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## 1. Introduction

### Purpose of the Strategic Policy Statement

This Strategic Policy Statement (SPS) sets out the policy and financial parameters the Government intends to use to prepare its Budget for the 2011/12 financial year.

In accordance with the requirements of the Public Management and Finance Law (2005 Revision) (PMFL), the SPS is strategic and high level in nature. It does not allocate resources to individual expenditure items or specify the particular initiatives the Government intends to pursue; rather the role of the SPS is to outline, for consideration and approval by the Legislative Assembly, the strategic parameters on which the Annual Plan and Estimates (the Budget) for 2011/12 will be based. Detailed information will be contained in the Budget when it is presented to the Legislative Assembly in April 2011.

### Content of the SPS

The content of the SPS reflects the requirements of the PMFL.

Section 2 outlines the Government's outcome goals for the next three years. These goals, which are set at a broad level, establish the policy direction for the Government over the period. They will be used by the Government to determine specific policy priorities for the Budget.

Section 3 contains an overview of the expected medium term economic performance of the Cayman Islands relative to the global economic outlook.

Section 4 contains the aggregate financial targets that the Government has established for 2011/12 and the subsequent two financial years.

Section 5 contains a summary of the financial projections for the Core Government for the period 2011/12 through 2013/14

Section 6 sets out the indicative financial allocations to the Premier, each Minister and Official Member for the 2011/12 Budget, together with indicative planning allocations for the following two years. These allocations are to be used as the basis for the Premier, Ministers and Official Members and their Ministries, Portfolios and Offices to establish their operating and capital budgets for the 2011/12 financial year.

### The Government's Strategic Approach

The Government's strategic focus continues to be based on delivering the commitments made in the United Democratic Party's (UDP) manifesto; and the 3-year plan agreed with the Foreign and Commonwealth Office which sets out fiscal projections and the Government's medium term policies and initiatives underlying these projections. The plan is based on five key strategies which the Government is committed to implementing over the medium term. The strategies underpin the various initiatives: including reform of the public sector, limiting new borrowings, re-alignment of existing revenue base, reducing operating expenditure and consideration of private finance initiatives as an alternative source of capital financing.

The Government is also fully committed to delivering on its campaign promises. These include creating a vibrant yet stable and sustainable economy, restoring prudent fiscal management, enhancing tourism and financial services as the twin pillars of the economy; addressing the needs of the youth, elderly and disabled; support for Caymanian small businesses and the unemployed, creating opportunities for Caymanians, expanding/enhancing police services, strengthening our health care and education system.

Policy actions and strategies have also been put in place for a better way forward for Cayman Brac and Little Cayman and other areas to improve the lives of all the people of the Cayman Islands. The parameters contained in this SPS reflect the continuation of that policy path.

During the past two years, the unprecedented global financial crisis have negatively impacted the Cayman Islands and placed major stress on the local economy. Dealing with the slowing economy and managing international pressures affecting the financial services industry has required bold measures by the UDP Administration.

## **2. Government's Outcome Goals**

### **Broad Outcomes**

1. The UDP Government has established nineteen broad outcome goals to guide its policy actions. They are listed below in no particular order of priority:

- Creating a Vibrant Yet Stable and Sustainable Economy
- Setting the Stage for Success in the Tourism Industry
- Addressing Crime and Policing
- Developing a World Class Education System to Foster Growth and to Benefit from Development
- Improving Healthcare
- Paving a Better Way Forward for Cayman Brac and Little Cayman
- Developing our Youth
- Strengthening Families
- Restoring Prudent Fiscal Management
- Ensuring Success and Participation of Caymanians in the Financial Services Industry
- Supporting our Caymanian Small Businesses
- Preparing our Labour Market for Future Opportunities
- Improving the Lives of the Elderly and Disabled
- Reducing Substance Abuse
- Empowering Women
- Addressing Energy and the Environment
- Strengthening our Infrastructure
- Preserving our Culture
- Enhancing Agriculture

These broad outcome goals indicate the Government's policy priorities and serve as a guide to how the government allocates its resources.

### **Specific Outcomes**

The specific outcomes the Government intends to target in order to achieve the nineteen broad outcomes are summarised in Table 1.

**Table 1: Specific Outcomes and Key Policy Strategies**

<b>Broad Outcome</b>	<b>Specific Outcomes and Key Policy Strategies</b>
<p><b>Creating a Vibrant Yet Stable and Sustainable Economy</b></p>	<ul style="list-style-type: none"> <li>• Support Private Financing Initiative (PFI) for large Government capital projects</li> <li>• Develop and implement marketing campaigns that enhance the image and profile of the Cayman Islands as the investment location of choice</li> <li>• Continued diligence to address issues relating to Cayman Islands financial services industry</li> <li>• Maintain a highly effective regulatory environment to attract users and providers of financial services</li> <li>• Continue the development and implementation of a strategy for maintaining sustainable growth in listings on the Cayman Islands Stock Exchange</li> <li>• Encourage and promote inward investment</li> <li>• Enhance Cayman's position on the world stage by focusing on new markets</li> <li>• Explore new economic activities to support sustainable revenue</li> <li>• Develop and Implement new immigration policies</li> <li>• Enhance the image of the Cayman Islands through representation at both local and overseas conferences and events</li> <li>• Attract the interest of foreign film and television productions who can utilize the jurisdiction for filming purposes</li> <li>• Provide a one stop repository of information for businesses seeking to expand, relocate or establish a presence in the Cayman Islands</li> </ul>
<p><b>Setting the Stage for Success in the Tourism Industry</b></p>	<ul style="list-style-type: none"> <li>• Implementation of the National Tourism Management Policy</li> <li>• Management and enhancement of the Image of the Cayman Islands Tourism Brand</li> <li>• Continued development of Human Capital for the Tourism Industry</li> <li>• Environmental program for the tourism sector</li> <li>• Improve the experience of cruise tourists by upgrading the existing cruise ship arrival facilities in George Town and at Spotts Landing</li> <li>• Continue the upgrade of the Owen Roberts International Airport in order to meet capacity requirements of the Cayman Islands</li> <li>• Improve the visitor experience through education, improved signage, and technological enhancements</li> <li>• Preserve and enhance the environment and history of tourism attractions through physical renovations and social awareness</li> </ul>

<b>Broad Outcome</b>	<b>Specific Outcomes and Key Policy Strategies</b>
<b>Setting the Stage for Success in the Tourism Industry</b>	<ul style="list-style-type: none"> <li>• Develop nature-based/soft adventure tourism in the Sister Islands and Grand Cayman</li> </ul>
<b>Addressing Crime and Policing</b>	<ul style="list-style-type: none"> <li>• Continue to improve the overall border control by increased efficiency through co-operation with other law enforcement agencies</li> <li>• Continue to improve on the offshore operational capabilities of the Royal Cayman Islands Police marine section by constructing a Drug Task Marine Base</li> <li>• Strengthen and enhance border control by conducting biometric checks (finger-printing) of passengers and migrant workers</li> <li>• Implementation of alternative sentencing options</li> <li>• Develop new and amend legislation to enhance policing techniques</li> <li>• Strengthen and enhanced police community and security services</li> <li>• Increase foot patrols to increase visibility of police officers</li> <li>• Increase Community and neighbourhood policing</li> <li>• Introduction of an x-ray scanning machine for cargo</li> <li>• Develop legislation to afford better protection for witness</li> </ul>
<b>Developing a World Class Education System to Foster Growth and to Benefit from Development</b>	<ul style="list-style-type: none"> <li>• Implementation of a new governance model for the education system</li> <li>• Implementation of the Education Stabilisation Plan</li> <li>• Introduction of revamped graduation criteria for high schools</li> <li>• Introduction of a revamped Early Childhood Care Education System</li> <li>• Develop the National Education Plan (Primary, Secondary, Tertiary and Special Needs)</li> <li>• Continue work on the construction of the two new high school campuses on a phased basis</li> <li>• Commence construction and new master plans for physical plant at primary level.</li> <li>• Full introduction of the BEST model of interventions for at-risk students, in partnership with other Ministries and Agencies</li> <li>• Implementation and review of the Educational Modernisation Law and Regulations</li> <li>• Enhanced secondary education student services (new career assessment, guidance and counselling centre)</li> <li>• Enhanced life skills programmes/character/values education</li> <li>• Support the development of the new Cayman Islands National Curriculum</li> <li>• Enhanced educational leadership training and teacher development</li> <li>• Develop a National Literacy Plan</li> <li>• Develop a National Numeracy Plan</li> <li>• Continued teaching/development of Baccalaureate Degree/Postgraduate Programmes</li> </ul>

<b>Broad Outcome</b>	<b>Specific Outcomes and Key Policy Strategies</b>
<b>Developing a World Class Education System to Foster Growth and to Benefit from Development (continued).</b>	<ul style="list-style-type: none"> <li>• Identify and address existing barriers to achieving a high-performing Cayman Islands education system</li> <li>• Develop a Technical and Vocational Education Training (TVET) Plan</li> <li>• Continued to build the Cayman Islands Further Education Centre (CIFEC) programme at Advanced Placement and BTECH</li> </ul>
<b>Improving Healthcare</b>	<ul style="list-style-type: none"> <li>• Develop a National Strategic Health Plan</li> <li>• Improve access to healthcare by strengthening and expanding health insurance coverage including amendments to the Health Insurance legislation</li> <li>• Enhance the capacity of the healthcare system to address mental health needs by establishing a Mental Health Task Force to continue to examine mental health issues in the Cayman Islands</li> <li>• Development of standards for all healthcare facilities in the Cayman Islands Comprehensive health care to residents 60 years and older; un-insured and those with chronic ailments</li> <li>• Formulation of a vaccine strategy for the Cayman Islands</li> <li>• Development of a Hospital Volunteer Program</li> <li>• Enhancement of Cardiology Services to include Cardiac Catheterization laboratory</li> <li>• Enhancement of Oncology Services to include purpose built facility and full time Oncologist</li> <li>• Diagnosis and support of the Autism Program</li> <li>• Reduction of chronic non-communicable disease through an effective disease management program</li> <li>• Amendments to legislation relating to Health Practice Law, Health Insurance and Pharmacy Laws Encourage the development of a world-class medical tourism facility</li> </ul>
<b>Paving a Better Way Forward for Cayman Brac and Little Cayman</b>	<ul style="list-style-type: none"> <li>• Market and promote Cayman Brac and Little Cayman as a prime destination for tourists and business</li> <li>• Expand and improve sporting facilities in Cayman Brac and Little Cayman</li> <li>• Expand and upgrade road network in Cayman Brac</li> <li>• Develop Phase 2 of Bluff Playfield</li> <li>• Develop nature-based/soft adventure tourism in the Cayman Brac and Little Cayman</li> <li>• Lighthouse Project in Cayman Brac</li> <li>• Improve ramps and Jetties in Cayman Brac and Little Cayman</li> </ul>

<b>Broad Outcome</b>	<b>Specific Outcomes and Key Policy Strategies</b>
<b>Developing our Youth</b>	<ul style="list-style-type: none"> <li>• Continued implementation of National Employment Passport Programme, with expansion of Passport2Success Programme for young unemployed youth, and the development of employment initiatives for other target groups.</li> <li>• Introduce vibrant youth programmes including after-school and sports operated in each districts</li> <li>• Continue to support Cadets undertaking the Business Technology Education Council (BTEC) Diploma in Public Service</li> <li>• Introduction of a work related training Programme for young people</li> <li>• Introduce a programme to qualify individuals in specific sports</li> <li>• Develop a secure juvenile remand and rehabilitation facility</li> <li>• Implementation of the National Youth Policy</li> <li>• Develop and implement a National Sports Policy</li> <li>• Introduce a range of innovative initiatives to develop, support and invest in our people, including “unemployed youth” and “youth at risk”</li> </ul>
<b>Strengthening Families</b>	<ul style="list-style-type: none"> <li>• Continue the provision of preventative and crisis intervention services</li> <li>• Enhancement of Community Development Unit</li> <li>• Continue to support the Family Resource Centre</li> <li>• Continue to support foster care families</li> <li>• Development of Children Regulations</li> <li>• Implementation of Children Regulations and amendments to the Adoption of Children Law and Regulations</li> <li>• Development of family programmes</li> <li>• Continued implementation of a therapeutic milieu model of treatment in the residential treatment programme at Caribbean Haven</li> <li>• Development and implementation of an array of group treatment options</li> </ul>
<b>Restoring Prudent Fiscal Management</b>	<ul style="list-style-type: none"> <li>• Implementation of the 3-year fiscal plan agreed with the Foreign and Commonwealth Office</li> <li>• Develop robust econometric models for forecasting coercive revenue</li> <li>• Develop and implement a macroeconomic compilation program</li> <li>• Establish and implement mechanisms to provide and encourage fiscal discipline</li> <li>• Undertake a review of the public service focusing primarily on major spending entities</li> <li>• Implementation of recommendations resulting from the review of various civil service departments</li> <li>• Examine the possibility of divestment of some public assets</li> <li>• Revision of the Public Management and Finance Law</li> </ul>

<b>Broad Outcome</b>	<b>Specific Outcomes and Key Policy Strategies</b>
<b>Restoring Prudent Fiscal Management (continued)</b>	<ul style="list-style-type: none"> <li>• Examination of the broadening of the revenue base</li> <li>• Reduction and control of expenditure and borrowing levels</li> <li>• Implementation of some recommendations of the Miller Commission report</li> </ul>
<b>Ensuring Success and Participation of Caymanians in the Financial Services Industry</b>	<ul style="list-style-type: none"> <li>• Enhanced careers assessment, guidance and counseling services, both for schools and job seekers</li> </ul>
<b>Supporting our Caymanian Small Businesses</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Continued offering loans through Cayman Islands Development Banks particularly for small businesses and low income housing</li> </ul>
<b>Preparing our Labour Market For Future Opportunities</b>	<ul style="list-style-type: none"> <li>• Establish a National Workforce Development Advisory Council</li> <li>• Amendments to National Pensions Law and Regulations</li> <li>• Strengthen capacity and performance in promoting the development and application of sound employment and labour policies</li> <li>• Support for the growing numbers of unemployed, including job placement, counselling and interest assessments</li> <li>• Expand the National Employment Passport Program to new areas including Seniors@Work and Ex-Offenders@Work</li> <li>• Continue to offer enhance programme of the Civil Service College</li> <li>• Development of a national training plan that addresses lifelong learning and continuous improvement options (especially in TVET and career areas) for all Caymanians including those with different capacities and different starting points</li> <li>• Enhanced careers assessment, guidance and counseling services, both for schools and job seekers</li> <li>• Complete the reorganization of the Department of Employment Relations to establish the Human Capital Development Agency and the new Department of Labour and Pensions</li> </ul>

<b>Broad Outcome</b>	<b>Specific Outcomes and Key Policy Strategies</b>
<b>Improving the Lives of the Elderly and Disabled</b>	<ul style="list-style-type: none"> <li>• New legislation for persons with disabilities</li> <li>• Regulations to deal with poor relief awards</li> <li>• Enhancements to facilities and programmes to advance the cause of persons with additional educational needs and disabilities</li> <li>• Increased residential and Day Care Services for the elderly and disabled indigent persons</li> <li>• Supporting persons with additional educational needs and disabilities through better legislation, facilities and programmes, including continued work on the redevelopment of the Sunrise Centre</li> </ul>
<b>Reducing Substance Abuse</b>	<ul style="list-style-type: none"> <li>• Implement the National Strategic Plan for Drug Abuse Prevention and Rehabilitation.</li> <li>• Expand anti-drug campaigns, awareness and interdiction programmes</li> <li>• Continued implementation of a therapeutic milieu model of treatment</li> <li>• Development and implementation of an array of group treatment options</li> <li>• Revise policies and procedures to reflect current client-centred best practices</li> </ul>
<b>Empowering Women</b>	<ul style="list-style-type: none"> <li>• Introduction of legislation to contribute to the process of ensuring that the Convention of the Elimination of all forms of discrimination against women is extended to the Cayman Islands</li> </ul>
<b>Addressing Energy and the Environment</b>	<ul style="list-style-type: none"> <li>• Continue developing environmental health programs in the various districts</li> <li>• Continue developing and enhancing the food hygiene and safety programs</li> <li>• Introduction of the hazard analysis critical control point strategy</li> <li>• Implementation of Multilateral Environmental Agreements (MEA)</li> <li>• Implementation of the National Conservation Law and the Endangered Species Trade and Transport Law (2004)</li> <li>• Climate change adaptation and mitigation</li> <li>• Development of a National Sustainable Development Framework</li> <li>• Protect and enhance the marine and terrestrial environment</li> </ul>

<b>Broad Outcome</b>	<b>Specific Outcomes and Key Policy Strategies</b>
<b>Strengthening our Infrastructure</b>	<ul style="list-style-type: none"> <li>• Development of a National Infrastructure Plan</li> <li>• Continued upgrading and development of roads</li> <li>• Development of affordable homes</li> <li>• Long term planning for vault construction and cemetery development</li> <li>• Improve efficiency of the cargo operations by repairing and enhancing the cargo facility in Industrial Park</li> <li>• Improve the efficiency of both the cruise and cargo port operations by separating and erecting new facilities</li> <li>• Community Centre upgrades</li> <li>• Landfill improvements</li> <li>• Draft development plans for all three islands</li> </ul>
<b>Preserving our Culture</b>	<ul style="list-style-type: none"> <li>• Continue to collect material evidence of artistic, historic, or scientific significance to the Cayman Islands, both terrestrial and underwater</li> <li>• Assist with the development of the Cayman Islands first Shipwreck Preserves</li> <li>• A Traditional Arts Programme (including Traditional Thatch Work Apprenticeship Programme) for Caymanian Masters and Apprentices</li> <li>• Promotion of a national learning culture that creates lifelong learning through the provision of programmes and access to historical and other information research facilities</li> <li>• Develop a National Cultural Policy</li> <li>• Documentary heritage of the Cayman Islands through Archive's oral history programme</li> <li>• E-portal to schools providing a valuable education resource</li> <li>• On-line access to historic public records</li> </ul>
<b>Enhancing Agriculture</b>	<ul style="list-style-type: none"> <li>• Continue to support the Market at the Grounds</li> <li>• Continue to support and assist farmers on all three islands</li> </ul>

### 3. Economic Overview

#### Introduction

The global downturn showed its full impact on the domestic economy in 2009 and continues to register a lingering effect in the first half of 2010. The domestic recovery was stalled and remains to be challenged by both external and domestic factors. Externally, the US and other advanced economies which comprise the country's major source markets for the key industries have recovered at an unstable pace. Internally, the population level declined resulting to downward adjustments in domestic demand. In the first half of 2010, signs of recovery were seen for a few sectors but overall recovery up to 2011 is challenged anew by recent changes in the outlook for the country's major markets.

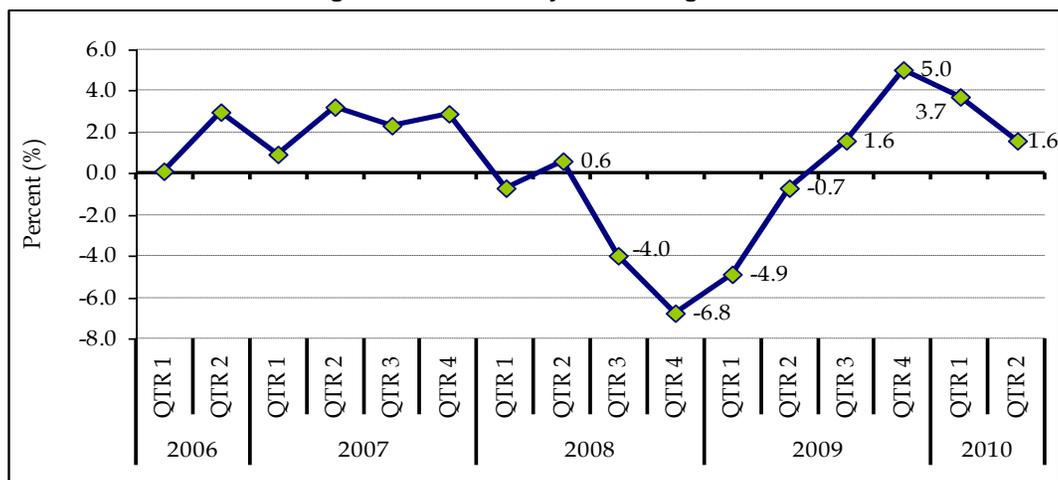
#### World Economic Performance and Forecasts<sup>1</sup>

In 2009, global output contracted by 0.6 percent, a significant downswing compared to the growth of 2.8 percent a year ago. Global economic growth is expected to be 4.8 percent and 4.2 percent in 2010 and 2011 respectively, as most advanced and a few emerging economies still face major economic adjustments, including reforms in the financial sector.

The advanced economies contracted sharply by 3.2 percent in 2009, while emerging and developing countries expanded at a slower rate of 2.5 percent. The economic outlook for both groups of countries is cautiously optimistic in 2010 and 2011, although the rates of recovery vary and are still deemed vulnerable to shocks.

Economic activity in the US fell by 2.6 percent during 2009 amidst a massive fiscal stimulus plan. Positive economic growth started in the third quarter of 2009 but this faltered in the first half of 2010 as the 3.7 percent growth posted in the first quarter slowed to 1.6 percent in the second quarter (see Figure 1). The unstable path of recovery has not also showed a sustained impact on employment. The slowdown is associated with a sharp acceleration in imports and a fall-off in private inventory investment. US growth in the second half of 2010 up to the first half of 2011 is forecasted to be weaker than initially anticipated. Thus, the forecast GDP growth for 2010 as of Spring 2010 was revised from 3.1 percent to 2.6 percent. The forecast for 2011 was similarly adjusted from 2.6 percent to 2.3 percent. These are expected to trigger a similar adjustment to the forecast growth of the Cayman Islands in view of its significant linkage with the US economy.

Figure 1: US Quarterly Real GDP growth



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Other source markets of the Cayman Islands are not also expected to show strong recovery. In the UK, growth slid to -4.9 percent in 2009 from -0.1 percent the previous year. Meanwhile, economic activity in the Euro area fell by 4.1 percent in 2009. Recovery has been hampered by unusually tight lending policies among banks in the region. For 2010, the forecast growth rate of the UK and the Euro area is 1.7 percent. For 2011, the prospect for the UK at 2.0 percent is moderately better than the 1.5 percent for the Euro area.

In contrast, emerging and developing economies continued to expand in 2009 on account mainly of the robust internal demand in developing Asian countries, particularly China. The forecast shows a stronger growth of 7.1 percent in 2010 and 6.4 percent in 2011 for this group of countries.

<sup>1</sup> This assessment is based on the World Economic Outlook (International Monetary Fund, October 2010).

As expected, depressed demand conditions slowed inflation rates as it averaged 0.1 percent among advanced economies and was registered at -0.3 percent in the US. Commodity prices fell in 2009, with oil prices declining by 36.3 percent on average and non-fuel commodities dropping by 18.7 percent. In 2010, these prices are expected to rebound, pushing the inflation rate to 1.4 percent among advanced economies and the US. The inflation outlook for 2011 is relatively stable at 1.3 percent for the advanced economies and 1.0 percent for the US, as oil prices are expected to inch up by 3.3 percent in the same period while non-fuel prices are likely to decline by 2.0 percent.

**Table 2: Comparative Macroeconomic Forecasts (%)**

	2008*	2009*	2010	2011
<b>Real GDP growth (%)</b>				
Cayman Islands	(0.7)	(7.0)	(4.1)	0.8
United States	0.0	(2.6)	2.6	2.3
World	2.8	(0.6)	4.8	4.2
<b>Consumer Prices Inflation (%)</b>				
Cayman Islands	4.1	(1.3)	1.8	1.9
United States	3.8	(0.3)	1.4	1.0
Advanced economies	3.4	0.1	1.4	1.3
<b>Unemployment Rate (%)</b>				
Cayman Islands	4.0	6.0	5.8	4.9
United States	5.8	9.3	9.7	9.6
Advanced economies	5.8	8.0	8.3	8.2
<b>Current account of the balance of payments (% of GDP)</b>				
Cayman Islands	(15.8)	(17.7)	(16.7)	(16.5)
United States	(4.7)	(2.7)	(3.2)	(2.6)
Advanced economies	(1.2)	(0.3)	(0.3)	(0.1)

\*Latest actual data for 2008 and 2009. Figures for the current account of the balance of payments are preliminary estimates.

Sources: IMF World Economic Outlook (October 2010) for the United States and global data; Cayman Islands Government, Economic and Statistics Office for the Cayman Islands data.

### **The Cayman Islands' Economic Performance and Forecasts for FY 2010/11**

**Output (GDP) growth.** In 2009, the Cayman Islands' GDP was estimated to have contracted by 7.0 percent on account of reductions in external and local demand for the key industries. External demand for financial and tourism services suffered from the global economic downturn, and reduced foreign employment in these industries. This pushed down the local population level and triggered a similar impact on domestic demand for other industries including real estate, renting and business activities, wholesale and retail industries. The economic downturn also halted construction. Domestic demand was also affected by adjustments in fiscal policy implemented through increases in some tax rates and cuts in total government spending, particularly capital spending.

Financing and insurance services which account for the largest share of GDP, declined in 2009 reflecting primarily the impact of sharp increases in insurance claims and downturns in mutual funds registration (-3.5%), stock exchange listings (-16.9%), new company registrations (-33.7%). Banks and trusts also continued to fall, this time by 4.3 percent. For the first half of 2010, indications of recovery are noted: new company registrations surged by 18.4 percent while stock exchange listings rose by 1.6 percent. However, other financial services indicators kept their downward path.

The real estate, renting and business activities sector also suffered in 2009. The value of property transfers fell steeply by 28.9 percent to \$397.0 million. Demand for construction services registered declines in terms of total value of building permits (29.3%) and project approvals (14.5%).

Meanwhile, air arrivals shrunk by 10.2 percent in 2009, while cruise arrivals fell by 2.1 percent to put total visitor arrivals to 1.79 million or a decline of 3.4 percent relative to the previous year.

For the first half of 2010, tourism statistics rebounded with a 4.8 percent and 2.3 percent increase in both air arrivals and cruise passengers respectively. However, indicators for the real estate and construction sectors continued to decline, with the total value of property transfers dropping by 15 percent and of building permits by 28.0 percent.

The latest forecast for 2010 points to a further reduction of GDP by 4.1%, bringing GDP growth for FY 2009/10 to -5.6 percent. This forecast is based on the above key indicators for the first half of 2010 and the preceding economic outlook for the US and other advanced economies. A modest forecast GDP growth of 0.8 percent in 2011 will hinge on a firm rebound of the financial services industry particularly in the second half of the year, and stronger growth of tourism arrivals. The resulting forecast GDP growth for FY 2010/11 is -1.7 percent.

**Inflation.** The inflation rate turned negative in 2009 (-1.3%), partly reflecting the inflation of the US (-0.3%) during the year as well as the downtrend in housing rental prices. Inflation recovered modestly to 0.9 percent in the first half of 2010 as average prices for food and non-alcoholic beverages, alcohol and tobacco, transport, and restaurants and hotels picked up. These may be attributed to the benign upturn in US inflation as well as the impact of the government's revenue measures such as the increases in work permit fees and local duty. Rental housing continued to decline by 14.7 percent, easing up the overall inflationary pressure.

The inflation rate for 2010 is forecasted at 1.8 percent considering the quarterly trend as of the first half of the year. Upward adjustment in the average prices of transportation, restaurants and hotels and alcohol and tobacco are expected to be mitigated by low inflation in the housing sector. The forecast inflation for FY 2010/11 is placed at 1.9 percent, conditional on mild increases in the prices of oil and non-oil products.

**Employment.** The economic downturn has severe impact on labor supply and employment. The total labor force shrunk by 7.4 percent in 2009 as work permits for expatriate labor fell by 11.3 percent due largely to the economic downturn in construction, hotels and condominiums and financial services and the government's employment cut. The unemployment rate went up sharply to 6.0 percent in 2009.

Work permits fell further by 11.3 percent in the first half of 2010 from the same period a year ago. The forecast unemployment rate is seen to decline marginally to 5.8 percent in 2010, mainly as a result of the reduction in expatriate labor force. Conditional on a modest GDP growth in 2011, the unemployment rate is forecasted to ease down to 4.9 percent next year. The resulting forecast unemployment rate for FY 2010/11 is placed at 5.4 percent as compared to 5.9 percent for FY 2009/10.

**Current account<sup>2</sup>.** Total merchandise imports dropped by 16.3 percent in 2009 to reach \$735.9 million from \$879.4 million in 2009, as local demand for consumption and other merchandise categories were negatively impacted by the recession.

Nonetheless, the country's forecast current account of the balance of payments widened to 17.7 percent of GDP in 2009 as the reduction in payments abroad outweighed the reduction in receipts from abroad. Indicators for the latter include the reductions in new company registrations, stock exchange listings, mutual funds and tourist arrivals.

During the first six months of 2010, merchandise imports fell anew but at a slower rate of 6.0 percent compared to 2009. Balancing this with an improvement in forecast receipts suggest a narrowing of the current account deficit to 16.7 percent of GDP in 2010. The resulting forecast for FY 2009/10 of 17.2 percent is further expected to decline to 16.6 percent in FY 2010/11 as payments abroad recover at a lower pace than receipts. This forecast is also consistent with the expectation that the recent reduction in expatriate workers will result to lower outflow of remittances abroad.

### ***Economic Assumptions and Forecasts for Financial years 2011/12 to 2013/14***

**GDP growth.** As a small, open economy with a history and structure that are highly linked to the advanced economies, the economic forecasts for the Cayman Islands are assumed to remain contingent on the outlook for these economies, as well as the recent local performance.

The overall growth forecast for the advanced economies in 2011 (2.2%) is lower than 2010 (2.7%) in light of remaining downside risk factors<sup>3</sup>. Among such factors are the high public debt, household liabilities and financial sector reforms. It is noted that over US\$4 trillion in banks' debt which require refinancing in the next two years could pose significant risks globally should banks be impacted with shocks from the sovereign debt markets, real estate markets or other economic shocks, or the continued regulatory uncertainty in the financial sector.

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<sup>2</sup> 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.

<sup>3</sup> Forecasts of and assessments on the global economy for 2010-2011 and 2012-2015 are based on the World Economic Outlook (International Monetary Fund, October 2010).

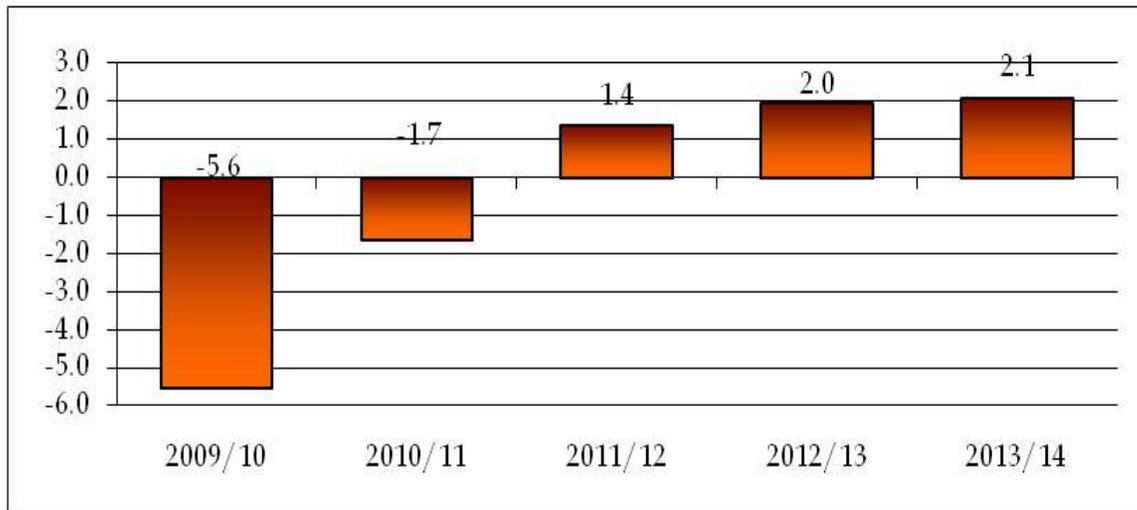
Available projections beyond 2011 are cautiously positive, with GDP growth for the advanced economies for the period 2012-15 placed at 2.5 percent. This projection, however, represents a more modest scenario as compared to the pre-crisis growth rates of 2.6 percent during the period 2000-2007 and 2.8 percent during 1992-1999. For the US, while GDP growth is forecasted to be lower in 2011 (2.3%) compared to 2010 (2.6%), available forecasts show stronger growth in 2012 up to 2014 at an average of 4.1 percent<sup>4</sup>.

Domestic industries particularly the financial and tourism services sectors are assumed to show a lagged response to the above projections, with firmer growth in 2012. These sectors are crucial to the growth of the population level that is needed to stimulate domestic demand; it is assumed that the pre-crisis population level will be reached by FY 2013/14.

For the next three fiscal years, it is assumed that revival of domestic demand will rely mainly on household consumption as investment in residential and non-residential buildings is expected to stall given the current levels of excess housing and non-residential stock could. Growth in government consumption and capital spending are also assumed to remain timid in view of the current deficit-reduction fiscal stance.

The above external and domestic assumptions point to forecast growth of real GDP in 2011/12 of 1.4 percent in FY 2011/12 (see Figure 1). Slightly stronger growth of 2.0 percent and 2.1 percent are respectively forecasted for FY 2012/13 and FY 2013/14.

**Figure 2: Cayman Islands' Real GDP Growth (%)**



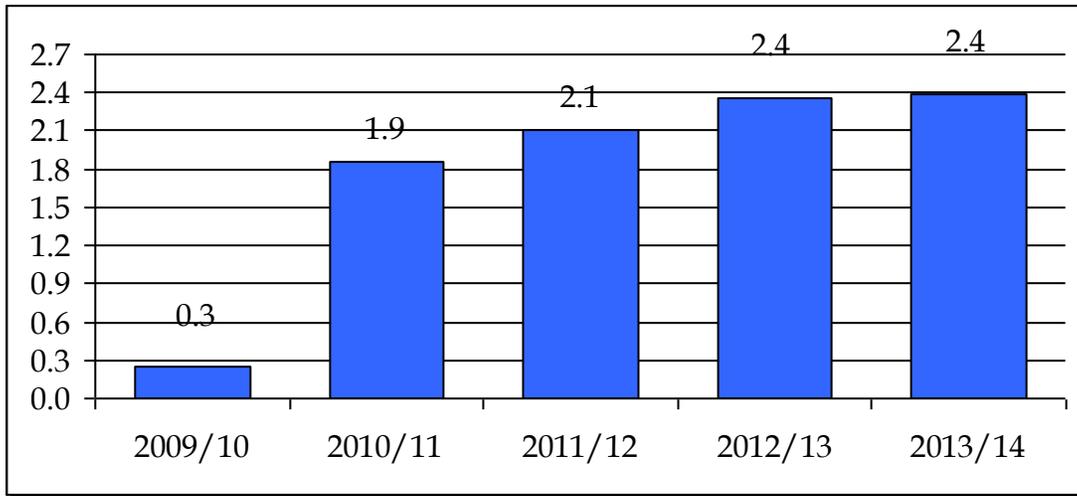
**Source: Cayman Islands Government (Economics and Statistics Office)**

**Inflation rate.** Continuing weakness of domestic demand particularly for rented housing is expected to have a dampening effect on the overall price index. In FY 2011/12, the inflation rate in FY 2011/12 is forecasted at 1.9 percent barring major shocks in the global commodity prices and major changes in domestic duty or tax rates.

A gradual return of the population level to the pre-crisis level, along with a moderate pick-up in US inflation is assumed to slightly push domestic inflation in the succeeding fiscal years (see Figure 3). The latter is consistent with an expectation that any easing of monetary policy by the US Federal Reserve will support the recovery of output and employment while avoiding the resumption of high inflation.

<sup>4</sup> Forecasts are based on the US Congressional Budget Office ([www.cbo.gov](http://www.cbo.gov)) (September 2010).

**Figure 3: Cayman Islands' Inflation Rates (%)**

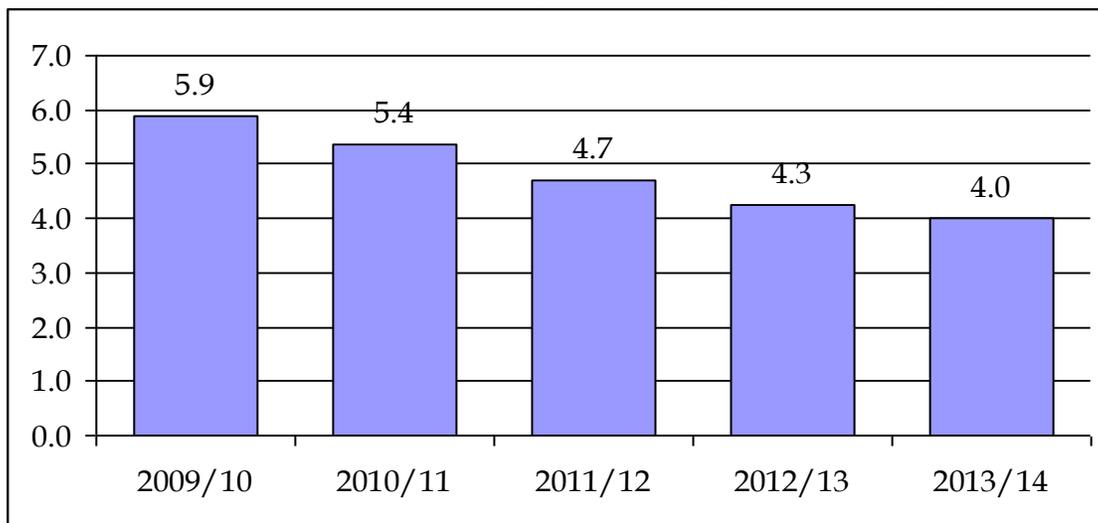


**Source: Cayman Islands Government (Economics and Statistics Office)**

**Employment.** Local employment is assumed to have a lagged response to forecast output growth, mainly in view of a weak outlook for the labor-intensive construction industry over the next three years. A firm upturn in employment is expected in 2012, assuming that the financial services industry and the related industries, as well as tourism services mark a broad-based recovery beginning in the second half of 2011.

Unemployment rate is forecasted at 4.7 percent in FY 2011/12, followed by gradual improvements to 4.3 percent for FY 2012/13 and 4.0 percent in FY 2013/14 (see Figure 4).

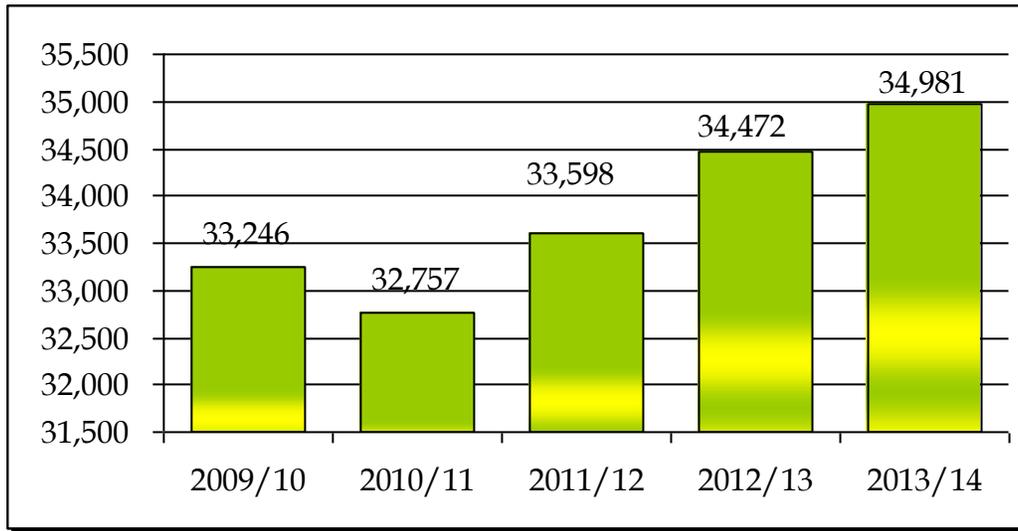
**Figure 4: Cayman Islands Unemployment Rates (% of Labour Force)**



**Source: Cayman Islands Government (Economics and Statistics Office)**

Sustained improvements in the employment level are expected in the next three years; however, these will remain below the pre-crisis employment level in FY 2007/08 of 36,300 (see Figure 5).

**Figure 5: Cayman Islands' Employment Level**

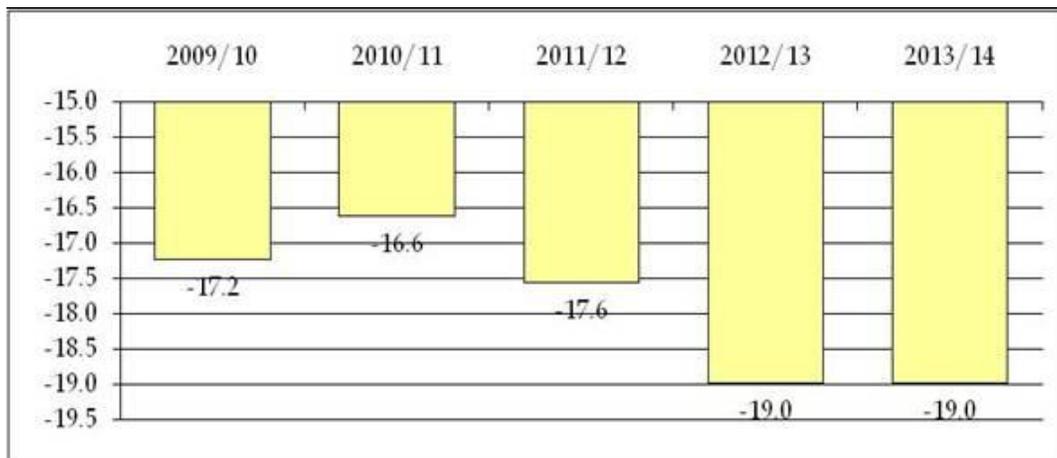


Source: Cayman Islands Government (Economics and Statistics Office)

**Current account.** For the financial year 2011/12, the deficit on the current account of the balance of payments (BOP) is expected to reach 17.6 percent of GDP. It is assumed that net exports are foreseen to reach wider deficits as merchandise imports turn in positive growths with the modest revival of consumption by households and local industries.

In the next two years, the current account deficits are forecasted at higher rates –19.0 percent of GDP in 2012/13 and 2013/14 (see Figure 6). These forecasts are premised on the strong growth of outflows for import and income payments, which are likely to outweigh improvements in receipts from financial and tourism services.

**Figure 6: Cayman Islands Current Account of the Balance of Payments (% of GDP)**



Source: Cayman Islands Government (Economics and Statistics Office)

#### **4. Aggregate Financial Targets for 2011/12 – 2013/14**

This section specifies the aggregate financial targets for the Core Government established by Cabinet for the preparation of the 2011/12 Budget and the financial targets for the 2012/13 and 2013/14 financial years. The targets for 2012/13 and 2013/14 provide a planning guide for the Government and will be updated in subsequent SPS documents in light of changes to the financial position of the government and/or policy priorities.

This section also outlines the fiscal strategy and rationale on which the aggregate financial targets are based as well as explaining how these targets comply with the Principles of Responsible Financial Management (the Principles) specified in the PMFL.

##### **The Government's Fiscal Strategy**

The Government's fiscal strategy continues to be similar to that outlined in the 2011/12 Budget. This strategy is centred on the primary goal of keeping the Government's finances compliant with the Principles of Responsible Financial Management and consists of the following five main components:

##### ***Strategy 1: Controlling Government Expenditure***

The UDP Government is taking definitive steps to control expenditure in a sensible and logical manner. The Government has commenced an extensive review of public sector entities aimed at reducing the cost of the delivering services to the public. This SPS has established clear targets for the reduction of operating expenditure over the next three financial years.

##### ***Strategy 2: Management of Public Debt***

The Government recognizes the significance of managing public debt in order to keep it at manageable and acceptable levels. Over the next three financial years, the Government does not intend to borrow in order to fund capital investment or operating activities. Instead the Government seeks to maximise operating surpluses and to pursue other initiatives for financing.

##### ***Strategy 3: Revenue Enhancement***

The third element of the Government's fiscal strategy relates to the development and implementation of a more stable and sustainable revenue base for the Government. Continuing the efforts which commenced with the 2009/10 Budget, the government will continue to explore suitable options for new revenue streams, carefully considering the greater economic and financial impact on the people of the Cayman Islands.

##### ***Strategy 4: Financial Improvement of Statutory Authorities and Government Companies***

The fourth element of the Government's fiscal strategy is to minimise losses within the public authority sector and reduce the level of operational and capital support required from core Government over the next three years. The Government is committed to working with the relevant Boards to implement appropriate policy actions necessary to realise this goal.

##### ***Strategy 5: Public Private Partnerships***

The fifth element of the Government's fiscal strategy relates to the need for ongoing development of our country's infrastructure in order to support economic development. The Government will continue to seek partnership with qualified third party entities for the development of large capital projects. The primary objective of this strategy is to minimise the financial burden of these developments on the public purse while simultaneously creating economic opportunities.

The aggregate financial targets for the Core Government established by Cabinet for 2011/12 and the subsequent two financial years are provided in Table 3 below. These targets have been developed in order to comply with the three year fiscal plan agreed between the Government and the Foreign and Commonwealth Office in May 2010. The aggregate targets fall into three groups: operating targets, balance sheet targets and cash flow targets.

**Table 3**  
**Aggregate Financial Targets for Core Government**

<b>Financial Measure</b>	<b>2010/11 Approved Budget \$000s</b>	<b>2011/12 Target \$000s</b>	<b>2012/13 Target \$000s</b>	<b>2013/14 Target \$000s</b>
<b>Operating Targets</b>				
Operating Revenue	510,337	523,497	539,547	556,950
Operating Expenses	(507,759)	(479,265)	(462,362)	(462,362)
Surplus Before Financing	2,578	44,232	77,185	94,588
Financing Expenses	(32,879)	(35,687)	(34,449)	(33,228)
Net Deficit in Investments in Public Authorities	(1,591)	(1,572)	(1,572)	(1,572)
Surplus (Deficit)	(31,892)	6,973	41,164	59,788
<b>Balance Sheet Targets</b>				
Borrowing (balance outstanding at year-end)	629,710	603,782	577,854	551,926
Net Worth	512,069	519,042	560,207	619,995
<b>Cash Flow Targets</b>				
Net Operating Cash Flows	(8,312)	33,912	68,103	86,727
Net Investing Cash Flows	(125,128)	3,500	(43,500)	(43,500)
Net Financing Cash Flows	128,958	(25,929)	(25,929)	(25,929)
Net Movement in Cash	(4,482)	11,484	(1,326)	17,298
Closing Cash Balance	84,405	95,889	94,563	111,861

### **Operating Targets**

The operating targets reflect the three main numbers from the operating statement: operating revenue, operating expenses and operating surplus/deficit. The surplus/deficit is the key operating measure.

Operating revenues are forecast to increase at a moderate pace in line with the forecast improvement in the major macroeconomic indicators for the Cayman Islands over the next three financial years. Revenues are expected to grow from the current budgeted level of \$510.34 million in 2010/11 to \$523.49 million in 2011/12; \$539.54 million in 2012/13 and \$556.95 million in 2013/14.

Operating expenses are forecast to reduce significantly by some \$45.40 million per annum over the forecast period as the Government seeks more innovative and less costly ways of delivering services. Operating Expenses are forecast to decrease from the current budgeted level of \$507.76 million in 2010/11 to \$479.26 million in 2011/12; then drop to \$462.36 million for the 2012/13 and 2013/14 financial years. These targets are indicative of the Government's commitment to restoring prudent financial management.

Operating surpluses are targeted throughout the three -year forecast period. These surpluses are consistent with the Government's fiscal strategy outlined above and will be used to fund essential social and economic infrastructure projects contained in the capital program. The Operating Surplus is forecast to be \$6.97 million in 2011/12; \$41.6 million in 2012/13 and \$59.78 million in 2013/14.

### **Balance Sheet Targets**

The balance sheet reports the assets and liabilities of the core government and the difference between them is termed "net worth". Net worth can be thought of as the amount the citizens of the Islands have invested in the government and is equivalent to shareholder funds in a company.

The balance sheet targets reflect the two main measures important to assess a government's financial position: borrowings and net worth.

The Government is not forecasting any new borrowings over the next three financial years, this is consistent with the Government's fiscal strategy of financing the development of new infrastructure by operating cash flows and divestment of certain assets. As a result the country's outstanding debt is forecast to decrease over the next three financial years from the current balance of \$629.71 million in 2010/11 to \$603.78 million in 2011/12; \$577.85 million in 2012/13; \$551.92 million in 2013/14.

Net worth is targeted to increase steadily over the next three financial years from \$512.07 million in 2011/12 to \$619.99 million in 2013/14. This is consistent with increases in the operating surplus targets over the same period.

### **Cash Flow Targets**

The cash flow targets relate to the three categories that make up the cash flow statement: operating cash flows (operating receipts and payments), investing cash flows (equity injections and the purchase or construction of assets) and financing cash flows (borrowing and loan payments).

Net operating cash flows are targeted increase to \$86.8 million in 2013/14 up from \$33.9 million in 2011/12, an increase of more than 150%. These operating cash flows will enable the Government to fully fund its planned capital programme and repay principal on outstanding debt. The Government is planning to raise \$47 million from the divestment of certain assets in 2011/12; these funds will be used to finance capital investment activities.

The cash reserves are forecast to be \$95.88 million in 2011/12 this is equivalent to 72 days of executive expenditure and is some 18 days short of the 90 day cash requirement specified in the PMFL. Over the forecast period cash reserves are forecast to improve steadily to \$94.6 million (73.7 days) in 2012/13 and to \$111.86 million (87.2 days) in 2013/14.

## Compliance with Principles of Responsible Financial Management

Table 4 summarises the extent to which the aggregate financial targets comply with the Principles. The table shows the degree of compliance with the Principles in each year of the forecast period.

**Table 4**  
**Compliance with Principles of Responsible Financial Management**

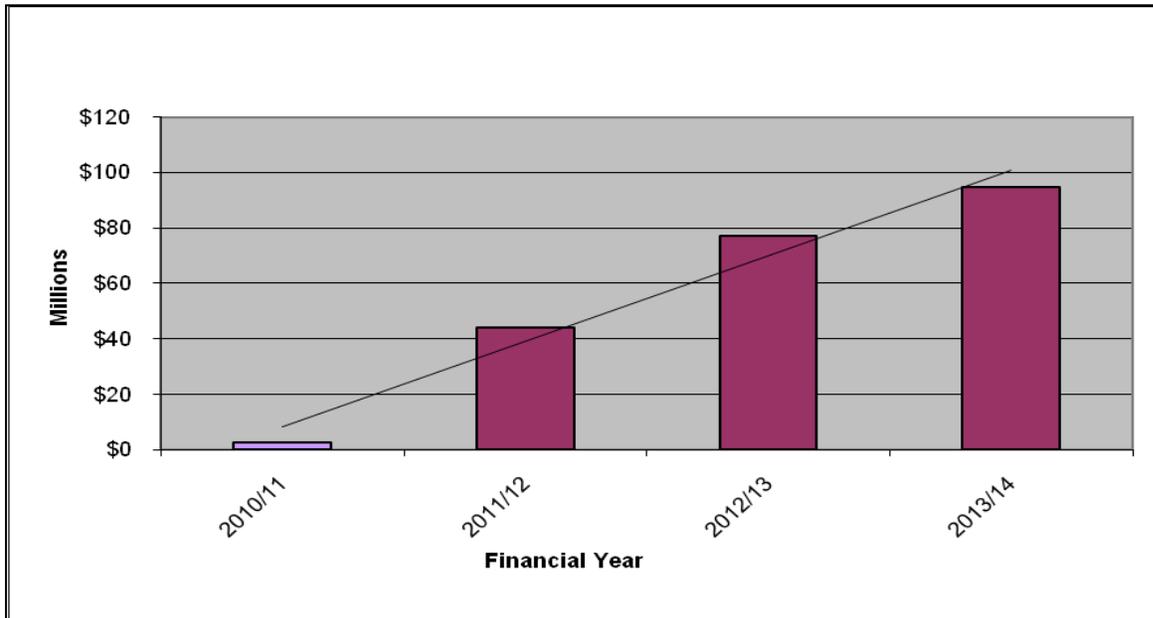
Principle	Degree of Compliance
<p><b>Operating Surplus:</b> should be positive</p> <p>(Operating surplus = core government operating revenue – core government operating expenses)</p>	<p><b>Complies in all years</b></p> <p>2011/12: \$6.973 million 2012/13: \$41.164 million 2013/14: \$59.788 million</p>
<p><b>Net Worth:</b> should be positive</p> <p>(Net Worth = core government assets – core government liabilities)</p>	<p><b>Complies in all years</b></p> <p>2011/12: \$519.042 million 2012/13: \$560.207 million 2013/14: \$619.995 million</p>
<p><b>Borrowing:</b> Debt servicing cost for the year should be no more than 10% of core government revenue</p> <p>(Debt servicing = interest + other debt servicing expenses + principal repayments for core government debt and self financing loans)</p>	<p><b>Does Not Comply in any year</b></p> <p>2011/12: 11.9 % 2012/13: 11.3 % 2013/14: 10.7 %</p>
<p><b>Net Debt:</b> should be no more than 80% of core government revenue</p> <p>(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)</p>	<p><b>Does Not Comply in any year</b></p> <p>2011/12: 113.4 % 2012/13: 105.5 % 2013/14: 94.5 %</p>
<p><b>Cash Reserves:</b> should be no less than 90 days estimated executive expenses</p> <p>(Cash reserves = core government cash and other liquid assets)</p>	<p><b>Does Not Comply in any year</b></p> <p>2011/12: 72 days 2012/13: 73.7 days 2013/14: 87.2 days</p>
<p><b>Financial risks:</b> should be managed prudently so as to minimise risk</p>	<p><b>Complies in all years</b></p> <p>Insurance cover exists for key assets and major potential liabilities Disaster preparedness strategy in place</p>

## Overview of the Aggregate Financial Targets

Figures 7 to 13 provide a graphical representation of the aggregate financial targets for the period 2011/12 to 2013/14.

The Operating Surplus after financing is forecast to grow from \$6.973 million in 2011/12 to \$59.788 million in 2013/14 due to continued prudent controls over operating expenditures as shown in Figure 7 below.

**Figure 7**  
**Government Operating Surplus**



Key applies to Figures 7 thru 13

**Budget**

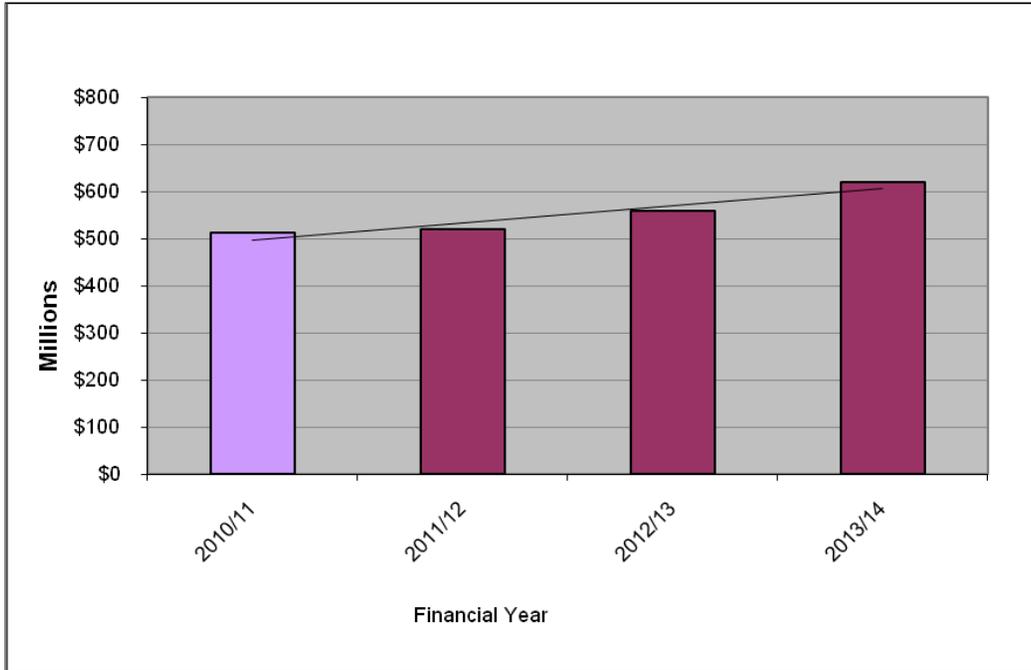


**Forecast**



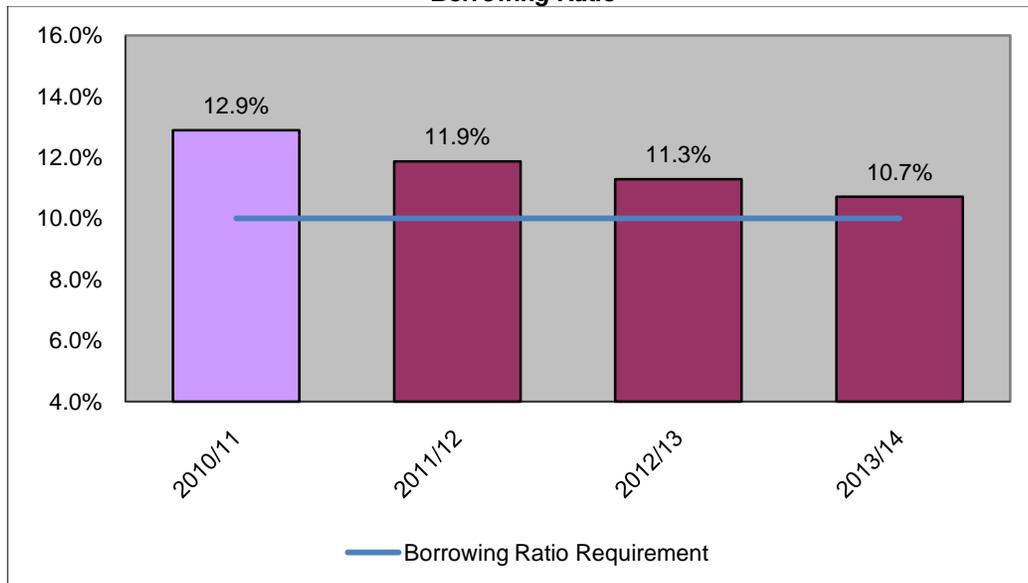
The Government's projected Net Worth position is forecast to grow steadily. This is reflective of a continued operating surplus position being forecasted over the three year period and is a positive indicator of the increasing financial health of the Government. See Figure 8 below.

**Figure 8**  
**Government Net Worth**



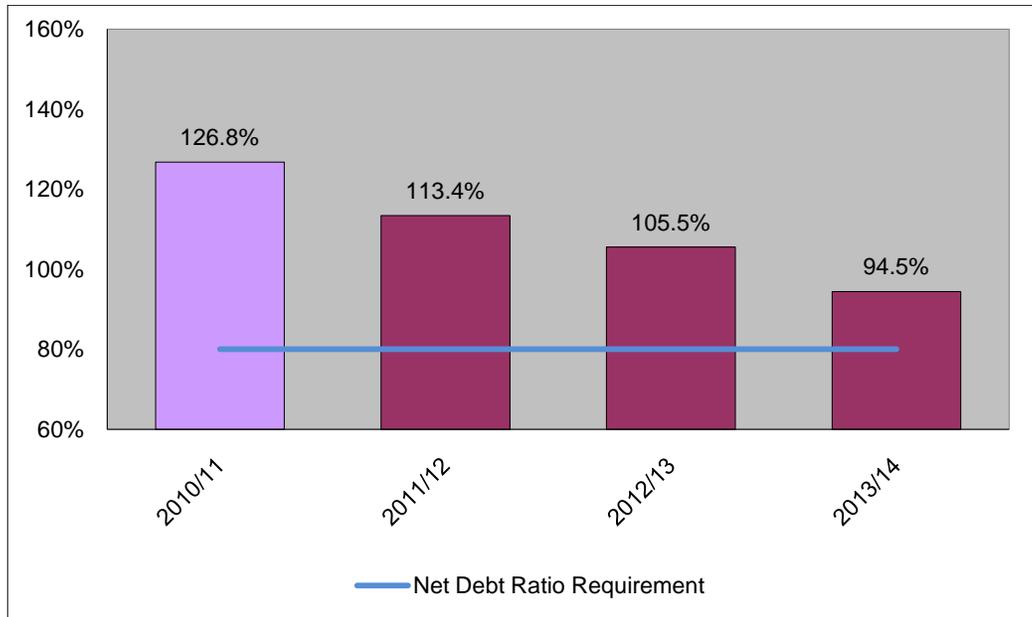
The Borrowing Ratio is forecast to improve steadily from 11.9% in 2011/12 to 10.7% in 2013/14 just 0.7% more than the maximum 10% required by the Principles. See Figure 9 below.

**Figure 9**  
**Borrowing Ratio**



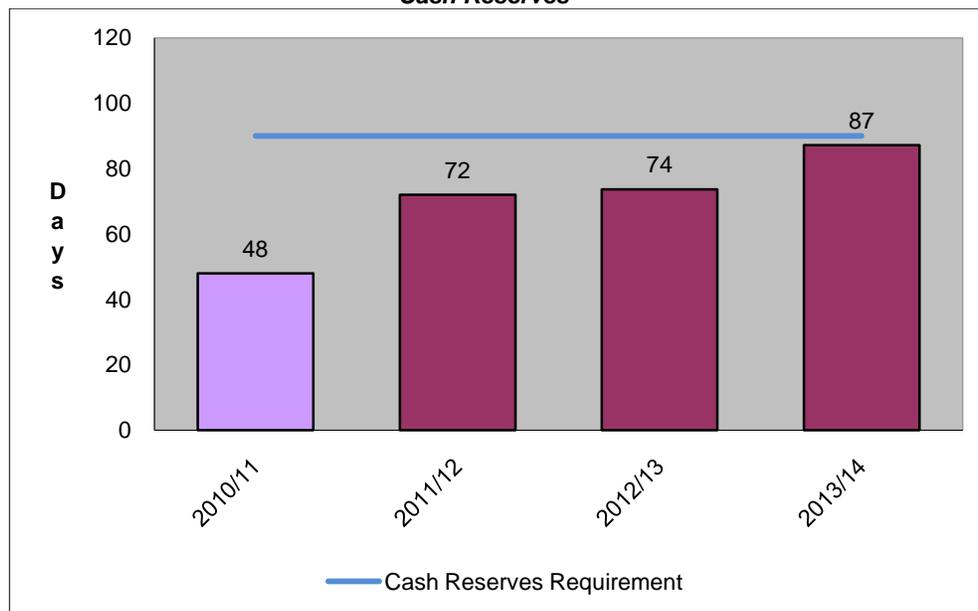
Net Debt Ratio is forecast to improve by 32.3 percentage points from 126.8% at the end of 2010/11 to 94.5% at June 30, 2014. This forecast improvement demonstrates the Government's commitment to taking definitive steps towards achieving compliance with this important Principle. See Figure 10 below.

**Figure 10**  
**Government Net Debt Ratio**



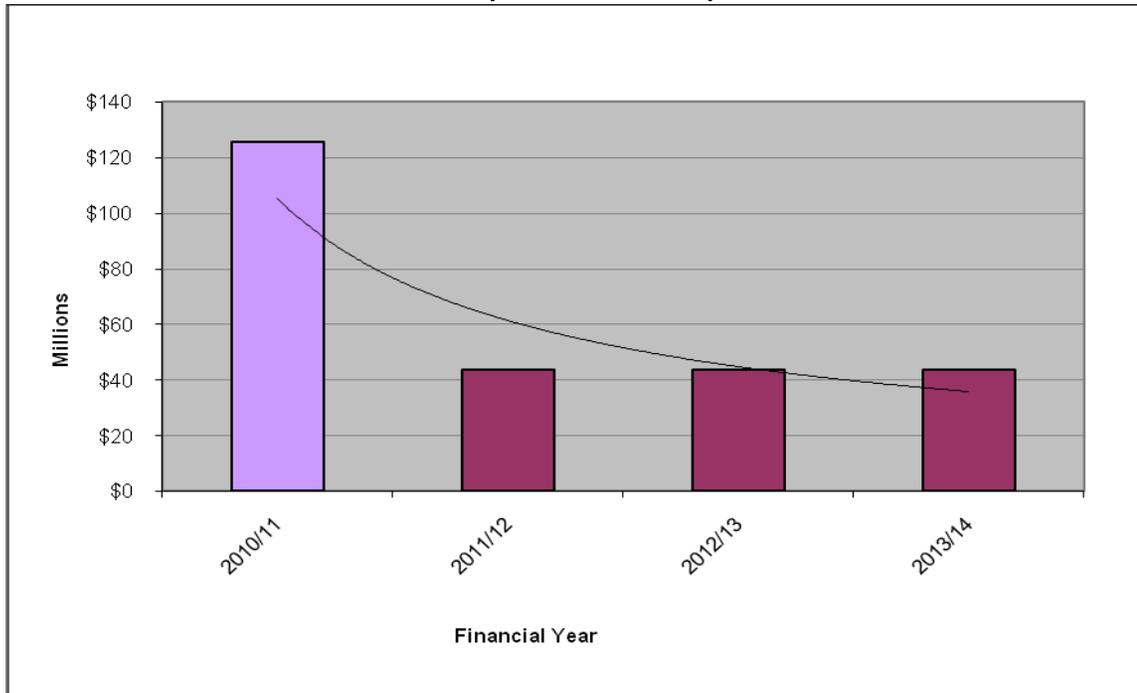
Cash Reserves will increase in tandem with a decrease in operating expenditures allowing the Government to be within 2.8 days of minimum requirement of 90 days of executive expenditures by 2013/14, as required under the PMFL. See Figure 11 below.

**Figure 11**  
**Cash Reserves**



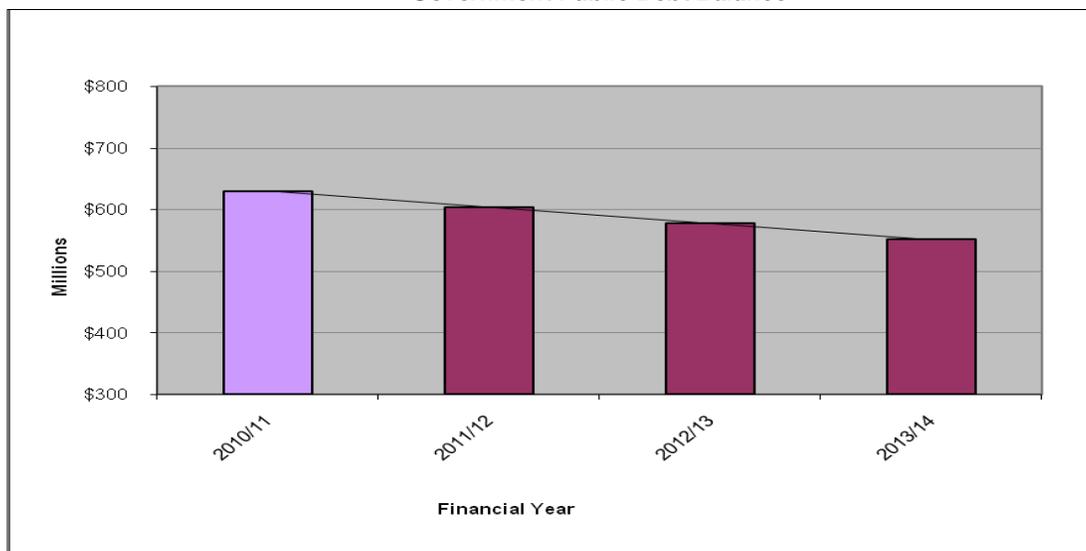
Executive Capital Investment activity by the government will be limited over the next three years to levels which can be funded wholly by cash generated from operating surpluses and the divestment of assets. It is forecast that this will be approximately \$43.5 million per year during the 2011/12 to 2013/14 period. See Figure 12 below.

**Figure 12**  
**Executive Capital Investment Expenditure**



The outstanding balance of debt is forecast to decrease by \$77.8 million during this period, from a high of \$629.7 million at the start of 2011/12 to \$551.9 million by the end of fiscal year 2013/14. This reflects the strategy of no new borrowings during the forecast period.

**Figure 13**  
**Government Public Debt Balance**



## 5. Summary of Financial Projections

The Government has developed a set of financial projections to help guide the setting of the three year fiscal targets these are summarised in Table 5 below.

**Table 5**  
**Summary of Financial Projections**

<b>Financial Measure</b>	<b>2010/11 Approved Budget (\$Millions)</b>	<b>2011/12 Target (\$Millions)</b>	<b>2012/13 Target (\$Millions)</b>	<b>2013/14 Target (\$Millions)</b>
Operating Surplus (before financing)	2.578	44.232	77.185	94.588
Operating Surplus (after financing)	(31.892)	6.973	41.164	59.788
Net Worth	512.069	519.042	560.207	619.995
Executive Capital Investment Expenditure	126.678	43.500	43.500	43.500
New Borrowing (during the fiscal year)	155.000	0.000	0.000	0.000
Borrowing (balance outstanding at year-end)	629.710	603.782	577.854	551.926
Cash Balance	84.405	95.889	94.563	111.861

## 6. Financial Allocations

In accordance with the requirements of the PMFL this section specifies the indicative financial allocations to individual members of Cabinet for the 2011/12 Budget. These allocations are used as the basis for the Premier, Ministers and Official Members and their Ministries, Portfolios and Offices to establish their outputs and detailed budgets for the 2011/12 financial year.

### Operating Allocations

The aggregate financial targets set out in Section 4 establish the operating limits for the core government for the 2011/12 financial year. These include the total operating expenses for the forecast year.

Operating expenses are made up of two broad categories of expenses:

- Expenses of Ministries and Portfolios which are funded by revenue earned by them from sources other than Cabinet; and
- Executive expenses, being expenses incurred by the Cabinet in funding the outputs they are purchasing from Ministries, Portfolios, Statutory Authorities, Government Companies and Non-Governmental Output Suppliers, the cost of transfer payments and various other miscellaneous executive expense items.

Although the overall level of Government expenses is important for the financial management of the government as a whole, executive expenses are the focus of budget allocations. This is because executive expenses represent the amount Cabinet has to spend on buying outputs or funding other interventions.

Table 6 provides the indicative allocations of executive operating expenses to the Premier, each Minister or Official Member for the forecast period. These allocations represent the amount available for the Premier, each Minister or Official Member to purchase outputs from their ministries/portfolios, statutory authorities and government companies, and other third parties (Non-Governmental Output Suppliers) and to fund transfer payments or other executive operating expenses for which the member of Cabinet is responsible.

### Capital Allocations

The aggregate financial targets set out in Section 4 also establish a limit for capital expenditure, which consists of the executive investing cash flows which are controlled directly by Cabinet.

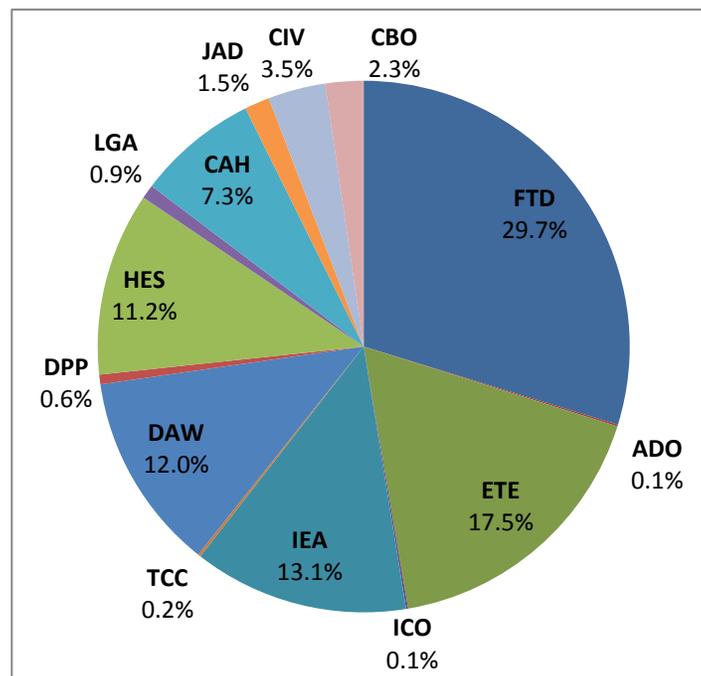
The executive investing cash flow is the focus of the budget allocations because it represents the amount that Cabinet has at its disposal limit to spend on capital investments.

Table 7 provides the indicative capital (or investment) allocations to each Minister or Official Member for the forecast period. This allocation can be used to fund one of three capital items: equity investments into Ministries, Portfolios, Statutory Authorities, Government Companies; acquisition or replacement of executive assets; or loans-made.

**Table 6**  
**Executive Operating Expenditure Allocations**

<b>Cabinet Member</b>	<b>2011/12 \$000</b>	<b>2012/13 \$000</b>	<b>2013/14 \$000</b>
Premier (Cabinet Office) <b>CBO</b>	11,262	10,810	10,810
Minister for Finance, Tourism and Development <b>FTD</b>	144,603	140,247	140,247
Minister for District Administration, Works, Lands and Agriculture <b>DAW</b>	58,506	56,068	56,068
Minister for Education, Training and Employment <b>ETE</b>	84,902	81,867	81,867
Minister for Community Affairs, Gender and Housing <b>CAH</b>	35,726	34,832	34,832
Minister for Health, Environment, Youth, Sports and Culture <b>HES</b>	54,230	51,648	51,648
Deputy Governor (Portfolio of Internal and External Affairs) <b>IEA</b>	63,549	60,998	60,998
Deputy Governor (Portfolio the Civil the Service) <b>CIV</b>	16,969	16,154	16,154
Attorney General (Portfolio of Legal Affairs) <b>LGA</b>	4,151	3,984	3,984
Attorney General (Judicial Administration) <b>JAD</b>	7,388	7,100	7,100
Attorney General (Director of Public Prosecutions) <b>DPP</b>	2,850	2,736	2,736
Public Accounts Committee (Audit Office) <b>ADO</b>	531	510	510
Oversight Committee of the Legislative Assembly (Office of the Complaints Commissioner) <b>TCC</b>	805	773	773
Oversight Committee of the Legislative Assembly (Information Commissioner's Office) <b>ICO</b>	619	594	594
<b>Total Executive Operating Expenditure Allocation</b>	<b>486,091</b>	<b>468,321</b>	<b>468,321</b>

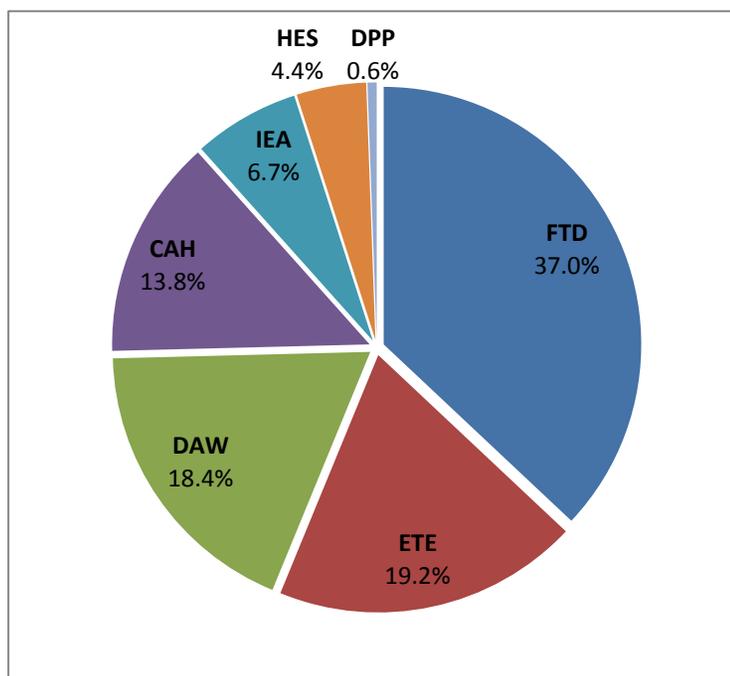
**Figure 14**  
**Executive Operating Expenditure 2011/12**



**Table 7**  
**Executive Capital Investment Allocations**

<b>Cabinet Member</b>	<b>2011/12 \$000</b>	<b>2012/13 \$000</b>	<b>2013/14 \$000</b>
Premier (Cabinet Office) <b>CBO</b>	0	0	0
Ministry of Finance, Tourism and Development <b>FTD</b>	16,100	18,767	18,767
Ministry of District Administration, Works, Lands and Agriculture <b>DAW</b>	8,000	6,167	6,167
Ministry of Education, Training and Employment <b>ETE</b>	8,350	4,167	4,167
Ministry of Community Affairs, Gender and Housing <b>CAH</b>	6,000	4,167	4,167
Ministry of Health, Environment, Youth, Sports and Culture <b>HES</b>	1,900	6,065	6,065
Deputy Governor (Portfolio of Internal and External Affairs) <b>IEA</b>	2,900	4,167	4,167
Deputy Governor (Portfolio of the Civil Service) <b>CIV</b>	0	0	0
Attorney General (Portfolio of Legal Affairs) <b>LGA</b>	0	0	0
Attorney General (Judicial Administration) <b>JAD</b>	0	0	0
Attorney General (Director of Public Prosecutions) <b>DPP</b>	250	0	0
Public Accounts Committee (Audit Office) <b>ADO</b>	0	0	0
Oversight Committee of the Legislative Assembly (Office of the Complaints Commissioner) <b>TCC</b>	0	0	0
Oversight Committee of the Legislative Assembly (Information Commissioner's Office) <b>ICO</b>	0	0	0
<b>Total Executive Capital Investment Allocation</b>	<b>43,500</b>	<b>43,500</b>	<b>43,500</b>

**Figure 15**  
**Executive Capital Expenditure 2011/12**



## **7. Conclusion**

This Strategic Policy Statement establishes the policy and financial framework on which the 2011/12 budget will be prepared.

The policy goals and financial parameters outlined in this document clearly reflect a continuation of the policies established by the UDP Government. Those policies are based around 19 broad outcomes which include: creating a vibrant yet stable and sustainable economy, setting the stage for success in Tourism, addressing crime and policing, education, developing our youth, improving healthcare, strengthening our infrastructure and a better way forward for Cayman Brac and Little Cayman.

The financial targets set out in this SPS allow for the funding of various interventions to progress the key policy initiatives relating to these outcomes. Particularly, the targets provide for delivery of a capital development programme which includes continued work on the new schools, road network infrastructure and other significant assets. This capital programme will be funded primarily by operating surplus and other financial initiatives.

This Strategic Policy Statement shows that the Government is committed to delivering on its manifesto and the three year plan agreed with the Foreign and Commonwealth Office. It shows that the Government is continuing to manage the finances in a prudent manner.

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**Honourable W. McKeever Bush, OBE, JP**  
**Premier**  
**Minister for Finance, Tourism and Development**

**23<sup>rd</sup> November 2010**