

BUDGET 2006/7

**“KEYS TO OUR FUTURE: LEADERSHIP, COMPASSION,
PRUDENCE AND VISION”**

ADDRESS DELIVERED BY

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LEADER OF GOVERNMENT BUSINESS

TO THE LEGISLATIVE ASSEMBLY AT THE BUDGET MEETING

FRIDAY, 28 APRIL, 2006

Introduction

Madam Speaker, it is almost one year since the PPM Government came to office with an overwhelming mandate from the people of these beloved Cayman Islands. Indeed, that mandate is such that while we ran only nine candidates in the General Elections, we actually have 10 seats in this honourable House!

We were elected on a platform which promised the Cayman Islands a government it can trust; a government that would restore public trust and confidence in its administration; a government that would banish self-interest and patronage from the culture of Caymanian politics; a government that would obey the law and would adhere to due process; a government that would listen to what people have to say; a government that would not victimise its critics; a government that would not subject the country to propaganda or publicity stunts.

We said during the campaign that we understood that trust must be earned, that words are easy and that actions are what matter. Today, as we deliver the second budget of our administration I can say with confidence that we

have delivered on those courageous and ambitious promises. This country can and does trust its government again. The **PPM** has proven beyond a doubt that it is a government you can trust.

There are those who say that the high ideals to which this government is committed are all well and good but that what really matters in the end is results. I agree, and the Budget Address and Throne Speech delivered to this honourable House today provide powerful evidence that the PPM is also a government you can trust to deliver to the Cayman Islands the leadership, compassion, prudence and vision that will ensure that this great country of ours will continue to grow from strength to strength.

The PPM understands, as no administration before it has, that the budget allocations and the capital expenditure of the government must not be made in isolation or on the basis of parochialism or patronage - but that they must be part of an over-arching plan for the development of the Cayman Islands. This approach has been possible because the PPM is **one** government – not, as has been the case in the past - five independent silos each fighting to have their individual interests satisfied with no real consideration or regard for what is in the long term best interests of these Islands.

The PPM came to office with a plan. That plan is contained in what was referred to derogatorily in certain quarters as “the little red book”. By and large we have stuck to that plan, amending and expanding on it as events and circumstances have required. It has been almost a year and I am proud of the achievements of this government. And I am happy for those achievements to be measured by that much-maligned “little red book”.

The Budget : Courageous, Compassionate, Prudent and Visionary

The Budget now before this honourable House lays a sure foundation for the future of these Islands. It is courageous, compassionate, prudent and visionary. It gives life and fuel to the mandate, ambitions and vision of this government as articulated by His Excellency, the Governor in the just-delivered Speech from the Throne.

The Budget is courageous because it proposes capital expenditure of CI\$130M, the largest capital budget of any government in the history of the Cayman Islands. This is ambitious, without a doubt, but absolutely necessary to address the critical infrastructure needs of these Islands that have gone neglected by successive past administrations. Schools, roads,

health care, disaster planning, housing enhancement of the tourism product and sports facilities are all being addressed because this government realises and understands that without the proper infrastructure, the quality of life in these Islands is greatly diminished and we are rendered a less attractive place in which to live, work and do business.

The Budget is compassionate because it addresses a significant number of social issues and aims to improve the life of many in our society who need assistance, whether as a result of Hurricane Ivan or otherwise. It allocates a further \$2M to assist persons who are still struggling to repair or rebuild their homes in the aftermath of the hurricane. It provides for an increase in the *ex-gratia* payments to seamen and veterans. It supports Government's initiative in collaboration with the Caribbean Development Bank to conduct a National Assessment of Living Conditions throughout the Cayman Islands. It is compassionate because it acknowledges that Government is keenly aware that the cost of living in these Islands is challenging and that many people are struggling to make ends meet. It is compassionate because in developing the necessary revenue measures, the Government has striven to avoid imposing any new measures that will significantly impact the average person and family.

The Budget is prudent because, as the Third Official Member has ably outlined in his address, all the proposals are entirely affordable, and the planned borrowing is well within the parameters of the Public Management and Finance Law. It is prudent because it acknowledges that the Government cannot embark on a major capital expenditure programme without raising new revenue. It is prudent because not only is it balanced, but it projects a healthy operating surplus of \$32M at the end of the 2006/7 fiscal year.

The Budget is visionary because it seeks not only to address immediate issues but is part of a longer-term strategic approach to the continued development and success of these Islands. It reflects the Government's belief and commitment that Caymanians must be able to share in the growth and development of this country. It recognises that special initiatives by Government are necessary to encourage and enable Caymanians to purchase real property and in particular to acquire their own homes. It also acknowledges that education is the key to the ability of Caymanians to participate in the opportunities presented by the Cayman Islands economy, and that significant expenditure must be made to ensure that our children

and adults are provided with appropriate education and training facilities, curricula and teaching. It is visionary because it recognises the need for proper planning - from the development of new schools to a National Transportation Plan and new government accommodations.

Concessions To Encourage Caymanian Home And Property Ownership

Madam Speaker, it is one thing to say as countless governments before us have said, that we must ensure that Caymanians are given an opportunity to participate fully in our economy and to be able to obtain housing at affordable rates. It is quite another to actually do something about it.

This Government recognises the critical importance of Caymanians being able to acquire their own home and property. Home and property ownership contributes significantly to a person or family's sense of self-worth, of belonging and of community spirit. It is important to the social health and well-being of these Islands that more Caymanians are able to obtain their own home, their own little piece of the rock, their stake hold in Cayman. But with the ever rising cost of real property in Cayman, this dream of property and home ownership is becoming more and more difficult to realise for the majority of Caymanians and for years and years people have said that

government ought to do something about it. Well, Madam Speaker, this Government, in this Budget Meeting, is doing something about it. We are addressing this issue in a number of ways.

First, as the Third Official Member has outlined, the Government proposes to reduce stamp duty on the purchase of all real property by Caymanians to 4%. The only exception to this is in relation to certain high-end property along the West Bay corridor and certain parts of George Town where Caymanians will pay 7 ½ % like everyone else. The significantly lower stamp duty for Caymanians is designed to make the purchase of real property more affordable for them and to encourage more of our people to own property.

Second, further concessions will be offered to Caymanians acquiring property for the first time. First time Caymanian purchasers of raw land will pay no duty on the purchase of land valued at CI\$50,000 or less. Land valued at more than CI\$50,000 but not exceeding CI\$75,000 will attract stamp duty of only 2%.

Third, first time Caymanian purchasers of property which includes a building on it will pay no stamp duty on the purchase of such property valued at CI\$200,000 or less. Property which includes a building valued at more than CI\$200,000 but not exceeding \$300,000, will attract stamp duty at the rate of 2%.

Madam Speaker, these are significant concessions that we believe will have a truly positive impact on the lives of Caymanians, making the goal of property and home ownership an attainable one for many of our people. They demonstrate this Government's commitment to improving the lives and prospects of our people, not by mere words but by positive action.

The Affordable Housing Initiative

And Madam Speaker, the Government is not stopping there. We have largely cleaned up the monumental mess at the National Housing and Community Development Trust (NHCDT) left by the former administration and we are now moving forward with plans to provide quality, affordable housing for those persons in our community who find it impossible to acquire a home using the commercial banking system.

The NHCDT continues its daunting task of ensuring that the Trust remains fiscally responsible and viable. There is a growing waiting list of persons and families in need and the Trust is striving to address the immediate housing needs of Caymanians while also taking steps to engage the construction and finance industry in the plans to make affordable homeownership a reality for many more Caymanians.

The Housing Trust is actively taking the following steps to provide additional housing:

1. It is subdividing the land which it owns at Eastern Avenue and Fairbanks into single family house lots;
2. It is working with representatives of the Cayman Contractors Association in developing plans for new houses and seeking interest from reputable and qualified contractors to build houses at both of these sites;
3. Construction is anticipated to commence in the next couple of months during which time the Trust will be reviewing applications from interested and needy Caymanian families who are able to service a mortgage on the basis of construction costs only as the land will be transferred for nil consideration;

4. Government is assisting the Trust by looking for additional land throughout the Island on which to develop similar plans.

In addition to these measures, Government is seriously considering reviving the Government-Guaranteed Home Mortgage Scheme as there appears to be renewed interest in this from both the private sector lending partners as well as the public.

Other Measures to Encourage Affordable Housing

Government is aware that there are private sector developers who are willing and able to continue providing affordable housing. Accordingly, Government will be considering supporting measures to assist the private sector in this most important part of the economy. For example:

- Working with Planning, Lands and Survey and other government agencies to ensure that such housing initiatives move smoothly through the approval processes;
- Working with private sector partners to investigate viable means to help ease the burden of rising interest rates and improving the ability of middle income earners to service a mortgage;

- Supporting and facilitating the provision of affordable multi-family housing developments for those people in need of housing who may not be able to service a mortgage.

Madam Speaker, this Budget and the policies which it supports demonstrate this Government's commitment to improving the quality of life of Caymanians in a way that no other government has ever done. That is because we understand that the social issues in these Islands must be addressed and that for Cayman to be truly prosperous, all of our people must have the opportunity at a minimum, to have a place they can call their own, a place to rear their families, a place which is their home.

Revenue Measures

As I have said earlier, this Budget proposes and supports the largest capital expenditure programme in the history of this country. That programme can only be achieved by additional revenue measures. Despite all that has been said and will be said, the measures proposed in this budget are proportionate, realistic and we believe from our consultations, commercially sustainable. In some instances, the revenue heads involved had not been reviewed for a decade or more. For those areas that have sustained increases this time

around, the Government does not intend to levy similar increases for the remainder of this term. We very much value the ability of our economy to generate wealth, and we understand that this can only be possible where economic actors have a conducive environment in which to operate.

Immigration Policy

The Government is very conscious that a critical element of an environment conducive to business is a responsive and responsible immigration policy. We are fully aware that our lead sectors of financial services, tourism and development can only thrive if they are able to continue to attract and retain quality employees. We are equally cognizant of the state of uncertainty which the present law has injected into doing business in these Islands. That is why we are conducting an urgent review of the Immigration Law and Regulations. The Cabinet and the Immigration Review Team continue to devote significant man hours to this exercise and in fact, I am pleased to be able to say that we expect to bring amending legislation to this honourable House in July. Notwithstanding that, it would perhaps be appropriate for me to outline in broad terms the nature of the review to date and some of the policies that we intend to see reflected in the amending legislation.

The report submitted by the Immigration Review Team 2005 gave an extensive and detailed overview of the current legislation and identified provisions that needed amending under several broad categories ranging from those of a purely technical or structural nature to others that form the very backbone of the Law. It is well known that many of the more important provisions like those relating to term limits and exempted employees have given the greatest cause for concern in the business community.

I believe the need for the term limit policy has now been generally understood and accepted by both Caymanians and expatriates alike, but the Government recognises that the policy must be measured in its application so as to ensure that we continue to enjoy the economic prosperity for which these islands are well known. By measured I mean that steps must be taken to ensure that employers continue to have access to sufficient expertise and manpower in order to have business continuity. This access applies not only to the retention of personnel but also to the ability to recruit high calibre replacements from time to time where necessary for a variety of reasons, including natural attrition in the work place. We believe that the existing provisions must be amended so as to achieve this objective. In particular, it is our view that more attention needs to be paid to whether or not there is a

global shortage of a particular skill set rather than a local shortage given the fact that we import labour for virtually every category of employee.

Although we intend to retain the current procedure that allows for individual applications for exemption to be made to the relevant Boards, the Government has taken the decision to create a more robust tool to address this concern by creating a new provision that would vest in the Governor in Cabinet the power to designate particular categories of employees in particular industries or sectors of the economy as exempted. This provision will allow the Government of the day to respond decisively to changes in local and global manpower trends both by adding and/or removing certain categories as circumstances warrant. Furthermore, this will give government the ability to implement policy directly and swiftly while alleviating some of the burden that would fall on the Boards to deal with applications on a piece meal basis. It follows also that this approach will introduce greater certainty in the designation process.

Madam Speaker, as you are no doubt aware, designation of an employee as exempted does not exempt them from the term limit provisions. It merely permits that person to remain here on work permit for nine years instead of

seven and thereby allows them to qualify to apply for permanent residence. One might therefore expect, as is indeed the case, that persons affected by the provisions, whether they be employers or employees, wish to know that once exemption is granted there will be a reasonable opportunity to acquire permanent residence. To some degree, this will depend upon each individual and the extent to which they can meet the criteria for a grant and in this regard, we intend to amend the permanent residence provisions to create a more level playing field for applicants.

Madam Speaker, not everyone who applies for permanent residence can be successful. To expect that is to be unrealistic. But having said that, the Government recognises that there must be a reasonable prospect of obtaining permanent residence for those persons who remain here for 8 years or more. In other words, the Board must grant permanent residence in sufficient numbers for there to be any benefit to the Islands of having the exempted employee provisions. Madam Speaker, it should be fairly obvious that in the absence of doing so, few employees will see the benefit of being exempted and will likely choose to leave these islands sooner rather than later. Furthermore, unless there is some meaningful correlation between exemption and acquiring permanent residence few employers will be able to

recruit the calibre of individual needed to fill vacancies in their work force. The danger to our economy from this eventuality is clear and obvious. Achieving all these objectives will not be easy as they have to be balanced against the needs and desires of Caymanians and what is in their best interest both personally and in the work force. But it can and must be done, The Government will, at all times, keep at the forefront of its mind its overriding duty to Caymanians and the need to ensure that they also have a level playing field for job opportunities and upward mobility in the work place.

In closing on this topic Madam Speaker, it must be said that it is in the interest of everyone, including Caymanians who now enjoy one of the highest standards of living in the world, that we take proactive steps to safeguard essential employees in the work force and the Government intends to do precisely that. More will be said on these and other immigration matters when the amending legislation is brought before this Honourable House for debate, but I trust that these few observations today will serve as a clear indication that we fully intend to address these matters legislatively in a meaningful way.

Madam Speaker, with that introduction, I shall now move on to outline the outcome goals and policies informing the budget.

Overview of Outcome Goals and Key Policy Actions

Outcome Goals

Madam Speaker, the 2005/6 Strategic Policy Statement approved by this Honorable House established eleven broad outcome goals that the Government would seek to pursue for the 2006/7 to 2008/9 financial years. These are as follows.

Outcome 1: Deal with the Aftermath and Lessons from Hurricane Ivan.

Outcome 2: Address Crime and Improve Policing.

Outcome 3: Improve Education and Training.

Outcome 4: Rebuild the Health Services.

Outcome 5: Address Traffic Congestion.

Outcome 6: Embrace Cayman Brac and Little Cayman.

Outcome 7: Conserve the Environment.

Outcome 8: Strengthen Family and Community.

Outcome 9: Support the Economy.

Outcome 10: Open, Transparent, Honest and Efficient Public Administration.

Outcome 11: Sound Fiscal Management.

These broad outcomes reflect the Government's priorities and focus during its current term of office. They provide the framework within which we have established policy and prioritized expenditure.

The Outcomes do not stand isolated; they are interrelated. Policy actions to influence one outcome will affect the performance of another.

Key Policy Actions

Madam Speaker, let me now turn to the key policy actions contained in the Annual Plan and Estimates.

Outcome 1: Dealing with the Aftermath and Lessons from Hurricane Ivan.

The government's primary objective under this outcome in 2006/7 is to ease some of the human suffering caused by the hurricane. It has been some 19 months since hurricane Ivan wreaked havoc on the Cayman Islands and there are still some persons in our communities who have not been able to repair or rebuild their homes.

The 2005/6 Appropriation Law authorized the government to make payments of up to \$4M to assist our people with hurricane Ivan relief. As of today, most of that \$4M is committed to be spent before 30th June. The Government is acutely aware that with the approaching hurricane season, it is important that there is continuity in the relief programme between now and 1st July when the 2006/7 budget comes into effect. Accordingly, the government will seek supplementary expenditure of \$2M for the hurricane relief programme before 30th June.

In addition, the 2006/7 Budget provides for a further \$2M in hurricane relief funds, by a contribution of \$750K to the Cayman Islands National Recovery Fund and \$1.25M to the District Assistance Committees.

The lessons of hurricane Ivan remain fresh in our minds and the Government is determined to take firm steps to minimize the impact of future disasters. Madam Speaker, our actions today in this regard will help us realize our vision of a safe and secure Cayman Islands able to deal with any type of natural or man-made disaster.

The second area of priority for this outcome is building the capacity to better prepare, respond and recover from disasters. The 2006/7 Budget makes significant provisions for disaster preparedness and response. The National Emergency Management Agency (NEMA) will have its capacity strengthened through funding of \$1.2M to that agency as well as the provision of \$2.2M to cover the expansion and upgrade of the Emergency Operations Centre (EOC) and to provide upgraded emergency generators at the EOC and at emergency shelters throughout the islands.

Madam Speaker, I have earlier spoken of vision. Hurricane Ivan taught us that the Government needs to improve the quality of its key office facilities to better withstand hurricane and other natural disasters. Action in this area is the third key priority under this outcome. The budget includes \$11.9M to start the construction of two new hurricane shelter standard office buildings to house government departments and some statutory authorities. These buildings will allow for the rapid resumption of government services following a disaster.

In addition to the disaster recovery benefits, these new accommodations simply make sound financial sense as the Government is currently paying some \$5M in leasehold payments per annum for accommodation for government departments and statutory authorities.

In addition to its offices, the Government will invest in improving the storm resistance of the following infrastructure:

- A \$4M allocation is provided for the construction of an expanded and disaster-resistant National Archive facility to store and protect Government documents and records;
- \$1M is provided to start the construction of a new Civic Centre and Emergency Shelter in the district of Bodden Town;
- \$1M is included in the budget to build a sea wall in East End to help protect the main road in and out of the district at critical points from potential storm damage.

Outcome 2: Addressing Crime and Improving Policing

When this Government took office crime was at an all time high. We moved swiftly and strategically to address this issue by approving almost \$50M in proposed expenditure to improve policing in the context of a 4-year strategic plan to increase the capacity and ability of the RCIP to deal with crime. The 2005/6 budget provided for some \$15.5M to initiate this plan.

In terms of increased funding for the RCIP, the 2006/7 Budget provides for \$4.2M for increased policing presence in our communities. The Portfolio of Internal & External Affairs will provide new outputs in the amount of \$250K relating to the sentencing and rehabilitation of prisoners.

Further, several capital expenditure items have also been included in the Budget to address crime and improve policing, and they are:

- \$6.2M to fund the establishment of a Police Marine Facility and the purchase of vessels and other necessary policing assets to assist with the fight against crime and improving border protection;
- \$2.0M for the construction of a new law courts facility;

- \$1.7M for the purchase of land and construction of an Emergency Services Center in Bodden Town, which will include a new Fire Station; and
- \$750K for the Prison Department to improve the segregation of prisoners to reduce the impact of mixing seasoned criminals with young and first time offenders.

Several legislative actions are also planned in 2006/7 to help achieve this outcome including:

- Amendments to the Prisons Law to facilitate the appointment of a Commissioner of Corrections to lead the development of modern sentencing policies and practices;
- The implementation of Drug Court Legislation to create a Drugs Court to deal with drug related crimes and facilitate appropriate sentencing;
- Amendments to the Police Law to strengthen the crime fighting capability of the Police;

- Amendment of the Grand Court Law to provide for the establishment of a council of judges;
- Anti-Corruption Legislation to strengthen the existing provisions in the Penal Code;
- Amendment of the Firearms Law to provide a deterrent in the use of firearms in the commission of violent crimes;
- Consolidation of the Proceeds of Criminal Conduct Law and the Misuse of Drugs Law.

Outcome 3: Improving Education and Training

Improving the education systems and facilities in the Cayman Islands is another key priority for the PPM Government. Education is the key to success for our children and ultimately for the country and the Government is committed to achieving the best education system possible. The very future of this country depends on it.

The budget provides the resources towards achieving this vision with an increase of \$3.0M in education related outputs from the Ministry and Department of Education including \$1.5M for a new output to launch the National Literacy Initiative which is designed to improve the reading skills

of our students at all levels. Suffice it to say, recent reports make it clear that drastic measures are necessary to address the issues of both literacy and numeracy in the government school system.

On the capital side the 2006/7 Budget continues the investment strategy for the improvement of the education infrastructure outlined in the 2005/6 Budget and the 2006/7 Strategic Policy Statement. Equity injections in the amount of \$36.7M are being made into the Ministry of Education, Training, Employment, Youth, Sports and Culture to commence the construction of new high schools at Frank Sound and West Bay and the redevelopment of the John Gray High School in George Town. In addition, this equity investment will also fund the construction of new facilities for George Town Primary School, and school halls at East End Primary and Cayman Brac High School.

These education projects are multi-year projects and further allocations will be provided in the 2007/8 and 2008/9 budgets consistent with the plan revealed in the 2006/7 Strategic Policy Statement.

Outcome 4: Rebuilding Health Services

The key policy action under this Outcome continues to be the stabilization of the Health Services Authority (HSA). The Board of Directors of the HSA has worked steadily over the past year towards achieving this goal and to comply with the Government directive to attain a breakeven operating position by 2007/8.

The Government recognizes that it is a difficult task and is committed to ensuring that the HSA has the resources necessary to deliver the best possible health care services to residents.

The 2006/7 Budget makes provision for \$2.6M in new outputs from the HSA to provide Ambulance Services and District Health Clinics. In addition, an equity injection of \$6.5M is being provided to the HSA to fund the operating deficit and a further \$2.5M is being provided to purchase new medical equipment to improve the services provided the healthcare facilities throughout the islands.

Other policy actions planned in 2006/7 to influence this outcome include:

- An equity injection of \$500K is being made to improve the in-patient drug rehabilitation facilities at Caribbean Haven; and
- The Cayman Islands National Insurance Company (CINICO) will receive an equity injection of \$3M to re-establish its required capital base following operating losses.

Legislative action proposed in this area includes the review and modernisation of Public Health legislation and a review of the Health Insurance Law.

Outcome 5: Addressing Traffic Congestion

The Government recognizes that traffic congestion is a serious problem affecting the quality of life of residents and visitors and presents challenges to various sectors of the economy. In addition to the ongoing work on major arterials, Government is in the process of developing a National Transportation Plan to address the issue of traffic comprehensively. The 2006/7 Budget makes an allocation to continue this very important project

which will guide the development of the National Road Network well into the future.

The 2006/7 Budget provides \$12.25M to fund:

- the acquisition of land for roads; the continuing development of the Esterley Tibbetts Highway;
- the commencement of works on a new East/West Arterial road linking Newlands with the Prospect area and various other road works projects throughout Grand Cayman.

In addition to the road related capital projects, the Government intends to pursue amendments to the Traffic Law and other related laws to influence safer driving on all roads. There have been far too many accidents and fatalities in recent times and Government is moving deliberately to address this scourge.

Outcome 6: Embracing Cayman Brac and Little Cayman.

The Government is fully committed to the economic and social development of Cayman Brac and Little Cayman. The Government also acknowledges

the unique character and circumstances of those Islands and will tailor any initiatives to ensure the best fit with the residents there.

The 2006/7 Budget continues to provide for a wide array of outputs to be delivered by various government agencies on Cayman Brac and Little Cayman. It includes allocations totaling \$4.7M for capital expenditure in Cayman Brac and Little Cayman across government's broad outcomes. The projects to be funded in 2006/7 include:

- a new hall at the Cayman Brac High School;
- developing a sports centre on Cayman Brac;
- maintenance of the West End Channel and the waterway up to Dennis Point;
- various new road projects;
- upgrading of the air-conditioning and emergency power systems at the Aston Rutty Centre,
- improvements to the Little Cayman airstrip,
- additional street lighting;
- a slaughter house on Cayman Brac;
- improvements to the Cayman Brac Museum; and
- upgraded boat ramps and jetties.

A further \$300,000 has been allocated to the Sister Islands Affordable Housing Corporation to fund the construction of low cost houses in Cayman Brac during 2006/7.

Outcome Seven: Conserve the Environment.

The natural environment is of critical importance to those of us who live in these Islands, as well as being the foundation of our tourism industry. The Government is therefore committed to protecting the environment for both current and future generations.

The 2006/7 Budget provides for an increase of \$500K in output funding for the Department of Environment to increase the level of services it provides in respect of environmental regulation, protection and conservation.

The 2006/7 Budget also provides funding for some important environment related capital projects including:

- \$1M for the continued acquisition of land for the Barkers National Park;

- \$1.2M for the purchase of equipment to improve the collection and disposal of solid waste in both Grand Cayman and Cayman Brac;
- \$200K to allow the Department of Environment to construct a facility in Little Cayman to improve its enforcement and conservation activities.

Key legislative actions planned in this area include:

- The introduction of national conservation legislation aimed at increasing protection for flora and fauna of the Cayman Islands;
- New regulations will be developed and implemented to create the North Sound Special Management Areas;
- The review and implementation of a new set of environmental health and solid waste laws and regulations to improve the regulation of the sector and operations of the Department of Environmental Health.

Outcome Eight: Strengthening Family and Community

The Government considers this outcome to be central to the well being of our nation. Accordingly, a large portion of the Government's policy actions and expenditure are related to achieving this outcome.

Excluding funding provided for under other outcomes, two of the more notable new operating expenditure items included in this budget to influence this outcome are:

- Increasing the monthly *ex-gratia* benefit paid to seamen and veterans to \$500;
- Purchasing an additional \$300K in outputs from the National Housing and Community Development Trust to tackle the growing issue of affordable housing in the Cayman Islands.

In terms of capital investment actions to support this outcome, the Government is committed to improving the quality of life of our elderly citizens and the budget makes provision for \$450K to fund improvements to the Golden Age Home in West Bay and to establish a Senior Citizens Centre in North Side.

The Government recognizes that there are many families struggling to keep up with the increasing cost of living. It is our desire to develop policies that enhance social development and improve the overall quality of life for all residents of the Cayman Islands. In order to do this, the Government needs data on which to develop sound policies.

We have therefore taken the initiative to conduct a National Assessment of Living Conditions with the assistance of the Caribbean Development Bank (CDB). CDB has acknowledged our need for this study and has most generously offered major financial support to ensure its completion.

Preliminary arrangements and preparations are currently being made and the start of the actual assessment is due to begin in September of this year and will run for 6-9 months. It is anticipated that the study's findings will be presented to Cabinet in June 2007.

The Objectives of the Assessment are:

1. to determine the level of poverty across the three Islands;
2. to identify factors affecting the living conditions of Cayman Islands residents; and
3. to identify and enhance social development policies, strategies, programmes and projects.

It is important to note that while a small, experienced team of consultants identified by the CDB will provide the technical expertise needed to conduct this study, most of the work will be carried out by our people. In fact, one of

the objectives of the assessment is to improve the capability of local entities to conduct future assessments with limited use of outside assistance.

In order to ensure the success of the project it is essential to ensure a multi-sectoral approach and as such, the National Assessment of Living Conditions will be co-coordinated by the Ministry of Health and Human Services and the Cabinet Office.

The project will be steered by the National Assessment Team comprised of representatives from various government agencies, non-governmental organisations and the private sector.

Once the study is concluded, the National Assessment Team is further charged with planning and formulating short, medium and long term poverty reduction strategies which address poverty at its root causes.

This is one of the landmark initiatives of this Government and one which I am extremely proud to be associated with. This study will provide the long awaited qualitative and quantitative information needed to ensure that government, community and private sector resources are strategically

directed to assist those who most need financial, cultural, economic and social empowerment.

Sports Development is another area of priority for the Government. In achieving this outcome and in addition to the projects on Cayman Brac, the Budget includes \$1.5 million to fund the construction of a new boxing gym at the Truman Bodden Sports Complex and the continued development of the Jimmy Powell Cricket Facility in West Bay.

A number of important legislative measures relating to Outcome 8, namely Strengthening Family and Community, are also planned for 2005/6. These include:

- Anti-Tobacco legislation that includes smoke free policies and addresses the marketing and use of tobacco,
- Revision of the Mental Health Law to address the treatment of mental health patients and establish mental health care policies,
- Revision of the Children Law to ensure compliance with child protection and welfare policies,
- Revision of the Adoption Law to update procedures for the adoption of children

- Development of Food Hygiene and Drinking Water Quality Regulations
- Development of Cemetery Management Regulations to regulate the management of private and public cemeteries, and
- Amendment of Legal Aid Law to streamline the granting of legal aid.

Outcome 9: Supporting the Economy

Madam Speaker, as I said during the debate on the Strategic Policy Statement, the fact that “supporting the economy” is outcome number nine does not mean that it less important than any of the other outcomes. Supporting the economy must, and will, have the utmost priority.

The Budget includes funding at existing and increased levels for outputs to support the development and regulation of the various sectors of the Cayman Islands economy. The Budget provides funding across several agencies to continue to build investor confidence and encourage inward investment.

While there are no significant capital needs or extraordinary expenditures in this budget in relation to the financial services sector, the Government

wishes to re-affirm its strong support for the sector as befitting a key economic driver, as evidenced by:

- Our policy approach to immigration issues as outlined earlier in this address
- Public relations and intergovernmental relations support for the sector
- Support for commercial enhancements to sector products and services via legislative upgrades
- Investment in and funding for the necessary public sector infrastructure (e.g. General Registry; CIMA, MACI, CSX)

The sector's success is Cayman's success, and the Government very much values the partnership with the sector that enables both the benefits and the burdens of success to be borne together as we secure sustainability and prosperity for all our futures.

This Government's support for the other key economic driver is unequivocal. The tourism industry will benefit from a provision of \$2.9M in new outputs for the Department of Tourism to pursue, among other things, increased marketing of the Cayman Islands in Europe. This is an effort to

attract more tourists from Europe to help diversify and secure our tourism industry. In addition, the Budget provides funding across a number of agencies to support the “Go East” initiative which seeks to encourage tourism development in the eastern districts of Grand Cayman including \$400K to purchase additional land for a public beach in Bodden Town.

The local agricultural sector will be further supported by a range of improved services from the Department of Agriculture and \$1M has been allocated for the redevelopment of the Farmers Market.

A number of important legislative actions are also planned in relation to Outcome 9. These include:

- a Tourism Authority Law;
- an Employment Law to make amendments to reflect public feedback on the existing law,
- a Data Protection Law to provide protection for information relating to living individuals and to ensure ready transfer of data with the European Union,
- Reporting of Savings Income Information (EU) Regulations to implement savings income reporting requirements,

- Tax Information Authority Regulations to prescribe forms and notices for the Tax Information Authority, and
- Amendments to the Development and Planning Law to effect possible changes to the Development Plans for Grand Cayman, Cayman Brac and Little Cayman.

Outcome 10: Open, Transparent, Honest and Efficient Public Administration

Outcome 10 is an important outcome for the Government because it reflects the way the PPM Administration wishes the Government to operate. It is the outcome that best reflects the philosophy and approach we wish to bring to the business of government.

Madam Speaker, with less than one year in office the PPM Government has established a strong record of openness and transparency in its actions. The 2006/7 Budget reinforces this philosophy by funding the Ministries and Portfolios to be able to implement the regulations to support the Public Service Management Law and to meet the requirements of the proposed freedom of information legislation soon to be brought to the Legislative Assembly.

Outcome 11: Sound Fiscal Management

The 2006/7 Budget is based on sound and responsible fiscal management, one of the Government's keys to success. The Third Official Member in his address earlier, expounded on the strength of the financials which underpin this budget. I will take just a few moments to explain the key fiscal policies which have guided Government's decision making process for this Budget.

Madam Speaker, compliance with the Principles of Responsible Financial Management was a primary objective for the Government. The 2006/7 Budget fulfills that requirement.

The new revenue measures included in the 2006/7 Budget are in line with the plans outlined in the 2006/7 Strategic Policy Statement. These revenues are critical to the continued development of the Cayman Islands in all regards.

The funds realized from these measures will be used to finance the construction of new schools and improvements to other key assets. Over the longer term the additional income will go to help offset the operating costs of the enhanced services to be provided by these new assets.

Conclusion

Madam Speaker, the 2006/7 Budget sends a clear message about the Vision that the PPM Government has for this country. It is a plan for the long term development of these Islands that is progressive, yet firmly rooted in reality. It holds out no promises of miracles or quack medicines - for we know it will take time. But we have set the programmes and priorities and we have dealt with the crucial issue of funding.

This Budget lays the foundation upon which the future of the Cayman Islands will be built.

- It boldly addresses the development of critical infrastructure which has been neglected by successive governments which have preceded the PPM.
- It recognizes and treats compassionately many of the social issues which plague this community, such as housing.
- It acknowledges the need for additional revenue measures but does so fairly, proportionately and after consultation.
- It is balanced and projects a healthy operating surplus.
- It is prudent and restricts borrowing to affordable limits.

In short, Madam Speaker the 2006/2007 Budget bears the hallmarks of this PPM administration and the keys to our future: “Leadership, Compassion, Prudence and Vision”.

Thank you, Madam Speaker.