

CAYMAN ENTERPRISE CITY

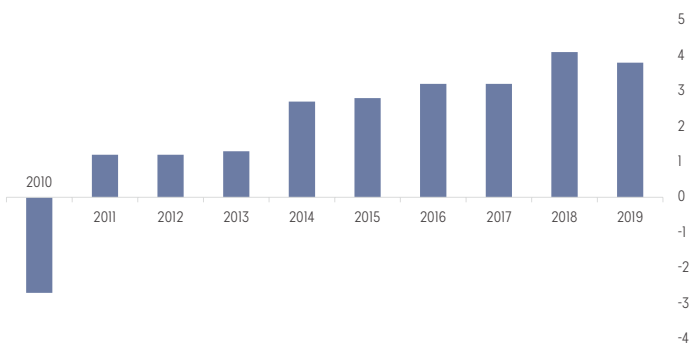
The economic impact of Cayman’s innovation-based special economic zones (SEZ)

Your ability as Caymanians to adapt and overcome is fundamental to the social fabric with which your Cayman Strong economy has been built and strengthened over the decades. Cayman’s economy has successfully developed the world’s premier financial center, a world-class business domicile, an uncontested tourism product, and has become a motor of job creation, generating 12,288 new employment opportunities over the last decade (4,275 for Caymanians).

This Cayman success story saw the economy expand for nine consecutive years through 2019, as the unemployment rate declined by nearly half. Financial services and tourism together encompassed roughly 36% of economic activity and accounted for 22% of jobs (and for 16% of new jobs created over the last decade) in 2019.

GDP Growth: Cayman Islands

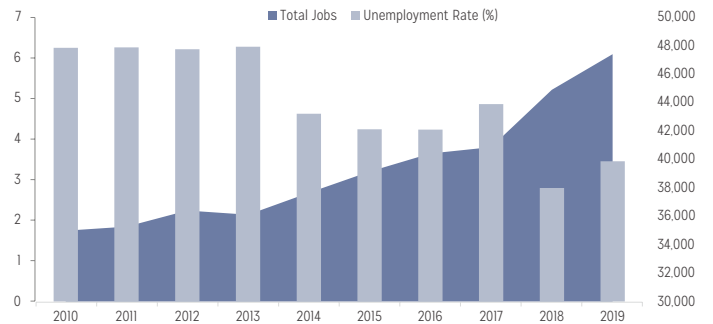
Percent Change y/y (%)



Source: Cayman Islands Economics and Statistics Office, Marla Dukharan

Employment: Cayman Islands

Number of Jobs, Unemployment Rate (%) left



Source: Cayman Islands Economic and Stastics Office, Marla Dukharan

Cayman’s strong service-based economy was creating consistent positive results and helping you overcome the challenges of being a small, open economy. But the progress was not long-lasting, vulnerable to the constraints of concentration in a few sectors.

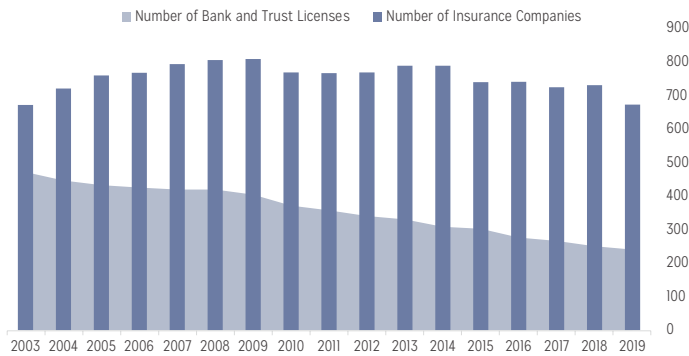
The COVID-19 shock caused visitor arrivals to fall to the lowest number since the mid-1980s¹ in 2020, causing a 65% y/y contraction in the Hotel & Restaurant sector from January to September. While the Financial sector performed relatively well in spite of the pandemic shock, declining only 0.7% y/y, it is undeniable that the sector has seen its share of mounting challenges over time.

The number of insurance companies registered in 2019 was the lowest in 16 years and the number of banks and trust companies is only 43% of what it was in the 1990s. Over the last 5 years, the Financial & Insurance Services sector has been the second slowest growing sector of the economy, averaging only 2.2% growth annually, with the sub-index of banking institutions actually contracting 2% in 2019.

¹ <http://www.legislativeassembly.ky/portal/pls/portal/docs/I/9781757.PDF>
1980 listed as 120,000 arrivals. Jan-Feb 2020 (only months available) = 93,558.

Financial Services Companies: Cayman Islands

Number of companies



Source: Cayman Islands Economic and Statistics Office, Marla Dukharan

The Financial Services and Tourism sectors have served Cayman well in creating one of the highest per-capita income levels in the world. But that measure does not tell the whole story. When the pandemic hit, jobs were lost, employees were sent home, fear dominated, and uncertainty filled the outlook for the future. It became clear that Cayman's overall socio-economic outcomes should not depend on the (mis)fortunes in other markets, or that of a few sectors.

COVID reaffirmed to you that you cannot rely only on the success of a few industries to determine your ability to thrive, but you must diversify and bet on the success of a conglomeration of activities that react independently and differently to inevitable economic shocks.

As Cayman looks to reinvent its way forward, the choices you make now must be deliberate, ensuring by design that:

- the local labour force reaps the benefits of development;
- you strengthen your agility to diversify into growth industries;
- new industries provide positive spillovers and domestic linkages for those already established in Cayman; and
- that Cayman reaffirms its world-class stature in all industries to which it caters.

Seeking to do just this since 2011, Cayman Enterprise City (CEC) is a locally developed project designed to drive investment and economic diversification that has helped over 250 companies set up successfully and distinguish the Cayman Islands as a premier business location for the Technology, Commodities and Derivatives, Maritime, and Aviation indus-

tries. CEC was ranked the #1 free zone in the Americas in 2020, and #5 globally by fDi Magazine a division of the Financial Times group - a tribute to the success and recognition it has brought to the Cayman Islands.

72.3% of the SEZ companies at CEC have set up in the Tech City, which gives Caymanians the opportunity for the first time to work with and engage in emerging Tech sectors from right here in Cayman, such as Software Development, Advanced Analytics, Fintech, Medtech, Biotech, Cybersecurity, Green Technology, and Media Companies, adding new skills and jobs to the Caymanian workforce.

DID YOU KNOW:

Since 2011, 27% of Cayman university students studying abroad on Education Council Scholarships studied Engineering, Technology & Science?

HOW DOES CAYMAN ENTERPRISE CITY IMPACT THE CAYMAN ECONOMY?

Diversification builds resilience. CEC allows the Cayman Islands to tap into the world's top entrepreneurial talent, networks, and resources, attract innovation-driven companies, and promote high value activities.

Sectors within the special economic zones include Artificial Intelligence, Voice-overs/Voice Acting, Nutraceuticals, Cosmetics, Professional Networking, Blockchain Solutions, Inbound Marketing, Finance Content Creation, Smart Packaging, Genetics, Smart Contracts, Precious Metals Royalty and Streaming, Power Trading, among many others new to your jurisdiction and the Caribbean.

New sectors offer local knowledge creation and transfer, domestic linkages to local suppliers beyond the zones, and provide income and jobs that spillover from zone-based wages spent in the wider economy.

JOBS, SALARIES, AND LOCAL CONSUMPTION

New opportunities for the local workforce emerge as companies in the special economic zone (SEZ), establish themselves and grow. In 2020, just under 15% of total jobs at the SEZ companies were locals, with the larger companies having an average of 21% of their payrolls going to local talent.

Furthermore, new expats means more local consumption and spending on services such as housing, schools, day-care, communications, utilities, health services, restaurants, and entertainment. Salaries paid to workers at CEC and SEZ companies have created USD100-USD115 million in local economic activity over the last 10 years.

10-YEAR LOCAL CONSUMPTION IMPACT USD100-115 MILLION

HOW DOES A NEW COMPANY SETTING UP IN THE ZONES IMPACT CAYMAN'S ECONOMY?

The modern plug-and-play model offered at the CEC provides pre-built facilities that reduce the barriers to entry for doing business from the Cayman Islands, making it easy for SEZ companies to quickly get off to a successful start. That doesn't mean however that there are no costs paid by these companies to set up and operate on an ongoing basis.

New SEZ companies setting up in the zone incur a series of set up costs, such as legal advisory, incorporation disbursements (stamp duty, filing, certified copies, etc.), and a registered office fee. Since 2011, companies setting up in the SEZ companies have spent roughly USD900k on legal advice, USD640k on incorporation disbursements and USD500k on initial registered office fees.

Special Economic Zone Companies Initial Setup Spending

<i>In millions of USD</i>	10-YEAR TOTAL
Legal Advice - initial set up	887,500
Incorporation Disbursements - initial set up	636,000
Registered Office Fee - initial set up	508,800
Total Initial Setup Costs	2,032,300

The success of the project has translated into a high rate of renewal, bringing in an additional USD2.5 million in disbursement and annual renewal fees since 2011.

Special Economic Zone Companies Renewal Spending

<i>In millions of USD</i>	10-YEAR TOTAL
Incorporation Disbursements - renewal	890,310
Register Office Fee - renewal	1,555,200
Total Renewal Spending	2,445,510

In total, this means USD3.59 million in disbursements and registered office fees, which translate into revenues for the government over the 10 year period. But this is not the only way SEZ companies generate government revenues.

10-YEAR LEGAL SERVICES IMPACT USD0.89 MILLION

10-YEAR GOVERNMENT REVENUES IMPACT USD3.59 MILLION

REAL ESTATE AND CONSTRUCTION - SECTORS THAT BRING THE ECONOMY HIGH RETURNS

Real estate activity impacts the wider economy through home construction, remodeling, brokerage, mortgage lending, insurance, property appraisals, moving services, and the purchase of household items such as furniture, and appliances, etc. Land purchases by foreign employees of businesses registering in CEC have topped USD153 million over the course of the last decade.

DID YOU KNOW:

For every KYDI million in Real Estate demand,
4 new jobs are created

The impact of real estate activity however is much larger than just the value of the property sale because it creates output in other economic sectors. The Economics and Statistics Office estimates that the multiplier effect for Real Estate is 1.92, meaning that for every USD1.00 of real estate activity in the economy, USD1.92 of total (direct, indirect, and induced) economic activity is created.

Real estate activity and property transfers also generate revenues for the government in the form of stamp duties. Purchases of residential real estate associated with SEZ companies have generated an estimated USD11.1 million in revenues for the Government through stamp duties over the period since inception.

10-YEAR GOVERNMENT REVENUE IMPACT USD11.1 MILLION
10-YEAR DIRECT IMPACT USD158.8 MILLION
10-YEAR INDIRECT + INDUCED IMPACT USD146.1 MILLION
10-YEAR TOTAL IMPACT USD316.0 MILLION

CONSTRUCTION OF THE CAYMAN ENTERPRISE CITY MAIN CAMPUS

Over the last four years, USD9.4 million has been spent on the construction of the CEC main campus. The amount of spending in 2020 reached USD4.2 million as construction ramped up, providing 22 construction jobs during the pandemic, with an additional 13 new construction jobs expected to be added in 2021.

The construction sector has the highest multiplier in Cayman's economy at 2.56, meaning that for every USD1.00 of construction output, total economic output is USD2.56. A further USD437.5 million will be invested in the coming years to complete the development of the Main Campus.

2 ESO, The Cayman Islands' 2015 Analytical Input-Output Tables https://www.eso.ky/UserFiles/page_docs/ups/files/uploads/the_cayman_islands_2015_analytical_input.pdf

Multipliers of economic activity: Construction and Real Estate

MULTIPLIER	REAL ESTATE	CONSTRUCTION
Direct	1.00	1.00
Indirect	0.69	1.05
Induced	0.22	0.51
Total Multiplier	1.92	2.56

Source: Economic and Statistics Office, The Cayman Islands' 2015 Analytical Input-Output Tables, December 2019.

10-YEAR DIRECT CONSTRUCTION IMPACT USD9.4 MILLION
10-YEAR INDIRECT+INDUCED CONSTRUCTION IMPACT
USD14.7 MILLION
10-YEAR TOTAL IMPACT USD24.1 MILLION

A HALF BILLION DOLLAR FOOTPRINT IN THE CAYMAN ISLANDS

In its first 10 years of operations CEC has had an economic impact of over USD502 million on the Cayman Islands economy. This clearly demonstrates your capacity as Caymanians to innovate and diversify your economic base, create resilience, and continue to distinguish your jurisdiction as world-class. As a Cayman-bred project, this is a remarkable affirmation of the immense value you have to offer in the global marketplace and your unlimited capacity as Caymanians to put your own ingenuity in service to creating a better future.

Economic Impacts of Cayman Enterprise City 2011-2020

In millions of USD	DIRECT IMPACT	INDIRECT /INDUCED IMPACT	GOVT REVENUES	TOTAL IMPACT
CEC Spending in the Local Economy	43.98			43.98
Local Consumption from Salaries	113.79			113.79
Setup Attorney Fees	0.89			0.89
Setup and Annual Renewal Fees			3.59	3.59
Real Estate	158.80	146.09	11.10	315.99
Construction	9.43	14.71		24.14
TOTAL	326.89	160.81	14.69	502.38

DYNAMIC CONTRIBUTIONS TO ECONOMIC GROWTH

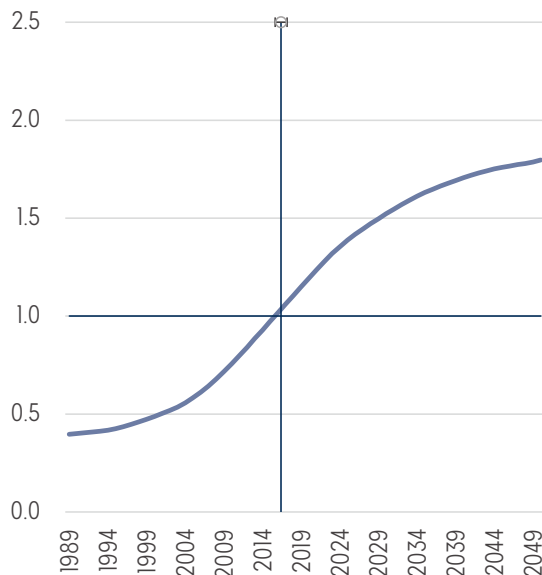
CEC's impact on the local economy doesn't stop there. Beyond the direct and indirect contributions already discussed, it is important to look at the dynamic contribution of the CEC business model to building a strong and sustainable economy for the Cayman Islands for years to come.

DID YOU KNOW:

In 2016, the number of persons over 60 in the Cayman Islands surpassed the number under 15.

Population Planning: New expats and residents also provide you a means of intentional population planning, giving you the opportunity to solve both current and future demographic problems such as Cayman's aging population. An aging population puts pressure on public finances, and also slows GDP growth, weakens labor force growth and tends to exacerbate gender inequality, as women disproportionately bear the burden of elderly care.

Aging Index: Cayman Islands



Source: PanAmerican Health Organization, Marla Dukharan

Creating linkages: By facilitating linkages with local firms and vendors, and by matchmaking, CEC works to ensure spillover effects that maximize the development impact of the zones. Firms located both within and outside the SEZs benefit from cluster / network effects and access to markets they would have otherwise not achieved.

DID YOU KNOW:

108 local vendors provide services and supplies to Cayman Enterprise City's special economic zones.

Boosting productivity: CEC maximizes long-term contributions to productivity, technology and skills transfer, and offers training to ensure the basic skills in the market are available and constantly being developed.

Targeting high-growth sectors: Attracting new high-tech industries and upgrading innovation capabilities in the Cayman Islands, by introducing new companies oriented towards specific technologies and services (such as health, green technology, cyber and data security).

Diversifying the economy: CEC brings diversity to Cayman's industry mix, helping the country to withstand the adverse impacts of shocks to any one sector. The mix of new high-tech industries also contributes to the dissemination of new technologies, transfer of skills and know-how, and upgrading your capabilities to innovate, all of which foster more sustainable economic development beyond the SEZs themselves.

Keeping Cayman highly competitive: To ensure the Cayman Islands remains an irrefutably prime jurisdiction for business, the SEZs also work as a catalyst for legislative reforms that will keep the jurisdiction highly competitive vis-a-vis its neighbors and competitors, for businesses in emerging sectors.

DID YOU KNOW:

47% of Investment Promotion Agencies globally indicated that Special Economic Zones have given a significant boost to Foreign Direct Investment in their country.

Source: UNCTAD Survey of Investment Promotion Agencies

Since CEC is an innovation of the Caymanian private sector, the government does not have to fund an Investment Promotion Agency (IPA) to attract Foreign Direct Investment into the country, nor to the zone. Meanwhile, in Latin America and the Caribbean, the median IPA has a total annual budget of USD4.2 million³ to attract investment into their economies, mainly financed by the public sector.

KEEPING CAYMAN ON THE CUSP OF THE POST-PANDEMIC WORLD

Your long-term economic growth and wellbeing depend heavily on your ability to identify new and emerging sectors where your labor force can participate, and in which Cayman can continue to lead as a prime place of business. To keep Caymanians on the cusp of the post-pandemic world, you must upskill your workforce, create sustainable jobs, and drive long-term resilience.

Resilience refers to how you as individuals, businesses, organizations, public and private sectors, and as a nation, are able to adapt and grow in spite of shocks that may occur. By strengthening the underlying fabric with which your economy is built, you prepare yourselves to better respond to shocks and improve your overall growth prospects, wellbeing, and socio-economic outcomes in the future.

CEC offers the nation a way forward to catalyze dynamic growth, upskilling your workforce, increasing your innovation-based competitiveness, and accentuating the compelling strengths of Cayman.

³ Inter-American Development Bank, 2019. How to Resolve the Investment Promotion Puzzle, <https://www.iadb.org/en/trade/how-solve-investment-promotion-puzzle>

DEVELOPING CAYMAN TALENT THROUGH INTERNSHIPS, SCHOLARSHIPS AND STUDENT SPONSORSHIP

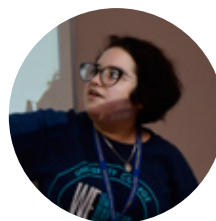
CEC has facilitated a total of 87 internships with companies within the SEZs, providing and facilitating scholarships and student sponsorship in order to get unique networking opportunities to Cayman's young professionals. CEC established a partnership with Code Fellows to provide financial assistance to locals for virtual classes through the Cayman Code Academy, allowing them to learn new technology skills and preparing them to opt in to better career opportunities. SEZ companies have played a key role in connecting students to opportunity, networking and education. Working closely with the University College of the Cayman Islands (UCCI), SEZ company Abbott Aerospace also facilitated 5 UCCI scholarships of up to USD2,500 each, helping students move forward with their academic aspirations.

TESTIMONIALS



Ryan Watson
- Vice President of IT
at Brave Software SEZC

"There is excellent hardworking young talent in Cayman, and we're proud at Brave Software to help foster a tech community in the Cayman Islands from the ground up. We'll be offering opportunities again this year and encourage other innovative companies to do the same. I look forward to another year of high calibre applications for 2021."



Thalia Rego-Ramos
- 2013 intern and UCCI
Marketing Assistant

"I would definitely recommend the programme to others - it's a jackpot of knowledge and hands-on experiences. You get to meet so many people, and with so many companies within the special economic zones who are willing to help and share knowledge with you, it is an excellent opportunity to learn and grow. I would like to thank CEC for becoming a staple to so many of Cayman's youths' lives and for involving the Enterprise Cayman initiative in so many of Cayman's programmes that help to enrich and educate the Island's residents. Thank you for giving me the opportunity to learn under the wing of your experts!"

CAYMAN ENTERPRISE CITY'S NEW-PARADIGM BUSINESS MODEL

Purposefully contributing to long-term development outcomes

At a time of shifting fundamentals in the Caymanian economy, the stark importance of its premier tech hub and the SEZs help Cayman build the state-of-the art workforce skills to support innovation so local workers can participate in the benefits of development.

How CEC accelerates long-term development outcomes for Caymanians:

- Bringing new sectors to Cayman, outpacing geographic market forces
- Adopting and adapting to new technologies
- Building a talent base that pushes innovation forward

By transforming jobs and skills that spill over into other industries, the SEZ helps all of Cayman's economic sectors grow and flourish. As Cayman's first advanced technology growth center, CEC will help Cayman establish itself as an innovation hub.

TESTIMONIALS



Matthew Elphinstone
- Intern at
[neuralstudio.ai](#) SEZC

"I would not have gotten an opportunity like this abroad if it wasn't for this experience. It was an incredible opportunity getting the chance to demonstrate my skills and meeting leading industry professionals that I wouldn't normally have access to anywhere else in the world. I would really encourage my generation to get involved in the Enterprise Cayman initiative."



Aaron Santamaria,
- Intern now full-time
employee at Brave
Software SEZC

"The Enterprise Cayman Internship Programme is a unique experience. If I had the chance to do it again, I would. I've learned so much from this global network of individuals. The experience has helped me to land my first tech job in Cayman, in an industry I went to school for and can now pursue in the place that I grew up in."



Alyssa Ebanks
- Intern at CEC & Brave
Software SEZC and
Administrative Assistant
at Digital Cayman

"Not only did the CEC team provide me with the work skills required to succeed but they created a networking space that encouraged me to explore my interests with like minded tech innovators. I was introduced to multiple community members within the zone, one introduction in particular led me to an awesome opportunity to work on a small scale VR project. I've had the honor to work alongside Allan Evans, CEO of Fat Shark SEZC as I help develop a VR walkthrough demo of architectural models provided by architects around the Cayman Islands."

Cayman can become the region's premier advanced technology hub, and growth center, by cultivating a skilled, specialized workforce as you have done in so many other sectors. By cultivating a workforce with skills that are in high demand, in accelerating economic growth and business productivity around the world, the dynamic, forward-thinking ingenuity of Cayman can continue to provide you a path to a prosperous future. As you excel in sectors that are more resilient to climate change effects and pandemics, mitigate unfair blacklists, and reduce our economic concentration, you can truly achieve your potential as the economic powerhouse of the Caribbean.

As we move forward in these uncertain times, you have the choice of becoming an advanced technology growth center that cultivates skills and a diverse business environment to allow Cayman to adapt and reinvent itself into the future, resisting the temptation to return your focus to the old industries that left you vulnerable at the onset of the current crisis.

Cayman will ALWAYS BE a world-class tourism destination and financial services hub. Yet, your resilience depends on your ability to innovate and reinvent yourselves in the face of challenges. As Caymanians you are known for forging new paths, developing new industries and providing highly skilled labour that will create prosperity. Will you build new models now to take you into the future?

A thriving innovation sector allows local labour to benefit from development, and by building this, you move forward confidently, into the promising future only Cayman can build.

RECOMMENDATIONS FOR POLICY REFORM

In a post-Covid, post-election environment, you have to do different things, and you have to do things differently. The need for job creation for Caymanians cannot be over-emphasized, and this is precisely why you need CEC - to promote inward investment and the economic activity that accompanies it, to support knowledge transfer and skills development to create a highly skilled workforce, and to create an ecosystem where businesses and people can thrive.

This crisis and a new Government also present valuable opportunities to address issues that affect Cayman's society. Sustainability and inequality are two themes that featured heavily in the recent election - and with good reason. CEC is committed to driving inward investment and economic diversification in a manner that is sustainable for the environment and the Caymanian way of life and drive the creation of a knowledge-based economy where Caymanians can stay in Cayman, work in Cayman, or work anywhere in the world, online. Tapping into the gig economy opens up avenues for income generation and wealth creation not just for Caymanians, but for those who wish to call Cayman home. For the latter, their value lies in the positive impact they can have in expanding the domestic skills base, and the deteriorating demographic profile of Cayman.

Policy decisions that work to close the digital divide, strengthen Cayman's technology infrastructure and facilitate job opportunities in new market sectors are key to reducing the nation's vulnerability and empowering its people in the post-pandemic era. The creation of more high-quality jobs in the technology sector will require public policies that i) support further integration of STEM focused curriculum in local schools ensuring educators have access to the necessary equipment and resources; ii) support Caymanians in upskilling so they can position

themselves to pursue careers in technology; and iii) engage with SEZ companies to identify workforce development opportunities that prepare Caymanians to work in new industry sectors.

CEC has demonstrated its commitment to working with the Government to support these and other much-needed reforms, to intentionally create the sustainable, equitable, prosperous, and resilient future that all Caymanians deserve.

Indeed, CEC is the only entity which reports annually since 2013, on how the concessions it receives are deployed, and the financial contribution of its activities to the wider economy. This level of transparency demonstrates CEC's commitment to proper Governance and the socio-economic progress of the Cayman Islands. CEC took a step further in hiring a regional economist to analyze the total socio-economic impact of the CEC. This is an analysis that demonstrates CEC's contribution to development, and its commitment to transparency and to maintaining fiscal responsibility in the way it uses the concessions granted by the Government. CEC is truly an economic development partner and is keen to continue working with the Government to take Cayman to the next level of sustainable socio-economic progress.

WHAT DOES CAYMAN ENTERPRISE CITY DO? >

WHAT DOES CAYMAN ENTERPRISE CITY DO?

GENERATE INVESTMENT

Organizing targeted events, and one-on one meetings with investors, companies and entrepreneurs, to discover if the Cayman Islands is an ideal location for their specific business targets.

ADVOCATE FOR POLICY SUPPORTING THE EASE OF DOING BUSINESS

Actions to keep Cayman Islands as a top jurisdiction for business and investment. Feedback on policy and reforms that can strengthen the business and investment climate.

FACILITATE AND RETAIN INVESTMENT

Assistance with implementing projects, and administrative assistance with business registration and necessary filings for resident status. Matchmaking with local vendors and suppliers, attorneys, accountants and real estate sector. Linkage programs, capacity building support for Caymanians and local personnel, training and recruitment support.

BUILD CAYMAN'S IMAGE

Marketing and promotion of the Cayman Islands online and abroad as a premier business jurisdiction for the world's top entrepreneurs and businesses in emerging sectors.

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