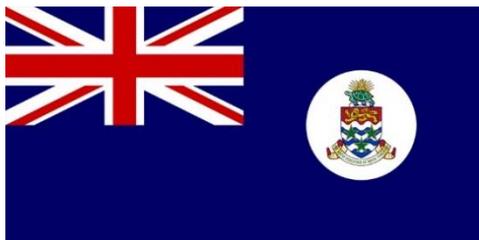


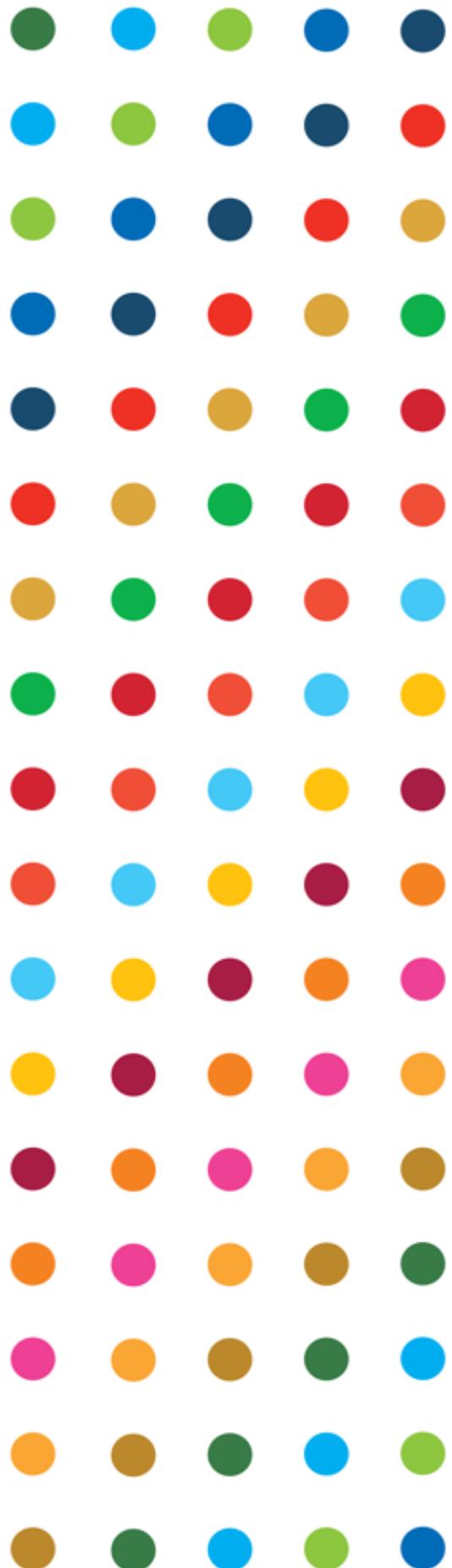
Common Country Analysis

Update 2021

Cayman Islands



UNITED NATIONS
JAMAICA, BAHAMAS, BERMUDA
TURKS AND CAICOS & CAYMAN ISLANDS



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This document was not subject to official editing. Any errors are the responsibility of the authors. Comments or suggestions concerning the contents of this document should be addressed to Olaf J. de Groot (olaf.degroot@un.org).

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Abbreviations

| | | |
|---------|---|--|
| CCA | = | Common Country Analysis |
| CSO | = | Civil Society Organization |
| DCO | = | Development Coordination Office |
| GDP | = | Gross Domestic Product |
| ICT | = | Information and Communication Technology |
| LGBTQI+ | = | Lesbian, Gay, Bisexual, Transexual, Queer and Intersex |
| MSDCF | = | Multi-Country Sustainable Development Framework |
| NDP | = | National Development Plan |
| PPM | = | People's Progressive Movement |
| PSHM | = | Public Health and Social Measures |
| SDG | = | Sustainable Development Goal |
| UNCT | = | United Nations Country Team |

I. Executive Summary

During 2021, the socioeconomic environment of the Cayman Islands did not change dramatically. The primary changes that took place are those that take on board the continued adjustments resulting from the ongoing **COVID-19 pandemic**. This update of the Common Country Analysis (CCA) thus primarily focuses on those observed impacts.

The first and foremost global change is the current availability of a vaccine that helps to reduce the risk of infection and especially hospitalization. In the Cayman Islands, **take-up of the vaccine** was excellent, and a large share of the population has been vaccinated. As a result of the successful vaccination drive and a very prudent approach to reopening international borders, the Cayman Islands was able to avoid much of the waxing and waning waves of the pandemic until November 2021, when it quickly turned into the world's COVID-19 hotspot for some weeks.

Second, it is important to look at continued **progress on the SDGs** and whether any SDG indicators have suffered declines or reversals resulting from the pandemic. Unfortunately, in the case of the Cayman Islands, data is too scarce to be able to provide much insight in this area. Finally, the **economic picture** has become substantially clearer during 2021 and it shows that the Cayman Islands has suffered a relatively small economic decline, compared to other Caribbean economies. In fact, its important financial services industry experienced some growth during 2020.

Finally, the territory continues its low-key approach towards the challenge of **climate change**, but a new project was announced that will investigate the impact thereof for the island group and the potential implications for policy. Furthermore, the Cayman Islands will be host to a new Commonwealth Climate Fund, to which the Government has made a small conditional commitment.

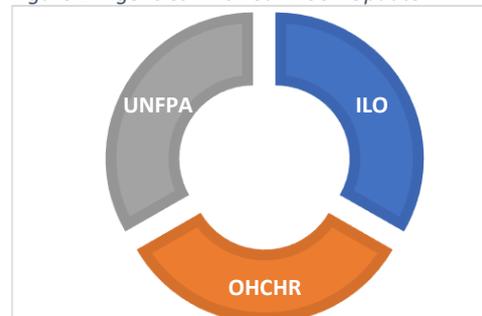
II. Introduction



The CCA is a key instrument designed to reflect the United Nations integrated, forward-looking and evidence-based joint analysis of the context for **sustainable development**, in view of achieving the 2030 Agenda and the Sustainable Development Goals. It forms the basis of UN programmatic support through the Multi-Country Sustainable Development Cooperation Framework (MSDCF). However, the CCA is not an insular document that, once completed, is set in stone. Rather, an annual update is prepared that complements the growing evidence base over time. The update identifies actual and anticipated shifts in the national development landscape.

This document is the first CCA update of the latest cycle, with the original mini-CCA for the Cayman Islands completed at the end of 2020. This document thus provides an overview of major changes that have taken place in 2021

Figure 1. Agencies involved in CCA Update



Source: Prepared by authors.

and highlights the data that has become available since then.

Naturally, the most pressing issue in the Cayman Islands continues to be the COVID-19 pandemic. Chapter III of the update provides further detail on the late 2021 status of the pandemic in the territory, and chapter IV will highlight the economic impacts the pandemic is having. While the pandemic was clearly present in late 2020, it was not yet apparent in much of the data presented in the CCA. In fact, as pointed out in chapter II, on progress towards the SDGs, even now, much information continues to be incomplete. This means that it is still partially unknown what the

socioeconomic impact of the pandemic is like in the Cayman Islands.

Chapter V provides a deep dive into the different upcoming threats and opportunities as identified by the Agencies, Funds and Programmes that are active in the Cayman Islands. For this report, the inputs of the different UN entities in the territory have been pivotal, as shown in figure 1. Inputs were also solicited and incorporated from the whole UN Country Team (UNCT), the regional Development Cooperation Office (DCO) based in Panama, national government and select Civil Society Organizations (CSOs).

III. Progress towards the SDGs

The Cayman Islands has a range of sectoral plans, which overlap with some of the SDGs, but there is no specific **National Development Plan (NDP)** in place at this moment. The closest is probably the 2018 PlanCayman, though this is particularly focused on land use and zoning around Grand Cayman. In July 2021, the recently elected premier of the Cayman Islands indicated that PlanCayman required a new

approach to incorporate the new government’s points of view, especially with regards to sustainability and climate resilience. The newly elected government’s expenditure plan for 2022-2024 does include the ten “Broad



Figure 2. Cayman Islands: Government's ten Broad Outcomes and possible linkages with the SDGs



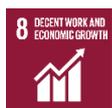
Source: Prepared by the authors on the basis of Cayman Islands Government, 2021a.

Outcomes” it is striving for¹. Figure 2 shows these outcomes and possible linkages with the 2030 Agenda. As can be seen, most SDGs are specifically addressed, but seven of the SDGs are not.



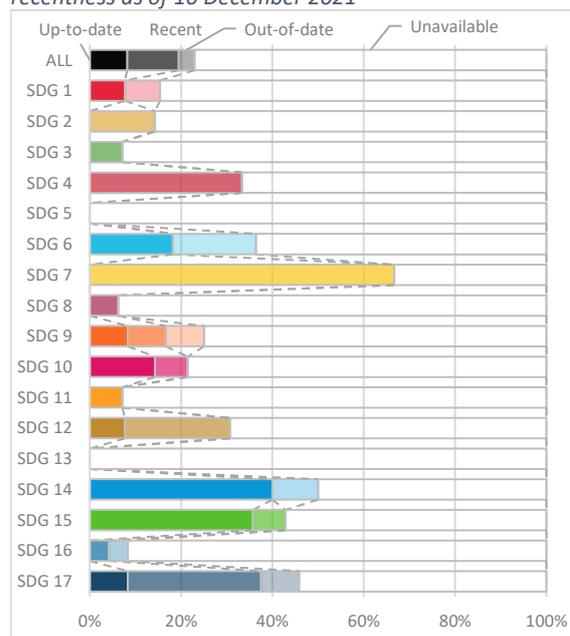
As stated in the CCA, while progress towards each of the indicators that are part of the **2030 Agenda** are tracked by the United Nations, it can be difficult to assess the overall progress towards the SDGs. Looking at the United Nations SDG data portal², we can assess the availability and recentness of SDG data for the Cayman Islands. Figure 3 shows that the most recent observation of 19 per cent of indicators is from 2018 or later, and 77 per cent of all indicators have no observed data from 2010 onwards. SDG 7 has the best data availability, with two-thirds of observations from 2018 or more recent. At least one-third of indicators is somewhat recent for SDG 4, SDG 14, SDG 15 and SDG 17 as well. On the other hand, there are no observations whatsoever for SDG 5 and SDG 13 and less than 10 per cent of indicators is available for SDG 3, SDG 8, SDG 11 and SDG 16.

It should be noted that in some cases, **data availability** at the territory level is not fully reflected in the UN SDG database. For



example, enough data is available for the calculation of the unemployment rate (SDG 8.5.2),

Figure 3. Cayman Islands: SDG indicator availability and recentness as of 16 December 2021



Source: United Nations, 2021.

Note: Availability and recentness is calculated per SDG. If the most recent data is from 2020 or 2021, an indicator is considered “up-to-date”, if the most recent data is from 2018 or 2019, it is considered “recent”, and if it is from 2010-2017, it is considered “out-of-date”. Older observations are considered included in the group of unavailable indicators. Reported data may not be complete and may not be available at complete levels of disaggregation.

the total government revenue by source (SDG 17.1.1) and the proportion of domestic budget funded by domestic taxes (SDG 17.1.2)³. It should be a priority for the United Nations to make sure that this kind of data is also included in global databases, assuming that it can be validated and is found to be comparable to data reported for other jurisdictions.

IV. Impact and response to COVID-19



As of 30 December 2021, 8,818 cases of **COVID-19** have been diagnosed and 11 deaths have been attributed to the pandemic⁴. Until October 2021, the Cayman Islands was one of the jurisdictions with the lowest case rates in the

world, having reported fewer than 1,000 cases. However, a wave without comparison hit the islands during October-December 2021, with the seven-day average reaching 300 daily cases (implying that more than 3 per cent of the population was diagnosed in a week). The

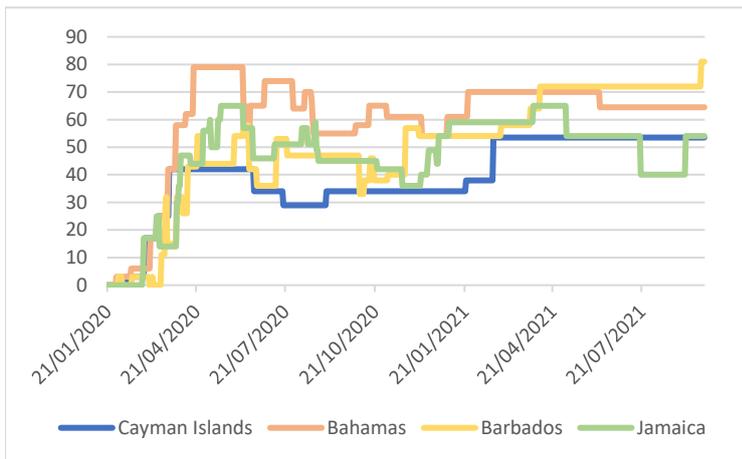
¹ Cayman Islands Government, 2021a.

² United Nations, 2021.

³ Cayman Islands Government, 2021b.

⁴ Worldometers, 2021.

Figure 5. Selected countries: PHSM Index, January 2020-October 2021



Source: WHO, 2020.

number of deaths increased from 2 to 9 between mid-November and early December. The testing rate in the Cayman Islands is remarkably high, which helps to identify cases (3,229 tests per 1,000 of population as of 30 December 2021, compared to e.g. 236 for Jamaica and 459 in the Bahamas⁵). Until the latest wave, tight travel restrictions implemented by the Cayman Islands Government from early on can be credited with keeping the virus at bay. Somewhat surprisingly, the **restrictions on travel** have allowed the territory to have relatively few other restrictions, as shown in figure 4. The Public Health and Social Measures (PHSM) Index developed by the World Health Organization⁶ shows that the territory’s level of restrictions is generally below those of comparable jurisdictions. On 20 November 2021, the country entered Phase 4 of its reopening, allowing fully vaccinated tourists back into the country under strict limitations. Other public health measures that continue to be in place include mask mandates and some capacity limitations. In good news, schools have reopened for face-to-face



⁵ Worldometers, 2021.

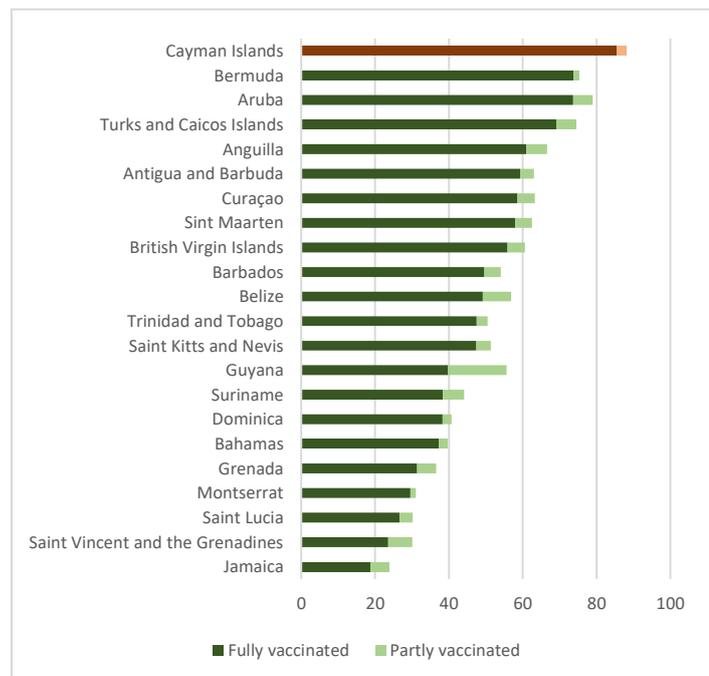
learning, which will be important to help young people overcoming the important learning deficits that have occurred since the beginning of the pandemic.

With **vaccination** being the most effective way of combatting the pandemic, the rollout of vaccines has gone very well in the Cayman Islands, compared to elsewhere in the Caribbean. Thanks to its relationship with the United Kingdom, the territory Islands did not suffer as much from the well-documented vaccine inequity that

saw developed countries hoarding vaccines while others were not able to access any. Instead, the territory was able to start vaccinating its population in February 2021, using donated vaccines. Figure 5 shows that, as of 30 December 2021, the Cayman Islands has the highest vaccination rate in the Caribbean, with 85.6 per cent of the population fully vaccinated



Figure 4. English- and Dutch-speaking Caribbean: vaccination rates, 30 December 2021

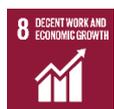


⁶ WHO, 2020.

and another 2.6 partially vaccinated⁷. Increasing the vaccination rate from the currently high rate is going to be more challenging, especially with vaccines for the

youngest children still unavailable. The vaccine mandate for travel to the United States may help to motivate people to receive the vaccine.

V. Economic Update

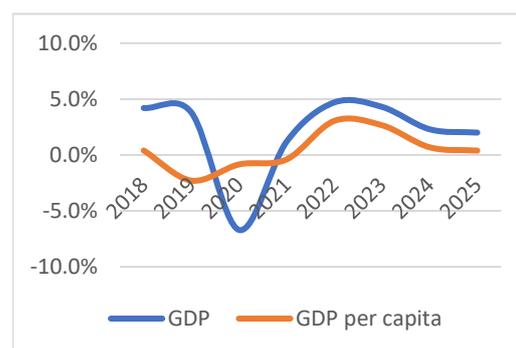


The economic shock resulting from the COVID-19 pandemic was substantially smaller in the Cayman Islands than in other tourism-dependent economies in the Caribbean, with **real GDP falling by 6.7 per cent** in 2020. This is attributable to two core elements: First, tourism makes up only a small part of the economy of the Cayman Islands, with Hotels and Restaurants constituting only 5.5 per cent⁸ of the economy in 2019⁹, compared to 6.0 per



cent in Jamaica¹⁰ and as much as 40 per cent in the Turks and Caicos Islands¹¹. While the 77 per cent fall in this sector is unprecedented, the sector's relatively small size limited its overall impact. Instead, the all-important financial sector (which made up 30.4 per cent of the economy in 2019) actually grew by 0.3 per cent in 2020. Growth expectations from the Government are quite positive, with 2021 and 2022 showing decent growth of 1.2 per cent and 4.6 per cent respectively, though this is largely dependent on a successful reopening of the economy¹² in 2022. For 2021, the Hotels and Restaurants sector is expected to shrink by a further 89 per cent. From a broader perspective, expectations have to be tempered somewhat by the highly variable population figures. Figure 6 shows the past and future rate of GDP growth as estimated by the Cayman Islands

Figure 6. Cayman Islands, GDP growth and GDP growth per capita, 2018-2025 (in percentages)

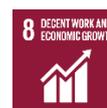


Source: Author's calculations on the basis of Cayman Islands Government, 2021a.

Note: Future population is estimated using a 1.6 per cent growth rate.

Government¹³, but it is more realistic to express this growth rate in a per-capita rate, considering the fast rate of population expansion. For 2020, GDP per capita only decreased marginally, but the territory is expected to close to zero-growth by 2024.

The **highly variable population** is also the second element that generally protected the Cayman Islands economy from the fallout of COVID-19, through its labour market flexibility, as reported in the CCA already. The territory's population shrank by 5.9 per cent during 2020¹⁴ by reducing the non-Caymanian work force. Table 1 shows this decline and its



⁷ It should be noted that while the absolute number of people vaccinated (around 56,000) is consistent across different sources, the total size of the population is reported differently by different sources, making for some variation in the vaccination rate.

⁸ Cayman Islands Government, 2021b.

⁹ Other sectors are also closely related to tourism, such as transport and construction, but those are not straightforward to attribute exactly.

¹⁰ Planning Institute of Jamaica, 2021.

¹¹ Government of the Turks and Caicos Islands, 2021.

¹² Cayman Islands Government, 2021b.

¹³ Cayman Islands Government, 2021a.

¹⁴ Cayman Islands Government, 2021c.

concentration in the non-Caymanian population. The table also reports that the unemployment rate for non-Caymanians hardly changed, although the non-Caymanian labour force participation rate fell more than the Caymanian labour force participation rate. Finally, it is important to observe that both genders saw similar falls in their participation rates, but that the unemployment rate for women increased substantially, while only increasing modestly for men.



Other economic indicators include a substantial fall in the **inflation rate**, from 6.0 per cent in 2019 to 1.0 per cent in 2020¹⁵. In trade, imports fell by 6.3 per cent (concentrated in a contraction in fuel imports), while the exports of goods from the Cayman Islands remained negligible. The extraordinary circumstances did lead to a major current account deficit of 21.2 per cent of GDP, up from 9.8 per cent, but the transient nature of the crisis means that this is likely to be short-lasting.

Table 1. Cayman Islands: working age population by different characteristics, 2019-2020 (end of year)

| Categories | 2019 | 2020 | 2019 2020 | |
|--------------------------------|------------------|---------------|-------------------|-------------------|
| | Number of people | | Percentages | |
| Working age population | 59 262 | 54 620 | | |
| <u>Caymanian</u> | <u>29 359</u> | <u>29 520</u> | | |
| <i>In the labour force</i> | 21 269 | 21 249 | 72.4 ^a | 72.0 ^a |
| Employed | 20 068 | 19 490 | | |
| Unemployed | 1 201 | 1 759 | 5.6 ^b | 8.3 ^b |
| <i>Not in the labour force</i> | 8 090 | 8 271 | | |
| <u>Non-Caymanian</u> | <u>29 903</u> | <u>25 100</u> | | |
| <i>In the labour force</i> | 27 820 | 22 674 | 93.0 ^a | 90.3 ^a |
| Employed | 27 326 | 22 154 | | |
| Unemployed | 494 | 520 | 1.8 ^b | 2.3 ^b |
| <i>Not in the labour force</i> | 2 083 | 2 426 | | |
| <u>Male</u> | <u>29 367</u> | <u>27 241</u> | | |
| <i>In the labour force</i> | 25 222 | 22 732 | 85.9 ^a | 83.4 ^a |
| Unemployed | 854 | 961 | 2.9 ^b | 3.5 ^b |
| <u>Female</u> | <u>29 895</u> | <u>27 378</u> | | |
| <i>In the labour force</i> | 23 867 | 21 190 | 79.8 ^a | 77.4 ^a |
| Unemployed | 841 | 1 318 | 2.8 ^b | 4.8 ^b |

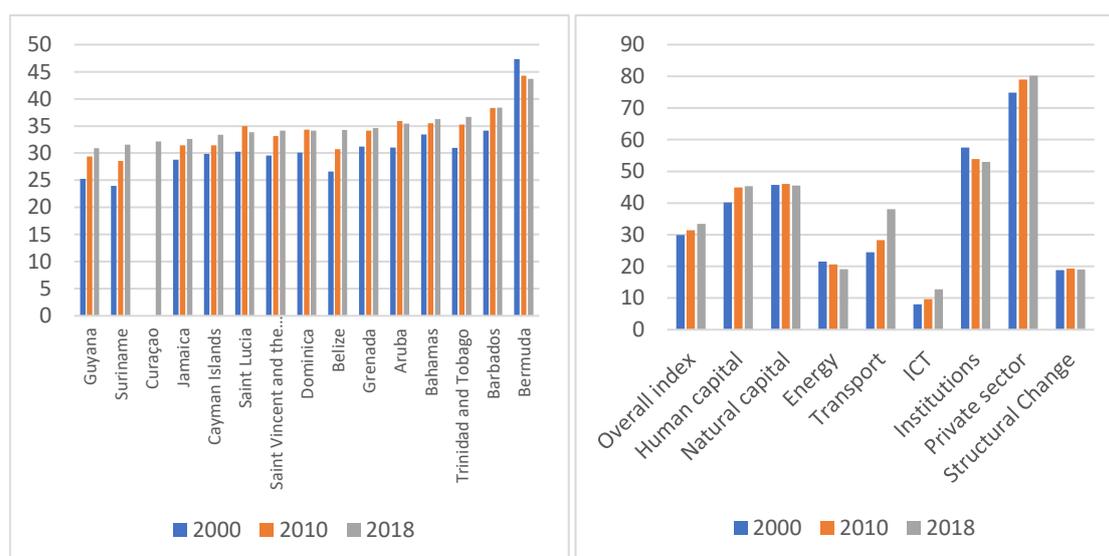
Source: Cayman Islands Government, 2021c.

^a Expressed as a share of relevant group that is in the working age population.

^b Expressed as a share of relevant group that is in the labour force.

With respect to **fiscal policy**, the Cayman Islands Government ran a deficit in 2020 equal

Figure 7a. Productive Capacities Index for different Caribbean economies. 7b. Cayman Islands: PCI subindices, 2000, 2010 and 2018 (in indices)



Source: UNCTAD, 2021.

¹⁵ Cayman Islands Government, 2021b.

to 2.5 per cent of its GDP, due to a fall in revenues from 17.3 per cent to 17.1 per cent of GDP and an increase in expenditures from 15.3 per cent of GDP to 19.6 per cent of GDP¹⁶. As the Government had operated surpluses in the seven years before, this does not impact the territory's solvability, with public debt at merely 5.3 per cent of GDP at the end of 2020. It should be noted that the Government accounts are not very clear about the treatment of capital investment costs, and that some of these estimates may be overly positive¹⁷. Looking at an itemized planned expenditure report, including both recurrent and capital expenditures, the departments for education and health are estimated to receive 17.2 per cent and 11.4 per cent of total government spending in 2022. However, as government expenditures are relatively small, this only amounts to approximately 3.2 per cent and 2.1 per cent of GDP, respectively.

Looking at the **more structural state of the economy**, a new analysis from UNCTAD suggests that the Cayman Islands is facing structural challenges with respect to the sophistication of its economy, compared to its Caribbean counterparts¹⁸. This report develops a Productive Capacities Index, which summarizes the state of productive capacities on a 0-100 scale, taking into account eight separate input categories¹⁹. Panel a in Figure 7 shows that the productive capacities in the Cayman Islands are estimated to be below average for the Caribbean region, although there is clear progress over the 2000 to 2018 period. Panel b shows that many of the subindices have shown improvement, especially in the area of human capital, transport and the private sectors. On the other hand, energy and institutions have relapsed over this period.



VI. Emerging opportunities and challenges



General elections were held in the Cayman Islands on 14 April 2021 to elect 19 members of Parliament.

Elections had been scheduled for later in the year, but Premier Alden McLaughlin asked the Governor to dissolve Parliament early. The Premier's ruling People's Progressive Movement (PPM) won 7 out of 19 seats, with all other seats going to independent candidates. With no party taking a majority, forming a government took some time, but on 21 April, the Hon. Wayne Panton was sworn in as Premier of the Cayman Islands. Turnout for the election was 73.8 per cent and 14



out of 19 elected members of Parliament were male, compared to 16 out of 19 in the outgoing Parliament.

On 11 October 2021, data collection started for the latest **Census**, which will help improve a range of estimates for the territory. Even for something as basic as the total population, there are substantial differences between national sources and international ones. Government figures²⁰ estimated the population at 69,914 at the end of 2019, compared to a World Bank estimate of 65,720²¹.



¹⁶ Cayman Islands Government, 2021c.

¹⁷ Cayman Islands Government, 2021a.

¹⁸ UNCTAD, 2021.

¹⁹ Human capital, natural capital, energy, transport, information and communication technology (ICT), institutions, the private sector and structural change.

²⁰ Cayman Islands Government, 2021c.

²¹ World Bank, 2021. Coincidentally, the sharp population in decline during 2020 reported by the Government mean that the population figures for the end of 2020 have mostly converged between the different sources. The UN population division reports the same numbers as the World Bank.



Climate change continues to be a topic that receives surprisingly little attention in the Cayman Islands, especially considering that it is a low-lying island nation that is very vulnerable. A 2011 policy on climate change that was never adopted was until recently the only relevant document ever produced, but in relation with COP26, an agreement was signed to perform a climate change assessment by the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) and funded by the Governor’s Office. This project is expected to complete an assessment, organize a stakeholder workshop and provide policy recommendations, though

it is not clear whether the Government is going to adopt any of those recommendations²².

On a more positive note, though more for the islands’ financial sector than its approach to climate change, is the establishment of the **Commonwealth Climate Growth Fund**, which aims to be a USD 1 billion fund for blue and green investment in Commonwealth countries and British Overseas Territories. In September 2020, the Government of the Cayman Islands committed USD 25 million as seed money for the fund. However, the commitment is contingent on there being at least USD 750 million being raised internationally²³.

VII. Conclusions

The Cayman Islands had what can be described as a “good pandemic”, with relatively light economic fallout and a recovery that is already underway in 2021, an October-November 2021 wave of the virus notwithstanding. Overall, the socioeconomic challenges have not substantially changed from the CCA. Elections may have changed some of the key leaders, but priorities have not substantially shifted although there are some small signs that an

increased awareness of climate change is taking place.

The groups most likely to be left behind as identified in the CCA have not changed. Migrant workers, women, the LGBTQI+ community and Sister Islanders continue to face the greatest challenges, though data limitations make it hard to assess other groups, such as people with disabilities, people living with HIV/AIDS, the elderly and children.

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²² <https://www.caymancompass.com/2021/11/03/cayman-to-get-its-own-climate-change-risk-assessment/>.

²³ [youtube.com/watch?v=CJk7YDQPOag&t=7s](https://www.youtube.com/watch?v=CJk7YDQPOag&t=7s).

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