

**ADDRESS BY THE PREMIER OF THE CAYMAN
ISLANDS, MINISTER OF FINANCE, TOURISM
AND DEVELOPMENT**

**ON THE MOTION TO RECOMMEND THE
2012/13 STRATEGIC POLICY STATEMENT (SPS)
OF THE CAYMAN ISLANDS GOVERNMENT TO
THE LEGISLATIVE ASSEMBLY**

Responsibility in times of Austerity

INTRODUCTION

Madam Speaker, this Motion seeks the approval by this Honourable Legislative Assembly for the Government's 2012/13 Strategic Policy Statement (or SPS) that I laid on the Table earlier today. The SPS is a high-level document whose primary purpose is to inform the public of the broad budgetary policies which will guide the Government's preparation of the 2012-2013 Budget. The SPS is by design, not as detailed as the annual Budget documents, because it is intended to be used as a guide to budget planning whereas the other annual budget documents are far more detailed and operational in nature.

This SPS has been prepared in full accordance with the Public Management and Finance Law, and reflects the key policy priorities of my administration for the next three financial years 2012/13; 2013/14 and 2014/15.

The SPS also provides the Government's financial forecasts for the same period, establishes the Operating and Capital expenditure limits that each Government Ministry/Portfolio must adhere to.

Madam Speaker, a responsible Government - which this Administration certainly is - must make decisions in a real-world real-time context. We live in a time when economic conditions the world-over are difficult:

- growth is sluggish;
- excessive reliance on borrowings in the past has created major difficulties in many European economies;
- and in the United States of America, approximately 40 cents in every dollar of its Government's expenditure is financed by borrowing;
- unemployment levels in many advanced countries are at, or near, record levels;
- and individuals and business entities that can invest are being very careful in their choices, and demanding in the returns they require for their investment.

Past Governments in the Cayman Islands have not fully accepted that this day would come. In particular, the immediate past administration failed to protect the future as they did not build-up sufficient cash reserves to allow the Government sound and sustainable options to combat economic difficulties, which were already starting to 'bite' under their watch.

My Administration inherited this situation, but we are determined to ensure that the Cayman Islands is able to improve its fiscal planning and overall financial management. This SPS bears out this intention and demonstrates our commitment to *Responsibility in Times of Austerity*.

Madam Speaker, the financial forecasts and Ministry/Portfolio targets set out in this SPS can be best described as "*Austere*" I say this because in order to achieve them, all public sector agencies will have to curtail any expenditure increases to a bare minimum over the next three years. Undoubtedly, this will require that some difficult decisions be made by the Cabinet and civil service managers. These decisions will have to be made within the context of the financial