

Introduction

Madam Speaker, it is always an honour to present the Budget Speech to this august Assembly as Minister of Finance. It is a humbling experience, especially in such challenging times, but though challenging, what is more important about the past year is that it has offered opportunities to test the efficacy of this Government's policies. The evidence shows that so far, the country is on the right path; the path to a Better Way!

Thus far, the journey has been undertaken in an international environment that is not at all accommodating. The benefits previously associated with world-wide economic prosperity have not yet fully returned; in fact, in recent times the global environment has featured rising oil prices, rising food prices and a sluggish economic recovery accompanied by slow job creation. These factors may serve to compound the threats of a year ago. Yet there is evidence that the country is heading in the right direction, through our Partnership for Recovery. But we must stay the course; we must make some tough decisions, to guarantee a brighter future. There is no doubt that the Government has committed to its role in the partnership, and that an enabling environment for the private sector is being facilitated.

The establishment of Ministerial Councils on Tourism and Housing, the Department of Commerce and Investment, the Tourism Advisory Council, the Financial Services Council, the National Investment Council, international meetings with investors, and setting up international investment offices, are clear examples of the Government's openness to partnership, to facilitate economic activity in the private sector.

Notwithstanding my Government's efforts, it is only by clinging to our core values of care and respect for each other, dedication and commitment to our tasks, and putting the interest of our country above self-interest, that we the people of the Cayman Islands will realise the dream of living healthy and fulfilling lives. In his inaugural address in 1961, President John F. Kennedy said "ask not what your country can do for you; ask what you can do for your country."

Last year I said that we have a history of stability – in our economy, our society, and in our political system. I said that our stability was founded on the backs of our hard-working people, respect for the rule of law, the freedom to allocate our limited resources and the resultant distribution of the benefits of our efforts.

Almost one year later, I am proud to say that those views expressed have been confirmed by the efforts of Caymanians and Residents, not only to maintain stability, but to manage their affairs, and the affairs of state, in a manner befitting a people who understand that there must be a first step on even the longest journey. Such resolve is truly a step in "The Right Direction"!

This was the theme of my contribution to the Government motion on the Strategic Policy Statement (SPS), in November of 2010. The emphasis in that speech was on the Government's strategies for overcoming the Islands' economic difficulties. But as I noted, the successes of economic policies must be interpreted in the social context of the country for which they were conceptualised.

Madam Speaker, the foundation of the Cayman society, the heart of its people, lies in their capacity to navigate stormy waters. Our motto “He Hath Founded It Upon The Seas” speaks to a foundation that knows what pounding waves feel like, as well as the lull of a calm sea, and how to make the best of both.

In more human terms, our foundation was built on the principles of fairness, justice and equality for all, in line with the principles on which that ever-lasting foundation, the foundation of divine faith, was built. These principles equipped our people to assess performance without prejudice; to approve reward without rancour; and to ascribe - or receive - praise without excessive pomp and pageantry.

Our ultimate goal is to marry our economy and society to guarantee the happiness of our people. As with any marriage, there must be a process of ongoing re-acquaintance and renewal. A good society demands a strong economy and a strong economy commands a good society. The tie that binds comes from open sharing that generates agreed common goals! One example of such openness is the comprehensive data-gathering of a census, that provides important input for private businesses and public governance.

In the face of new information from the Country’s population Census conducted in 2010, and new information on the Country’s labour force, the agreed common goals for the economy and the society have to acknowledge some perceived trends which have now been confirmed by data. These trends include a decreasing population, which has adverse implications for the Cayman Islands economy, as I have been preaching since being returned to office.

It is accordingly imperative that my Government forges ahead with an immigration policy which seeks in a responsible way to increase the country's core population with the right people. In the absence of such a policy, the revenue base is too concentrated on a limited few; and social entitlements become more expensive per head.

In light of such constraints caused by a declining population, it is important that our focus is on "Maintaining Fiscal Discipline and Providing Services", the theme of this year's Budget Address. In this regard I'm proud to say that in the upcoming fiscal year, there will only be one new revenue measure - which will be on the hedge fund industry - and no external borrowing. The Government will introduce a single revenue measure during the course of the 2011/12 fiscal year: the hedge funds sector, certain "master funds" will be regulated by the Cayman Islands Monetary Authority (CIMA) – just as they are regulated in other jurisdictions – and those funds will be required to pay a very modest fee of one thousand five hundred dollars (CI\$1,500) per year.

At present, such funds are not regulated by CIMA and they do not pay any fees. Madam Speaker, the Government has received representations from leaders in the local financial services sector that such a fee could be introduced, without any adverse effect on the sector.

Madam Speaker, my Government is a caring one. We acknowledge that with the present high fuel prices, including diesel, electricity costs are a strain on many households. As well as being a caring Government, we are also responsible in our management of public finances. Accordingly, the Government will use four

point five million dollars (CI\$4.5 million) of the revenue expected from the introduction of the fifteen hundred dollar fee (CI\$1,500) that will be payable by certain "master funds", to provide for a rebate to Caribbean Utilities Company in respect of the Company's payment of duty on the importation of diesel to produce electricity.

The four point five million dollar (CI\$4.5 million) rebate will be made in respect of electricity consumed by residential customers. This rebate will reduce the monthly cost that residential customers incur for their consumption of electricity, and the Electricity Regulatory Authority will work closely with CUC to monitor the savings transfer to residential consumers.

As well as being caring and responsible, my Government is also responsive and innovative. Accordingly, there has been discussion in recent months in respect to the benefits of introducing "Daylight Savings Time" in the Cayman Islands. Several organisations such as the Chamber of Commerce, the Cayman Islands Tourism Association and Cayman Finance have indicated their support for this possibility, citing several benefits of doing so, such as:

- (1) the financial services sector would be in sync with its major New York client base;
- (2) the arrival and departure times from US airports would remain in step year-round;
- (3) from a cruise tourism perspective, there would be slightly longer stays in port during summer months; and
- (4) an extra hour of daylight could encourage more physical activity through outdoor exercise.

These are only a few of the benefits that are more commonly discussed, but there are others. In order to fully appreciate the benefits and draw-backs of adopting “Daylight Savings Time”, I intend to set up a committee to explore this possibility and to make a recommendation to Cabinet on the matter.

As is well known, the budgetary process technically begins with the three-year Strategic Policy Statement, which guides the on-going management of Government’s fiscal affairs. Such management has to show consistency in Government’s policy approach; it aims also to minimise uncertainty, and is built around a drive to cost-effectiveness.

Not only must Government policy be developed with such characteristics, but its targeted objectives must be matched by an effective set of strategies for action. My Government will therefore evolve its strategies to pursue the 3-Year FCO Plan to meet both the short and medium term objectives that have been laid in this Legislative Assembly and put into the public domain over the past year.

Madam Speaker, our fiscal achievements thus far have been nothing less than commendable, whether seen in purely statistical terms or as a measure of Government’s commitment to a “Partnership for Recovery”.

As we undertook our growth strategy, we had to recognize early on, the urgency of correcting the disastrous fiscal policy of the previous Administration, under the PPM. The evidence suggests that we are on course in turning around the poor fiscal position in which we found the Country at the start of this term.

Still, Madam Speaker, there is no room for complacency. The concept of rebalancing that is at the heart of international economic recovery, is equally relevant in the Cayman Islands context, where internal rebalancing is a necessary prerequisite for sustainable economic growth.

Hence, in implementing our national debt management strategy, we proceed on four fronts:

1. to control borrowings,
2. to improve pension security,
3. to increase reserves, and, as far as possible,
4. to bring our budgets into sustainable Surpluses.

This strategy is embraced with future generations in mind. My Government is bound and determined to manage the country's fiscal affairs prudently, and to leave our children and grandchildren with positive prospects, not to leave them the mess we found – deficit budgets, increasing debt, eroded reserves, and inadequately funded pensions.

As I said in the Government Motion on the 2010/11 Strategic Policy Statement, the accumulation of national debt is the natural consequence of having to finance persistent fiscal Deficits. A Government may choose to borrow to invest in infrastructural development; but it begins to add up; and soon, on top of repaying the capital, there is the added burden of having to pay accumulating interest on increasing debt. This is not difficult to understand. What's more difficult, is to make it a top priority that we ***Maintain Fiscal Discipline***, now and in the foreseeable future. But do this we must. Such discipline is not optional.

Madam Speaker, there is also no room for complacency in pursuing our Labour Force Strategy, especially with the recent decline in the Country's population. One obvious objective is that unemployment must be minimised, especially in small vulnerable societies like ours.

The Country's improved fiscal performance over the last twenty-four months may allow the Government to accommodate some relief for new development, to further stimulate business activity. As I undertook in the 2010/11 SPS, my Government has offered temporary reductions in the duties on construction materials to facilitate new investment and enhance job creation.

Government Finances

I wish now, Madam Speaker, to look at Government's finances in the context of what we came and found, and what we have been able to achieve thus far. It is an accomplishment worth reporting!

Madam Speaker, over the course of the last two years, this Administration has turned around this country's fiscal position. We have had to do some borrowing within the last year, but maintaining fiscal discipline has been our hallmark, to the extent that even the most partisan among us would admit that Government's finances are moving in the right direction. His Excellency the Governor stated this fact in his Throne Speech. It has been a deep-seated personal fear of mine that had the Government that I lead not improved the state of public finances in these Islands, there was a grave danger of devaluation of our currency. By practising fiscal discipline, my Government has averted that danger and grim prospect.

In its first full year of office, my Government was able to reduce the unaudited Deficit for the Entire Public Sector to fifteen million dollars (CI\$15 million), for the year ended 30th June 2010. For the year ended 30th June 2009 there was a Deficit of eighty-one million dollars (CI\$81 million). Our achievement? To reduce the Deficit by a whopping sixty-six million dollars (CI\$66 million)!

Since then, the fiscal position has shown further improvement. For the first ten months of the current fiscal year, the period from 1st July 2010 to 30th April 2011, the Entire Public Sector had an unaudited Surplus of seventeen point six million dollars (CI\$17.6 million). This is the combined result of an unaudited Surplus of fourteen point one million dollars (CI \$14.1 million) for Central Government plus an unaudited Surplus of three point five million dollars (CI\$3.5 million) for the Statutory Authorities and Government-Owned Companies.

Projections that were received from Chief Officers and Chief Financial Officers indicated that it was possible central Government would incur a Deficit of four point six million dollars (CI\$4.6 million) to 30 June 2011. To avoid this possibility, my Government met with Chief Officers and Chief Financial Officers to establish revised expenditure limits for the year to 30 June 2011. If these revised limits are adhered to, it is expected that the year to 30 June 2011 will end with a small Surplus.

To put this performance in context, it must be noted that the 2010/11 Budget approved by the Legislative Assembly in June 2010 indicated an Entire Public Sector Deficit (of thirty-one point nine million dollars (CI \$31.9 million)) for the current fiscal year ending 30 June 2011.

Although a very small Surplus of approximately four point five million dollars (CI \$4.5 million) for the Entire Public Sector is anticipated in respect of the 2010/11 year, this small Surplus would represent a tremendous improvement to the projected Deficit of approximately thirty-one point nine million dollars (\$31.9m). This outstanding improvement is not accidental: it reflects proper fiscal discipline by Government.

This improvement resulted from better than expected revenue performance, and, continued discipline in relation to Government's expenditures.

In terms of Government's revenue, a figure of five hundred and ten point three million dollars (\$510.3 million) was budgeted for the fiscal year ending 30th June 2011. Recent forecast figures indicate that revenue will be approximately fifteen million dollars (CI\$15.0 million) more than the budgeted figure, or about \$525 million.

On the expenditure side, operating and financing expenses of five hundred and forty point six million dollars (CI\$540.6 million) were budgeted for, but it is expected that the figure at the end of June 2011 will be eighteen million dollars (CI\$18.0 million) less than this: that is five hundred and twenty-two point six million dollars (CI\$522.6 million).

Madam Speaker, the results outlined above are outstanding, especially since they follow and build-on the positive results the Government achieved in its first year of management that ended on 30 June 2010. Should those on the other

side of the aisle judge our performance without prejudice they would acknowledge our achievement – not that we really expect the praise.

Madam Speaker, to date Government's revenue is ahead of the budgeted figure because it reflects an underlying improvement in the economy when analysed on a sector basis.

Based on actual performance in the ten-month period ended 30 April 2011, the improved revenue performance has come predominantly from two sources: (1), domestic levies on goods and services are up ten point four million dollars (CI\$10.4 million) and (2), levies on property are six point five million dollars (CI\$6.5 million) more than budgeted.

On the sector basis, the two major economic sectors, financial services and tourism, are both showing significant improvements in revenue for the first ten months of the current fiscal year, when compared with the corresponding period in the previous year.

Financial services revenues for the 10-month period to 30 April 2011, are nineteen point seven million dollars (CI\$19.7 million) greater than in the similar period in the 2009/10 fiscal year. Tourism related revenues for the ten-month period to 30 April 2011, are zero point six million dollars (CI\$0.6 million) more than those revenues in the corresponding period in the prior fiscal year.

The above-par revenue performance in the tourism sector has occurred as a result of an eight point two percent (8.2%) increase in long-stay arrivals, which accompanied a three point nine percent (3.9%) increase in cruise-ship passengers for the ten-month period to 30 April 2011. The Department of Tourism is reporting an overall six point five percent (6.5%) over-performance in coercive revenue, when compared to the year-to-date budgeted figure, but an overall improvement of twelve point one percent (12.1%) in the ten-month period ended 30th April 2011, when compared to the corresponding period in the previous fiscal year.

An outstanding performance in revenue of twenty-seven point three million dollars (CI\$27.3 million) from levies on properties, has realised a collection 31% higher than expected, on the projection for the 10-month period. This outstanding performance also represents a 35% increase when compared with the corresponding period in the previous fiscal year. These great results for levies on properties are due primarily to large volume transactions effected in January 2011.

Madam Speaker, when the accounts are assessed on the basis of other indicators, our fiscal performance is equally commendable. The reported total cash balances from all sources as at 30th April 2011, was two hundred and twenty-six point six million dollars (CI\$226.6 million).

When this figure is looked at on a trend basis, it constitutes a material improvement: as at 30th April 2008, the Government's cash balances stood at one hundred and twelve point six million dollars (CI\$112.6 million); it decreased to seventy-seven point one million dollars (CI\$77.1 million) as at 30th April 2009,

and rose to one hundred and thirty-six point four million dollars (CI\$136.4 million) at 30th April 2010.

For the ten-month period to 30th April 2011, the positive cash flows reported from Operating Activities (of CI \$71.3 million) resulted primarily from revenue generated from the Financial Services sector. This is an encouraging indicator!

Madam Speaker, there are major benefits arising from the good fiscal discipline of the Government:

- (1) it reduces the need for introducing revenue measures – which hurts peoples’ pockets and therefore potentially hurts spending, and local investment;
- (2) it puts checks on Government’s expenses and this in turn means that the private sector can price its goods and services at a lower amount and therefore remain competitive; and
- (3) it reduces the need for external borrowing – which in turn reduces the debt burden on the public purse, and as such Government’s resources can then be more extensively utilised to provide services that the public needs.

There is absolutely no doubt that the Government is playing its part in the “partnership for recovery” through the maintenance of fiscal discipline. Such discipline will in turn play its part in making a brighter future a reality for all Caymanians and Residents in the Islands.

It may therefore be expected that the outlook for the upcoming fiscal year 2011/12 - which is presented later - will benefit from the practices of the Government over the last two years. Indeed, the 3-Year FCO Plan, which goes to

the year 2012/13, embraces the fiscal discipline so evident in the Country's current direction.

International Environment

Madam Speaker, to ensure a healthy and sustained economic recovery globally, rebalancing has to take place on two fronts: the external and the internal. However, the process of external rebalancing may be compromised by increases in oil prices, rising food prices and slow job creation that have characterised recent international economic developments, not to mention the impact of the continued uncertainty in the Middle-East.

Since coming to office, my Administration has had to cope with a very unfavourable global economic environment, the full impact of which was felt in the domestic economy in 2009. Though the international impact was less harsh in 2010, a more increased and sustained political disruption was carried on with calls by the Opposition for civil disobedience which has caused investor-nervousness. Nevertheless, it is the investor-friendly policy stance of the Government that has prevailed, and has caused the Country to be in a more favourable position today.

In the face of all kinds of fiscal stimulus packages across the region by other Islands, as well as internationally, my Government opted for maintaining fiscal discipline. As a result, in spite of the slower than expected economic recovery, especially in the United States and the United Kingdom, our domestic economic fundamentals are heading in the right direction.

If the recent uncertainty in the world economy is not positively resolved, my Government is prepared to be more flexible in inspiring domestic economic activity.

Our domestic recovery, which was stalled for the whole of 2009 and the first half of 2010, improved in the last quarter of 2010 and continued into the first quarter of 2011. The Country is being positioned to take advantage of the momentum from the global economic growth of approximately 5.0 percent in 2010 and the expected growth of four point four percent (4.4%) in 2011. However, we are conscious that most advanced, and a few emerging, economies still face major economic adjustments, including reforms in the financial sector.

Madam Speaker, as we identified in the 2011/12 Strategic Policy Statement in November last year, the United States and the United Kingdom are two of the countries whose recovery is closely watched by the Caribbean. The United Kingdom in its attempt to rebalance its internal and external economic fundamentals seems set for an uneven recovery period over the next few years. Economic growth in the United Kingdom is projected to be one point seven percent (1.7%) in 2011, with the unemployment rate hovering around seven point eight percent (7.8%).

In the United States, the recovery so far has been weak due to sluggish personal consumption resulting from a sharp deterioration of household net worth; currently, unemployment in the U.S remains high, at an estimated rate of nine point one percent (9.1%) as at May 2011 (according to the US Bureau of Labour Statistics). In addition, banks are trying to reduce their leverage and improve their balance sheets and have developed a bias against consumer lending. Consumers are expected to be impacted by: high debt; falling asset values; and weak credit growth.

Predictions suggest that the US economy will recover very slowly, with growth weaker than during previous recoveries. GDP reached two point eight percent (2.8%) in 2010 and is expected to again be approximately two point eight percent (2.8%) in 2011.

Unemployment will remain stubbornly high and inflation low: US inflation was one point six percent (1.6%) in 2010 and it is expected to be approximately two point two percent (2.2%) in 2011.

Influence of Population Census and Labour Market Report

Madam Speaker, starting Census Day, October 10 last year, data collection for the Cayman Islands 2010 Population and Housing Census was conducted over the scheduled six-week period. A national Census is done every ten years, but its timing could not have been better, given that one of the nineteen broad outcome goals of the Government is “Preparing Our Labour Market for Future Opportunities”.

In addition to the vital social and economic data collected in the population census, there was an accompanying labour survey.

With these data, policymakers are in a better position to assess the social impact of economic conditioning including the extent of economic hardship in the population, or any desirable direction of change in the economy.

In the case of the Cayman Islands, the labour force has a high degree of transient labour which moves in relation to the state of the economy. This has significant implications for the level of domestic demand in the economy, which becomes especially noticeable during an economic downturn. It is imperative that

population trends and, by extension, changes in the labour force are monitored and managed, appropriately.

Madam Speaker, preliminary results from the 2010 Census show that the Cayman Islands' non-institutional population consisted of fifty-four thousand, three hundred and ninety-seven (54,397) persons. This represented a decrease of one point five percent (1.5%) compared to the revised 2009 population estimate of fifty-five thousand, two hundred and fifty (55,250). This decrease is a cause for concern, as I have noted previously.

Madam Speaker, the estimated total labour force in 2010 comprised thirty-five thousand, eight hundred and fifty-nine (35,859) persons with thirty-three thousand, four hundred and sixty-three (33,463) employed and two thousand, three hundred and ninety-six (2,396) unemployed. While the number of employed persons declined by one point three percent (1.3%), the number of unemployed rose by nine point nine percent (9.9%). Madam Speaker, the resulting unemployment rate as of October 2010 was six point seven percent (6.7%). When compared to 2009, the unemployment rate increased by zero point seven percentage points (0.7%).

Conversely, the rate of employment declined from ninety-four point zero percent (94.0%) in 2009 to ninety-three point three percent (93.3%) in 2010.

The new information from the population census of 2010, and the accompanying labour market report allows us to take stock of some of the very important economic and social parameters which are vital to the management and planning

of our development. This is why we so eagerly await the publication of the full report and analysis at the end of this calendar year.

In the meantime, some important “broad-brush” points may be made:

- Of the estimated total non-institutional population of fifty-four thousand, three hundred and ninety-seven (54,397); George Town accounts for the majority, that is fifty point nine percent (50.9%); followed by West Bay (20.7%) and Bodden Town (19.0%).
- There were slightly more females (50.6%) than males (49.4%) in the population. This was evident in all Districts except in George Town. In Bodden Town, the proportion of females was higher than in any other District.
- A comparison with the 1999 Census figures shows that the population increased by fifteen thousand, three hundred and seventy-seven (15,377) persons; or by thirty-nine point four percent (39.4%), and grew at an average annual rate of three percent (3%).

If the population were to continue to grow at this rate, it would double its size by the year 2033. It is therefore the fluid nature of the population that is problematic, especially as it relates to proper social and economic planning.

Madam Speaker, Bodden Town experienced the highest growth during the intercensal period, a 79.4% population increase at an average annual rate of 5.3%. This District has dramatically increased its share of the population over the past 30 years, from 9.5% in the 1979 Census to 19.0% in the 2010 Census.

All the other Districts have experienced a gradual decline in their share of the population over the past 30 years, except George Town, which had experienced gradual increase up to 1999. Although George Town's share of the total decreased during the 1999/2010 period, it continues to maintain the biggest share of the population.

My Government looks forward to the more detailed population census report, as well as the labour market report with additional indicators such as the size of employment, work hours and earnings, analysis by Caymanian/Non-Caymanian status, by gender, by occupation, and by industry - which will be made available as part of the Census Report to be published by the end of 2011.

Such detailed information will help in **Preparing our Labour Market for Future Opportunities** as we seek among other objectives during the coming fiscal year 2011/12 to:

- establish a National Workforce Development Advisory Council;
- make amendments to the National Pensions Law and Regulations;
- support the unemployed, including job placement, counselling and interest assessments;
- expand the National Employment Passport Program to new areas including Seniors@Work and Ex-Offenders@Work;
- continue to offer an enhanced programme at the Civil Service College;
- develop a national training plan that addresses lifelong learning and continuous improvement and re-training options (especially in TVET and career areas) for all Caymanians, including those with different capacities and different starting points;

- enhance careers assessment, guidance and counselling services, both for schools and job seekers; and
- complete the reorganisation of the Department of Employment Relations, to establish the Human Capital Development Agency, and the new Department of Labour and Pensions.

Fiscal Outlook for 2011/12

Madam Speaker, I turn to the fiscal outlook for the next year 2011/12. The improvement of the Government's finances that was outlined earlier has been maintained in the projections for the fiscal year 2011/12. The Government's fiscal strategy for the 2011/12 Budget is consistent with what was proposed in the 3-Year FCO Plan. This strategy is centred on the primary goal of steering Government's finances towards compliance with the Principles of Responsible Financial Management.

As identified above, the UDP Government has taken definitive steps to control expenditure in a sensible and logical manner. Having commissioned the Miller Report, the Government took its recommendations seriously and initiated an extensive review of public sector entities aimed at reducing the costs of delivering of services to the public.

The 2011/12 Strategic Policy Statement has established clear aggregate financial targets for the fiscal year 2011/12: these aggregates include operating targets, balance sheet targets and cash flow targets. The operating targets reflect the three main numbers from the operating statement: operating revenue, operating and financing expenses and operating Surplus or Deficit. The Surplus

or Deficit is the key operating measure as it indicates the net change in Government's financial status over a one-year period.

Madam Speaker, operating revenues are expected to be five hundred and thirty-five point eight million dollars (CI\$535.8 million) in 2011/12. Operating expenses are projected at four hundred and eighty-nine point nine million dollars (CI\$489.9 million) in 2011/12; so that the Surplus of Central Government, after deducting thirty-three point eight million dollars (CI\$33.8 million) of financing costs, and expenses arising from foreign exchange transactions, is forecast to be twelve point one million dollars (CI\$12.1 million) in the 2011/12 fiscal year.

One of the major elements of the Government's fiscal strategy for the year 2011/12 relates to the development and implementation of a more stable and sustainable revenue base. Continuing the efforts which commenced with the 2009/10 Budget, the Government will only introduce one new revenue measure – which I outlined earlier – that will only impact on the 'average man on the street' in the Cayman Islands, in the sense that it will be utilised to his benefit.

Madam Speaker, 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 the public governance parallel to shareholders' 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 budgeting for any new borrowings in the fiscal year 2011/12. This is consistent with the Government's fiscal strategy of financing the

development of new infrastructure through operating cash flows, and utilisation of certain assets by undertaking Private Financing Initiatives (PFIs).

Madam Speaker, the decision to not incur new borrowing in 2011/12 is a major accomplishment, and a dramatic policy change from the past. It demonstrates in a most profound way, one of the significant benefits of the maintenance of fiscal discipline practiced by this Administration.

As stated earlier, the fiscal discipline has reduced the need for external borrowing and therefore reduced financing costs. As a result, the available resources can now be diverted to provide services which the public needs. Furthermore, the Country's debt burden will fall - thereby protecting the public's purse. Madam Speaker, this is another important first achieved by this Government: it is difficult to remember the last budget in which there was no external borrowing proposed. My Government claims this as a major accomplishment.

In light of our fiscal discipline, the Central Government outstanding debt is expected to decrease to five hundred and ninety-nine point three million dollars (CI\$599.3 million) at the end of 2011/12, from six hundred and twenty-five point nine million dollars (CI\$625.9 million) at the end of 2010/11. This reduction reflects the debt servicing of the Government over the coming fiscal year and is the companion benefit of "Maintaining Fiscal Discipline".

Net Worth is expected to be at four hundred and eighty-five point six million dollars (CI\$485.6 million) and four hundred and eighty-nine point three million dollars (\$489.3 million), at the end of 2010/11 and 2011/12, respectively.

Madam Speaker, the cash flow targets relate to the three categories that make up the cash flow statement: operating cash flows (consisting of operating receipts and payments); investing cash flows (made-up of equity injections and the purchase or construction of assets); and financing cash flows (which relate to loan repayments).

Net operating cash flows are targeted to be thirty-seven point four million dollars (CI\$37.4 million) in 2011/12.

Madam Speaker, a key benefit of our fiscal prudence is that the Government's cash reserves are forecast to be one hundred and nine point four million dollars (CI\$109.4 million) at the end of 2011/12; this is equivalent to 84 days of executive expenditure, and is only 6 days short of the 90-day cash requirement specified in the Public Management and Finance Law.

It is as a result of not complying with this minimum requirement that the Foreign and Commonwealth Office can still dictate what our Budget will be. If the Government were minded to borrow in future years – which it is not so minded - this means those choices still remain under the dictate of the FCO.

Alongside the operations of central Government, another fiscal strategy is to minimise losses by Public Authorities, and reduce the level of operational and capital support required from central 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.

In the context of the “partnership for recovery” which we embarked on in last year's budget, it is appropriate to recognise the need for ongoing development of infrastructure in order to support our Country's economic development. The Government will continue to seek partnership with qualified third party entities for

the development of large necessary capital projects; I will give some examples shortly. The primary objective of this strategy is to minimise the financial burden of these developments on the public purse while simultaneously creating real economic activity, and new opportunities.

The aggregate financial targets for the central Government have been established by Cabinet for 2011/12 to achieve as close-as-possible compliance with the 3-Year FCO Plan agreed between the Government and the Foreign and Commonwealth Office (the FCO) in May 2010. Having to strike an agreement with the FCO on the Budget is not something that is desirable to me as the Premier and Minister for Finance, nor desirable to my Government – but it is something that we cannot get away from since this situation was brought about by the PPM when it left the Islands' finances in a terrible state.

Domestic Outlook and Strategic Focus

The upcoming fiscal year 2011/12 is therefore a critical part of the 3-Year FCO Plan. The strategies outlined in the 2011/12 Strategic Policy Statement, combined with the 2011/12 Budget outlines the structure within which Government's policy will be pursued. In the circumstances, the coming fiscal year is the pivot-period in the 3-Year FCO Plan. However, it is essential to understand the domestic economic outlook against the backdrop of the global economic environment.

The 3-Year FCO Plan is based on five key strategies which the Government is committed to implementing over the medium term.

The strategies that underpin our various initiatives are: reform of the public sector; limiting new borrowings; realignment of the existing revenue base; reducing operating expenditure; and pursuing PFIs as a sensible alternative source of capital financing.

GDP Growth

The external and domestic expectations point to growth of real GDP in 2011/12 of one point five percent (1.5%). Slightly stronger growth of two point three percent (2.3%) and, two point five percent (2.5%) are, respectively, forecasted for the fiscal year 2012/13 and the fiscal year 2013/14.

As a small, open economy with a history and structure that are closely linked to the large, mostly free-market and advanced economies, it is expected that the economic forecasts for the Cayman Islands will remain linked to the outlook for these economies, as well as recent local performance. The overall growth forecast for the advanced economies in 2011 of two point four percent (2.4%) is lower than the three percent (3.0%) growth rate in 2010, in light of some risk factors. Among such factors are high public debt, household liabilities and financial sector reforms; the recent increases in oil prices, food prices and interest rates, have added to the concerns that are likely to retard the rate of growth in the advanced economies for 2011 and beyond.

Available projections beyond 2011 are cautiously positive, with GDP growth for the advanced economies for 2012 being projected at two point six percent (2.6%) and, in 2016 the growth rate is estimated to be two point four percent (2.4%). These projections must be seen in the context of the pre-crisis growth rate of two point five percent (2.5%) during the period 2000-2007, in advanced economies.

It is expected that Cayman's industries, particularly financial services and tourism, will show a lagged response to the international economic projections. As a result, domestic economic growth will get stronger from next year. When such growth returns and is sustained, then the prospects for population growth are also enhanced. In turn, the growth of the population serves to stimulate domestic demand. It is therefore expected that the pre-crisis population level in the Cayman Islands will be re-established by fiscal year 2013/14.

For the next three fiscal years, it is anticipated that revival of domestic demand will rely mainly on household consumption, and on investment in residential and non-residential buildings as various private-sector-led projects are commenced. Growth in Government's consumption and capital spending are also expected to remain restrained in view of its necessary deficit-reduction fiscal stance.

Once underway, the Government's proposals for cruise-ship docking facilities, airport improvements, developments at the Turtle Farm, the start of developments in the Special Economic Zone and the construction of Medical Tourism facilities will positively impact the previously subdued growth outlook and, over the next three years, GDP should grow with a positive impact on the citizens and residents of the Cayman Islands and on Government's finances.

Inflation Rate and Employment

Continuing weakness of domestic demand for rented housing is expected to have a dampening effect on the overall price index. The inflation rate in fiscal year 2011/12 is forecasted at two point one percent (2.1%) barring major shocks in global commodity prices, given that there will be no changes in domestic duty or tax rates.

The unemployment rate is forecasted at six point one percent (6.1%) in the fiscal year 2011/12. This represents a marginal decline from the previous fiscal year. It

is expected that there will be a firm upturn in employment in 2012, on the expectation that the financial services industry, as well as the tourism industry, will show a broad-based expansion in the second half of 2011.

It is expected that local employment will lag behind forecast output growth, mainly in view of a low-growth outlook for the labour-intensive construction industry over the next three years. Therefore the unemployment rate will gradually decline to five point four percent (5.4%) for fiscal year 2012/13 and to four point five percent (4.5%) in the fiscal year 2013/14. Though a sustained improvement in the employment level is expected, the number of people employed will remain below the pre-crisis level of thirty-six thousand, two hundred and sixty-six persons (36,266) seen in the fiscal year 2007/08.

Current Account

For the fiscal year 2011/12, the Deficit on the current account of the balance of payments is expected to reach fourteen point two percent (14.2%) of GDP. It is expected that net exports will show wider Deficits as, following the modest revival of consumption by households and local industries, merchandise imports are expected to show positive growth.

In the next two years, the current account Deficits are forecasted at stable rates, fourteen percent (14%) of GDP in 2012/13 and thirteen point five percent (13.5%) of GDP in 2013/14. These forecasts are premised on the strong growth of outflows for imports and for income payments, which are likely to outweigh improvements in receipts from the financial services and tourism sectors.

Once the strategies outlined in the 2011/12 Strategic Policy Statement are followed and the objectives for growth, the inflation rate, employment, and the current account of the balance of payments are being met or within reach, then it

is imperative for the Government to stay committed to its operating targets, balance sheet targets and cash flow targets.

In that regard, we are anticipating that operating revenues will increase at a moderate pace in line with the forecast improvement in the major macroeconomic indicators for the Cayman Islands over the fiscal years 2012/13 and 2013/14. Similarly, operating expenses are forecast to decrease for the same two financial years. They are both indicative of the Government's commitment to restoring prudent financial management and control.

In the coming fiscal year 2011/12, the Government is not budgeting any new borrowings, nor is it planning to borrow in the 2012/13 year. This is consistent with the Government's fiscal strategy of financing the development of new infrastructure by operating cash flows, and the sensible use of PFIs. As a result the country's outstanding debt is forecast to decrease to five hundred and seventy-three point three million dollars (CI\$573.3 million) in 2012/13 and decrease further to five hundred and forty-seven point four million dollars (CI\$547.4 million) in 2013/14.

Economic and Social Policy Focus

Madam Speaker, I now return to the marriage – that marriage to which I alluded in the introductory remarks - between the economy and the society.

Madam Speaker, let there be no doubt about how challenging the times have been over the last two years, but equally let there be no doubt that this Government has brought a new rigour of fiscal discipline.

Like New York Governor Mario Cuomo said in his keynote address to the Democratic Convention in San Francisco in 1984, "We believe in a government

characterised by fairness and reasonableness, a reasonableness that goes beyond labels; that does not distort or promise to do what it knows it can't do.”

My Government's task is not only to be reasonable and fair, but to ensure that what it knows it can do, it does well, and does it in the interest of the Caymanian family. As we emerge from the storm, let us hold our heads up high and face the future with refreshed and renewed spirits.

Over the last two calendar years 2009 and 2010, the Cayman Islands' economy contracted by approximately 11%, yet the unemployment rate increased by only zero point seven percentage points (0.7%). With the fuller Labour Market Report arising from the results of the 2010 Census, which is to be published later in this calendar year, we are expecting to be in a better informed position with regard to the relationship that exists between rates of economic growth and rates of employment in the Cayman Islands.

In the 2011/12 Strategic Policy Statement tabled in the Legislative Assembly in November 2010, I said that the unemployment rate receives a lot of attention because it tells us something about the way our limited resources of land, labour and capital are being allocated in the economy; it is in this sense, a measure of economic efficiency. It signals to us what needs improvement - in particular, those areas experiencing difficulty.

Furthermore, I said that policymakers, like us, are therefore very highly conscious of the ramifications of unemployment, to the extent that it has to be treated as an ultimate indicator of the Country's economic performance. That's the simple truth!

What good is it if by some measures we have a strong economy, if people cannot find work?

Madam Speaker, it is quite remarkable that the Government has been able in a difficult world-wide economy, to turnaround the Country's fiscal condition. This augurs well for the Government's objective of creating a vibrant yet stable and sustainable economy: that is the single most important requirement for the creation of sustainable jobs.

A significant part of achieving stability and sustainability in the economy is to ensure the successful participation of Caymanians in the financial services industry and in tourism. We are confident that by increasing the participation of locals in these two critical sectors, we can establish a more meaningful and enabling environment that supports our Caymanian small businesses.

Madam Speaker, my Government's approach is that the key to having a more vibrant economy is more effective partnership; be it public/private sector partnership; domestic/foreign partnership or worker/employer partnership. This all fits into our "partnership for recovery", a theme we carry forward from last year's Budget Address.

The following initiatives have been identified for implementation in the financial services industry during the coming fiscal year 2011/12 to ensure that the partnership approach is sustained and strengthened:

- support Private Financing Initiatives (PFIs) for large Government capital projects;

- continued diligence to address issues relating to the integrity of the Cayman Islands financial services industry;
- maintain a highly effective regulatory environment to attract users and providers of financial services;
- develop and implement marketing campaigns that enhance the image and profile of the Cayman Islands as the investment location of choice;
- continue the development and implementation of a strategy for maintaining sustainable growth in listings on the Cayman Islands Stock Exchange;
- enhance Cayman's position on the world stage by focusing on new markets;
- explore new economic activities to support sustainable revenue;
- develop and implement new immigration policies;
- enhance the image of the Cayman Islands through representation at both local and overseas meetings, conferences and events and effective use of electronic media;
- attract the interest of foreign film and television productions that can utilise the jurisdiction for filming purposes, while seeking entry and development opportunities for local talent;
- provide a one-stop repository of information for businesses seeking to expand, relocate to, or establish, a presence in the Cayman Islands.

In the tourism industry, the following initiatives will be pursued in the 2011/12 fiscal year:

- implementation of the National Tourism Management Policy;
- management and enhancement of the image of the Cayman Islands Tourism Brand;
- continued development of Human Resources Capital for the tourism industry;
- development of an enhanced environmental program for the tourism sector;
- improve visitors' experiences through education, improved signage, and technological enhancements;

- preserve and enhance the environment and history of tourism attractions through physical renovations and social awareness including heritage and historical content;
- develop nature-based/soft adventure tourism in the Sister Islands and Grand Cayman; and
- enhance Cayman Turtle Farm with a cruise-ship pier.

In the area of development, solid progress is being made towards the drafting of an Area Plan for George Town. Similar area plans will be developed for all our three Islands, and through their integration will emerge much of the output for a National Integrated Plan for our three islands under the National Planning Initiative. In the George Town Area Plan, for example, the first project will be the Hope Park, expected to be complete in January 2012. This will combine a quality green space for downtown George Town, with the Christian Heritage and National Heroes commemorative installations.

Additional development initiatives will include:

- improvement of the experience of cruise-ship tourists by upgrading the existing cruise ship arrival facilities in George Town and at the Spotts Landing;
- improvement of the efficiency of both the cruise and cargo port operations by separating and establishing new facilities;
- improvement of efficiency of the cargo operations by repairing and enhancing the cargo facility in Industrial Park;
- introduction of an x-ray scanning machine at our cargo facilities. This is expected to cost approximately one million dollars; this will be money well spent, as we have found from our spot checks too many instances of contraband coming in, including firearms smuggling;

- continuation of the upgrade of the Owen Roberts International Airport, in a phased manner, in order to meet growing capacity requirements of the Cayman Islands, including development and extension of the existing runway;
- continuation of the upgrading and development of roads throughout the Islands

As we continue to grow, the demands for infrastructural services and public safety increase, including our fire-fighting capacity. My Chief Officer has recommended, and I have accepted, that a Committee be established to report on the feasibility of establishing a support Volunteer Fire Brigade to assist the Fire Department with their growing responsibilities. This may be an effective cost-saving.

Madam Speaker, to pursue success and greater participation of Caymanians in the financial services industry, we will enhance careers assessment, guidance and counselling services, both for school leavers and job seekers.

Madam Speaker, to offer more support to our Caymanian small businesses, we will:

- 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; and
- continue to offer loans through the Cayman Islands Development Bank particularly for small businesses and low income housing.

We are confident that not only will the international situation turn for the better, but so too will Cayman's economy be strengthened. Projects such as the infrastructure developments for the port and airport, as well as the Dr. Shetty Hospital and Cayman Enterprise City, indicate the strength of the economic activity we can expect in the very near future.

How can Caymanians participate in the wealth that such projects will create?

How can they own a bigger piece of the future of these islands?

It is time that we actively broaden Caymans' equity participation in our economic growth.

I am committed to exploring ways to create investment opportunities for Caymanians, for example, creating a structure for participation in cruise tourism uplands facilities, through an accessible, transparent investment vehicle, is an example of one possibility to be explored.

Madam Speaker I see this as a good example of what I'm talking about, as we are embarking on the development of our Cruise Port. The investment in this will be probably in the region of \$300 million. The generation of income from that project over something like 30-45 years, will be in the hands of a private company, and will be probably upwards of over \$500 million. It is just this type of investment opportunity that our people must share in. This is what I mean by equity participation.

I will ensure a vehicle is formed to participate in the development of the Port. In addition, since we will be developing a sewerage system there's no reason why our people should not have that opportunity for investment also.

Consultation among relevant government agencies and private sector entities has already started, and I look forward to inviting public involvement, following early and fruitful exploration of this objective.

In Agriculture we will:

- continue to support the Market at the Grounds; and
- continue to support and assist farmers on all three Islands
- focus policy development on achieving food security for the Cayman Islands

As was noted in the introductory remarks, a good society demands a strong economy and a strong economy commands a good society. One of the critical paths to the creation of a good society is to give equal opportunity to its citizens. In this regard, the key is to develop a world-class education system which is fully accessible, and contributes to the country's growth and development. This is an area where there is a bond of common interest between the economy and the society.

In this regard, we intend that there will be:

- full implementation of the new governance model for the education system;
- continued implementation of the Education Stabilisation Plan;
- development of the National Strategic Plan for Education (to include Primary, Secondary, and Tertiary, as well as Special Needs);
- development of the new Cayman Islands National Curriculum;
- introduction of a revamped Early Childhood Care and Education System;
- support and further develop the Autism Diagnosis and Support Program in a multi-faceted approach with the Office of the Premier and the Ministry of Health;
- completion of the Clifton Hunter High School
- continuation of work on the construction of the John Gray High School, on a phased basis;
- completion of construction, following new master plans for physical plant at primary school level;

- full introduction of the BEST model of interventions for at-risk students, in partnership with other Ministries and Agencies;
- reform of the Alternative Education Centre
- enhancement of secondary education student services (a new career assessment, guidance and counselling centre);
- enhancement of life skills programmes, and character and values education generally;
- continuation of parent training and support programmes
- enhancement of leadership training in the field of education and teacher development;
- development of a National Literacy Plan;
- development of a National Numeracy Plan;
- launch of a targeted summer school program for Year 2 students focussing on literacy;
- development of a new postgraduate teacher training programme;
- introduction of a revamped graduation criteria for high schools (to include academic criteria for the first time);
- identification and dismantling of existing barriers to achieving a high-performing Cayman Islands education system;
- development of a Technical and Vocational Education Training (TVET) Plan;
- continuation of strategic partnerships with employers for work based TVET programs in construction, auto mechanics and cosmetology; and
- continuation of the building of the Cayman Islands Further Education Centre (CIFEC) programme and Advanced Placement and Business and Technology Education Council (BTEC).

Madam Speaker, the development of the youth is fundamental to achieving that social bond that any viable society must have in common.

The first bond must be between the child and the family, and we are committed to strengthening families as one of our key objectives. This will require:

- continued implementation of the National Employment Passport Programme, with expansion of Passport2Success Programme for the unemployed youth, and the development of employment initiatives for other target groups;
- introduction of vibrant youth programmes including the after-school programme, and enhanced sports programming in each District;
- continuation of support to Cadets undertaking the BTEC Diploma in Public Services; and expansion of the Cadets programme to cater more fully to our youth development needs;
- introduction of a work-related training programme for young people;
- introduction of a programme to qualify individuals in specific target sports;
- development of a secure juvenile remand and rehabilitation facility;
- implementation of the National Youth Policy;
- development and implementation of a National Sports Policy; and
- introduction of a range of innovations to develop, support and invest in our people, including unemployed youth and youth at risk.

To assist the youth we will Strengthen Families, as we:

- continue the provision of preventative and crisis intervention services;
- enhance the Community Development Unit;
- continue to support the Family Resource Centre;
- continue to support foster care families;
- develop Children Regulations under the Children Law;
- implement Children Regulations, as well as amendments to the Adoption of Children Law and Regulations;
- develop and implement an array of group treatment options for various adaptive needs.

Madam Speaker, to properly build the pillars for a stable, vibrant and sustainable economy, we must lay the foundation to improve the country's healthcare systems, and position ourselves to enhance the lives of the elderly and the disabled. In this regard my Government will:

- develop a National Strategic Health Plan;
- reduce chronic non-communicable diseases through an effective disease prevention and management program;
- improve access to healthcare by strengthening and expanding health insurance coverage, including amendments to the Health Insurance legislation;
- enhance the capacity of the healthcare system to address mental health needs, by establishing a Mental Health Task Force to continue to examine and recommend responses to mental health issues in the Cayman Islands;
- develop standards for all healthcare facilities in the Cayman Islands to ensure provision of comprehensive health care to residents 60 years and older, the uninsured and those with chronic ailments;
- formulate a vaccine strategy for the Cayman Islands;
- develop a Hospital Volunteer Program;
- enhance the Cardiology Services to include a Cardiac Catheterization laboratory;
- enhance the Oncology Services to include a purpose built facility and a full time Oncologist;
- amend legislation relating to the Health Practice Law, and Health Insurance and Pharmacy Laws, to encourage the development of a world-class medical tourism facility.

As part of the larger healthcare programme, my Government will:

- introduce new legislation for persons with disabilities;

- introduce Regulations to deal with poor relief awards;
- enhance facilities and programmes to advance the cause of persons with special educational needs and educational disabilities;
- increase residential and Day Care Services for the elderly, and disabled indigent persons; and
- support persons with special needs and educational disabilities through improved legislation, facilities and programmes, including continued work on the re-development of the Sunrise Centre.

We must not ignore that potential for economic growth and development which lies in improving the infrastructure on Grand Cayman, and exploring the untapped potential in Cayman Brac and Little Cayman.

In keeping with this, there will be, in the Sister Islands, the:

- development of affordable homes;
- establishment of long-term planning for vault construction and cemetery development;
- upgrade of Community Centres;
- improvement of Landfills;
- marketing and promotion of Cayman Brac and Little Cayman as prime destinations for tourism and business;
- expansion and improvement of sporting facilities in Cayman Brac and Little Cayman including continued work on the development of Phase 2 of the Bluff Playfield;
- implementation of the Lighthouse Project in Cayman Brac; and
- improvement of ramps and jetties on Cayman Brac and Little Cayman.

As in any society, whether prospering or experiencing the challenges of hardships, the issue of crime and the need for policing is ever-present. In our

modern experience, this includes reducing Substance Abuse. My Government will accordingly:

- continue to improve overall border control by increased efficiency, through co-operation with external law enforcement agencies;
- continue to improve on the offshore operational capabilities of the Royal Cayman Islands Police marine section by starting the construction of a Drug Task Force Marine Base;
- strengthen and enhance border control by conducting biometric checks (fingerprinting) of passengers and migrant workers;
- develop the application of alternative sentencing options;
- develop new and amending legislation to support enhanced policing techniques;
- increase foot patrols to enhance the visibility of police officers;
- increase Community and neighbourhood policing;
- develop legislation to strengthen protection for witnesses;
- start the implementation of the National Strategic Plan for Drug Abuse Prevention and Rehabilitation;
- expand anti-drug abuse campaigns, as well as interdiction programmes; and, for the treatment of addiction specifically:
 - continue implementation of a therapeutic milieu model of treatment;
 - develop and implement an array of group treatment options; and
 - revise policies and procedures to reflect current client-centred best practices.

Madam Speaker, even as we attempt to preserve our culture, we have to be ever mindful to redress a historical imbalance of gender, by empowering our women.

We shall remain mindful of this as we:

- continue to collect material evidence of artistic, historic, or scientific significance to the Cayman Islands, both terrestrial and underwater;
- pursue the development of the Cayman Islands' first Shipwreck Preserves;
- introduce a Traditional Arts Programme (including Traditional Thatch Work Apprenticeship Programme) for Caymanian Masters and Apprentices;
- promote a national learning culture that stimulates lifelong learning through the provision of programmes and access to research facilities geared to historical and other sources;
- develop a National Cultural Policy;
- develop documentation of the heritage of the Cayman Islands through the National Archive's oral history ("Memory Bank") programme;
- make available e-portal to schools, thus providing a valuable current education resource;
- provide on-line access to historic public records; and
- introduce legislation to contribute to the process of ensuring that the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), is extended to the Cayman Islands.

Madam Speaker, we remain committed to robustly defend the integrity of the environment. An essential component of best practice in this area is the right choices of energy sources. My Government will therefore in this field:

- continue developing environmental health programs in the various districts;
- continue developing and enhancing our food hygiene and safety programs;
- introduce the hazard analysis critical control point strategy;
- implement Multilateral Environmental Agreements (MEA);
- continue to review the National Conservation Law and the Endangered Species Trade and Transport Law;
- protect and enhance the marine and terrestrial environment; and
- pursue climate change adaptation and mitigation.

These broad outcome goals that marry the economy and the society indicate the Government's policy priorities and serve as a guide to how the Government will continue to provide services to Caymanians while maintaining fiscal discipline for the fiscal year 2011/12 and beyond.

Madam Speaker, the Government is clear that it would be unsafe to rely only on growth in the international economies, as the basis for growth in the Cayman Islands.

In keeping with our emphasis on the public/private sector partnership to drive Cayman's economic recovery, we wish to announce our proposed partnership agreement with the Dart Group of Companies.

The proposed partnership would help us fund and deliver much needed national infrastructure, facilities and programmes – without incurring any debt.

The Dart Group has very significantly contributed to the development and economic growth of our Country. The total economic impact to the Cayman Islands from their Camana Bay project has been estimated at approximately US\$826m. They have demonstrated through their charitable activities and contributions - which exceed US\$30 million in the last decade alone - that they are committed to helping make Cayman a better place for this and future generations.

The target objectives of this proposed agreement are as follows:

- A. Create jobs for Caymanians in the short, medium and long-term, and across a number of sectors
- B. Stimulate the Cayman Islands economy in cooperation with DRCL.

- C. Redevelop and reactivate closed and deteriorating tourist accommodation facilities on Grand Cayman. In particular, to restore to the available hotel inventory, the hotel located at Block 11B Parcel 83 on Seven Mile Beach.
- D. Stimulate the construction and operation of two or more hotels across Grand Cayman. These will be brand aligned, and will enhance the tourism product to consolidate the destination's leadership position in the Caribbean .
- E. Masterplan, fund and deliver needed infrastructure projects, including
 - a. Roads such the extension of the Esterley Tibbetts Highway from its current end point, to Botabano Road in West Bay, as gazetted.
 - b. Realignment of the West Bay Road, and associated extension of the public beach area with enhanced facilities, and a public park.
 - c. A modern, solid waste management facility at a new site on Grand Cayman.
 - d. Remediation, Closure and Aftercare Management of the existing George Town Land Fill (GTLF) site.

Conclusion

Madam Speaker, this Government has worked extremely hard to improve the Cayman Islands' state of public finances. In this respect, the achievements reached in our first two years in office have been outstanding. We have accomplished a delicate balance between meeting the pressing needs of the County and, remaining fiscally prudent. Madam Speaker, a full description of a country's finances is necessarily a complex thing; there is no shame in accepting that not everyone will grasp the full picture.

This makes the bottom line all the more important; and it is a bottom line that ought to bring a sense of relief. We have striven to be good stewards, and the results so far are most encouraging; not only have we managed to move from a gross deficit to a small but pleasing surplus, but this has also taken us much closer to full compliance with the legally required ratios.

Madam Speaker, anyone observing the swings of fortune in the global economy will note that underlying much of this is the presence or absence of confidence in it. We believe what we have done – and what we are pledged to continue doing, to take further – is to restore a quiet confidence in Cayman, for the right reasons: because we are prudent; because we are fair, and reasonable; because we believe in the rule of law; and because we apply ourselves to the onerous task of governing well, with integrity.

The Civil Service has also worked very hard to reach and maintain these standards, and their commitment and support is appreciated by Government; so that on behalf of the Government I wish to thank the Service for its sterling efforts.

Madam Speaker, God-willing, fifty years from now, when most of us will have passed-on, I would like for my Government to be recognised as the Administration that encouraged genuine partnership - a public/private sector partnership, a domestic/foreign partnership and an employee/employer partnership - and an Administration which proved that “Maintaining Fiscal Discipline and Providing Services” could be achieved, and be to the benefit of our people.

In my first Budget Presentation I quoted His Majesty the late King George 6th, as said in his famous 1939 New Year’s message:

“And I said to the man who stood at the gate of the year: Give me a light that I may tread safely into the unknown. And he replied: Go out into the darkness and **put your hand into the hand of God**. That shall be to you better than light, and safer than a known way.”

I believe this more than ever today.

Madam Speaker, I would like to thank Honourable Members of this House, as well as members of the listening public for their attention. I now commend The Appropriation (July 2011 to June 2012) Bill 2011 to all Honourable Members of this Legislative Assembly, and ask that they support the Bill.

Thank you Madam Speaker.