



**Statement by
the Honourable Minister for Finance and Economic
Development on
the “Exceptional Circumstance” Transactions Incurred
During the 2020 Financial Year for the Ministry of Finance
and Economic Development**

**1st Meeting of the 2020/2021 Session of the Legislative
Assembly – Commencing on 14 October 2020**

Mister Speaker, as required by Section 11(6) of the Public Management and Finance Law (2020 Revision) – or the PMFL - I make this Statement to Members of this Honourable House with respect to the “exceptional circumstance” transactions that were approved by Cabinet for the Ministry of Finance and Economic Development during the 2020 financial year that ends on 31 December 2020: such transactions were approved pursuant to Section 11 (5) of the PMFL.

Mister Speaker, there were two financial transactions that the Cabinet approved for the Ministry of Finance and Economic Development pursuant to Section 11(5) of the PMFL:

1. expenditure related to the response to, and recovery from, the COVID-19 pandemic; and
2. a temporary loan that the Government made to the Cayman Islands Airports Authority, or CIAA.

Turning now to the **COVID-19 related expenditure**.

Mister Speaker, as a result of the COVID-19 pandemic, the Government had to expeditiously implement a number of measures and plans that were aimed at eliminating the spread of the virus and ensuring the health and safety of the people of the Cayman Islands; mitigating the economic hardship on vulnerable individuals and businesses; and stimulating the local economy.

The 2020 Supplementary Plan and Estimates and Appropriation Bill, which, respectively, were Tabled and are to be presented in this Honourable House, includes \$642.8 million in financial transactions – the majority of which are related to borrowing and expenditure with respect to the COVID-19 pandemic.

Mister Speaker, \$6.5 million of the COVID-19 related expenditure that the Cabinet approved via Section 11(5) of the PMFL is appropriated under *OE 140 - COVID-19 Response and Recovery* under

the Ministry of Finance and Economic Development. The \$6.5 million was used towards the total cost of purchasing: COVID-19 test kits; supplies and equipment and meals and accommodation at isolation facilities.

Mister Speaker, turning now to the **Temporary Loan that the Government made to the CIAA.**

Mister Speaker, the CIAA, undertook a number of additional capital works in order to improve air and ground traffic and congestion. These additional capital works included:

1. the strengthening and extension of the airport runway;
2. the removal of ponds;
3. the establishment of a proper perimeter road; and
4. a small expansion to the General Aviation ramp in order to increase aircraft parking.

The additional capital works began in February 2020, and in March 2020, the country went into full lockdown due to the COVID-19 pandemic. When the borders closed, scheduled commercial flights ceased and the operating revenue of the CIAA was reduced to zero –

thus impacting the projected revenue that would have partially funded the additional capital works.

In order to meet its ongoing operational costs, complete the capital projects and maintain the required operational and capital reserves, the CIAA needed an additional \$20.9 million in funding.

With the approval of the Cabinet and the Public Procurement Committee, the CIAA awarded a tender to First Caribbean International Bank, or FCIB, to finance a \$20.9 million loan and overdraft facility.

However, before the loan agreement with FCIB can be finalized, FCIB requires evidence that the CIAA has obtained authorisation and approval from the Foreign, Commonwealth and Development Office, or FCDO.

Mister Speaker, as presented in the 2020 Supplementary Plan and Estimates and Appropriation Bill, and primarily due to the costs incurred as a result of the COVID-19 pandemic, the Government is forecast to possibly end the 2020 financial year with an Operating Deficit of \$168.7 million and Cash Reserves equivalent to 46.5 days of executive expenses. As you know, Mister Speaker, the PMFL requires

the Government to maintain an Operating Surplus and Cash Days equivalent to 90 days of executive expenses.

As a result of breaching the PMFL, the Government is now required to present to the FCDO – from the point at which the breach is forecast to occur - a Plan on how the Government will become compliant over the next three (3) financial years or such longer period that may be agreed with the FCDO. The approval of the FCDO is also required before the Government can undertake a number of transactions including any refinancing of public debt or any public borrowing – which includes the FCIB loan to CIAA.

The Ministry of Finance and Economic Development intends to seek the approval of the FCDO for a Compliance Plan and the FCIB loan to the CIAA for \$20.9 million – but this will not be done until later in the year - by 31 December 2020. The CIAA indicated that it could not wait until 31 December 2020 as it was due to exhaust all of its bank account balances by 30 September 2020.

The only practical way the Government could assist the CIAA with meeting its operating and financial obligations was for the Cabinet to grant a temporary loan of \$20.9 million, interest free.

The Cabinet approved \$5.0 million of the \$20.9 million loan via Section 11(5) of the PMFL, in order to prevent the CIAA from running out of cash before 30 September 2020.

The balance of the loan, \$15.9 million, is included in the 2020 Supplementary Plan and Estimates under the LM 13 – Cayman Islands Airports Authority appropriation for approval by the Legislative Assembly - via Section 25 of the PMFL.

Mister Speaker, it should be noted that the \$20.9 million loan to the CIAA will be re-paid to the Government, in full, as soon as the approval of the FCDO is obtained and CIAA can draw-down on the loan funds from FCIB – which is estimated to be on or before 31 December 2020.

Mister Speaker, in **conclusion**, I thank you for allowing me to explain the exceptional circumstance transactions which were approved by the Cabinet for the Ministry of Finance and Economic Development for the 2020 financial year.

Thank you, Mister Speaker.