & Services		58,682	59,947	61,216	62,485
Investment Revenue		213	213	213	213
Total Revenues	Note 1	649,454	669,402	683,402	697,402
Expenses					
Personnel Costs		250,885	245,777	243,730	244,438
Supplies and Consumables		87,773	77,814	77,014	77,014
Leases		7,511	6,761	6,761	6,761
Depreciation		25,006	25,002	25,002	25,002
Finance Costs		32,841	30,918	29,703	28,621
Litigation Costs		454	446	440	435
Outputs from Statutory Authorities and Government Owned Companies		108,460	106,410	111,194	118,683
Outputs from Non-Government Output Suppliers		18,955	19,426	19,717	20,948
Transfer Payments		32,816	30,126	29,126	28,126
(Gains)/losses on foreign exchange transactions		17	25	31	36
(Profit/Loss on Statutory Authorities and Government Owned Companies		(1,875)	(1,875)	(1,875)	(1,875)
Other Operating Expenses		4,359	4,259	4,259	4,259
Total Expenses	Note 2	567,202	545,089	545,102	552,448
Net Surplus		82,252	124,313	138,300	144,954

The forecast operating performance over the medium term shows Public Finances on a positive trajectory. Importantly, the **revenue** projections incorporates a "central risk" scenario whereby the calculated amounts expected from existing revenue streams were discounted by 25% in order to allow for unforeseen circumstances. It is further conservative in that it assumes no substantial increase in volumes over the medium term and **no additional revenue measures being introduced**.

Similarly in regards to **expenditure**, a provisional sum of \$27.1 million has been included in order to mitigate potential future increases in healthcare costs. In addition to savings from the phased reduction in the size of the Civil Service, the Government also plans to:

- Pursue the merger of certain smaller Statutory Authorities and Government Owned Companies;

Cayman Islands Government

- Further consolidate its lease estates through increased occupancy of the Government Administration Building;
- Explore the introduction of volunteer Fire Fighters (similar to the Special Constabulary for the Police) in order to reduce the level of overtime at the Fire Service;
- Self-insure against the risk of loss for certain assets thereby reducing Government's annual insurance costs by approximately \$3.0 million;
- Centralize procurement; and
- Change the current benefit schemes for new Civil Servants.

Forecast Operating performance by Ministry/Portfolio/Office

Note 1. Operating Revenue by Agency				
Agency	2012/13	2013/14	2014/15	2015/16
Portfolio of Internal & External Affairs	83,214	86,260	88,054	89,848
Portfolio of Portfolio of Legal Affairs	974	995	1,016	1,037
Ministry of Finance Tourism & Development	465,914	26,297	26,818	27,339
Ministry of Health, Environment, Youth Sports & Culture	5,929	6,057	6,185	6,312
Ministry of Education, Training and Employment	641	655	669	682
Ministry of District Admin Works, Lands & Agriculture	76,061	80,713	82,354	83,994
Judicial Administration	6,075	6,206	6,337	6,468
Cabinet Office	9,921	10,135	10,349	10,563
Audit Office	720	735	751	766
Ministry of Finance	-	451,348	460,870	470,391
Total for All Agencies	649,448	669,402	683,402	697,402

Cayman Islands Government

Note 2. Operating Expenditures by Agency

Agency	2012/13	2013/14	2014/15	2015/16
Internal & External Affairs	75,801	74,092	72,975	72,661
Portfolio of Legal Affairs	6,349	5,103	5,034	5,011
Finance Tourism & Development	156,766	58,577	58,139	58,046
Ministry of Health, Environment, Youth Sports & Culture	61,745	61,610	66,492	74,188
Ministry of Education, Training and Employment	92,192	91,090	90,296	90,020
Ministry of District Admin Works, Lands & Agriculture	81,365	72,843	72,132	71,910
Judicial Administration	10,013	9,838	9,779	9,782
Cabinet Office	10,263	10,203	10,090	10,050
Complaints Commissioner	695	679	671	668
Audit Office	2,264	2,226	2,199	2,190
Portfolio of the Civil Service	20,570	20,555	22,408	25,317
Ministry of Community Affairs, Gender and Housing	38,656	37,988	37,822	37,762
Information Commissioner	586	578	570	567
Director of Public Prosecutions	2,724	2,703	2,673	2,663
Office of the Premier	8,432	4,721	3,197	2,193
Ministry of Finance	-	93,502	91,844	90,639
Less Audit fee eliminations	(1,218)	(1,218)	(1,218)	(1,218)
Total for All Agencies	567,202	545,089	545,102	552,448

The above performances are based on distinct measures which were agreed by the UK Foreign and Commonwealth Office in setting the 3-Year framework for Public Finances. It also shows the Ministry of Finance as a separate Ministry (combining Public Finance and Financial Services) starting in the 2013/14 fiscal year. This measure is provisional and will be dependent on the exact composition of Agencies following the May 2013 General elections.

Cayman Islands Government

Forecast Statements of Financial Position

	SPS Forecast			
	Current Budget	2013/14	2014/15	2015/16
Current Assets				
Cash and Cash Equivalents	119,720	191,827	278,408	377,502
Trade Receivables	30,904	27,904	25,104	22,604
Other Current Assets	8,298	11,298	14,098	16,598
Total Current Assets	158,922	231,029	317,610	416,704
Non Current Assets				
Loans	42,267	38,767	39,767	40,267
Net Worth - Public Entities	269,049	292,396	315,743	339,090
Property, plant and Equipment	1,036,291	1,038,789	1,041,787	1,044,285
Other Non-Current Assets	4,312	7,812	6,812	6,312
Total Non-Current Assets	1,351,919	1,377,764	1,404,109	1,429,954
Total Assets	1,510,841	1,608,793	1,721,719	1,846,658
Current Liabilities				
Trade Payables	24,172	21,772	19,672	18,772
Unearned Revenue	18,568	20,424	23,068	25,068
Employee Entitlements	11,327	9,471	8,524	8,027
Current Portion of Borrowings	26,395	26,361	25,374	20,015
Other Payables and Accruals	36,481	38,881	39,284	38,681
Total Current Liabilities	116,943	116,909	115,922	110,563
Non-Current Liabilities				
Unfunded Pension Liability	207,083	207,083	207,083	207,083
Long Term Portion of Borrowings	549,005	522,678	498,291	483,635
Other Non-Current payables and accruals	92	92	92	92
Total Non-Current Liabilities	756,180	729,853	705,466	690,810
Total Liabilities	873,123	846,762	821,388	801,373
Net Assets	637,718	762,031	900,331	1,045,285
Net Worth				
Other Reserves	97,441	104,441	111,441	118,441
Accumulated Surpluses/(Deficits)	540,277	657,590	788,890	926,844
Total Net Worth	637,718	762,031	900,331	1,045,285

The Statement of Financial Position shows a steady increase in Cash and Cash equivalents over the medium term with a marked reduction in Core Government debt over the same period. Those positions will be made possible by the forecasted improvement in Government's operations and the resulting surpluses expected. The combination of these factors will serve to substantially increase the net-worth of the Core Government whilst instilling continued investor confidence in the strength of the Cayman Islands Public Finances.

Cayman Islands Government

Forecast Statement of Cash Flows

	SPS Forecast			
	Current Budget	2013/14	2014/15	2015/16
Cash Flow from Operating Activities				
Operating Cash inflows				
Coercive receipts	590,557	609,240	621,971	634,704
Other Receipts	61,041	62,306	63,575	64,844
Total Operating Cash inflows	651,598	671,546	685,546	699,548
Operating Cash Outflows				
Personnel related payments	(250,904)	(245,796)	(243,749)	(244,457)
Other Payments	(292,833)	(278,310)	(280,370)	(287,010)
Total Operating Cash Outflows	(543,737)	(524,106)	(524,119)	(531,467)
Net Cash Flows from Operating Activities	107,861	147,440	161,427	168,081
Cash Flows from Investing Activities				
Investing Cash inflows				
Proceeds from Loans and Investments	1,157	1,100	1,000	900
Dividends and Capital withdrawal	2,008	1,528	1,528	1,528
Total investing Cash inflows	3,165	2,628	2,528	2,428
Investing Cash Outflows				
Purchase of Property Plant and Equipment	(32,667)	(27,500)	(28,000)	(27,500)
Loans and Investments	(1,238)	(1,100)	(1,000)	(900)
Equity injection in Public Authorities	(22,526)	(23,000)	(23,000)	(23,000)
Total Investing Cash Outflows	(56,431)	(51,600)	(52,000)	(51,400)
Net Cash Flows from Investing Activities	(53,266)	(48,972)	(49,472)	(48,972)
Cash Flows from Financing Activities				
Repayment of Borrowings	(26,395)	(26,361)	(25,374)	(20,015)
Net Cash Flows from Financing Activities	(26,395)	(26,361)	(25,374)	(20,015)
Net Increase in Cash and Cash Equivalents	28,200	72,107	86,581	99,094
Cash and Cash Equivalents at the beginning of the period	91,520	119,720	191,827	278,408
Cash and Cash Equivalents at the end of the period	119,720	191,827	278,408	377,502

The Forecast Statement of Cash Flows shows a positive cash intake trajectory (which will be fueled primarily from economic growth) coupled with a declining annual outflow for recurrent operations.

The resulting positive cash flows from Operating Activities will be used to fund the Government's modest capital program, provide ongoing support to Statutory Authorities and Government owned Companies and repay public sector debt. Cash remaining will be to used increase the cash reserves of the Country.

The projected cash intake is modest and carries with it a discount factor which provides for unforeseen circumstances. The Government is therefore confident of its projections.

Cayman Islands Government

Forecast Statement of Borrowing

SPS Forecast						
Loan	Opening Balance	Principal Repayments				Closing Balance for each facility
		2012/2013	2013/2014	2014/2015	2015/2016	
FCIB 1011 Loan Facility	154,228,457	-	-	-	-	154,228,457
2009 Bond Offering	261,300,000	-	-	-	-	261,300,000
2003 Bond Issue	54,671,978	(9,112,000)	(9,112,000)	(9,112,000)	(9,112,000)	18,223,978
FCIB Loan # 10276203 Tranche 1	28,164,991	(2,620,002)	(2,620,002)	(2,620,002)	(2,620,002)	17,684,982
FCIB Loan # 10330158 Tranche 2	28,500,658	(2,533,335)	(2,533,335)	(2,533,335)	(2,533,335)	18,367,317
FCIB Loan # 10331239 Tranche 3	39,374,989	(3,500,003)	(3,500,003)	(3,500,003)	(3,500,003)	25,374,978
FCIB Loan # 10249656 Tranche 4	4,874,991	(1,624,998)	(1,624,998)	(1,624,995)	-	-
FCIB Loan # 10207828 Tranche 3	3,888,890	(1,111,111)	(1,111,111)	(1,111,111)	(555,557)	-
FCIB Loan # 10123355 Tranche 2	13,600,011	(1,600,001)	(1,600,001)	(1,600,001)	(1,600,001)	7,200,006
FCIB Loan # 10090596 Tranche 1	4,499,992	(1,500,001)	(1,500,001)	(1,499,989)	-	-
FCIB Loan # 10017673	2,401,577	(800,526)	(800,526)	(800,526)	-	-
FCIB Loan # 10017722	2,180,664	(726,888)	(726,888)	(726,888)	-	-
FCIB Loan # 10017714	1,600,001	(800,001)	(800,001)	-	-	-
Caribbean Dev. Bank Loan 08/SF	866,760	-374,760	-374,760	-117,240	-	-
European Inv. Bank Loan 8.0244	407,000	-	-	(37,000)	-	370,000
European Inv. Bank Loan 8.0283	1,133,000	(91,000)	(58,000)	(91,000)	(94,000)	799,000
European Inv Bank Loan 8.0056	100,000	-	-	-	-	100,000
Total	601,793,958	(26,394,626)	(26,361,626)	(25,374,090)	(20,014,899)	503,648,717
Borrowing Portfolio Closing Balances						
		575,399,332	549,037,706	523,663,616	503,648,717	

The forecast Statement of Borrowing reflects the Government's policy of zero borrowing and reduced Public Sector debt over the medium term. It shows that between 2012/13 and 2015/16, the Government intends to repay approximately \$98.1 million in principal on the current balance outstanding. It also shows that over the forecast period, 7 of the 17 debt facilities (or approximately 41%) presently being serviced by the Government would have been extinguished.

The result would then allow the Government to comfortably begin servicing its 2010/11 Loan facility as well as begin to set aside funds towards offsetting a portion of the 2009 Bond while still staying within the relevant debt management ratios.

Additional details on the Government's overall debt management strategy are provided later in this document.

Cayman Islands Government

Forecast Statement of Changes in Net Worth

	SPS Forecast		
	Reserves	Accumulated Surplus/(Deficits)	Total
Balance at 30 June 2012	103,026	452,440	555,466
Restated Balance	103,026	452,440	555,466
Changes in Net Worth for 2012/13			
Transfers	(5,585)	5,585	-
Net revenue/expenses recognized directly in net worth	(5,585)	5,585	-
Surplus for the period 2012/13		82,252	82,252
Total recognized revenues and expenses for the period	(5,585)	87,837	82,252
Balance at June 30th, 2013	97,441	540,277	637,718
Balance at June 30 2013			
Restated Balance	97,441	540,277	637,718
Changes in Net Worth for 2013/14			
Transfers	7,000	(7,000)	-
Net revenue/expenses recognized directly in net worth	7,000	(7,000)	-
Surplus for the period 2013/14		124,313	124,313
Total recognized revenues and expenses for the period	7,000	117,313	124,313
Balance at June 30th, 2014	104,441	657,590	762,031
Balance at June 30 2014			
Restated Balance	104,441	657,590	762,031
Changes in Net Worth for 2014/15			
Transfers	7,000	(7,000)	-
Net revenue/expenses recognized directly in net worth	7,000	(7,000)	-
Surplus for the period 2014/15		138,300	138,300
Total recognized revenues and expenses for the period	7,000	131,300	138,300
Balance at June 30th, 2015	111,441	788,890	900,331
Balance at June 30 2015			
Restated Balance	111,441	788,890	900,331
Changes in Net Worth for 2015/16			
Transfers	7,000	(7,000)	-
Net revenue/expenses recognized directly in net worth	7,000	(7,000)	-
Surplus for the period 2015/16		144,954	144,954
Total recognized revenues and expenses for the period	7,000	137,954	144,954
Balance at June 30th, 2016	118,441	926,844	1,045,285

The forecast statement of changes in Net Worth shows an improving position for the Government which is primarily the result of operating surpluses over the medium term.

Cayman Islands Government

Compliance with Principles of Responsible Financial Management

SPS Forecast				
Principle	Degree of Compliance	Degree of Compliance	Degree of Compliance	Degree of Compliance
	Budget 2012/13	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16
Operating Surplus : should be positive (Operating surplus = core government operating revenue – core government operating expenses)	Complies Surplus = \$82.252 mil	Complies Surplus = \$124.313 mil	Complies Surplus = \$138.300 mil	Complies Surplus = \$144.954 mil
Net Worth: should be positive (Net worth = core government assets – core government liabilities)	Complies Net worth = \$637.718 mil	Complies Net worth = \$762.031 mil	Complies Net worth = \$900.331 mil	Complies Net worth = \$1.045 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 all public debt and finance leases)	Does Not Comply Debt servicing = 12.6 %	Does Not Comply Debt servicing = 11.9 %	Does Not Comply Debt servicing = 11.9 %	Complies Debt servicing = 9.9 %
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 net of restricted funds)	Does Not Comply Net debt = 92 %	Complies Net debt = 74.5 %	Complies Net debt = 56.6 %	Complies Net debt = 38.3 %
Cash Reserves should be no less than estimated executive expenses for 90 Days: (cash reserves are defined as the lowest balance of liquid funds at the disposal of the Cayman Islands Government during the fiscal years that are not be pledged against budgeted expenses or liabilities of any form).	Does Not Comply Cash reserves = (19.7) days	Does Not Comply Cash reserves = 6.2 days	Does Not Comply Cash reserves = 62.7 days	Complies Cash reserves = 120.4 days
Financial risks should be managed prudently so as to minimize risk	Complies Adequate fiscal and risk management plans are in place Hurricane Preparedness Strategy in place.	Complies Adequate fiscal and risk management plans are in place Hurricane Preparedness Strategy in place.	Complies Adequate fiscal and risk management plans are in place Hurricane Preparedness Strategy in place.	Complies Adequate fiscal and risk management plans are in place Hurricane Preparedness Strategy in place.

Cayman Islands Government

The ratios on the preceding page were all calculated in accordance with the new Framework for Fiscal Responsibility (FFR). The ratios under this agreement are significantly more prudent than those previously prescribed by the Public Management and Finance Law.

Areas of significant differences are as follows:

Public borrowing now includes the capitalized value of all alternative financing transactions (including PFI/PPP arrangements) that will place future financial obligations (in terms of increased expenditure or reduced revenue) on the Cayman Islands Government.

Debt Service is now defined as annual payments resulting from public borrowing commitments and finance leases or any other form of borrowing. This includes all borrowings of the entire Public Sector and not just those of the Core Government. It also includes any other debt guaranteed by the Cayman Islands Government

Liquid Assets are now defined as the lowest balance of liquid funds at the disposal of the Cayman Islands Government during the fiscal year. These funds should not be pledged against budgeted expenses or liabilities of any form. That means, monies set aside into a sinking fund for debt repayment cannot be counted. Liquid assets also now **exclude** funds held under the Mutual Legal Assistance Treaty, Environmental Protection fund or any of our other restricted balances except the General Reserves.

The above definition of Liquid Assets also affects the **Net Debt** ratio calculation as the cash which is deducted from outstanding debt in the calculation would be less once all the exclusions above are taken into account.

Notwithstanding the heightened level of the fiscal bar, the Government's medium term fiscal plans shows forecast compliance with all ratios by the target date of June 2016.

It shows projected cash reserves of over 120 days whereby the requirement is for 90 days. It shows a Net Debt ratio of 38.3% which is well below the maximum allowed of 80%. It shows a comfortable surplus of approximately \$145 million and a debt servicing ratio of 9.9%.

Achievement of this forecast will require the continued careful management of a prudent Government. The path is credible, achievable and will place the Cayman Islands in an even stronger financial position going forward.

Cayman Islands Government

Expenditure Allocation by Minister and Official Member

Executive Operating Expenditure Allocations			
Agency	2013/14	2014/15	2015/16
Premier (Office of the Premier)	4,721	3,197	2,193
Premier (Cabinet Office)	10,203	10,090	10,050
Minister for Finance (Ministry of Finance)	93,502	91,844	90,639
Ministry for District Admin Works, Lands & Agriculture	72,843	72,132	71,910
Ministry for Education, Training and Employment	91,090	90,296	90,020
Minister for Community Affairs, Gender and Housing	37,988	37,822	37,762
Ministry for Health, Environment, Youth Sports & Culture	61,610	66,492	74,188
Minister for Tourism & Development	58,577	58,139	58,046
Deputy Governor (Internal & External Affairs)	74,092	72,975	72,661
Deputy Governor (Portfolio of the Civil Service)	20,555	22,408	25,317
Attorney General (Portfolio of Legal Affairs)	5,103	5,034	5,011
Attorney General (Judicial Administration)	9,838	9,779	9,782
Attorney General (Director of Public Prosecutions)	2,703	2,673	2,663
Public Accounts Committee (Audit Office)	2,226	2,199	2,190
Oversight Committee of the Legislative Assembly (Complaints Commissioner)	679	671	668
Oversight Committee of the Legislative Assembly (Information Commissioner)	578	570	567
Less Audit fee eliminations	(1,218)	(1,218)	(1,218)
Total for All Agencies	545,089	545,102	552,448

Cayman Islands Government

Capital Allocation by Minister and Official Member

Executive Capital Investment Allocations				
Agency	2013/14	2014/15	2015/16	
Premier (Office of the Premier)	500	200	200	
Premier (Cabinet Office)	500	800	800	
Minister for Finance (Ministry of Finance)	1,200	1,000	1,000	
Ministry for District Admin Works, Lands & Agriculture	8,805	9,000	9,000	
Ministry for Education, Training and Employment	7,503	12,858	12,358	
Minister for Community Affairs, Gender and Housing	10,992	4,992	4,992	
Ministry for Health, Environment, Youth Sports & Culture	4,000	5,000	5,000	
Minister for Tourism & Development	15,600	15,600	15,600	
Deputy Governor (Internal & External Affairs)	1,350	1,500	1,500	
Deputy Governor (Portfolio of the Civil Service)	-	-	-	
Attorney General (Portfolio of Legal Affairs)	-	-	-	
Attorney General (Judicial Administration)	50	50	50	
Attorney General (Director of Public Prosecutions)	-	-	-	
Public Accounts Committee (Audit Office)	-	-	-	
Oversight Committee of the Legislative Assembly (Complaints Commissioner)	-	-	-	
Oversight Committee of the Legislative Assembly (Information Commissioner)	-	-	-	
Total for All Agencies	50,500	51,000	50,500	

Cayman Islands Government

4. Public Sector Debt Profile

Core Government Debt Profile as at 31st August 2012

Core Government Debt Portfolio								
Loan	CUR	Date of Origin	Original Amount	Amortized or Bullet	Current Balance KYD	Annual Principal KYD	Interest rate	Maturity date
FCIB 1011 Loan Facility *	USD	19/Apr/11	185,074,626	AMR	154,228,457	-	5.4400%	19/Apr/26
2009 Bond Offering	USD	24/Nov/09	312,000,000	BUL	261,300,000	Bullet	5.9500%	24/Nov/19
2003 Bond Issue	USD	8/Apr/03	163,200,000	AMR	54,671,978	9,112,000	5.3000%	8/Apr/18
FCIB Loan # 10276203	USD	26/Oct/07	47,159,962	AMR	27,509,991	2,620,002	4.2500%	11/Feb/23
FCIB Loan # 10330158	USD	24/Jun/08	45,599,964	AMR	27,866,658	2,533,335	4.2500%	24/Jul/23
FCIB Loan # 10331239	USD	27/Jun/08	62,999,950	AMR	38,499,989	3,500,003	4.2500%	24/Jul/23
FCIB Loan # 10249656	USD	29/Jun/07	15,599,964	AMR	4,874,991	1,624,998	2.8200%	30/Jun/15
FCIB Loan # 10207828	USD	14/Dec/06	11,999,990	AMR	3,888,890	1,111,111	3.2000%	14/Dec/15
FCIB Loan # 10123355	USD	23/Nov/05	28,800,000	AMR	13,200,011	1,600,001	5.5800%	30/Nov/20
FCIB Loan # 10090596	USD	29/Jun/05	17,999,986	AMR	4,499,992	1,500,001	4.8475%	30/Jun/15
FCIB Loan # 10017673	USD	30/Jun/04	9,606,300	AMR	2,401,577	800,526	5.0450%	30/Jun/15
FCIB Loan # 10017722	USD	30/Jun/04	8,722,650	AMR	2,180,664	726,888	5.0450%	30/Jun/15
FCIB Loan # 10017714	USD	30/Jun/04	9,600,000	AMR	1,600,001	800,001	5.0200%	30/Jun/14

* Principal repayment deferred for 5 years

Cayman Islands Government Self-Financing Debt Portfolio As at 31 August 2012									
Loan	Currency	Guaranteed?	Date of Origin	Original Amount	Amortized or Bullet	Current Balance KYD	Annual Principal KYD	Interest rate	Maturity date
Caribbean Development Bank Loan 08/SF	USD	No	8/Dec/97	US\$5,369,719.73	Amortized	773,409	374,760	Variable	1/Oct/14
European Investment Bank Loan 8.0244	EUR	No	1/Aug/87	EUR658,000.00	Amortized	375,130	% Based	1.0000%	15/May/27
European Investment Bank Loan 8.0283	EUR	No	3/May/87	EUR1,489,812.00	Amortized	953,348	% Based	1.0000%	15/Apr/29
European Investment Bank Loan 8.0056	EUR	No	10/Feb/80	EUR330,000.00	Amortized	98,472	% Based	1.0000%	1/Feb/19

The tables above shows the current debt profile of the Core Government as at 31st August 2012. It discloses the date of origin, amounts outstanding, current interest rate and expected date of maturity.

The Government remains amenable to the consideration of opportunities to review the Debt Portfolio where such opportunities result in lower debt servicing costs. This is done on a periodic basis in light of market conditions at the time.

Cayman Islands Government

Statutory Authorities and Government Owned Companies Debt Profile

Cayman Islands Government Statutory Authorities Debt Portfolio As at 31 August 2012										
Agency	Loan	Currency	Guaranteed?	Date of Origin	Original Amount	Amortized or Bullet	Current Balance KYD	Annual Principal KYD	Interest Rate	Maturity Date
Health Services Authority	FCIB FEB 2011 Loan	KYD	No	7/Feb/11	800,000	Amortized	697,501	69,135	3.5000%	28/Feb/21
Health Services Authority	FCIB NOV 2011 Loan	KYD	No	10/Nov/11	1,700,000	Amortized	1,579,201	120,799	3.5000%	30/Oct/21
C.I. Development Bank	Caribbean Development Bank	USD	YES	16-Sep-91	1,073,948	Amortized	38,474	76,948	3.61000%	31-Dec-12
C.I. Development Bank	Caribbean Development Bank	USD	YES	16-May-02	4,875,267	Amortized	3,375,185	375,020	3.61000%	30-Jun-21
C.I. Development Bank	FCIB et al	USD	YES	30-Jun-10	5,800,000	Bullet	5,800,000	n/a	3.48440%	30-Jun-15
C.I. Development Bank	FCIB et al	USD	YES	30-Jun-05	6,000,000	Bullet	6,000,000	n/a	1.73440%	30-Jun-15
C.I. Development Bank	FCIB	USD	YES	23-Jul-10	5,000,000	Bullet	5,000,000	n/a	3.47740%	23-Jul-15
C.I. Development Bank	FCIB	USD	YES	11-Jan-11	5,000,000	Bullet	5,000,000	n/a	3.48640%	10-Jan-16
C.I. Development Bank	HSBC	USD	YES	27-Apr-10	20,000,000	Bullet	20,000,000	n/a	3.07840%	27-Apr-15
Port Authority	RBC - Purchase Old Forte Bldg	USD	YES	8-Jun-1998	4,200,000.00	Amortized	57,161	167,280	1.23050%	1-Jan-2013
Port Authority	RBC - Repair Cargo Dock GCm	USD	YES	6-May-2003	5,500,000.00	Amortized	562,187	570,720	1.23050%	1-Sep-2013
Port Authority	RBC - Construct RWCT	USD	YES	24-Mar-04	17,500,000	Amortized	7,112,899	1,476,000	1.23050%	1-Jun-14
Port Authority	RBC - Construct WBCT	USD	YES	20-Aug-04	8,500,000	Amortized	343,356	72,816	1.23050%	1-Jun-14
Port Authority	Cayman Islands Government	KYD	YES	1-Dec-90	1,720,664	Amortized	103,233	68,826	0.00000%	1-Dec-13
Cayman Airways	RBC Operating Loan	USD	Yes	Pre July 2003	23,602,333	Amortized	9,766,137	1,464,924	Libor +2.50%	May 2019
Cayman Airways	RBC Club Loan	USD	Yes	1-May-04	21,055,000	Amortized	8,996,582	1,340,640	Libor +2.50%	May 2019
Cayman Airways	FCIB Capital Loan (2006/7)	USD	Yes	1-Jan-07	4,200,000	Amortized	1,903,162	454,800	Libor +0.75%	Sept 2016
Cayman Airways	FCIB Capital Loan (2009)	USD	Yes	1-Feb-09	15,000,000	Amortized	12,169,625	888,000	Libor +3.5%	April 2023
Cayman Turtle Farm	FCIB - Bank Loan	USD	Yes	21-May-09	2,352,000	Amortized	2,016,303	126,000	Libor +3.75%	30-Nov-24
Cayman Turtle Farm	CNB Bank Loan Tranche 2	USD	Yes	26-Mar-06	2,856,000	Amortized	1,404,791	312,480	4.25000%	30-Nov-16
Cayman Turtle Farm	CNB Bank Loan Tranche 3	USD	Yes	21-May-09	8,736,000	Amortized	3,229,496	1,185,408	3.75000%	31-May-15
Cayman Turtle Farm	William & Blair (Placement Agn	USD	Yes	12-Mar-04	37,464,000	Amortized	23,734,200	2,620,800	4.85000%	1-Mar-19
National Housing Development Trust	Scotian Bank & Trust Bond	USD	Yes	24-Oct-04	11,890,000	Amortized	8,960,498	528,459	5.23800%	28-Oct-24
National Housing Development Trust	Bank of Butterfield Bond	USD	Yes	31-Aug-09	12,083,000	Amortized	11,359,667	620,000	3.25000%	30-Dec-19
Water Authority	FCIB (Admin Bldg)	KYD	Yes	1-Aug-98	1,600,000	Amortized	41,211	41,211	Libor +1%	31-Mar-14
Water Authority	FCIB 2000 (Sewerage works)	KYD	Yes	1-Dec-00	501,000	Amortized	-	-	Libor +1%	30-Jun-13
Water Authority	FCIB 2002 (Sewerage works)	KYD	Yes	1-Dec-02	12,677,508	Amortized	-	-	Libor +1%	30-Jun-13
Water Authority	FCIB (New Admin Bldg)	KYD	Yes	1-Jun-07	2,421,500	Amortized	1,384,854	183,394	Libor +0.09%	30-Jun-22
Water Authority	FCIB (North Side Works)	KYD	Yes	1-Dec-08	7,181,000	Amortized	5,232,677	460,128	Libor +0.09%	31-Aug-23
Water Authority	CIG (Development of Facilities)	KYD	Yes	1-Apr-95	4,822,349	Amortized	1,644,703	210,892	Libor +0.09%	30-Apr-20
Water Authority	Ocean Conversion (lower valley)	KYD	Yes	1-Feb-06	748,631	Amortized	72,848	72,849	Libor +.042%	31-Jan-13
Water Authority	Ocean Conversion (North Sound)	KYD	Yes	1-Apr-07	1,450,505	Amortized	411,410	230,684	Libor +.042%	31/Mar/14
Water Authority	Ocean Conversion (North Side)	KYD	Yes	1-Jul-09	9,176,422	Amortized	7,016,365	818,456	Libor +0.54%	30/Jun/19
Water Authority	Ocean Conversion (Red Gate)	KYD	Yes	1-Jul-10	3,063,816	Amortized	2,325,237	406,788	Libor +0.54%	30/Jun/17

The table above discloses information on the Debts held by the various Statutory Authorities and Government Owned Companies.

Similar to the disclosures for the Core Government, it shows the lenders, original amount, outstanding balance, annual principal, interest rate and expected maturity date.

In many instances, due to the structure of the loan, the annual principal payment will vary; however, the position shown is as at 31st August 2012.

As Public Finances improve and based on prevailing market conditions, the Government periodically reviews the current stock of Debt held with the view of lowering the cost of service and finding synergies and efficiencies where those exists.

Future debt management strategy

The Government's medium term debt management strategy is quite simple; we will continue to reduce the outstanding balance of our current Debt Portfolio while avoiding the need to incur further debt.

Presently, the principal balance on outstanding debt is declining at a rate of approximately 5% per annum. That means, broadly speaking, if the Government continued on the current repayment rate while financing its capital program from surpluses instead of borrowing, the Country could be debt free in a little over 20 years.

Whilst the Government debt profile table shows majority of the loans in the Debt Portfolio evenly amortizing, it should be noted that presently, the Government intends to refinance the 2009 Bond when it matures in 2019.

On the current trajectory of public finances, by 2019, the Government, if it chooses to, should be in a position to settle the 2009 Bond at the time of maturity, however, that would leave the Country's cash reserves at a significantly depleted level and would also ignore the concept of intergenerational equity.

The Assets acquired from the proceeds of the 2009 Bond are expected to have useful lives of up to 50 years. The Government therefore does not believe that the current generation of tax payers should be overly levied in order to completely extinguish the debt in the next 7 years, rather, the contributions to the servicing of the present Debt Portfolio by current tax payers should be recognized and the burden of servicing the 2009 Bond should be shared among the future beneficiaries of the Assets it acquired in order for there to be equity.

The charts on the next page show the projected trend for the **Net Debt ratio and Debt Servicing ratios**.

The information used in calculating the ratios are **credible**, they **conform** with the Framework for Fiscal Responsibility, they are **prudent** and they provide the Government with a challenging but most importantly **achievable** goal to work towards over the medium term.

The Government has long recognized the need for prudent debt policies. This is why the ratios currently enshrined in our legislation were established at such conservative levels. When one compares the Net Debt to GDP and the Debt Servicing ratios of the Cayman Islands to other jurisdictions, it shows the Cayman Islands performing far better than most other world economies.

Careful fiscal management will have to be employed in order to achieve all the scenarios outlined. However, the Government is confident in its projection and with a steady hand at the wheel, will steer the Economy with the necessary prudence to make the projections a reality.

Debt Servicing Ratio



Net Debt



5. Accounts Receivable Aging Summary as at 31st August 2012

	Current	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due	Total Outstanding amount
	1-30 Days	31-60 Days	61-90 Days	91-180 Days	181-360 Days	361+ Days		
Ministry/Portfolio and Offices	CI \$,000	CI \$,000	CI \$,000	CI \$,000	CI \$,000	CI \$,000	CI \$,000	CI \$,000
Audit Office	-	-	-	-	-	-	-	-
Judicial Administration	-	-	-	-	-	0	373	374
Portfolio of Internal and External Affairs	465	17	0	1	2	8	1,154	1,647
Portfolio of Legal Affairs	-	-	-	1	23	22	12	58
Ministry of Finance, Tourism and Development (Public Finance)	586	3,386	34	27	68	32	10,238	14,372
Ministry of Finance, Tourism and Development	2	2	2	0	-	(2)	133	137
Ministry of District Administration, Works and Gender Affairs	501	(4)	50	13	52	38	7,605	8,255
Ministry of Education, Training and Employment	1	143	0	30	118	96	531	920
Ministry of Health, Environment, Youth, Sports and Culture	-	0	0	(1)	10	6	70	85
Cabinet Office	50	85	1	2	3	6	110	256
Complaints Commissioners Office	-	-	-	-	-	-	-	-
Portfolio of the Civil Service	-	-	-	-	-	-	-	-
Ministry of Community Affairs	-	-	-	-	-	-	0	0
Ministry of Finance, Tourism and Development (Financial Services)	1	-	-	-	1	-	3	5
Total Due from the Public	1,605	3,630	89	73	277	206	20,229	26,109

6. Liability Management Plan

Past Service Pension Liability

The Public Service Pensions Law 1999 established a Defined Contribution pension scheme for all Civil Servants joining the service after that date. Prior to the introduction of that Law, Civil Servants participated in a Defined Benefit pension scheme, but this plan is closed to new entrants. Many other Public Servants, who are not Civil Servants but are employed with Government owned Companies and Statutory Authorities also participate in these plans.

There are similar but separate plans for the Parliamentarians and Grand Court Judges. The Public Service Pensions Board currently manages a pension fund for Civil Servants and other Public Servants who are participants in the Public Service Plans. The pension obligations arising from these plans as well as future contribution requirements are actuarially valued every 3 years in accordance with the Law.

As at January 1, 2011, (the last actuarial valuation date) the net position of the funds showed an unfunded past service liability of CI\$178.3 million. The Government included approximately CI\$15.0 million in the 2012/13 Budget as a contribution towards that liability, the medium term plans of the Government includes an annual contribution of CI\$15.0 million over the next 3 fiscal years. Possible changes to the Public Service Pensions plans will likely involve an increase in the retirement age from the current 60 years of age to as high as 65 years of age. The Portfolio of the Civil Service and the Public Service Pensions Board will be conducting the reviews and are expected to make recommendations to Cabinet for amendments during the 2012/13 financial year. The necessary annual contributions over the

forecast period will be updated upon completion of the reviews – and in time for inclusion in the 2013/14 Budget.

Past Service Health Care Liability

In addition to the Pension Liability, the Government also recognizes its obligations for the future health care costs of Public Servants who earned that benefit based on their prior service with the Government.

Previously Public Servants who worked for a minimum of 10 years with the Government would be entitled to a health care benefit upon retirement. However, the Public Service Management Law now requires that the employee retire from the Civil Service with ten years of qualifying service in order to be eligible for free postretirement healthcare in the future. It should be noted that this plan is now closed to other Public Servants.

An actuarial valuation was previously carried out to quantify the Health Care Liability obligation; this valuation has not formally been recognized on the Statement of Financial Position as it is significantly outdated.

The Government has engaged the services of an Actuary to carry out a new assessment, the results of which are expected in 2013. Once this is forthcoming the Government's medium-term fiscal plan will be adjusted to take the result of the assessment into account. In the interim, the Government has allocated an additional provisional sum of CI\$27.1 million, over three (3) years, to address future increases in health care costs as well as the cost of its obligations to retirees. This is in line with projected increases in costs forecasted by CINICO.

7. Capital Investment Plan

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

During the period covered by this SPS, provisions are included for:

- Maintenance and improvement of our road network on Grand Cayman and Cayman Brac;
- Improved facilities for Cayman Brac and Little Cayman through the continuation of the Cayman Brac Emergency shelter and multipurpose hall;
- Continued Investment in the provision of affordable housing through expansion of existing programs into various districts;
- Increased security at our remand facilities by continuing with the Prison rebuilding program and the introduction of a secure youth remand facility;
- Continued investment in health care via Equity Injection to the Health Services Authority, CINICO and expansion of District Health facilities;
- Continued expansion of our educational facilities by ensuring adequate plant assets on Grand Cayman and Cayman Brac;
- Continued support for e-Government as a means of improving efficiency; and

- Continued support and investment in Statutory Authorities which enhance our Tourism product.

8. Planned Revenue and Expense Measures

Planned Revenue Measures

Based on the current trajectory of Public Finances, the Government does not plan to introduce any new revenue measures over the next three fiscal years. The current projections for revenues are robust, they adequately satisfy the planned operating and investment needs of the Government for the next 3 fiscal years and includes a discount factor of 25% for the new Revenue Measures in order to provide for unforeseen circumstances. The Government therefore believes that unless there are extraordinary circumstances, there should be no need to increase the current fees or other revenue measures over the medium term.

Planned Expenditure Measures

As noted earlier, the Public Service underwent 3 phases of efficiency reviews and are about to embark on a 4th phase. As part of the development process for this medium term plan, the Government also commissioned an internal Expenditure Review Committee to examine in detail, the planned operating expenditure of the Government and recommend ways in which those could be reduced. Those undertakings identified several opportunities for improved efficiency and cost savings. The Government has accepted many of the recommendations and intends to implement them over the short to medium term.

Among the various measures proposed and accepted by the Government are:

Expenditure Measures			
Measure	Expected Savings in 000s		
	2013/14	2014/15	2015/16
Housing assistance program to be discontinued	(3,690)		
Pride program to be reduced	(1,000)		
Nation Building program to be reduced	(1,800)	(1,000)	(1,000)
Attrition in the Civil Service	(5,000)	(4,000)	(4,000)
Centralization of Procurement	(2,387)		
Consolidation of Statutory Authorities	(4,900)		
Improved risk management	(3,000)		
Reduction in interest cost through debt repayment	(1,923)	(1,215)	(1,082)
Total	(23,700)	(6,215)	(6,082)

The Civil Service is striving to make further efficiencies, from 2014/15 onwards, over and above the Expenditure Measures shown in the above Table. The Budget Delivery Committee is tasked with assisting the Civil Service with this objective and will bring forward recommendations to Cabinet.

9. Broad Outcome Goals

Broad Outcome 1:

Creating a Vibrant Yet Stable and Sustainable Economy

- Raise awareness and create a positive impression of the jurisdiction as a preferred investment location and excellent place to do business
- Ensure that the Cayman Islands continue to meet or exceed current and evolving international standards affecting the financial services industry, including those standards set by the CFATF, OECD Global Forum and other international standard setting bodies
- Maintain a highly effective regulatory environment to attract users and providers of financial services
- Continue the development and implementation of a strategy for maintaining sustainable growth in the Cayman Islands Stock Exchange Limited (CSX) listings
- Explore the viability of new and sustainable economic activities for the Cayman Islands
- Continue to support local businesses, to enhance their sustainability and profitability
- Develop and Implement new immigration policies
- Attract the interest of foreign film productions that will not negatively impact the image of the jurisdiction
- Continue to explore possibilities of making Cayman Brac and Little Cayman a more vibrant and stable economy
- Continued support of the Development of the Special Economic Zone
- Strengthen Cayman Islands global competitiveness as a well-regulated international financial services Centre
- Establishment of Auditors Oversight Committee
- Research and propose new and amended legislation that will provide long-term stability and advancement for our position as a transparent International Financial Centre
- Develop and implement a Fair Trade Commission that would deal with uncompetitive business practices
- The implementation of Human Rights Legislation in accordance with the Constitution

Broad Outcome: 2

Setting the Stage for Success in the Tourism Industry

- Continued implementation of the National Tourism Management Policy
- Management and enhancement of the image of the Cayman Islands Tourism Brand
- Continued development of Human Capital for the Tourism Industry
- Management of an environmental program for the tourism sector
- Develop policies which support the sustainable development of the Tourism Industry
- Support the development of new cruise ship berthing facilities in the Cayman Islands
- Continue the upgrade and expansion of Owen Roberts International Airport and the Charles Kirkconnell International Airport, Cayman Brac and the Little Cayman Airstrip.
- Improve the visitor experience through education, improved signage, and technological enhancements
- Preserve and enhance the environment and history of tourism attractions through physical renovations and social awareness
- Develop nature-based/soft adventure tourism throughout the Cayman Islands
- Promotion of the 'Go Green' initiative to establish the Cayman Islands as a premier eco-tourism destination with emphasis on Cayman and Little Cayman
- Continued support for Cayman Turtle Farm and continue the search for a suitable investor/partner for the Farm.

Broad Outcome: 3

Addressing Crime and Policing

- To improve the offshore operational capabilities of the Royal Cayman Islands Police marine section
- Strengthen and enhance border control by conducting biometric checks (finger-printing) of all international passengers
- Development of a Police Task Force
- Increase foot patrols to increase visibility of police officers
- Strengthen and enhance community and neighbourhood policing
- Introduction of an x-ray scanning machine for cargo containers
- Improve the infrastructure of the Prison Services to increase security and strengthen the rehabilitative capabilities of the correctional system
- Develop a Crime Prevention Strategy
- Foster partnerships with overseas law enforcement agencies
- Establish programmes in Prison to target prisoners' criminal thinking, drug and alcohol abuse
- Introduction of a Prison Video link to allow remand offenders to give evidence from Prison
- Introduction of E- Payments and E-tickets by the Police Service
- Establishment of Courts to deal with Mental Health and Domestic Violence Issues
- Introduction of the 1st phase of the implementation of the Alternative Sentencing Law
- Introduction of new initiatives for prisoners including: an intensive Day Supervision Programme; an annual Arts Programme for offenders; and a mentoring programme for young and/or first time offenders

Broad Outcome: 4

Developing a World Class Education System to Foster Growth and to Benefit from Development

- Continued implementation of the Education Stabilisation Plan and development of a new National Strategic Plan for Education
- Introduction of new graduation criteria for secondary schools to include academic requirements
- Phased completion of the new secondary schools and relocation of staff and students to new sites
- Continued support for the effective implementation of the secondary education restructuring initiative
- Completion of the national primary school redevelopment programme
- Implementation of a comprehensive "Safer Schools" initiative, to provide school environments that are conducive to learning for all students, including our "At-Risk" students.
- Development of a national numeracy strategy to improve teaching effectiveness and pupil performance in numeracy and mathematics
- Launch an Early Childhood Care and Education Unit
- Re-introduction of reception classes at primary schools
- Raising the age of entry to school to 4 years at Reception and 5 years at Year 1, to ensure that all students and given the best possible foundation for a successful education
- Delivery of new specialist support services through new Secondary unit providing specialist teaching and respite facilities for students with Autism Spectrum Disorder and Mental Health challenges
- Introduction of new and high-demand programmes within the Cayman Islands Further Education Centre

Broad Outcome: 5

Improving Healthcare

- Develop a National Strategic Health Plan
- Improve access to healthcare by strengthening and expanding health insurance coverage
- Enhance the capacity of the healthcare system to address mental health
- Amendments to legislation including Health Practice Law, Health Insurance and Pharmacy Laws
- Develop policies to support Medical Tourism
- Continue developing environmental health programs in the various districts
- Continue developing and enhancing the food hygiene and safety programs
- Develop new environmental health legislation

Broad Outcome: 6

Paving a Better Way Forward for Cayman Brac and Little Cayman

- Market and promote Cayman Brac and Little Cayman as a tourism destination and diversification of the Tourism product
- Develop policies to stimulate the economies of Cayman Brac and Little Cayman
- Expand and improve sporting facilities in Cayman Brac and Little Cayman
- Expand and upgrade road network in Cayman Brac
- Continue development of a new hurricane shelter and multipurpose hall on the Bluff, Cayman Brac
- Continue PWD vehicles and mechanical building
- Continue affordable housing program
- Continue promotion of Agriculture including, but not limited to the Orchard, backyard farming and Green Houses
- Expand water facilities on Cayman Brac
- Expand Charles Kirconnell Airport and Little Cayman Airport
- Continue support for the Heritage House and other Cultural activities

Broad Outcome: 7

Developing our Youth

- Continued support of National Employment Passport Programme, with expansion of Passport@ Success Programme for young unemployed youth, and the development of employment initiatives for other target groups
- Introduce vibrant youth programmes including after-school and sports operated in each districts
- Continue to support Cadets undertaking the Business Technology Education Council (BTEC) Diploma in Public Service
- Introduction of a work related training Programme for young people
- Introduce a programme to qualify individuals in specific sports
- Strengthen youth rehabilitation by implementing a therapeutic community programme
- Introduce a range of innovative initiatives to develop, support and invest in our people, including "unemployed youth" and "youth at risk"
- Access the Commonwealth Youth Programme training module
- Commence the construction of a remand facility for youths who demonstrate antisocial and/or offending behaviours

Broad Outcome: 8

Strengthening Families

- Continue the provision of preventative and crisis intervention services
- Continuum of care, services, and programs for children and families in crisis.
- Continue the provision of therapeutic intervention services and working with families to build healthy relationships
- Develop community development strategy to mobilize and empower communities.
- Enactment of the Children Law and Regulations
- Amendments to the Poor Person's Relief Law and enacting Regulations
- Amendments to the Youth Justice Law (2005 Revision)
- Amendments to the Adoption of Children Law (2003 Revision)
- Enhancing the strategic direction for the youth rehabilitation services



Broad Outcome: 9

Restoring Prudent Fiscal Management

- Manage Government financials within a medium to long term context
- Continue the development of econometric models for forecasting coercive revenue
- Develop and implement a macroeconomic compilation program
- Implement changes to internal government processes and structures to improve efficiency and reduce operating costs
- Examine the possibility of divestment of some public assets
- Limit borrowings to absolute minimal levels to maintain the high Sovereign rating, fiscal sustainability and international reputation
- Produce government financial statements in full compliance with the Public Management and Finance Law
- Support the use of Private Finance Initiatives (PFI) and Public-Private Partnerships (PPP) as alternatives for funding/developing large Public Sector capital projects – as permitted by the Framework for Fiscal Responsibility

Broad Outcome: 10

Ensuring Success and Participation of Caymanians in the Financial Services Industry

Cayman Islands Government

- Enhanced careers assessment, guidance and counseling services, both for schools and job seekers

Broad Outcome: 11

Supporting our Caymanian Small Businesses

- Implement programs to assist Caymanians in improving themselves and their communities especially those with bankable propositions who do not have ready access to conventional financing
- Continue offering loans through Cayman Islands Development Banks particularly for small businesses and low income housing
- Improve the viability of local businesses and entrepreneurial ventures through various training workshops

Broad Outcome: 12

Preparing our Labour Market for Future Opportunities

- The launch of a new Human Capital Development Agency, to provide capacity to deliver innovative and high-quality programmes and services that support human capital development planning, workforce preparation and the employment needs of job seekers and those who want to further their careers
- The launch of a new Department of Labour and Pensions, to provide a one-stop shop and more effective and efficient mechanisms for managing compliance and enforcement of pension and labour matters

Broad Outcome: 13

Cayman Islands Government

Improving the Lives of the Elderly and Disabled

- Expanding Residential and Day Care Services for the indigent elderly and disabled persons to ensure good quality of life.
- Develop public relations strategy to increase awareness of caring for elderly

Broad Outcome: 14

Reducing Substance Abuse

- Continued implementation of a therapeutic milieu model in the residential treatment programme
- Revise policies and procedures to reflect current client-centred best practices
- Development of a strategy to provide appropriate rehabilitation facilities for youth that will offer treatment programmes for substance abuse both at the community level and in a residential setting.

Broad Outcome: 15

Empowering Women

- Review National Policy on Gender, Equity, and Equality
- Having CEDAW (Convention on the Elimination of all forms of Discrimination Against Women) extended to the Cayman Islands

Broad Outcome: 16

Addressing Energy and the Environment

- Continue developing environmental health programs in the various districts
- Introduction of the hazard analysis critical control point strategy
- Implementation of Multilateral Environmental Agreements (MEA)
- Implementation of the National Conservation Law and the Endangered Species Trade and Transport Law (2004)
- Climate change adaptation and mitigation
- Development of a National Sustainable Development Framework
- Protect and enhance the marine and terrestrial environment
- Comprehensive review of Cayman Islands Marine Parks system
- Development of a National Energy Policy
- Promotion of a comprehensive facility for solid-waste disposal management and waste-to-energy for Grand Cayman
- Develop new environmental health legislation
- Support the Implementation of a renewable energy program
- Continue the development of Barkers National Park

Broad Outcome: 17

Strengthening our Infrastructure

- Development of a National Infrastructure Plan
- Continued upgrading and development of the road network
- Development of affordable homes for Caymanians
- Long term planning for cemetery development
- Community Centre upgrades
- Landfill improvements
- Continue upgrades to the Owen Roberts International Airport
- Support the development of a new cargo facility
- Implementation of the Doppler Early Warning Radar System
- Development of Parks legislation

Broad Outcome: 18

Preserving our Culture

- Continue to collect material evidence of artistic, historic or scientific significance to the Cayman Islands, both terrestrial and underwater
- Assist with the development of the Cayman Islands first Shipwreck Preserves
- A Traditional Arts Programme (including Traditional Thatch Work Apprenticeship Programme) for Caymanian Masters and Apprentices
- Promotion of a national learning culture that creates lifelong learning through the provision of programmes and access to historical and other information research facilities

- Develop a National Cultural Policy
- Documentary heritage of the Cayman Islands through Archive's oral history programme
- Develop internet based access to historic public records
-

Broad Outcome: 19

Enhancing Agriculture

- Promote Aquaculture and Hydroponics development and production
- Continue to support and assist farmers on all three islands

10. Conclusion

The 2013/14 Strategic Policy Statement outlines a framework that will restore the Public Finances of these beloved Cayman Islands.

It is a Plan that does not include any new revenue raising measures over the medium term or any drastic actions that would cause economic shock. Rather through a combination of growing cash reserves, increased efficiencies leading to a decline in Public Sector Costs, declining Public Debt and enhanced liability management, the Government has charted a path towards stability and prosperity.

The Government recognizes that reducing the Budget Deficit will not by itself solve our present economic challenges. On the contrary, if the Government suddenly reduced spending, it may serve to exasperate the problem by reducing consumption in the local Economy while increasing the need for social assistance.

Our economic policies are therefore designed to allow the Cayman Islands to gradually restore Public Finances through the support of the private sector and the gradual decline of public sector costs to more sustainable levels.