



GOVERNMENT OF GRENADA

# 2010 BUDGET STATEMENT

Presented by

**HON. V. NAZIM BURKE**  
*Minister of Finance, Planning,  
Economy, Energy and Cooperatives*

TO

THE HOUSE OF  
REPRESENTATIVES  
January 15, 2010



*"Exploiting the Crisis for Job Creation,  
Renewed Growth & Sustainable  
Development, through Partnerships"*



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## 1.0 INTRODUCTION

Mr. Speaker, I beg to move the following Motion standing in my name:

“Whereas it is necessary to provide for the State of Grenada for the year 2010 by means of an Appropriation Act;

**Be it resolved** that the Estimates of Expenditure for the year 2010 be approved.”

Mr. Speaker, as this is a Money Motion, I am pleased to inform this honourable House that I have the consent of the Governor General to proceed.

Mr. Speaker, at the commencement of this next decade, I extend my best wishes to you, Honourable Members of this House and our entire Nation for a Happy, Healthy and Productive New Year and for a decade of transformation and prosperity.

Before I continue, I wish to express, on behalf of the Government and People of Grenada, our condolences to the Government and People of Haiti on the terrible tragedy caused by a major earthquake earlier this week. As a member of our CARICOM family, we are deeply saddened by this recent disaster and our thoughts and prayers are with them at this difficult time. Grenada is lending its full support to the CARICOM-led initiative to assist our sisters and brothers in Haiti.

Mr. Speaker, 2009 was a difficult year for our Nation. As a small, open and vulnerable economy, Grenada felt the adverse effects of the global economic recession, the worst the world has experienced in 75 years. Indeed, the resolve and resilience of our people and this Government were and continue to be sorely tested.

The words of St. Paul found in Second Corinthians 4:8-9 seems most apt for the times in which we live and I quote:

*“We are hard pressed on every side, but not crushed; perplexed, but not in despair; persecuted, but not abandoned; struck down, but not destroyed”*. End of quote.

Having navigated the economic turbulence of 2009, we acknowledge the power and help of Almighty God.

At this juncture, I wish to recognize the sterling support of the Prime Minister who has entrusted me with the portfolios of Finance and the Economy, my Cabinet Colleagues for their cooperation and understanding, the staff of the Ministry of Finance and other public officers for their hard work throughout the past year and most importantly, the people of Grenada who placed me in this House and on whose behalf I have the pleasure to serve.

Mr. Speaker, this Budget will be essentially presented in four parts. First, our current situation. Second, our achievements. Third, our vision. Fourth, our plan.

## **2.0 OUR CURRENT SITUATION**

### **2.1 Global Economic Crisis**

It is now a matter of public record that the global economic recession between 2007 and 2009 was the worst since the Great Depression of the 1930s.

Between mid-2008 and the first quarter of 2009, industrial activity in developed countries fell by 16.4 percent and worldwide by 11.6 percent.

International trade shrank by 19 percent. World GDP is projected to have fallen by 2.2 percent in 2009. Indeed, much of global demand last year was driven by the continued growth of China 8.4 percent and India 6.5 percent.

Looking at situation of Grenada's major trading partners – the United States of America (USA) and the United Kingdom (U.K.), we observe that:

The United States economy is projected to have contracted by 2.9 percent. Over 16 million people are out of work (10% of the labour force) – the largest number recorded in US history. That rate is 17 percent for persons under 25 years old.

The economies in the Euro zone are projected to have contracted by 4.0 percent in 2009. Unemployment stands at 9.2 percent. In the UK, the economy is projected to have contracted by 4.4 percent.

As a direct response to this situation, the Governments of these major economies have implemented massive stimulus packages accompanied by financial sector bailouts and rescue packages in a bid to contain rising unemployment and avoid deep and prolonged recession.

These interventions have begun to bear fruit and the world now seems set to resume growth although at a slow and uneven pace. As a result, the IMF has cautioned against the early withdrawal of policy support measures to avoid stalling the global recovery.

Addressing the IMF/World Bank Annual Meetings in October 2009, IMF's Managing Director, Dominique Strauss-Khan had this to say and I quote:

***“I think we have turned the corner. Financial conditions have improved substantially and the growth engine seems to be starting up again. Our latest projections suggest that global economic activity will expand by about 3 percent in 2010, after contracting by 1 percent in 2009.***

***... The crisis is far from over. The recovery will be sluggish, and private demand is not yet self-sustaining. ...Rising unemployment is likely to cast a long shadow. Even as growth recovers, it will take some time for jobs to follow suit. Indeed, unemployment will continue rising in many countries through 2010”.*** End of quote.

The implication of a jobless recovery in the major economies is that economic recovery in Caribbean economies, most of which are dependent on tourism, remittances and foreign direct investment will be even slower. As a consequence, addressing already high unemployment will remain a huge challenge.

In short, Grenada can expect another difficult year. However, Government will attempt to expedite recovery in the local economy with the implementation of the programmes which we will announce today.

I now turn my attention to the regional economy.

## 2.2 Regional Economic Developments

Mr. Speaker, the Caribbean has been hard hit by the global economic crisis.

The Chairman of the Caribbean Community (Caricom), President Bharrat Jagdeo described 2009 as a tough year for regional economies, he observed that and I quote:

*“...Most of the Caribbean countries were still reeling from the effects of the global economic and financial crisis. We saw around the Caribbean, the collapse of CLICO, we saw the tourism industry reeling from the impact of global crisis because people don't have money to spend so they cut back on their vacation.”*

*“...Every country in the Caribbean has had problems with making payments...so it has been a rough year for the world, a rough year for the region”*. End of quote.

In Barbados, the economy is estimated to have contracted by 5.3%.

In Trinidad, the economy is projected to have declined by 1 percent, the first contraction since 1993.

With respect to the Eastern Caribbean Currency Union (ECCU), preliminary estimates from the Eastern Caribbean Central Bank (ECCB) indicate that real GDP for the ECCU as a whole is projected to have contracted by 7.4 percent in 2009, in contrast to growth of 1.9 per cent in 2008 and average expansion of 4.9 per cent over the last four years.

With the exception of Montserrat, every country in the ECCU experienced economic contraction in 2009 as follows: Anguilla by 24.2%, St. Kitts and Nevis by 9.6%, Antigua and Barbuda by 8.9%, Grenada by 7.7%, St. Lucia by 5.2%, Dominica by 3.0% and St. Vincent and the Grenadines by 1.1%.

Without doubt, the ECCU is in deep recession.

As a result, the Governments of the ECCU have developed two major policy responses: an Eight-Point Stabilisation and Growth Programme and the OECS Economic Union.

## ***ECCU-Eight Point and Stabilisation Growth Programme***

Mr. Speaker, this programme recognizes the pre-crisis trend of a secular decline in economic growth in the ECCU over the past decade amid large and rising public debt and high poverty and unemployment rates. The elements of this programme are:

- 1.0 Financial Programmes
- 2.0 Fiscal Reform Programmes
- 3.0 Debt Management Programmes
- 4.0 Public Sector Investment Programmes
- 5.0 Social Safety Net Programmes
- 6.0 Financial Safety Net Programmes
- 7.0 Amalgamation of the Indigenous Commercial Banks
- 8.0 Rationalisation, Development and Regulation of the Insurance Sector

A summary of this Eight-Point Programme is annexed to this Budget Statement. The Monetary Council has agreed to a period of adjustment from 2010-2012 followed by a period of transformation from 2013 to 2020. At present, targets and indicators are being prepared to monitor progress of this important programme.

## ***OECS Economic Union***

Mr. Speaker, the world in which we live is very different from the one before the current global crisis. The global balance of power has shifted with the demise of the G-7 and the ascendancy of the G-20 which includes large developing countries such as China, India and Brazil.

Many industrialized countries are now focused on long term adjustment after contracting significant public debt to stabilise their economies. In this environment, the needs and concerns of small states are not their top priority. This was clearly borne out at the recent Climate Change conference in Copenhagen.

Mr. Speaker, we cannot simply sit and wait on the major countries for our economic salvation. We must take our destiny into our own hands.

We in the OECS know well, the benefits of unity and functional cooperation. We have several fine examples including the Eastern Caribbean Central Bank, Eastern Caribbean Supreme Court, Eastern Caribbean Telecommunications Regulatory Authority and the OECS Civil Aviation Directorate.

The current crisis presents an opportunity for faster and deeper regional integration. As the saying goes “*we shall all swim together or sink separately*”.

On December 29, 2009, the OECS Heads of Government initialled the OECS Economic Union. Over the next six months, there will be an intense public education campaign and parliamentary debate before the OECS Economic Union Treaty is fully ratified.

Grenada, Mr. Speaker, is fully committed to this process.

Some of the benefits from such an OECS Economic Union include:

- Greater leverage to negotiate with the rest of the world
- Better standard of living and lower poverty
- Lower unit costs for Government
- Increased levels of economic and social stability

### **2.3 Performance of the Domestic Economy**

In September 2009, the staff of the IMF noted and I quote:

***“Grenada, like the rest of the ECCU and the Caribbean, has been hit hard by the global economic downturn—a negative shock more devastating than the recent hurricanes in terms of employment and growth”***

The statement went on and I quote:

***“The authorities are to be commended for their strong economic and financial management of the Grenadian economy during these turbulent times. Policies have put particular emphasis on protecting employment***

*opportunities and mitigating the impact of the shock on the most vulnerable members of society, while still aiming to keep the economy on a path toward debt sustainability.*

*“The authorities have made significant progress in implementing their economic program.* End of quote.

Preliminary estimates reveal that economic activity in Grenada contracted by 7.7 per cent in 2009 compared to real growth of 2.2 per cent in 2008.

This performance reflected declines in construction (52.4 per cent), mining and quarrying (29.9 per cent), hotels and restaurants (20.8 per cent), wholesale and retail trade (17.9 per cent), transport services (12.3 per cent), manufacturing (11.8 per cent), government services (3.8 per cent) and communications (2.0 per cent).

That said, there were some bright spots. Agriculture increased by 9.3 per cent, Other Services which is dominated by St. George’s University increased by 8.0 per cent and Banking and Insurance increased by 8.6 per cent.

Mr. Speaker, the growth of Agriculture in Grenada is a consequence of the hard work of our farmers supported by Government. It demonstrates that the renewed focus on Agriculture by this Administration is already bearing fruit. Areas of support last year included the farm labour, planting material and fertilizer programmes.

In 2009, nutmeg production was 739,000 pounds an increase of 22.3 per cent, cocoa production was 996,000 pounds, an increase of 33 per cent. However, fish production of 4.15 million pounds showed little change from the previous year.

Between January to November 2009, stayover tourist arrivals declined by 12.8% with a total of 84,240 arrivals in comparison to 96,588 arrivals for the corresponding period of 2008. All the major source markets experienced declines: United States by 1.5%; United Kingdom by 23.2% and the Caribbean by 12.6%.

It is believed that the recession experienced in Grenada’s major source markets combined with the high cost of air travel contributed to the decline in the number of stay-over visitors.

For the period January to November 2009, Cruise Arrivals totalled 276,858 compared to 227,937 for the same period in 2008, an increase of 21.5%. Similarly, cruise calls also increased by 13.5% with a total of 202 calls compared to 178. That said, it is estimated that the average expenditure of these visitors fell reflecting the global economic situation.

The decline of the construction industry by 52.4 percent reflect the completion of some major government projects, the continued hold on several major tourism projects and the fall off in residential construction.

Output in the manufacturing industry declined by 11.8 percent. This performance was a result of declines recorded in the production of most commodities with the exception of oxygen, feeds, flour and wheat bran.

Soft drinks, which has the largest weight in the manufacturing index, declined by 21.4 percent, resulting mainly from the temporary closure of the Coca Cola bottling plant which reopened in April 2009. Signs of recovery have been registered since the re-opening of the plant with increases of more than six fold during the third quarter of 2009. Declines were also recorded for the production of paint (30.7 percent), macaroni (30.1 percent), rum (29.0 per cent), malt (20.8 percent), stout (17.6 percent), and beer (5.7 percent).

Total value of imports for 2009 is estimated at \$814.8 million, a 20 percent decline over the previous year.

Total value of exports is estimated at \$77.9 million, a decline of 6.5 percent compared to 2008.

It should be noted that cocoa exports increased by 20 percent, however, nutmeg and banana exports fell by 27 percent and 42 percent respectively.

The Food Import Bill in 2009 is estimated at \$191.5 million, an increase of 6 per cent over the previous year.

Inflation as measured by the changes in consumer price index is estimated to have increased by only 1.0 per cent compared to an increase of 8.2 percent in 2008. The drivers of this reduced rate of inflation were lower oil and food prices.

Although average food prices increased by 3.1 percent, there were decreases in the average prices of the following items:

Powdered Milk from \$9.77 per pound to \$7.43 per pound

Cheese from \$10.48 per pound to \$9.67 per pound

Cooking Gas from \$42.91 per 20 pound cylinder to \$35.06 per 20 pound cylinder

Electricity from \$1.05 per kilowatt hour to 75 cents per kilowatt hour

Gasoline from \$13.47 per gallon to \$10.83 per gallon

Kerosene from \$11.15 per gallon to \$7.40 per gallon

### ***Prospects***

The ECCB has indicated that the ECCU is likely to contract by 2.3 percent in 2010. This projection is based on the global economic outlook which remains uneven and uncertain despite some signs of recovery.

With the implementation of VAT, inflation will peak at 5.0 per cent before declining to 2.0 percent by year end. The Grenadian economy is projected to grow by 0.8 percent compared with a projected contraction of 2.3 percent for the ECCU.

I should note that Government's projection is higher than the IMF and ECCB projections are a decline of 2.0% and 1.8% respectively but is based on our most recent information on the projects (public and private) which will commence this year.

### **Fiscal Operations**

Fiscal year 2009 was another very challenging year for Government.

Total revenue was \$410.6 million, a shortfall of \$77.4 million or 16 per cent of budgeted revenues. Compared to the previous year, this was a decline of 11.9 per cent. The main reason for this outturn was the contraction of the domestic economy which resulted in 19 per cent reduction in collections from General Consumption Tax.

Of course, collections may have been even lower, were it not the bold decision taken by this Government to offer a tax amnesty. The amnesty yielded \$16.9 million.

Notwithstanding the shortfall in total current revenues, collections from Corporate Income Tax, Personal Income Tax, Withholding Tax, Property Tax and Annual Stamp Tax exceeded the target for the year largely due to the tax amnesty.

Grants totaled \$60.4 million, \$10.9 million below what was budgeted.

Owing to lower oil prices, Government received only \$5.5 million from PetroCaribe Grenada in contrast to EC\$25.3 million received from this source in 2008. PetroCaribe Grenada is a nontraditional source of financing made possible by the Government of Venezuela.

That said, the grant shortfall was minimized due to some major disbursements by the European Union particularly the Vulnerability Flex facility.

As a consequence of lower revenue and grants, Government did its best to manage expenditure. In this regard, current expenditure was \$407.6 million, 3 per cent lower than the budgeted amount and 2.7 per cent lower than the previous year. Given the highly non-discretionary nature of recurrent expenditure, Government had little room for maneuver in further reducing recurrent expenditure.

For every dollar it collected in 2009, Government spent 46 cents on personal emoluments, 19 cents goes on debt repayment and 20 cents on goods & services.

As a result of all these efforts, Government realized a very small surplus on its current operations of \$2.9 million compared to a surplus of \$46.4 million in the previous year.

However, the most significant adjustment was in respect of capital expenditure which amounted to \$140.5 million, 78.1 percent of the budgeted amount. In light of this adjustment, priority was given to projects that had the potential to provide the greatest economic stimulation in terms of employment and income generation as well as cushioning the impact of the crisis on vulnerable groups and individuals.

Approximately \$91.0 million of total capital expenditure was financed from local and regional sources including commercial banks and the Regional Government Securities Market.

External donor funding totaled \$49.5 million, of which \$30.8 million was in the form of loans and \$18.7 million in grants.

This lower than budgeted capital expenditure is regrettable but it was the responsible approach to take in the face of the significant revenue shortfall and the already high debt burden.

The overall deficit (after grants) was \$69.8 million or 4.0 percent of GDP compared with the budgeted deficit of \$41.0 million.

As previously stated, the 2009 Budget was framed in the context of the Poverty Reduction and Growth Facility which is a programme with the International Monetary Fund. Government's commitment to improved economic management by ensuring the PRGF remained on track proved a wise and productive approach in 2009.

As a consequence, of Government's responsible behavior, Grenada achieved two successful reviews in June and November 2009 resulting in a release of \$33.6 million dollars from the IMF.

Having regard to the impact of the global crisis on Grenada and our public finances, our Government moved expeditiously to present a request to the European Union on a special crisis programme called Vulnerability Flex. As a consequence, I am pleased to note that Grenada was one of only two Caribbean countries to benefit from this programme. Grenada received EC\$15.5 million.

All told, Government unlocked a total of \$28.3 million in grants from the European Union.

On account of our rapid crisis response, the Caribbean Development Bank approved and disbursed a first tranche of \$16.3 million in the form of a Policy-Based Loan.

Mr. Speaker, imagine how unmanageable the fiscal situation would have been in 2009 without these grant and concessionary resources. Grenada reaped just rewards for its responsible economic management.

This is a performance of which our people should be proud. Moreover, it proves that we are on the right track with our focus on stronger economic management.

It is good for Grenada.

As a responsible Administration entrusted to prudently manage the affairs of the State, we give the assurance that our Government will continue to be fiscally responsible and do what is right for Grenada.

### **Public Debt Management**

During the course of last year, Grenada paid a total of \$122.7 million in debt payments. This includes \$77.3 million in principal repayments and \$45.4 million in interest payments.

The new debt contracted was \$94.3 million comprised of:

Domestic – \$38.3 million

External – \$56.0 million

Government was very prudent in its borrowings. These new debts were used for development projects. The average cost of debt was approximately 7.9 percent for domestic and 4.3 percent for external.

As at December 31, 2009, the Public Debt was EC\$1.86 billion consisting of:

Central Government - \$1.72 billion

Government Guarantees - \$141.9 million

As previously mentioned Government delivered on its promise and established a Debt Management Unit in January 2009. Further, Grenada undertook a Debt Management Assessment Programme with the World Bank in June of last year. Moreover, some of the staff of the Debt Management Unit attended overseas training programmes in areas such as debt sustainability analysis.

Such training is essential as Government seeks to thoroughly analyse all new debts before they are contracted, to re-examine our current portfolio and ensure that we chart a course with a renewed debt strategy which will bring our debt closer to sustainable levels.

During 2010, Grenada will work with the ECCB and other partners to access support through the Debt Management Programme (DEMAS)

funded by Canada. Government will also be seeking further debt relief from the Paris Club creditors.

This year, the financing gap is \$48.9 million.

Government will continue its prudent approach and will seek to raise resources from the Regional Government Securities Market and other institutional investors at the lowest possible cost.

Further, as we did last year, grants and concessionary resources will again be sought from friendly countries and multilateral agencies. All resources mobilized will be applied to the development projects outlined in these Estimates.

In 2010, Government has earmarked \$146.4 million for debt payments.

### **3.0 OUR ACHIEVEMENTS**

Mr. Speaker, despite the challenges of 2009, our Country recorded some notable achievements.

It is appropriate to cite some of these.

Mr. Speaker, who could forget the brilliance of young Malikah Bain as she read her way to victory in the OECS Reading Competition.

Of course, there was the high quality Schools Debating Competition eventually won by Westmoreland Secondary School.

In football, Grenada attained its highest ever FIFA ranking of 88<sup>th</sup> in July 2009.

On the track, we enjoyed the blazing exploits of Kirani James as he set a new world record of 45.24 seconds over 400 metres in the World Athletics Youth Championships in Rome. Before that in a sign of things to come, both Kirani James and Rondel Bartholomew smashed Usain Bolt's record over 400 metres for Under 17 Boys at the CARIFTA Games.

Mr. Speaker, the Government of Grenada joins with all of Grenada and especially the people of St. John, in wishing Kirani great success as he embarks on the next chapter of his career at the University of Alabama.

And as the year closed, on the biggest stage of all, our tiny Grenada played a leading role in climate change negotiations in Copenhagen through our chairmanship of the Alliance of Small Island States (AOSIS). Prime Minister Thomas' leadership role particularly in the last two days of the negotiations was publicly applauded by many world leaders.

Yet, Mr. Speaker, our greatest achievement in 2009 was that we survived the harsh effects of the global economic crisis due to the fortitude and resilience of the Grenadian people.

As a people, we demonstrated this resilience after Hurricane Ivan in 2004. Once again, we are proving how tough we are in times of adversity.

I take this opportunity to applaud our people for their fortitude and patience during this period. You are and will always be our Nation's greatest asset.

Mr. Speaker, I now turn to some of the achievements of our Government in 2009.

Mr. Speaker, as Minister of Finance and Economy, I am the first to acknowledge that 2009 was a difficult year and that Government could not do all that it hoped or promised to do because of major fiscal constraints.

Frankly, the same could be said for virtually all governments.

The fact is Government experienced a revenue shortfall of \$77.4 million due to the global economic recession.

Some of our detractors have claimed that this shortfall is a result of bad revenue projections. We strongly disagree.

Mr. Speaker, no one foresaw, the depth and severity of the current crisis. For example, last year, the US economy was initially projected to decline by 0.6 percent but was later revised to a contraction of 2.9 percent. Similarly, in the UK, the initial projection of a 1.9 percent decline was revised to a 4.4 percent decline. In Barbados, government revenue was about 10% (or Bds\$548.5 million) less than initial forecasts due to the contraction in the economy.

Despite this setback, our Government can point to many achievements on the strategic policy agenda which we set out in the 2009 Budget. Indeed, we laid a solid foundation in several areas.

As a Government committed to transparency and accountability, I now share some of these achievements.

### **Stronger Economic Management**

- Obtained two successful reviews under the Poverty Reduction and Growth Facility with the International Monetary Fund resulting in disbursements of EC\$33.6 million and strong commendation from the Fund for good economic management
- Received EC\$28.3 million in EU grants including a special crisis funding programme called the Vulnerability Flex (Grenada being one of only two countries in the Caribbean to qualify for this facility.)

Mr. Speaker, the Head of Delegation of the European Commission in Barbados, Ambassador Diaz, during a visit to Grenada in October 2009 had this to say about Grenada's use of European funds and I quote:

*“The administration of the Ministry of Finance here in Grenada is a kind of model, its small but they are efficient and they are not going to allow the loss of a single penny.”* End of quote.

- Obtained approval of US\$12.8 million loan by the Caribbean Development Bank in support of Government economic reforms and schools rehabilitation.

According to the Board of the Caribbean Development Bank and I quote:

*“Grenada must be commended for its swiftness in the preparation of the submissions having only formally requested CDB's assistance towards the financing of the projects in June 2009. The effort that was put into the preparation speaks volumes of the administration's commitment to the development of the country and its people”.* End of quote.

- Offered a tax amnesty which yielded \$16.9 million and gave many Grenadians an opportunity for a fresh start in respect of their tax obligations and business expansion plans.
- Established a Debt Management Unit to manage the public debt.

- In a year when at least four Caribbean countries saw their international credit ratings downgraded, Grenada maintained and improved its credit rating with Standard & Poor's and Institutional Investor respectively.
- In a year, when some governments announced cuts in Public Service, the size of the Grenada's Public Service was not cut.

Mr. Speaker, these latter achievements are, perhaps, taken for granted but they ought not to be as these are difficult times for all governments.

### **Improving the Business Climate**

- Enacted the Investment Promotion Act which finally gives investors a clear and predictable track on which to run. This legislation is delivery on a major promise by our Government to provide more transparent and equitable arrangements for both local and foreign investors.
- Appointed a separate Registrar for Corporate and Intellectual Property.

### **Fostering a Genuine Multi-Partnership**

- Completed the draft of the Social Protocol. After 9 meetings and many long hours and nights, we had hoped that this Protocol would have already been signed. Regrettably, this is not the case but I wish to thank all the Social Partners who worked hard on this protocol.

It is our hope that all Social Partners will come together this year and complete this important instrument of governance. It is a perfect example, of the type of partnership that is needed to ensure Grenada survives this period of economic uncertainty.

### ***Accelerating Tourism Development***

- Renewed agreements with American Airlines, British Airways, Virgin Atlantic and Monarch Airlines for continued direct airlift from Miami and London.
- Established an agreement with Delta Airlines to commence a direct service from New York this year.

- Signed a Memorandum of Understanding between Government and the Grenada Hotel and Tourism Association which granted a 50% relief on general consumption tax in exchange for maintaining the jobs of hotel workers

### **Revitalising Agriculture**

- Cleared 1,417.5 acres and replanted 40 acres under the Farm Labour Support programme
- Rehabilitated 23.5 miles of farm roads
- Replanted 17 acres of degraded forest
- Employed 885 persons under the Farm Labour Programme benefiting 543 farmers
- Distributed 76,000 plants
- Distributed 6,245 bags of fertilizer to farmers at a subsidized cost of \$75 per bag
- Delivered inputs to 2,000 households under the National Food Security Programme
- Launched the livestock insemination programme
- Supported the opening of the new agro-processing plant in La Sagesse by Windfresh
- Cocoa production increased by 33 per cent.
- Nutmeg production increased by 22.3 per cent.

### **Education and Human Resource Development**

- Provided free textbooks to 26,500 students in 93 schools (primary and secondary)
- Fed 8,438 students under the School Feeding Programme
- Assisted thousands of students under various student assistance programmes including support for transportation to attend school
- Supported 25 teachers for training leading to a diploma in Early Childhood Education

- Passed a law on Technical and Vocational Education Training and established the National Training Agency to spearhead technical and vocational training in Grenada
- Placed 300 new computers in our schools to enhance learning outcomes
- Partnered with LIME to provide free Internet service to all primary schools
- Overall student performance improved in all external examinations

### **Youth Empowerment**

- Launched the Youth Upliftment programme at a cost of \$3.0 million
- Registered 1700 youth in the Youth Skills and Certification Programme and secured job placements for 585 young persons
- Launched the Small Entrepreneurs Fund with an initial deposit of \$300,000
- Trained 150 persons in business plans and small business management in preparation for the start up of this Fund

### **Improving Health Care**

- Successfully managed the HINI virus which was unexpected and posed great risk to the health of our Nation and economy. We salute the Ministry of Health, health care professionals and other agencies which came together in this highly successful national effort.
- Received a regional award for Grenada's Public Wellness programme

### **Pursuing Energy Potential**

- Completed a new Energy Policy
- Secured victory before the International Centre for Settlement of Investment Disputes in the Arbitration matter with RSM Production over rights to Grenada's potential oil and gas resources.

## **Tackling Cost of Living**

- Repealed the National Reconstruction Levy thereby releasing \$10 million dollars back into the hands of Grenadians.
- Provided relief to 7,172 households through the Duty Free Barrels Programme
- Passed on lower fuel prices to consumers with monthly adjustments thereby avoiding large fluctuations in prices especially when oil prices rise.

## ***Housing***

- Repaired 175 houses across all parishes including Carriacou at cost of \$901,485.86
- Completed the Simon Bolivar Housing Development at La Calome and distributed homes to 100 families
- Relocated 33 informal residents from Moon Shadow Park to Dunfermline Housing Scheme, Telescope or private lands thereby paving the way to commence work on the Grenville Market Development Project.

## ***Foreign Affairs***

- Six (6) cooperation agreements were signed or came into effect with three countries: China, Brazil and Portugal
- Completed first round of boundary delimitations with Trinidad & Tobago
- Opened the Grenada Consular, Trade and Tourism Office in Trinidad
- Launched the Diaspora Desk

## ***Carriacou and Petit Martinique***

- Strengthened the Ministry of Carriacou and Petit Martinique
- Abolished sand mining
- Regularized land titles for 33 persons

- Commenced work on the Hospital Road
- Installed navigational lights at Windward and Petit Martinique
- Constructed resource centres at Harvey Vale and Petit Martinique

### ***Public Works***

- Employed 11,500 persons in the Road Maintenance programme from April to December 2009
- Reopened the Western Main Road
- Restored bridges at La Mode and New Hampshire
- Refurbished several government buildings

Mr. Speaker, the foregoing is only a sample of some of the Government's major achievements in 2009. During the debate, my colleagues Ministers will provide much more information on the achievements under their respective portfolios.

The record of achievements of this Government refutes any suggestion from detractors that we have been idle.

On the contrary, these are the positive results of a Government working for the people with very limited financial resources. Against that backdrop, these are indeed very impressive achievements.

## **4.0 OUR VISION – A UNIQUE OPPORTUNITY TO TRANSFER GRENADA**

Mr. Speaker, in the good Book of Ecclesiastes, it is noted that:

*“For everything there is a season, and a time for every matter under heaven: a time to be born, and a time to die; a time to plant, and a time to pluck up what is planted;...a time to break down and a time to build up; a time to weep and a time to laugh; a time to embrace and a time to refrain from embracing; a time to keep and a time to throw away”.*

It follows that there is a time for expansion and a time for recession. The world is still in economic crisis but this too shall pass.

In the bosom of this crisis lies the opportunity to transform Grenada into a dynamic, prosperous and stable democracy, capable of sustaining a high quality of life for its entire people.

To do this, we must answer a basic question. What have we learned from this crisis?

If we are paying attention, several lessons are evident. First, we must be truthful about our current reality. Second, we must dig deep for the root cause. Third we must position Grenada for the long haul. Finally, we must not waste this crisis.

Mr. Speaker, our current reality is:

- We are a small island state of only 110,000 souls;
- We do not yet have access to any hydrocarbons or mineral resources;
- We have a limited manufacturing base;
- Though diverse, our services sectors remain underdeveloped due, in part, to the relatively low levels of tertiary, technical and vocational training;
- Our export capacity is weak. Last year, Grenada's export earnings were \$77.9 million compared to an import bill of \$814.8 million.
- Our fuel bill alone in 2008 was \$205.3 million – two and a half times our export earnings.
- Our economy is dependent on tourism, remittances, foreign direct investment and agriculture, all of which are susceptible to external shocks such as recession in the US and UK.
- Given our small size and vulnerability to natural hazards, one natural disaster can erase all our hard-earned gains in a moment. We witnessed this reality with Hurricane Ivan.
- Under our income tax laws, every person earning less than \$60,000 per year on an average of \$5000 per month is exempt from income

tax. According to the records of Inland Revenue, only 1,320 persons in Grenada currently pay income taxes out of a labour force of 47,581 (less than 3% of the labour force).

- Government relies on customs and port charges for over 50% of its recurrent revenue, a source which will wither in the face of trade liberalization.
- Grenada has one of the most generous systems of concessions in the world. Duty free concessions on vehicles are granted to farmers, fishermen, taxi drivers, bus operators, non-profit and charitable organizations, manufacturers, hoteliers and restaurateurs. It is estimated that revenue forgone for these concessions is \$60 million each year.
- For every dollar collected, 46 cents go to salaries and allowances; 19 cents to debt repayments, 21 cents goes to transfers such as Pensions and Public Assistance leaving almost nothing for investments in health, education tourism, agriculture and infrastructure.
- At the same time, we must continue to maintain the social safety nets to protect the vulnerable. According to an assessment undertaken by the World Bank and UNIFEM, 7,575 persons receive direct cash transfers under nineteen (19) programmes.
- In 2008, Government spent \$57.7 million on social safety nets or 9.2% of total expenditure. That sum amounted to 3.2% of our GDP, making Grenada the country with the largest expenditure on social safety nets as a percentage of GDP in CARICOM.
- While we continue to spend millions of dollars providing tertiary education to our students, the majority of them never return to Grenada after completing their education. Of the 48 countries that are members of the Small States Forum, Grenada has the second highest Emigration rate of tertiary educated students - 85.1% (second only to Guyana at 89%).
- Our public debt stands near 106 percent of GDP. This means every Grenadian's share of the public debt is almost \$16,000.

Mr. Speaker, this is our Grenadian reality.

It may make us sad and uncomfortable but our path to lasting recovery will begin when we confront the truth about our situation. In the process, we must also accept responsibility for our individual contribution to the current reality.

For example, we must acknowledge that we chose or supported large projects that may have delivered short term growth but have left us in huge debts. We must also acknowledge where we have failed to pay our taxes but demanded that government fix the roads and give our children scholarships.

Mr. Speaker, we must also dig deep to understand the root cause for our situation. A good doctor cannot treat a patient before the illness is properly diagnosed.

Close scrutiny of the Grenadian reality reveal some major structural defects in our economy. The toxic mix of high debt and fiscal imbalances, persistent unemployment and poverty is strangling our country and preventing sustained growth.

Over the past seven years, economic growth has been like a see-saw:

2003: 7.1%;

2004: -5.7%;

2005: 11.0%;

2006: -2.4%;

2007: 4.5%;

2008: 2.2%;

2009: -7.7% and projected for

2010: 0.8%.

Grenada is not alone. All countries in the Eastern Caribbean have witnessed a secular decline in growth accompanied by high debt, rising unemployment and poverty. We must reverse this trend or risk a similar fate of countries which are now caught in a high debt-low growth trap. This is the major motivating factor for the Eight-Point Stabilisation and Growth Programme to which I have already alluded.

The current global economic crisis was not caused by sub-prime mortgages or even excessive greed. Those are only symptoms of the real problem. The root cause was poor planning, inadequate regulation, weak monitoring and failed leadership from leaders both in government and business who did not adhere to core values such as honesty, service above self and taking responsibility for failures.

The origins of the crisis date back to the 1970s when leading economists argued that shareholder value should be the true measure of corporate performance. Suddenly, the stock price became the proxy of a company's value. This thinking spawned high risk strategies and excessive debt accumulation leaving in its wake failed firms like Bear Stearns and Lehman Brothers and even bankrupt countries. Indeed, the entire world was brought to the brink of financial calamity.

Mr. Speaker, all countries have been adversely impacted by the current crisis but some have fared better than others. It has been observed that countries with the most prudent fiscal policies over an extended period have generally weathered the storm better. They were able to implement large stimulus packages and significantly expand safety nets.

Unfortunately, Grenada's ability to borrow today is constrained by previous policy errors. We have borrowed beyond our real possibilities and invested in many projects that were unproductive.

What is true for individuals holds true for governments. Government just like an individual must save for a rainy day. Government like an individual must not take excessive financial risks.

Going forward, we in Grenada must never again forget this lesson. Strong economic management and macro-economic stability must always be a top priority for the Government and People of Grenada.

This is not about the IMF. It is about safeguarding our ability to weather economic storms and protect the most vulnerable. To do so, we must spend and borrow wisely in good times so we can spend and even borrow more in bad times.

We have taken the time not to paint a picture of gloom but to demonstrate two inescapable truths:

First, the challenges that we face today were not brought on by the current economic crisis. They were exacerbated by the crisis. Consequently, they will not disappear simply because the crisis is over.

Second, if we continue to do the same things in the same way, we cannot expect different results. Of necessity, our reality demands a redefinition of our strategy for sustained growth and economic development.

The implication is clear. If we simply continue to pursue the policies of the last two decades, our future will be perilous and uncertain. That must not be our legacy to our children and grand children.

The fundamental challenge facing our country is how to resume and sustain growth while reducing high unemployment and poverty and restoring fiscal and debt sustainability.

Peter Drucker, the outstanding American Business philosopher and management Guru, articulated the view that “good executives focus on opportunities rather than problems. Problems have to be taken care of; of course, they must not be swept under the rug. But problem solving, however necessary, does not produce results. It prevents damage. Exploiting opportunities produce results.”

After careful consideration and consultation, we have come to the conviction that the economic sectors which hold the greatest opportunities for our Country are the following:

- Health and Education Services;
- Tourism and Hospitality Services;
- Energy Development;
- Agri-business and;
- Information and Communication Technology (ICT).

At this point in our development, we believe that these should be our lead growth sectors over the next twenty years so we must now position Grenada for the long haul.

Much is at stake.

If we succeed - and I believe we can - we would achieve sustained economic growth and transform our Country into a dynamic, prosperous and stable democracy, capable of sustaining a high quality of life for all our people.

With this in mind, I wish to unambiguously confirm that Grenada stands ready to receive all credible investors in these critical sectors. Our new Investment Promotion Act offers attractive incentives for all investors (local and foreign) in these sectors.

In pursuing this vision, we must start with what we already have. We believe, for example, we can leverage the presence of St. George's University to expand our economy. In this regard, we will be pursuing a Teaching Hospital so we can retain medical students in Grenada for a longer period to complete their residency and also offer a higher quality of care for our people – a health and education services opportunity.

Almost 100,000 visitors spend a vacation in Grenada each year. Can we sell them guava cheese thereby making a link between the farmer in Grand Bras and the hotel guest in Grand Anse? An agribusiness opportunity.

NUT-MED has provided pain relief for many people. Can we sell it to the rest of the world including soldiers in Iraq and Afghanistan? Can we use our top athletes to help us market this product to the world? Another agribusiness opportunity.

Grenadians, let us be bold in our imagination.

Think possibility.

Mr. Speaker, if we see it, we can do it.

The road ahead is long. We will not get there overnight but the journey of a thousand miles begins with the first step.

Speaking of steps, Mr. Speaker, there are five things that we must do now.

First and foremost, we must maintain macro-economic stability, demonstrating a high level of fiscal responsibility and strong debt management. Without this Government cannot meet its obligations to provide services to the people. Hence our focus on economic management.

Second, we must continue to invest in our people. They are our most important investment for sustained growth and prosperity. Hence our focus on education and health.

Third, we must put our people back to work. We must endeavour to create an employment opportunity for every Grenadian who is able and willing to work including self employment. In so doing, we shall generate demand and create economic momentum. Hence our focus on job creation and improving the business climate.

Moreover, in so doing, we shall contribute to restoring the self-esteem and dignity of many Grenadians who have been deprived the opportunity for gainful employment for many years and who have been humiliated by the reality of dependency.

Fourth, we must invest in the productive sectors to get our economy growing again and to increase our export earnings. Hence our focus on tourism, agriculture and energy development. In making or promoting these investments, we must ever be mindful of our environment including our values, patrimony and heritage.

Fifth, we must provide for the poor and most vulnerable among us to help them cushion the effects of the crisis even as we endeavour to help them out of poverty through investments in human development.

Finally, we must work together. Ultimately, our task is to build Grenada and renew hope. If we succeed, we all benefit. If we do not, we all suffer. Let us work together to succeed.

Mr. Speaker, for all the reasons I have just outlined, we have chosen as our theme for this Budget, ***“Exploiting the Crisis for Job Creation, Renewed Growth and Sustainable Development through Partnerships.”***

## **5.0 OUR PLAN**

### **5.1 The 2010 Estimates of Revenue and Expenditure**

The 2010 Estimates of Expenditure provides for total expenditure of \$679.0 million, a small increase over last year’s \$675.9 million. These include:

Current Expenditure: \$430.2 million

Capital (Development) Expenditure: \$159.0 million

Principal Repayments: \$89.7 million

The five largest allocations are for:

Public Debt – \$146.4 million (or 21.6%)

Ministry of Education and Human Resources - \$105.6 million (or 15.6%)

Ministry of Finance - \$58.6 million (or 8.6%)

Ministry of Health - \$55.7 million (or 8.2%)

Police - \$49.3 million (or 7.3%)

Mr. Speaker, our allocation for Education and Human Resources underscores our promise to spend at least 15% of the total budget on human resource development.

Mr. Speaker, of the \$430.2 million in current expenditure, \$205.7 million or 47.8 percent will be spent on personal emoluments; \$56.7 million or 13.2 percent are earmarked for interest payments; and a further \$81.2 million or 18.9 percent are provided for transfers to households including pensions and gratuities.

Mr. Speaker, the \$159.0 million allocated for capital expenditure is 9.0 percent of GDP. This is financed by \$108.0 million or 68 per cent from local revenue and other domestic financing; \$43.1 million or 27 per cent from external grants and the remaining \$7.9 million or 5.0 per cent from external loans.

Mr. Speaker, although the 2010 capital budget is smaller than the capital budget in 2009, it is actually larger than the \$140 million of actual capital expenditure realized last year. Once again, we are endeavouring to do more with less as we have already demonstrated with the Farm Labour and Road Maintenance programmes.

Total current revenue for 2010 is projected at \$448.1 million, 9.2 percent higher than collections in 2009. This projection includes Value Added Tax of \$143.1 million (32%) and Excise Tax of \$21.5 million (4.8%).

Customs and Excise is projected to collect \$246.2 million while Inland Revenue is projected to collect \$175.8 million.

Non-tax revenue is projected at \$43.8 million, slighter higher than last's year total of \$42.6 million.

Government projects a current account surplus of \$17.9 million, which is 1.0 percent of GDP.

Finally, the overall deficit (including grants) is projected to be \$72.6 million or 4.1 percent of GDP.

## **5.2 Value Added Tax**

Mr. Speaker, during the 2009 Budget Presentation, I signaled Government's intention to implement the Value Added Tax (VAT) from February 01, 2010. Following this announcement, we launched a nationwide public education campaign.

Unlike the previous Administration which chose to play political football with this tax reform, our Administration has never wavered on the implementation of this important tax reform.

As a fiscally responsible Government, we firmly believe it is the right thing to do. Moreover, we do not wish to create any uncertainty in the private sector and among the populace about our intentions on this issue.

There are those who are suggesting we should delay this tax until the economic situation improves. We disagree.

Mr. Speaker, the introduction of the VAT at this point in our economic history, signals the beginning of the restructuring of our tax system to reflect the changing nature of our economy.

In a world of globalization and trade liberalization – where barriers and border taxes were coming down—any over reliance on border taxes increases the vulnerability of the revenue base, given the progressive reduction of tariff barrier to international trade in the international trading regime.

Over the last 15 years in the CARICOM region, for example, border taxes fell from an average of 45% to an average of 25%.

With this scenario, if Grenada is to even maintain its revenue intake at the port and customs, total imports would have to constantly increase. However, increasing imports means that we have to find more foreign exchange to pay for these imports.

In the face of declining exports, this would continue to become more challenging as Grenada's trade deficit widens. More importantly however, is the fact that the structure of our economy is changing rapidly. We have moved away from a goods-based to a services-based economy. Approximately 80% of our economy is now services.

This means that our traditional goods based taxation structure is inadequate to deal with the new structure of our economy.

The VAT which is a consumption tax on goods and services seek to correct that structural defect.

Having listened to all stakeholders, we have sought to craft a VAT regime that is simple to administer but is sensitive to the needs of the less fortunate among us. In short, fiscal policy with compassion.

We must now implement VAT and allow it time to settle. Consequently, I wish to confirm that VAT will commence on February 01, 2010.

Before I proceed with some of the details on VAT, I wish to remind the Nation that the introduction of VAT must be seen as part of wider tax reform effort and is consistent with the recommendations of the OECS Tax Commission which was led by Sir Alister McIntyre.

The VAT will be used as a catalyst to modernize and reform all aspects of our tax system, thus making it fairer, easy to administer and encouraging voluntary compliance.

A key objective of the VAT is to broaden the tax base thereby allowing more persons to share the tax burden while making it possible for Government to lower the tax rate.

Over the next three to five years, it is Government's intention to reduce the number of taxes in Grenada to no more than 6 compared with the current 9 taxes. Indeed, the introduction of VAT is the first step in this plan as VAT will replace three existing taxes: General Consumption Tax, the Motor Vehicle Purchase Tax and the Airline Ticket Tax.

For this reason, we say that although VAT is a new tax, it is certainly not an additional tax.

On February 01, Grenada will join more than 130 countries that have already implemented VAT including many in the OECS and wider Caribbean. Having regard to this global experience, we have studied and learned from other countries. Moreover, we have received generous help with our preparation. In this regard, I place on record our profound appreciation for the support given to Grenada by the Caribbean Regional Technical Assistance Centre (CARTAC).

To date, the legislation has been enacted, the VAT Office has been set up, 48 staff have been recruited and trained, advisory visits have been conducted with potential VAT and excise tax registrants and, very importantly, public meetings have been held throughout the length and breadth of Grenada.

At present, the staff is engaged in responding to the concerns of businesses as they fine tune their preparations. Indeed, we are pleased to report that every single business on the potential registrant's list has received at least one visit from the VAT Office. As we speak, 700 businesses have already registered.

Mr. Speaker, this is clear evidence of the Government's philosophy to ensure a participatory and inclusive approach to policy formulation and genuine partnership for development.

In designing the VAT, Government took on board many lessons of the failed attempt to implement VAT in 1986. These include:

1. An intensive public education campaign following the passage of the law which was done 7 months before the date for the commencement of VAT. Indeed, this campaign is one of the most comprehensive public sensitization campaign ever undertaken in Grenada. It included 150 meetings and 824 advisory visits to businesses;
2. A higher income threshold: only businesses with sales of \$120,000 per annum or more will be required to register for VAT. This is in contrast to a threshold of \$12,000 in 1986.
3. A lower standard rate of 15% in contrast to 20% in 1986.

It is important to make the distinction between goods and services which are VAT-exempt and those which are zero-rated.

For supplies which are VAT-exempt, no VAT will be charged on sales. However, this also means that producers of these supplies will not be able to claim credit for VAT paid on their inputs. In short, exempt without credit.

For supplies which are zero-rated, no VAT will be charged on sales. However, the producers of these supplies will be able to claim a credit for VAT paid on their inputs. In short, exempt with credit.

***List of Zero-rated Supplies (no VAT)***

The list of items that are already zero-rated (a VAT rate of 0%) is:

Flour, sugar rice, milk, infant preparation (basic foods);

Motor spirits (gasolene, cooking gas, diesel, kerosene)

Postage stamps

Electricity (up to 99 kilowatt hours)

Having listened carefully to the concerns raised by consumers, stakeholders and interest groups, the following additional items will be zero-rated effective February 1<sup>st</sup>, 2010:-

- Bread
- Medicines for chronic diseases (including cancer, diabetes, hypertension)
- Water for residential purposes
- Fish
- Agricultural products which includes ground provisions, fruits and vegetables
- Poultry products and meats
- Energy saving devices
- Agricultural inputs (now exempted in the law)

***List of Exempt Supplies (no VAT)***

The following is the list of exempt supplies:

Medical services; veterinary services

Educational services  
Domestic transport  
Financial services  
Residential rent  
Services of nursing home or residential care facility  
Vacant and agricultural lands  
International transport services  
Marine berthing and dockage (will now be included)

### *Hire Purchase*

Existing hire purchase agreements will not attract VAT. Companies will have the option to treat new hire purchase arrangements as a credit sale and account for the VAT payable on such agreements at the time when these agreements commence or account for the VAT on each payment installment payment.

### *Tourism*

In contrast to the standard rate of 15% on domestic sales, tourism will attract a special rate of 10%. This is in recognition of the fact that tourism is an export sector and is currently the leading foreign exchange sector in our country. Indeed, all countries in the Caribbean with VAT charge a lower rate of VAT on tourism compared with the rate charged on domestic consumption.

Marina berth and dockage will be exempt from VAT. This decision has been taken to ensure Grenada remains competitive in an area where there are now significant investments as Grenada seeks to become the leading centre or marinas in the Eastern Caribbean.

Dive activities will also attract the special rate of 10% in support of Grenada's ambition to become the dive capital of the Eastern Caribbean.

### *Agriculture*

Consistent with Government's policy to continue the revitalisation of the agriculture sector, there will be no VAT on sales of the following additional agricultural items:

- fresh or frozen fish
- unprocessed agricultural products produced in Grenada (whether sold by the producer or a shop or supermarket)
- Fresh or chilled poultry products and meats
- Fresh whole eggs
- Eggs for hatching
- Poultry for rearing

### *Manufacturing*

Government is very sensitive to the needs of the local manufacturing sector. Having listened to their concerns, we have crafted the following special arrangements:

- VAT payable on inputs will be deferred for six (6) months.
- VAT charged on sales will be at the standard rate of 15% on the selling price as stated in law
- A rebate or credit will be given against tax liabilities to support employment generation, export promotion and capital expansion.

Mr. Speaker, these measures are designed to ensure the manufacturing sector is not disadvantaged with the introduction of VAT.

### *Telecommunications*

During, the Budget and VAT consultations, there was a strong recommendation to apply a higher rate of VAT for the use of mobile telephone services. Accordingly, the VAT legislation was amended to increase the rate on mobile telecommunication services from 15% to 20%. Given the trends in demand for these services, we do not expect the mobile telecommunication companies to be adversely impacted by this decision.

Other telecommunications services will attract the standard rate of 15 percent.

We have taken on board the concerns of the private sector and give the assurance that it will not be disadvantaged by the introduction of the VAT since measures have been taken to ensure continuity of capital expansion, export promotion and employment generation.

### *Impact on Cost of Living*

Mr. Speaker, there are some serious misconceptions about the impact that VAT will have on business operations and cost of living. We have taken great care to minimize the impact by expanding the list of exempt and zero-rated supplies.

We anticipate that in the first three months of VAT, there may be an increase in prices for items which were on the shelf prior to February 1<sup>st</sup>. However, once old stock has been depleted we should experience lower prices in the economy. Additionally, once the transitional bonded warehouse period expires, consumers should see reduced prices for many consumables as early as March.

Our Price Control Inspectors in collaboration with the VAT Office will be vigilant to ensure no business takes advantage of VAT by “jacking up” their prices.

VAT should also result in some price reductions. Consider the following examples:

<u>Item</u>	<u>GCT Rates</u>	<u>VAT Rate</u>
Packaged rice	25%	15%
Fruit juices (sourced extra-regionally)	25%	15%
Clothing (Polo shirts)	25%	15%
School bags	25%	15%
Refrigerators	25%	15%
Lumber	25%	15%

We are convinced that we have made the right decision to introduce VAT at this time and we believe that as the economy recovers, the revenue yield from VAT would allow us to meet our commitments and extend more benefits to our people.

We have given our commitment to make the necessary legislative changes to the VAT to give effect to the recommendations arising out of all the consultations we have had.

We would now move to implementation. We solicit the cooperation of the business community and consumers. Please give VAT a chance to settle and work for Grenada. It is working for more than 130 countries.

That said, we will continue to monitor its implementation to ensure that the VAT is responsive to the changes in the economic and social environment.

### **5.3 Excise Tax**

Mr. Speaker, an Excise Tax is being introduced alongside the VAT for two basic reasons. First, to ensure no loss of revenue from repealing the GCT on motor vehicles, cigarettes and tobacco products. Second, to collect additional revenue to address the negative externalities associated with the consumption of alcohol and tobacco use. In this regard, we note that this move has the support of the Grenada Medical Association.

In setting the rates, careful consideration has been given to the impact on the cost of living. We have also sought to calibrate the rates to support the viability of local manufacturers and jobs while minimizing any incentive for smuggling. Consequently, and after further consultation and dialogue, some rates have been adjusted.

Consider, for example, the case of a motor vehicle below 2000 cc which attracted an excise tax of 14% resulting in a price increase of approximately 5%. This will now be adjusted to 9%. Likewise for a new vehicle above 2000 cc, the excise tax rate will be adjusted from 14% to 20% to achieve price neutrality.

Mr. Speaker, I wish to place on record Government's appreciation for the hard work and efforts of Mr. Melville Hosten, Comptroller of Inland Revenue and members of the VAT Implementation Team and VAT Office led by Ms. Pauline Peters, Assistant Comptroller with responsibility for VAT and Mr. Curlan Gilchrist, Consultant.

It has been heartening to see our young officers in the field spreading the word - VAT for Nation building!

### **5.4 Other Revenue Enhancement Measures**

Mr. Speaker, the current fiscal situation requires every effort to close existing financing gaps in 2010. In this regard, the Ministry of Finance convened a committee to undertake a revision of existing fees and fines. The Committee submitted its report with specific recommendations for an

increase in the rate of certain fees and fines, including the vehicle transfer fee, marriage licenses, and the fees associated with gun permits.

These are rates that have been unchanged for over 20 years. Indeed, the actual costs of delivering these services far exceed the current rates.

Mr. Speaker, we wish to indicate however, that in light of the current economic situation, the proposed changes will not affect health or education services or increase the cost of doing business in Grenada.

The proposed revenue enhancement measures are expected to generate an additional EC\$2.2 million.

## **5.5 Waste Reduction Measures**

Mr. Speaker, Government is fully committed to reducing spending on non essential goods and services and eliminating wastage, where possible.

As promised, we established a waste reduction hotline (440-5883) in May 2009. Over the last six months, we have received an average of five (5) reports a day on abuse of Government resources. We follow up on each report.

Mr. Speaker, I am pleased to report that as a result of our efforts so far, we have seen some improvements in the management and use of Government vehicles in the past year including a dramatic reduction in fuel consumption by some 39 percent (EC\$1.4 m in 2009 as against EC\$2.3m in 2008). Of course, lower fuel prices were also a contributing factor.

This year, our waste reduction drive will concentrate on five (5) major initiatives:

- Establishment of a central mail delivery system to serve the Ministerial Complex and expedite mail delivery to the Financial Complex, other government departments and state-owned enterprises including the Post Office.
- Establishment of a small Central Brokerage Unit to ensure the expeditious clearance of Government imports including donations at the ports of entry.

- A review of our Telecommunication Services Provider Agreement – Discussions are already underway in this regard and a new agreement will be concluded shortly. This measure is expected to generate savings of approximately EC\$2.5 million.
- Consideration and adoption, where necessary, of the recommendations of the Committee that was established by Cabinet to review and organize a pooling arrangement for vehicles at the Ministerial Complex as well as to develop a policy for the management and utilization of all Government vehicles.
- Expedite the process of energy audits of selected Government Ministries to introduce low cost and no cost conservation practices.

Mr. Speaker, it is unacceptable for patriotic Grenadians, friends of Grenada and other charities to donate items to Grenada such as medical supplies and books and have them left on the Port to rot because no one could be bothered to clear them. This wastage cannot continue especially at a time when Government is seeking to minimize expenditure and maximize grants. The Central Brokerage Unit will ensure such stories are a thing of the past.

## **5.6 2010 BUDGET PRIORITIES**

### **5.6.1 STRENGTHENING ECONOMIC MANAGEMENT AND IMPROVING THE BUSINESS CLIMATE**

#### ***Strengthening Economic Management***

Mr. Speaker, considerable strides were made in this past year in the area of economic management.

The 2010 Budget is consistent with Grenada's obligations under the Poverty Reduction and Growth Facility and the ECCU Stabilisation and Growth Programme.

As we did last year, the performance criteria and structural benchmarks for 2010 under the Poverty Reduction and Growth Facility (PRGF) are disclosed as an annex to this Budget Statement.

The PRGF is an arrangement that the Government of Grenada entered into with the International Monetary Fund by the previous Administration in April 2006.

It is a comprehensive medium-term economic reform programme with the objectives of: promoting sustained high economic growth, restoring fiscal and debt sustainability, reducing vulnerabilities, and alleviating poverty.

This programme officially ends in April of this year.

At this juncture, it is appropriate to consider the question: how has Grenada benefited from this programme?

In reflecting on the impact of this programme on Grenada, it is clear that the PRGF has provided a cohesive framework in which to pursue the reform agenda first set out in the 2006 Budget by the previous Administration.

Mr. Speaker, it is now a matter of public record that the previous Administration failed to perform under this programme. It was not until 2008 that the first review was completed and the second disbursement was made. Indeed, it is to the credit of this Administration that Grenada has had three successful reviews since assuming office in July 2008.

The result - \$43 million received from the IMF and \$42.3 million in grants received from the European Union for a total of EC\$85.3 million. Moreover, there has been Paris Club debt relief.

It is important for all to understand that it is the judicious policies of this Administration that have unlocked these resources for Grenada's development.

The Nation has every reason to be proud of the economic management record of this Government in a very difficult economic environment.

Following the conduct of a Mid-Term Review of Grenada's programme with the European Union, Ambassador Valeriano Diaz, Head of the EU

delegation of the European Commission in Barbados had the following commendations for the Government of Grenada at ‘wrap up’ press conference on October 13<sup>th</sup>, 2009 and I quote:

***“Grenada can be seen as a model when it comes to public finance management”***

End of quote.

From April 2006 to now, the IMF has disbursed EC\$62.1 million to Grenada. More importantly, the programme has been successful in achieving macro stability under difficult circumstances. Amid the two external adverse shocks, world food and fuel price crisis in 2007-08 and the global financial crisis in 2008-09, the programme has helped stabilize the economy through various channels: (i) prioritizing spending within the limited resource envelope, (ii) paving the way for Paris Club debt rescheduling in 2006-09, and (iii) catalyzing additional financing from donors and creditors, including the Caribbean Development Bank, the World Bank and the European Union.

Important progress has been made in structural reforms to remove obstacles to growth. Reforms have centered on improving fiscal and economic management, enhancing the business environment, and reducing vulnerabilities in the financial system.

On two occasions, the Executive Board of the Fund approved increased disbursements to Grenada. First, in the wake of the food and fuel price crisis. Second, to help mitigate the adverse effects of global economic slowdown on tourism and FDI. These increases have resulted in Grenada receiving an additional \$27 million above the sum that was originally negotiated in 2006.

Given the economic downturn and revenue shortfall, these resources have provided much needed support to the public finances.

Having regard to the uncertainty in the global economy and the challenging fiscal situation, Grenada intends to continue its relationship with the International Monetary Fund and will shortly discuss a successor programme.

This approach is not only right for Grenada but is consistent with the ECCU Eight-Point Stabilisation and Growth Programme. Indeed, five OECS countries accessed IMF resources in 2009.

### *Public Procurement Reform*

Mr. Speaker, Government is committed to ensure that it operates in the most transparent and cost effective manner and that it receives best value for money spent.

Public Procurement reform is an important element of good economic management and is essential to combating corruption.

On assuming office, we moved to establish the Public Procurement Authority pursuant to the Public Procurement and Contract Administration Act that was passed in 2007. To this end, Government sought technical assistance from the Organisation for Economic Cooperation and Development through its Partnership for Democratic Governance Unit.

The Unit immediately commissioned an independent review of the law and identified several areas that were not consistent with international best practices. The deficiencies in the current law include: no provision for electronic government procurement, absence of clear procedures for procurement, lack of conflict resolution mechanisms and absence of a career path for procurement professionals in the Public Service.

These findings were shared with stakeholders at a seminar last August and later presented to Cabinet.

As a consequence, Government requested assistance to establish a new law with appropriate regulations based on international best practices. The new law is already drafted and the regulations will soon be completed.

Moreover, the OECD has already begun to mobilize technical assistance from a range of donors to assist with the establishment of a Public Procurement Department. Areas of support will include staff training, an adviser and software support.

It is our intention to enact a new Public Procurement law this year and to proceed with the establishment of the Public Procurement Department.

## *Improving the Business Climate*

Mr. Speaker, in the 2009 Budget presentation, Government expressed its commitment to reform Grenada's Doing Business environment and identified the following priorities:

- Business Start-up
- Trading Across Borders
- Transfer of Property, and
- Enforcement of Contracts

I am pleased to inform the Nation that impressive work is ongoing in fulfillment of this commitment.

### *Business Start-up*

The Corporate Affairs and Intellectual Property Act which was passed last year provides for the appointment of a separate Registrar of Companies. A Registrar has already been appointed and will soon establish a Companies and Intellectual Property Office.

Currently, it takes 20 days to complete six procedures to start a business in Grenada. With this dedicated Registrar and faster name searches using information technology, the time for business registration and incorporation will be slashed from 7 days in 2009 to 4 days by the end of this year.

### *Trading Across Borders*

As a result of the National Dialogue on Ports and Customs Operations held in February last year, several recommendations emerged which are informing the way business is done at the Ports and Customs.

At the level of the Customs one key indicator will be the time taken for the clearance of entries. Average entry clearance is now a day and a half, as compared to 2 days a year ago.

With the introduction of a new computerized entry processing system known as ASYCUDA World, we aim to reduce entry clearance time to no more than 1 day over the next two years.

### *Transfer of Property*

The Act to establish a separate Lands and Deeds Registry passed last July now provides for faster property transfer, an activity that has been a source of considerable frustration in business transactions and which can sometimes prove to be a deal breaker.

One area in which the faster transfer of property can bring financial benefits to Government is the granting of Aliens Land Holding License. At present, there are as many as eight (8) steps resulting in considerable time lags in this process. Government will reform this process according to international best practices.

### *Enforcement of Contracts*

The recent creation of an additional Civil Court will conceivably reduce the sluggishness in the court system, including matters related to Contract Enforcement.

The new Investment Promotion Act is one of the most important steps in the redesign of the Grenada's Business Support Environment and places Grenada at the frontier of business facilitation in CARICOM.

The Act guarantees the security of investments, both foreign and local, and provides an expanded package of fiscal incentives for sectors and projects where enhanced economic activity is desired. Investors, whether foreign or domestic, can by virtue of the Act expect to benefit from concessions in the following sectors:

- tourism
- manufacturing
- agriculture and agribusiness
- ICT services
- financial services
- health and wellness services

- creative industries
- energy
- research and development

In addition, projects that contribute to technology transfer, capital formation, foreign exchange earnings, reduced dependence on imported energy, skills based employment, the use of local resources, economic diversification, value-added and positive linkages will attract concessions.

The Act was designed with technical assistance from the World Bank and the IMF and represents a concrete example of how this NDC Government is living up to its commitment to genuine partnership with Civil Society in crafting development policy.

Full credit must be given to the Investment Planning and Policy Committee, consisting of Government, Private Sector, Trade Union and NGO representatives who worked hard to lay out the main policy elements of this law.

Mr. Speaker, the reforms just mentioned will be led by the Office of Private Sector Development in the Ministry of Finance and supported by the Grenada Technical Assistance Credit Project, a three year project funded by the World Bank and the European Union.

#### *New Levels of Engagement to Facilitate Investment*

These initiatives aimed at improving the institutional framework for business and new investment are the actions of a Government that is prepared to move to new levels of engagement with both local and foreign investors in the spirit of mutually beneficial partnership.

The generous package of Fiscal Incentives outlined in the Investment Promotion Act and the fast-tracking efforts of a Special Business Facilitation Committee, chaired by the Finance Minister, are part of this proactive response.

## *INVESTOR CONFIDENCE*

Mr. Speaker, before I move on to Job Creation, I want to address an often repeated fallacy by the official Opposition which is that the downturn in the Grenadian economy is due to the actions or inactions of this Administration.

Nothing could be further from the truth.

More than that, Mr. Speaker, bold-faced lies have been told and allegations made that the current Government is running investors. These allegations are desperate and cynical attempts to exploit the sense of insecurity felt by many as the recession intensifies and is an affront to the intelligence of the Grenadian people.

Here are the facts:

- When one examines Grenada's economic performance, statistics reveal that the economy has been in decline with growth rates falling from 4.5% in 2007 followed by 2.2% in 2008, a definite sign of things to come.
- The global recession commenced at the end of 2007, worsened in 2008 and was officially acknowledged as a financial crisis in September 2008 after the collapse of Lehman Brothers in the U.S.
- The slowdown in investment is a direct result of the global recession and started before the Government changed on July 8<sup>th</sup> 2008. In the case of Grenada, most of the major developments had come to a virtual halt during the final months of the NNP administration.
- Other countries in the region have been worse hit by the recession, with businesses closing down and projects that were as much as 70% completed being abandoned.
- The Government of Grenada has intervened in a proactive manner to enter into arrangements with the Private Sector to keep businesses open thereby saving jobs. An example of this is the MOU with the Grenada Hotel and Tourism Association

(GHTA), in which Government agreed to give up 50% of General Consumption Tax (GCT) so that hotel staff could be kept on.

- Government's ongoing efforts to craft a Social Protocol in conjunction with Social Partners are further evidence of this.
- The Tax Amnesty was also a special intervention to assist both individuals and businesses in these difficult economic times.

In the face of this overwhelming evidence, it is false and misleading to blame this Administration for the hold up of several major tourism development projects.

Many of these projects were based on a model of villa presales. This model was dealt an almost fatal blow by the huge losses suffered in the stock market by many potential second homeowners. Some of these potential buyers suffered at the hands of fraudsters like Bernard Madoff.

In addition, many banks suffered huge losses in the wake of the sub-prime mortgage debacle and either collapsed or sought bailouts. Those that escaped relatively unscathed went into an ultra-conservative mode and refused to lend even for good viable projects.

Indeed, one of the frustrations of the Obama Administration with the financial bailout of US banks has been the slow rate of credit expansion even for good projects.

These circumstances are not the making of this Government. It is the world we met on arrival in office 18 months ago.

Indeed, having reached out to many of these investors both local and foreign, they have all expressed difficulty with financing and, in some instances, have sought Government assistance to access funding. During the past year, we invited the International Finance Corporation to visit Grenada to examine some of these potential projects.

Early last year, EXIM Bank of China also visited to assess potential projects.

Notwithstanding these challenges, investors showed confidence in Grenada and invested in 2009.

## **Local Investments**

Seventeen (17) local projects commenced operations in 2009. Included among them are such investments like Spice Dream Holiday Apartments, Geomax, and Charcoal Caribbean Grill. Seven (7) of these projects were tourism related, five (5) were services related and five (5) were manufacturing. The actual investment for these projects was in excess of EC\$17 million and they created 65 jobs.

Mr. Speaker, I take this opportunity to praise our local entrepreneurs who despite very challenging economic circumstances have put their hands up and stepped forward to take risks.

Government pledges to continue facilitating these efforts with institutional support and generous fiscal incentives. Every local investor can take comfort in the knowledge that the Investment Promotion Act levels the playing field between foreign and local investors.

As far as the NDC administration is concerned, an investor is an investor.

## **Foreign Direct Investment**

During the year 2009, nine (9) Foreign Direct Investment projects commenced operations, representing \$187.1 million of actual investment and created employment for 71 persons.

Baron Foods which has been operating in St. Lucia since 1991 and has a product line of 125 products, including pepper sauces, green seasoning, ginger sauce, passion fruit juices and dried spices, commenced operations at the Simon Industrial Park in December 2009 and plans to employ up to 40 persons during the first quarter of this year.

In tourism related projects, Phase I of the Prickly Bay Waterside Development started operations in February 2009. This company is the winner of the prestigious Americas Property Award 2009 for Best Caribbean Development and Best Architecture. To date, \$130 million has been invested, creating employment for over 30 persons.

A total of twenty-two foreign investment projects were in some stage of implementation during 2009, representing EC\$1.8 billion in investment

and will employ 2,237 persons upon completion. Among these projects are KM2 Solutions, a US based inbound call centre which will employ 100 persons this year and an additional 500 persons next year.

At least seven (7) other projects will become operational in 2010 to create in excess of 60 permanent jobs on commencement of operations.

Clear Harbour Ltd, another US based inbound call centre located at Frequent Industrial Park, which commenced operations in 2007 with 100 persons expanded and now employs 250 persons on a shift system.

Significant investments were also made by Camper and Nicholson as it completed Phase 3 of that project. This year, the company is expected to make substantial additional investment as they embark on phases 4 and 5. The completed marina will contain about 51, 000 square metres of berths, with a capacity for 380 boats.

I take this opportunity to thank all foreign investors for investing in Grenada and give them the full assurance that Government will continue to support their efforts.

### **Partnering with Investors**

Mr. Speaker, the investments that were carried out during the last year are the result of active investment facilitation by the Industrial Development Corporation and the supportive policy environment created by Government.

I now turn to Job Creation.

### **5.6.2. JOB CREATION**

Mr. Speaker, according to the Poverty Assessment Survey which was completed before our Administration assumed office, the level of unemployment in July 2008 was 24.9%.

In light of the current recession, the level of unemployment is considered to be around 30%. This situation is one of grave concern for our Government and we wish to announce a series of measures this year that are geared to put our people back to work.

The construction sector is one sector with a workforce that has displayed a high propensity to spend. It is therefore a good vehicle to take an economic stimulus to the wider economy.

In Grenada, there are some 12,000 persons out of work (25% of 47,500). A significant portion of these persons are construction workers who have been thrown on the breadline as a result of the dramatic decline of this sector. There was, in fact, a 52.4 percent decline in construction activity during the period January to September 2009, the most significant decline in any of our economic sectors.

The above statistics indicate quite clearly that, in addition to whatever else is done, the construction sector has a key role to play in Job Creation. This budget will, therefore, place construction at the centre of Government's job creation drive.

It is important for all to remember that job creation requires partnership. Government cannot do it alone. For this reason, our Administration has placed much emphasis on improving the business climate in the Country thereby creating the enabling environment.

In terms of job creation prospects, I begin with the private sector.

### **Private Sector Investments**

Mr. Speaker, the following are some of the private sector investments which are benefitting from active Government facilitation and which are expected to start within the next 12 months:

#### **Levera Resort Development**

This is a mixed-use resort which will include an eco-friendly hotel consisting of 55 suites and villas and a world class spa. When complete the resort will comprise the following:

- 55 key luxury boutique hotel
- 136 residential villas
- Central hotel facilities
- Spa

- Tennis Court
- Kids club
- 5 star restaurants and bars
- Supporting amenities

Total investment for the first phase of the project is US\$35 million. During the construction phase 350 to 500 persons will be employed. When the resort is operational there will be 130 to 320 employment positions available.

I also wish to point out that as a result of new arrangements being finalized with the developers, the people who are owed for lands acquired for this Development and who were not paid by the previous Administration will start receiving payments when the project commences.

### **Virgin Beach Development**

This project is expected to resume implementation shortly. Virgin Beach is an integrated tourism development in True Blue, St. George's including a residential marina, a marina village, a hotel and villas. This project is to be developed in 5 phases over a six year period, with planned investment of EC\$74 million, providing employment for 300 persons in the construction period and 220 when completed.

### **KM2 Solutions**

This is a US inbound call centre which will employ 100 persons this year and an additional 500 persons next year.

### **Homeland Investment**

This medical diagnostic centre has a planned investment of EC\$15 million providing employment for 120 persons during the construction phase and 25 permanent jobs when completed.

### **Camper & Nicholson**

Phases 6 & 7 of this marina project will employ 100 persons during the construction phase.

## **Bacolet Bay & Spa Resort**

This spa hotel and resort with a proposed investment of EC\$140 million will employ 100 persons during the construction phase and an additional 350 persons when completed.

## **Grenada Cruise Village**

This tourism project which involves the establishment of a mall facility at the Cruise terminal at a proposed investment of EC\$50 million will employ 200 persons during the construction phase.

## **Prickly Bay Waterside**

This tourism villa project involves a planned investment of EC\$100 million employing 80 persons during its construction phase.

## **Other Projects:**

The following local projects involving a total investment of approximately EC\$150 million providing an additional 200 jobs during their construction phases will commence implementation in 2010:

- Spicebasket Ltd. [heritage tourism complex]
- Icon Inc. [expansion of tourism accommodation]
- Morne Tout Laundry Mart & Apartments [laundry mart & accommodation]
- D-Vale Company Ltd. [restaurant]
- 226 West Management G'da Ltd [accommodation facility]
- Belle Isle Resort [tourism]
- Virgin Bay Resort [tourism expansion]
- Kalinago Beach Resort [tourism]
- Carriacou Development Corporation [marina & boat yard]
- Poli-Natural Spring Water [manufacturing]
- Local Foods & Poultry Processing Ltd [poultry processing operation]
- Sunset Enterprise [poultry production]
- Public Sector Projects
- Grenville Market Development

This CDB funded project seeks to contribute to the redevelopment of the town of Grenville and improve its socio-economic conditions. The project consists of three components:

- a) Construction of the bus terminal in the Moon Shadow Park area;
- b) Relocation of the Grenville abattoir to Mirabeau; and
- c) Expansion and refurbishment of the Grenville Market Square

Work is expected to start in the second quarter of this year. At least \$3.5 million is expected to be spent on this project this year.

#### *Basic Needs Trust Fund (BNTF) Phase VI*

Phase VI of this project was approved by the Caribbean Development Bank (CDB) in July 2009. The project is expected to fund preschools, homes for the aged and skills training.

The allocation for this programme is \$7.0 million.

#### *Road Maintenance Programme*

Government will continue its year round maintenance programme including debushing of our road network. Considerable improvement was evidenced in the quantity and quality of work delivered last year.

This programme has been allocated \$7.0 million and will generate 12,000 jobs.

#### *Concrete Roads*

A total of \$4.5 million has been allocated for this programme. It will involve road rehabilitation, pavement construction, drainage and retaining walls. This programme will be very labor intensive.

### *Young Entrepreneurs Development Fund*

An allocation of \$1.3 million has been earmarked for this programme. This programme seeks to address the problem of unemployment by providing opportunities for the unemployed to get involved in viable production and financially rewarding self-managed economic activities. The objectives of the Fund include:

- a. Creation of employment opportunities;
- b. Development of entrepreneurs and entrepreneurship skills;
- c. Demand stimulation and growth facilitation

### *Lauriston Airport Upgrade*

This project involves the resurfacing of the runway, refurbishment of the building and the renaming of the airport. When completed, the airport will be known as the H.A. Blaize Airport, a fitting tribute to the late former Prime Minister.

### *Government Estates Development and Rehabilitation Programme*

Under this programme, the estates will be used to generate significant employment in the rural communities.

### *Southern Grenada Water Supply Project*

The project seeks to provide a sustainable improvement in the water supply systems of Southern Grenada by improving the quality, quantity and reliability of the water. This involves the rehabilitation of six water treatment plants and the installation of approximately 35km of water lines and associated valves.

### *St. Patrick's Road Project*

This project seeks to improve the Tourism and Agricultural sectors in this area by upgrading 16 kilometres of road and associated drainage works. The first phase planned for 2010 comprises of the preparation of preliminary designs. The estimated total cost for the preliminary phase is EC\$1.8 million of which EC\$ 1.0 million will be financed by the CDB.

## **Rehabilitation of Public Buildings**

Mr. Speaker, it is with regret we observe that five years after the passage of Hurricane Ivan, many of our most important public buildings still lay in ruin. This is not an acceptable state of affairs and we intend to do something about it starting this year.

### *The National Parliament*

As the home of democracy and the key symbol of good governance, Government has been seeking ways to rehabilitate this Building. Through the tireless efforts of our Prime Minister, funding to the tune of US\$7.0 million has been secured for this project as a grant from friendly governments. Consequently, the design and preparatory works will be undertaken this year with the aim of commencing actual construction in the shortest possible time.

Given the needs of a modern Parliament, the current location will not provide the space required for the new Parliament. As a consequence, the proposed site for the new Parliament is Mt. Wheldale.

The new Parliament will include separate chambers for the both Houses, Library, Members Area, Parking among other amenities. An exciting new feature is that we propose to make this Parliament, the first green Parliament in this part of world, a fitting tribute to our commitment to environmental management.

As part of this project, the current Parliament building will be preserved for appropriate national service.

### *An Independent Offices Complex*

Mr. Speaker, Government intends to develop an Office Complex on the site of the former CARDATS building on Lowthers Lane.

The project will be undertaken by Financial Complex Limited, the same company which arranged the financing and construction of the Financial Complex.

The proposed structure is a 4-storey building to house several independent offices including the Public Service Commission, the Department of

Audit, the Integrity Commission and the Office of the Ombudsman. The Government Archives will also be situated there.

### *A New Government Office Complex*

Mr. Speaker, it is inefficient and costly for Government to be operating in rental premises all over St. George's. In the case of the Ministry of Finance, we are currently operating from four other properties outside the Financial Complex. As part of good economic management, we must address this situation.

Accordingly, Government intends to enter into a lease and purchase arrangement for a new Government Complex in the area currently known as the Drill Yard.

### *Relocation of Police Headquarters*

Mr. Speaker, the current Police Headquarters is not suitable for the important task with which Royal Grenada Police Force is entrusted.

Furthermore, its location on Fort George precludes the Forts from realizing its potential as a modern tourist attraction, at a time when our tourism product is in need of a major boost. Consequently, we will explore options for the relocation of the Police Headquarters. One possible site is the location of the former St. James Hotel.

Mr. Speaker, in cases of both the new Government Complex and the Police Headquarters, appropriate consultation will be made with key stakeholders including persons who currently occupy these premises and the National Trust and Grenada Museum.

### *Farm and Feeder Roads*

Mr. Speaker, we are pleased to confirm the resumption of the Farm and Feeder Roads Project following a recent visit by a Government delegation to Kuwait. The project will be funded by the Kuwait Fund for Arab Economic Development at a cost of \$28.0 million dollars.

This project will generate 200-300 jobs.

## **Special Considerations for the Construction Sector**

Mr. Speaker, as a means of stimulating the construction industry especially residential construction, Government will provide a 25 percent reduction on VAT on cement, steel and lumber commencing April 02, 2010. This reduction shall be in effect for a period of 6 months.

We urge persons to take advantage of this special offer.

A word on the price of sand.

Mr. Speaker, as difficult as it is Government considered necessary to put an end to sand mining of our beaches. This is in our best environmental interest.

That said, we recognize that the price of imported sand is very high and presents a hardship for people undertaking construction activities. The bulk of these charges are really transportation and as such adjusting the rate of duties will not solve the problem.

Steps are being taken to see how transportation costs can be reduced.

Mr. Speaker, the combination of private and public investments is expected to create approximately 1500 permanent jobs and 15,000 temporary jobs.

The Ministry of Works will play a leading role in many of these projects.

### **5.6.3 ACCELERATING TOURISM DEVELOPMENT**

Mr. Speaker, tourism development remains a top priority for this Administration.

#### *Hotel Development*

We will continue to work with all tourism developers as indicated under the sections of Improving the Business Climate and Job Creation.

The International Finance Corporation, the private sector arm of the World Bank Group is currently designing a Tourism Crisis Facility for

the Caribbean. This Facility is intended to place equity investments in selected hotel properties so they can remain afloat and finance new projects of systemic importance to selected countries.

We welcome this development since we have been lobbying IFC and others to do more to help our developers. Indeed, at our request, IFC visited Grenada to review several of these projects last year.

### *Airlift*

Government will continue its aggressive efforts to expand airlift services to Grenada. Delta Airlines will commence a direct service from JFK New York in July of this year.

Government wishes to thank the Airlift Committee led by Mr. Michael McIntyre for its hard work last year.

This year, the allocation for airlift support has been increased to \$8.0 million, an increase of \$1 million.

### *Product Enhancement*

The focus here will be to develop and execute brand events for Grenada and Carriacou.

Special attention will be paid to the Carriacou Maroon and String Band Music Festival which will be held in April. This event will showcase the unique cultural forms of our sister isle and will contribute to her economic and social development.

Support will be provided for locally hosted events which attract visitors from the region and beyond.

Continued attention will be paid to resolving pertinent issues affecting the tourism product especially in respect of our cruise ship visitors.

Provision has been made for the cleaning of the Grand Etang Lake which is in dire need of attention.

Government will work with communities to improve attractions through enhancement and support for community products. For example, later

this year, we can expect Conch Night from the Woburn community at the famous Woburn Conch Shell Site.

The Ministry of Tourism will monitor tourist attractions and provide technical advice to owners and managers of these attractions to improve and adopt new business ideas.

### *Marketing*

The sum of \$18.0 million has been provided. The priorities are to:

- Deploy 25% of the marketing budget for tactical campaigns in each of the major markets: USA, UK, Caribbean
- Aggressively market Grenada as a dive destination and wedding and honeymoon destination
- Continue marketing support with airlines
- Scale up website and e-marketing initiatives
- Enhance investments in the Canadian and French markets
- Target marketing strategies including reaching and co-opting the diaspora.

The sum allocated to this vital sector is \$30.4 million.

## **5.6.4 REVITALISING AGRICULTURE AND FISHERIES**

Mr. Speaker, Government intends to build on the many achievements of 2009 which began the revival of agriculture in this country. The key priorities are:

### **1. Institutional Strengthening**

The Ministry will seek to further strengthen its capacity for long term agricultural planning, research and development and marketing.

### **2. Govt. Estates Development and Rehabilitation Programme**

Government of Grenada currently owns five major estates (Grand Bras, Belle Vue, Mt Reuil, Bocage and Laura) which though operational are grossly underdeveloped.

Under this development and rehabilitation programme, the management of the estates will be improved and the output of major agricultural commodities such as bananas, nutmeg, cocoa, fruits and livestock will be increased.

The estates will also be used to generate significant employment in the rural communities, raise Government revenues and serve as demonstration sites to showcase good agricultural practices.

### **3. Support to Selected Industries**

Under this programme, assistance will be provided to the following sub-sectors through their associations:

#### *Nutmegs*

The rehabilitation of the nutmeg industry is a major priority of Government. In that regards, Cabinet appointed a Nutmeg Strategy Committee to complete the development of a comprehensive strategic plan for this vital sector. Further, Cabinet has directed the Ministry of Agriculture to broaden the Merger Committee for the merging of the Grenada Cooperative Nutmeg Association and the Grenada Cocoa to facilitate inclusion of Minor Spices Cooperative in this merger.

#### *Cocoa*

The cocoa industry is central to Grenada's agri-business development plan. In response to the financial difficulties encountered by the GCA with the passage of Hurricane Ivan, the Ministry of Agriculture has already absorbed the services of three cocoa extension officers.

The Ministry will move to increase its role in the resuscitation of the cocoa industry by retraining its Extension Services to provide direct technical services to the industry.

#### *Poultry*

For several years, Government has been providing support to the Poultry Growers Association which has been mainly used to support the operation of an administrative office. However, based on a report that was undertaken

by the Grenada Bureau of Standards in 2007, the sanitary practices of many poultry farmers in Grenada are unsatisfactory.

In an effort to increase the impact of the Ministry's intervention on the poultry industry, this programme would provide direct support to enhancing the processing facilities of some key poultry producers.

### *Sugar Cane*

The Ministry of Agriculture has determined that sugar cane production must be increased to provide fresh cane juice to some locally operating mills and as a means of raw materials to support the development of livestock feed.

Several initiatives have started including the establishment of two sugar cane nurseries and the evaluation of the needs of the Pointzfield Mill with a view to its reactivation.

Support under this programme is to re-activate the Pointzfield Mill and establish several sugar cane fields.

### *Apiculture (Bee)*

The apiculture industry has shown signs of increasing growth and has the potential to become a very significant industry given its capacity for developing value added products. As a result of Grenada's impressive work in the apiculture in recent times, the World Congress on Bees will be hosted in Grenada this year.

Government support for this industry will include:

- Administrative support to the Apiculture Association
- Queen Bee rearing
- Training in bee rearing and
- Integrated pest management assistance.

### *Fishing*

In addition to current concessions which include 100% relief on engines, radios and fuel, Government will continue to invest in cold storage and other amenities for our fisherfolk.

In this regard, work will commence on a Modern Fish Complex in Gouyave, the fishing capital of Grenada. This project is funded by the Government of Japan at a cost of EC\$35.2 million and is expected to be implemented over 18 months.

It will include the construction of a remote facility at Grand Etang.

A provision of \$250,000 has been made for a Fisheries Communications Network to improve the safety at sea for our fisherfolk.

#### **4. Support to Agro Processing and Cocoa Processing**

This programme will provide support to the Grenada Cocoa Association (GCA) and many other small scale agro processors.

The GCA will construct a processing facility in Carlton in Grand Bras to begin the processing of cocoa. Through the Grenada Bureau of Standards, support will be provided to small agro-processors to upgrade the quality of their products.

#### **5. Food Security Enhancement Programme**

The focus is to promote the local consumption of more locally produced foods. Well-designed media programmes will be used to better educate the population on the production, benefits and use of locally grown foods.

The knowledge of local professionals on the use of our local foods and herbs to treat various illnesses will also be highlighted.

There will be a drive to increase production of certain food crops such as corn, yam, sweet potatoes, dasheen and cassava and to increase their prominence in the local diet.

The Ministry will work closely with the Grenada Food and Nutrition Council and other stakeholders.

#### **6. Agricultural Farm Labour Support Programme**

Government believes that it has done enough in providing labour to clear farmers' fields. Consequently, the focus will be on increasing production

of specific commodities for the domestic and export market including bananas.

In that regard, the Programme will have four (4) components:

- Rehabilitation of Farm and Feeder Roads
- Labour for land preparation for farmers wishing to establish fruit tree orchards of one acre or more and for maintenance of already established orchards of more than 1 acre.
- Labour for land preparation to farmers seeking to establish plots of minor spices (cinnamon, cloves, bay leaf) of one acre or more and for maintenance of these plots.
- Labour and or material to livestock farmers to establish pastures and forage banks
- Labour for farmers to improve drainage, contouring and other soil conservation techniques.

## **7. Agricultural Inputs Support Programme**

Under this programme, the Ministry of Agriculture will make critical agricultural inputs available, on a timely basis, to support agricultural production initiatives. Fertilizers and agro-chemicals will be purchased in bulk and resold to farmers using the Ministry of Finance approved procedure for conducting such transactions.

The Ministry of Agriculture will provide storage and administer the sale of these inputs. In an effort to facilitate an improved storage and distribution process, the Ministry will purchase two forty (40) feet containers for servicing the south and the west of the Country

## **8. Livestock Development**

Increased efforts will be made to improve livestock production through the use of artificial insemination in small ruminants and pigs, the development of animal nutrition improvement programmes and continuing to build capacity in improved animal husbandry.

## **9. Plant Propagation Programme**

Under this programme the Ministry proposes to propagate the following:

51,000 tissue culture banana plants

10,000 tissue culture pineapples

40,000 cocoa

40,000 nutmegs

45,000 fruits & spices

Ongoing infrastructural work will also continue on the Mirabeau, Ashenden, Bolougue and Maran Stations to support plant propagation efforts.

## **10. Agricultural Marketing & Promotion**

One of the major constraints facing the agricultural sector is inadequate market opportunities for agricultural produce. This year, the Ministry of Agriculture will adopt a more aggressive approach to increase market opportunities for our produce both domestically and overseas. Specific marketing development programme will be arranged to expand the consumption of targeted commodities including cassava, pork, fruits, vegetables and eggs.

## **11. Farm Roads Rehabilitation**

The commencement of the Phase two of the Farm Roads project has already been mentioned under Job Creation.

The sum allocated to Agriculture and Fisheries is \$29.1 million.

### **5.6.5 IMPROVING HEALTH CARE**

Mr. Speaker, the provision of health care remains a top priority for this Administration. In this regard, the sum of \$55.7 million has been budgeted for this important area.

Attention will be given to reviewing and strengthening the role of the Ministry of Health in health care delivery starting with the refinement of its strategic plan.

Furthermore, the legal framework will be upgraded to facilitate a more modern management of health services including our hospitals.

Considerable focus will be placed on the reorganization of services offered at the community level.

Government will invest in staff training at all levels.

Very importantly, standards will be established for the delivery of health care by private health care providers.

The General Hospital will be retrofitted to ensure its safety for both patients and staff.

Moreover, several health centres and medical stations will be refurbished including Gouyave Health Centre.

Finally, the Ministry of Health will introduce an electronic patient registration Admission and Billing System. This system is essential to ensure persons who can pay and wish to pay including persons with private health insurance are able to do so at whatever time they visit the Hospital.

### **5.6.6 REPOSITIONING EDUCATION AND HUMAN RESOURCE DEVELOPMENT**

Mr. Speaker, the single greatest investment a Nation can make to its long term economic growth and prosperity is investment in its human resources. Our Government has made education and human resource development a top priority from day one of assuming office.

This Budget provides the sum of \$105.6 million for this vital area. Key priorities include: curriculum refocus, teacher training, technical and vocational training and schools rehabilitation.

## ***Curriculum Refocusing and Implementation***

Regional preoccupation with the relevance of education has prompted a renewed emphasis and direction on refocusing of the school curriculum. This direction is aimed at tapping into the diverse intelligence and talents among students.

The Ministry of Education has had several consultations on the refocusing of the existing curriculum and has developed teaching modules to better focus on the needs, aptitude and interest of all learners and the requirements of the job market.

The areas of emphasis will be:

### ***TVET***

The refocused curriculum will:

- reintroduce TVET in Primary schools
- enhance the range of TVET subjects accessible to students,
- provide schools with relevant equipment and materials for curriculum delivery

Under the Youth for Inclusive Growth Skills Project, the National Training Agency will partner with the Ministry of Youth Empowerment to deliver this training.

### ***Life Skills***

Delinquency, school violence and other at-risk behaviours and lack of personal skills for employment have prompted a renewed emphasis on citizenship education, anger management, and values.

### ***Academics***

Students will continue to be exposed to traditional and new subject areas such as Physical Education and Sports, Hospitality Arts, Theatre and Performing Arts, Music, Dance and other traditional subjects in the Science, Arts, Business, and Humanities. Students will also be exposed

to tourism, and entrepreneurship education. There will also be a renewed focus on literacy and numeracy among students and adults.

### Information and Communication Technology

Government plans to take a bold new attitude towards the expanded use of information and communication technology as we prepare youths for life in the national and global communities. Areas of focus will be:

- Equipping teachers with ICT skills and the ability to use modern technology to support teaching and learning
- Computer assisted learning in primary schools
- Robotic programmes in secondary schools

### *Teacher Education*

It is a well established fact that an education system is as strong as it's teachers. Mindful of this, Government will increase access to teacher training at all levels including areas such as TVET, early childhood education, ICT and special and inclusive education.

### *School Rehabilitation*

Government will continue to improve the physical environment for both students and teachers. Under the recently approved CDB project, the following schools will benefit:

- i. Grenada Seventh Day Adventist Comprehensive School (GSDACS)
- ii. Grenville Secondary School (GSS)
- iii. St. Joseph's Convent, St. George's (SJC)
- iv. Vendome R.C. School

Rehabilitation work will commence on Calliste Government, Woburn Methodist School, St. Mary's Primary and Bishop's College.

Preparatory works for construction will also begin on Wesley College, St. Andrew's Anglican Primary and St. David's Catholic Secondary School.

Construction works will continue on TAMCC Arts and General Science Building and Crochu RC School.

Three (3) new preschools will be constructed and two preschools will be relocated.

### ***Management and Supervision***

A plan will be devised for a system of accountability and performance management in order to improve school performance and win public confidence and trust. This will include:

- Developing a culture of managing for results
- More public debate on education performance
- More effective sector management strategies, for example, raising competency levels in Mathematics and English.

### ***Support for Vulnerable and Needy students***

Government intends to ensure no child is left behind and will offer programmes through the the Student Support Services Unit including:

- increased efficiency in the School Feeding Programme and Support for Transportation
- more direct support for the Programme for Adolescent Mothers (PAM)
- better catering for special needs students.

### ***Examinations***

There will be a greater focus on measuring proficiency in learning at all levels but especially primary and lower secondary levels. This is critical to ensure we are getting value for money on significant investment in education.

### *Incentive for Students*

Mr. Speaker, as an incentive to our students, Government has decided to provide a full refund of external examination fees to all students who pass eight (8) or more subjects in their external examinations. This is another demonstration of the priority this Government places on the education of our children.

#### **5.6.7 PROVIDING AFFORDABLE HOUSING**

Mr. Speaker, the Ministry of Housing, Lands and Community Development will consolidate on the achievements made in 2009. The primary emphasis will be on improving the quality of service delivery while offering **Housing Solutions** to over **650** families. Through our **Grenada Home Improvement Scheme** over **350** families will benefit from **Material Assistance and Loans** to improve their Homes.

The advancement of Human Settlements is a priority of this Administration. With the commencement of the **Low Income Housing Project** offered by the People's Republic of China, 361 families will have access to new and affordable Housing in the areas of Soubise, Mt. Gay and Frequente.

It should be recalled that the Government of the People's Republic of China has promised to build 2000 housing units.

During the year, Government will seek to identify sites in other parishes for housing development in subsequent phases.

Another major programme will be the **Sustainable Livelihoods Programme**. Through this initiative, in excess of **2000 families** will have access to enhanced Community facilities, amenities and services. An allocation of \$2.75 million is earmarked for this programme.

As we strive to strengthen the **Social and Economic Fabric** of our Communities, all programmes will be geared towards the efficient and effective utilization of the available resources for the advancement of **Human Settlements**.

Avenues for **Job Creation** at the community level will be optimized and community members will be absorbed wherever feasible.

The **Land Resources** with which the Ministry is entrusted, will be better managed, thereby contributing to the overall **Revenue Collection Drive** by this Administration. The Ministry will continue to improve revenue collections from sale and lease of Crown lands and expects to surpass the \$1.0 million it collected last year.

On the policy side, the National Housing Policy will be completed and work will commence on the preparation for a Land Management Policy.

The total allocation for the Ministry of Housing, Lands and Community Development is \$12.4 million.

## **5.6.8 FAST TRACKING YOUTH EMPOWERMENT AND SPORTS**

Mr. Speaker, it is the conviction of this Government that “every youth has value, every youth must contribute and every youth can earn”.

In 2009, Government launched its flagship youth development programme known as the Grenada Youth Upliftment Programme. This programme is divided into four components:

- The Grenada Youth Education and Training Programme
- The Youth Rehabilitation Programme
- Youth Leadership and Service Programme
- Youth Small Business Initiative

A host of educational activities have already started and will be expanded this year. They include:

**Woodwork Training Programme:** a collaboration between the Ministry of Youth Empowerment and TAMCC.

**The Agriculture Programme:** a programme aimed at developing a cadre of persons trained in agribusiness. The programme officially started in October 2009 at the Mirabeau Campus with 58 participants. It should be noted that prior to this programme, the programme run under the former NNP Administration had an average enrolment of two (2) students per year.

Evidently, Mr. Speaker, young people are being attracted to Agriculture under our NDC Administration.

**Coast Guard Training Programme:** 27 young people received certification in basic seamanship.

**Skills Training Programme:** the service providers are NEWLO and TAMCC and the areas offered are:

- General Cosmetology
- Auto Mechanic
- Information Technology
- Office Administration
- Business Administration
- Hospitality Arts
- Early Childhood Development
- General Agriculture
- Building Construction

**Education Enhancement:**

Several secondary schools are currently delivering this programme. At the end of last November, 521 participants were actively involved. The

main subjects offered are English, Math and Social Studies. 311 of these participants will sit CXC Examinations this year.

### **On-the-Job Training**

This is the practical component of the Skill and Certification Training Programme. A total of 585 persons have already been placed.

### **SPORTS**

Work on a National Sports Policy is advanced following a national consultation in November 2009. The final draft should be ready by March of this year.

The policy would lay down guidelines for the future development of sports in our country. It would address issues such as the role of physical education, maintenance of our sporting facilities and the governance of Sports generally.

The formulation of a National Sports Council is far advanced. This Council will support the Ministry in planning, co-ordinating and promoting recreational and professional sports. Indeed, it will support national sporting federations and other related bodies in the development of our sporting product.

Parish Sports Councils would be formed in each parish to assist with the Governance of Sports within the parishes. It is hoped that these parish councils would be launched simultaneously with the National Sports Council.

Work will recommence on the Cuthbert Peters Park with construction of the long-awaited pavilion and the rehabilitation of the basketball court. Government has earmarked \$2 million for this project.

Work will also be done to upgrade the Tanteen Playing Field. Upon completion, Government will rename it the Roy St. John Recreation Ground in recognition of Mr. St. John's yeoman service to sports and national life.

The Morne Rouge Playing Field will also be upgraded.

Seating arrangements in the form of bleachers will be built in Progress Park.

Work on the much anticipated Swimming Pool will begin this year in a partnership between the Local Olympic Association and Government. The Pool will be situated in Calliste and will be in keeping with international standards.

Finally, at least six playing fields, one in every parish will be lit this year.

The sum of \$14.6 million has been allocated to the Ministry of Youth Empowerment and Sports, a \$5 million increase over what was spent last year.

### **5.6.9 PURSUING ENERGY POTENTIAL AND ENERGY EFFICIENCY**

Mr. Speaker, in 2008, Grenada spent EC\$205.3 million, 20 percent of the national import bill. Whilst this figure declined in 2009 due to the recession, the economic and environmental impacts of our use of imported fossil fuels continue to be burdensome.

#### ***Energy Policy***

In response, our Administration has developed and published a draft sustainable energy policy. The transitioning of our economy through a low carbon sustainable development strategy is our vision for the energy sector. Prioritisation of energy conservation, the use of renewable energy and the environmentally sound exploitation of any offshore hydrocarbon reserves are the core elements of the national energy policy.

Government has invited comments from key stakeholders and the general public over the last year with the objective of building a national consensus on the path forward for the energy sector. The Government wishes to thank those who have provided valuable feedback, which is being incorporated into the final policy document to be published by midyear.

## ***Government Energy Conservation Programme***

In 2007 and 2008, Government consumed 15.1 million Kilowatt hours and 15.8 million kilowatt hours at a cost of \$12.8 million and \$16.3 million respectively.

This year, Government via the Energy and Sustainable Division will launch the **Government Energy Conservation Programme**, in the form of a pilot project. This programme is designed to develop a culture of Energy Savings.

Under this programme, each Ministry would be required to establish Energy Committees. These committees will be trained and equipped by the Energy and Sustainable Division of the Ministry of Finance to identify opportunities for Energy Conservation Measures (ECM).

It is anticipated that the Government would be able to reduce and effectively save at least 10% of its current electricity consumption by implementing NO COST and LOW COST Energy Conservation Measures (ECMs).

## ***Improving the Legal Framework***

With the kind assistance of the OAS, the Government intends to enact an Energy Efficiency Bill which will prescribe standards for energy efficiency in buildings, vehicles, lighting and appliances. The technical standards to be incorporated into the Bill will be developed after wide consultation with major stakeholders, including GRENLEC, architects, engineers and retailers. It is anticipated that an Energy Efficiency Bill will be presented to Parliament in the final quarter of this year.

## ***Renewable Energy***

Mr. Speaker, turning to renewable energy, the Government also intends to develop legislation to prescribe binding targets for the percentage use of renewable energy for electricity generation and in transport. A methodology for determining the tariffs paid by the distributor (GRENLEC) to independent micro power producers (e.g. households with roof-top grid-connected photo-voltaic systems) will also be legislated. Again, the draft legislation will benefit from extensive consultation with the key stakeholders and is expected to be laid in Parliament by year end.

Within the next few weeks, the Government, in association with GRENLEC, will establish a National Sustainable Energy Development Committee with both public and private representation. The terms of reference for the Committee will be to act as a “one stop shop” to develop the legislative, regulatory and contractual framework essential to provide confidence to the private sector to make the necessary costly investments in geothermal and other forms of renewable energy; and to provide transparency and protect national interests.

It is anticipated that the work of this committee will be substantially completed by June of this year. Government has engaged consultants, and the Energy and Sustainable Development Division will be strengthened through the procurement of a Project Manager to facilitate this endeavour.

GRENLEC has already conducted an initial resource assessment and the results of this study have given rise to guarded optimism.

Grenada may have the potential resources to become wholly self-sufficient in electricity generation, using geothermal energy from the Mt. St. Catherine region, as early as the end of 2013.

The use of geothermal energy, if proven feasible, will save valuable foreign exchange, protect the economy from future volatility in oil prices, provide energy security by insulating Grenada from global and regional “energy politics” and contribute to global climate change mitigation efforts.

Mr. Speaker, the measures announced in this Budget have the potential to transform the energy sector of our economy within the next three years. It may be feasible to meet all of our current and projected electricity demands using indigenous sources of renewable energy and at the same time generating valuable foreign exchange from oil and gas exploration.

It should be emphasised that although preliminary data have given cause for cautious optimism, there remain several legal, technical and commercial hurdles to surmount before the Government’s vision for the energy sector can be fully realised.

### *Linkage between Energy and Climate Change*

Mr. Speaker, this brings me to the linkage between energy policy and climate change. Under the astute guidance of our Prime Minister, Grenada

has provided leadership to the Alliance of Small Island States (AOSIS) during the ongoing international climate change negotiations.

Of particular interest to the Energy and Sustainable Development Division of the Ministry of Finance is the promised funding of approximately US\$10 billion per year over the next three years for adaptation and nationally appropriate mitigation actions in developing countries.

Clearly, the Copenhagen Accord falls short of the real needs of vulnerable countries. However, that is the deal that is currently on the table. Our Government will prioritise its mitigation actions under its energy policy, to take maximum advantage of any potential funding opportunities in the short term, whilst seeking a robust, scientifically justified and legally binding agreement that is in the interest of all small island states in the medium term.

Government is also pursuing funding, including under the Global Environment Facility (GEF) and the European Union Energy Facility, to support funding of other renewable energy and energy efficiency projects, including the installation, by GRENLEC, of wind turbines with battery storage in Carriacou to provide all of its electricity generation requirements by 2013.

Grenadians should be cautioned that the conversion to the use of renewable energy will be costly and may not result in an immediate decrease in electricity bills for consumers, hence the continued emphasis on energy conservation. However, consumers should benefit from a stabilisation of prices with the potential for savings as the high initial investment costs are recovered and oil prices return to over US\$100/bbl as predicted.

### ***Oil and Gas Exploration***

Turning to the offshore energy sector, Government continues its work on developing an offshore hydrocarbon exploration and exploitation programme.

It is expected that existing contractual issues will be resolved in 2010.

Maritime boundary delimitations negotiations with Trinidad and Tobago commenced last year and the first round was completed. The second round which started last September resumed yesterday in Grenada.

It is hoped that both countries will have recommendations for their respective countries at the conclusion of this second round.

Government will also seek to commence negotiations with our other southern neighbour – Venezuela, this year.

Finally, Government will enter into new contractual arrangements with private sector partners to further develop the prospectivity data and continue the legal and technical groundwork to allow for a successful bidding process by 2012.

### **5.10 POVERTY REDUCTION AND SOCIAL SAFETY NETS**

Mr. Speaker, our Government is committed to achieving the Millennium Development Goals (MDGs) and in particular, reducing poverty and creating a better life for our citizens. In this regard, we have implemented and will continue to implement programmes aimed at protecting the poor and vulnerable among us.

One such initiative was the completion of the Country Poverty Assessment (CPA) with the support of the Caribbean Development Bank.

Mr. Speaker, it is no secret that the results of the CPA are very disturbing to us. The survey revealed that while the indigence rate (critically poor) has declined from 12.9% to 2.4% between 1998 and 2008, the poverty rate has increased by 5.6 percentage points to 37.7%. The survey also showed that the poverty rate in Grenada was only second to Dominica within the OECS. The parishes of St. Patrick, St. Mark and St. Andrew had poverty rates of 56.7%, 54.5%, and 44.9%, respectively, well above the national average of 37.7%.

Of equal concern, is that another 14.6% of the population was considered vulnerable or in danger of becoming poor. In other words, in the event of a shock to the economy, 14.6% or approximately 16,000 persons face the risk of poverty. No matter how we look at the results or what political manipulations that are used, there is no doubt that these are very telling statistics and that the Nation faces a formidable challenge.

Also noteworthy, is a detailed assessment of Grenada's social safety nets programmes which was undertaken with the assistance of the United Nations Development Fund for Women, the United Nations Children Fund and the World Bank. The report which was presented to Government in August of 2009 revealed that Grenada not only has a plethora of safety nets programmes but the highest level of safety nets as a proportion of national income in the region.

Mr. Speaker, the timely completion of these two reports has placed Government in a better position to effectively target its responses to the poor and vulnerable in our midst. Our next step is the elaboration and implementation of a comprehensive and long term Poverty Reduction Strategy and Action Plan (PRSAP) with the aim of transforming Grenada's poverty landscape over the next few years. This process is expected to be participatory and will serve to integrate poverty reduction efforts across all sectors of government as well as non-government organisations.

The PRSAP will build on poverty reduction and social safety net initiatives already in place.

Meanwhile, I am pleased to announce that Government will increase the number of persons receiving public assistance from 4,127 to 4,827 at an additional cost of EC\$1.6 million. This is consistent with one of the recommendations coming out of the National Consultation on the Budget in light of the number of persons worthy of such assistance.

Under the School Feeding Programme, over 8,500 students will continue to benefit.

All other safety nets programmes will continue and in most cases, expanded in this year including the Free School Books Programme, the Government Transportation Support Programme, the Farm Labour Support Programme, the Road Maintenance Programme, the Housing Assistance Programme, and the Burial Assistance Programme, among many others.

I wish to announce a new safety net that we alluded to in the last Budget and we propose to formally launch this year.

According to the United Nations Development Programme (UNDP), Energy Poverty is the ***“inability to cook with modern cooking fuels and the lack of a bare minimum of electric lighting to read or for other household and productive activities at sunset.”***

The Energy and Sustainable Development Division within the Ministry of Finance in collaboration with the Ministry of Social Development will embark on creating an Energy Poverty Relief Programme (EPRP) under the theme ***“Illuminating Lives and Energizing Hope”***.

This programme will focus on the eradication of energy poverty in Grenada by enabling people’s access to adequate, affordable and sustainable energy services. It consists of two (2) components:

First, the Electricity Project which will assist the elderly and indigent to access electricity in their homes by reducing the cost of electrical installation (wiring). It will also serve to reduce the number of illegal and dangerous electrical connections for such persons.

The cost of electrical installation in the homes selected will be covered by contributions from the Government, Grenlec, the Electrical Inspectorate in the Ministry of Works, and students of the Electrical Installation Class and their respective Tutors at TAMCC and Newlo.

Second, the Cooking Facilities Project which will provide each beneficiary with a cooking stove, a cylinder of Liquid Petroleum Gas (LPG) and its accessories. Petrocaribe (Grenada) will fund this project.

The aim of this project is to reduce the number of persons who are forced to cook with wood, other forms of biomass, or kerosene-fuelled stoves, which constantly present health and safety hazards to users, their households and neighbours.

An Energy Poverty Relief Committee made up of representatives from the private sector, the NGOs, the Ministry of Social Development and the Energy Division has been established to assess and identify the Energy Poor and to assist in administering the programme.

The sum of \$23.9 million has been allocated to the Ministry of Social Development.

## **5.11 CARRIACOU AND PETIT MARTINIQUE**

Government will implement a restructuring project of the Ministry of Carriacou and Petite Martinique Affairs to improve efficiency and quality of services provided to the people. For example, there would be creation of an Education Desk. This desk would bring more equity to Carriacou youth in their access to scholarship and training opportunities.

Local government will be finalized and formalized this year. Already, there is an interim council in Petite Martinique which is functioning. The lessons learnt from this experiment in Petite Martinique will inform and help shape the final product.

Government will upgrade Lauriston Airport by the resurfacing of the runway and renovation to the terminal building at a cost of \$950,000. On completion, the airport will be renamed in honour of the late Prime Minister, H.A. Blaize.

The Tophill to Belair road will be completed. The Belair to Belvedere road will be rehabilitated and two major retaining walls at Belvedere and Windward will be built

A mitigation plan to respond to droughts in Carriacou will be developed. This includes a programme to rehabilitate all government water storage facilities, and wells.

Water from the Beausejour borehole will be improved by the use of new and appropriate technology to make the water lighter.

Work will commence on the construction of a new facility for the Home for the Aged at Top Hill. The Bogles Pre-School will have its own building.

Work will continue on the passenger terminal for the ferry service to complete the first phase this year.

Efforts in reviving agriculture will be aggressively pursued with more assistance to farmers through the Small Ruminants Project and the Dumfries Farm Road Project.

Government is now exploring the option of purchasing two tracks of land in Carriacou for the purpose of developing two new housing projects. This action would allow Government's housing programme to reach Carriacou without converting good agricultural and tourism lands now owned by the government.

The people of Dover, Windward, Belvedere and the other surrounding villages will benefit from the construction of the Dover Hard Court.

In Petite Martinique, the Petite Martinique High School will be commissioned starting with Forms 1 and 2.

Also, in Petite Martinique, a feasibility study for a rainwater catchment and storage facility will be undertaken. A resident of Petite Martinique has already committed to provide the land to government.

Finally, a road rehabilitation project will commence with the ultimate aim of providing a continuous road network around the island.

Serious consideration is being given to a proposal by a Brazilian firm to establish a duty free port in Carriacou. Should this project proceed, it is likely to involve the establishment of a deepwater port and will involve the creation of hundreds of jobs

The total allocation for Carriacou and Petit Martinique is \$11.4 million.

## **6.0 OTHER AREAS OF FOCUS**

### **6.1 Financial Sector Regulation**

Mr. Speaker, the problems of CL Financial and before that SGL Holdings and Capital Bank have shaken public confidence in our financial system. Of course, there was also the Bank of Antigua crisis which required a swift and decisive intervention by the ECCB.

There are some important lessons which we must all learn if we are to restore confidence and avert similar problems in the future.

One of the lessons is that good legislation is a prerequisite for effective supervision of the financial sector. In 2009, Grenada took significant strides in this area with the passage of the Money Services Business Act which provides for supervision, for the first time in Grenada, of money service businesses which includes money transfer operations.

In the wake of all the recent insurance troubles in Grenada and across the region, the passage of the Insurance Act was most significant. Prior to its enactment, the Insurance law had remained fundamentally unchanged since 1973. With its passage, Grenada now has the most modern insurance legislation in the OECS.

Drawing on the recent experiences with CLICO and British American issues, our Government ensured that the new insurance law makes provision for the pledging of assets and the establishment of Statutory Funds by all insurance companies to support their local insurance liabilities. In short, companies that do business in Grenada will need to maintain assets in Grenada to cover their liabilities. This means the practice by some companies of simply collecting premiums, investing them abroad while maintaining little or no assets in the country from which these premiums are collected will not be allowed. This provision is necessary to ensure an insurance agency or branch is not left naked and helpless if the parent company runs into difficulty.

The new law also brings pension supervision under GARFIN.

However, laws are not enough.

Another important lesson is the need for a strong regulator which has the capacity to enforce the laws. In 2009, the Grenada Authority for the Regulation of Financial Institutions (GARFIN) continued to strengthen its operations and solidify its position as the regulator of the non-bank financial sector in Grenada.

Among its major achievements was the completion of on-site examinations of the major credit unions.

This year, it will commence on-site examinations of insurance companies and money service businesses.

It was our intention to bring the Cooperatives Societies Bill to Parliament, however, OECS Governments were asked to delay it for more consultation with the regional cooperative movement. It is our intention to bring this legislation to Parliament this year.

One challenge facing Grenada and the whole OECS is the need to graduate from the present position of being on the OECD's "grey list" to the "white list". To do this, Grenada must conclude Tax Information Exchange Agreements (TIEAs) with at least twelve countries by March 2010. Failure to do so could result in the country being downgraded to the "black list" again.

Accordingly, Cabinet has appointed a special Committee to conduct the negotiations and conclude the Agreements. The World Bank has provided technical assistance to assist the OECS countries, including Grenada, with the required negotiations and it is expected that Grenada will be able to achieve the deadline imposed by the OECD although the process can be very lengthy.

In 2009, GARFIN commissioned a study of the existing international legislation and the international financial services sector as whole. This study has been received and is being studied. The Authority is expected to make some recommendations to Government on a strategy for the international financial services sector in the first quarter of this year.

Grenada has commenced work on improving the weak areas identified in its Mutual Evaluation Report by the Caribbean Financial Action Task Force. These include Anti-Money laundering legislation with stiffer penalties for non-compliance and strengthening the capacity of the Supervisory Authority to undertake regular inspections of all financial institutions to check compliance with anti-money laundering legislation. A consultant has been hired and is working closely with the relevant agencies in that regard.

That said, Grenada has been commended for having established the Grenada Authority for the Regulation of Financial Institutions (GARFIN).

In commenting on Grenada's Mutual Evaluation Review, the Caribbean Financial Action Task Force praised Grenada when it said and I quote:

*“... Grenada's Financial Intelligence Unit (FIU) received high praise for its work in the fight against money laundering. Grenada is one of the few countries that have secured a conviction in this area, in addition to having three pending cases. Consequently, the Plenary felt that Grenada's FIU is a model for the other countries.* End of quote.

In respect of British American, the public is aware of the appointment of a Judicial Manager and his key findings and recommendations which were filed in Court in October last year. The key finding that the company is insolvent with an accumulated deficit of almost US\$300 million. The Judicial Manager recommended the establishment of a new company to take over the assets and liabilities of the existing branches in the OECS.

I am pleased to note that Grenada is one of four countries where these recommendations have already been approved by the Court.

As previously announced, the ECCU Governments have approved a strategy to establish a new company mindful of the systemic risk posed to the financial system if nothing is done. Work is now progressing on the establishment of this new insurance company. It is our hope that these negotiations and the establishment of the new company will be completed by the middle of this year.

In respect of CLICO, the OECS Governments are continuing to work closely with the Governments of Barbados and Trinidad to ensure a satisfactory resolution.

## **6.2 Public Sector Modernisation**

Mr. Speaker, the Public Service has a critical role in national development and improving our competitiveness. I have already addressed some of these issues under Improving the Business Climate.

Government's promise of “making Grenada work for all” is particularly relevant for the Grenada Public Service as it seeks to deliver faster and better services to citizens.

The Prime Minister has stressed the critical role of every public officer in the transformation of the Public Service. He expects every public officer to embrace the vision for the Public Sector which states,

*“A public sector that fully understands and demonstrates that it exists solely to serve Grenada, its citizens and residents, helping them to achieve their goals and does so with integrity, professional competence, responsiveness, openness, transparency, and that is fully accountable for its actions and performance”.*

To achieve this vision, Government also recognizes the need for a strong partnership among workers, public sector unions, citizens and Government.

This year, the priorities are:

1. Development and implementation of departmental service standards and accountability framework;
2. Realignment of the structure and services of some ministries and departments;
3. Effective implementation of performance appraisal systems;
4. Clarification of roles of Cabinet and the Senior Managers Board among others.

To deliver results on these priorities, the following projects will be implemented:

- Public Sector Modernization Project, funded by the World Bank;
- Public Sector Modernization Change Management Programme, funded by Canadian International Development Agency (CIDA);
- E-Government Regional Integration Project, funded by the World Bank;
- Strengthening Personnel Expenditures Management, funded by the World Bank.

The Government will continue to invest in the Grenada Public Service at all levels. The Senior Managers’ Board (which includes all Permanent

Secretaries) will receive training in key policy areas such as strategic management and negotiations. Other staff will also be trained in customer service.

The Cabinet's Office will be strengthened through the establishment of a Monitoring and Evaluation Unit to manage for results across the Public Service.

A major undertaking this year would be a human resource audit across the Public Service. This exercise is imperative to determine the optimal size and skill set of the Public Service and essential for more effective delivery of services to our citizens.

In respect of pensions for public officers, a Cabinet Committee has considered the Pension Review Report and will soon submit recommendations to Cabinet. Government wishes to have the new pension arrangements in place by 2011.

### **6.3 Foreign Affairs**

Mr. Speaker, the dynamism of the evolving international environment and changing geopolitical landscape necessitate an approach of renewed vibrancy in foreign affairs, aimed at securing initiatives and new partnerships best suited to Grenada's developmental goals.

To pursue this renewed vibrancy, the Ministry will strengthen its capacity to explore and secure development cooperation agreements with selected countries.

The principal focus this year will be on strengthening previously dormant relations with countries in Asia, Middle East and North Africa.

Having launched the Diaspora Unit, we must continue to engage our nationals abroad in our national development process. Diaspora activities will be implemented in major cities throughout the year, culminating with a "Homecoming" Diaspora Conference in 2011.

Also critical to our developmental process are our Honorary Consuls who selflessly pursue Grenada's interests in countless countries where financial constraints deter the establishment of overseas Missions. The Ministry of Foreign Affairs will convene a conference of all Grenada's Honorary Consuls to review their mandate, operations, accomplishments, and to chart the way forward.

#### **6.4 Good Governance**

Mr. Speaker, a fundamental pillar of our administration is the pursuance of good governance. This we regard as a prerequisite for the social and economic development of Grenada. As promised, we have moved to implement the Integrity in Public Life and the Prevention of Corruption laws.

The identification of members of the Integrity Commission has been completed, all persons approached have agreed to serve and they will receive their instruments at the end of January 2010. Under the chairmanship of Justice Lyle St Paul, the Commission will be housed in the Public Workers building. With the help of the Commonwealth Secretariat, a consultant has been appointed to assist with the establishment and commencement of operations.

Similarly, the Ombudsman has been installed in the person of Mr. Agar Alexander, former Secretary to the Cabinet. The Ombudsman is currently operating at offices in Scott Street, St. George's.

#### **6.5 Industrial Relations**

Government is committed to promoting industrial peace and tranquility in our Country. In this regard, Government took the decision to convert the Department of Labour into a Ministry of Labour with appropriate staffing.

The Ministry of Labour will focus on the following priority areas:-

1. Reforming the Labour Laws
2. Developing a Labour Market Information System
3. Encouraging Social Dialogue

4. Staff Development
5. Review of the Canadian Farm Workers Programme
6. Occupation Safety and Health
7. Plans for Carriacou and Petite Martinique

## **6.6 Law and Justice**

Mr. Speaker, as promised, Government delivered on an impressive legislative agenda in 2009. Legislation enacted includes:

- Investment Promotion Act
- Insurance Act
- Value Added Tax Act
- Excise Tax Act
- Money Services Act
- Payment Systems Act
- National Insurance Scheme Amendment Act
- Companies and Intellectual Property Registry Amendment Act
- Registry of Deeds, Lands Amendment Act

I take this opportunity to place on record our appreciation for the hard work of the drafting team in the Ministry of Legal Affairs led by Mrs. Petrona Sealey-Browne.

Government anticipates another ambitious legislative agenda that will include:

OECS Economic Union Treaty

Cooperatives Societies

Electricity Services Supplies

Public Procurement

Geothermal Energy

Given the heavy demands placed on the small drafting team and our heavy legislative agenda this year, an additional person will be hired to help with the drafting of legislation.

In respect of Justice Reform, we are pleased to note that the feasibility study for the Halls of Justice Project spearheaded by the Eastern Caribbean Supreme Court will be completed this year. The feasibility study will cost US\$900,000 and will be financed by a grant from the Caribbean Development Bank.

If deemed feasible, the objective is to establish a Halls of Justice Complex in each OECS country. When built, it will include premises for Judges, Magistrates, Quarters for Lawyers and the public awaiting hearing of their cases, Law Library and parking. Grenada will soon make a decision on the site for this much needed facility.

## **6.7 Parliamentary Elections Office**

Mr. Speaker, the Parliamentary Elections Office is guided by the philosophy that all citizens have a right to be governed by a process that is fair, transparent, and allows for free and fair elections. In this process all persons must be respected and served by the office with dignity and honesty with respect for their rights to confidentiality and information pertaining to the electoral process.

It is therefore imperative that the office does everything within its powers, and in accordance with the Constitution of Grenada and the Representation of the People to allow all to participate in the Electoral process without hindrance. This is absolutely necessary for the advancement of democracy for the benefit of all citizens.

As a result, the mission of the office is **“To facilitate enumeration and continuous registration of eligible voters and to conduct elections according to the law.”**

In fulfilling this mission, the priority areas will be:

1. The installation of a new voter registration system and voter identification card.

2. To conduct Public Education Campaigns on the Electoral process.
3. Training of Electoral Personnel for the building of capacity.
4. Recruiting of relevant staff to fill vacant positions.

## **6.8 National Security**

The preservation of the peace and stability of our beloved country is of paramount importance and the professionalization of the police force and effective and efficient enforcement of our laws are central to the achievement of this goal. So far we have restored confidence and independence in the police force allowing for the conduct of their work within the laws of Grenada.

This year, the focus will be on the improvement of the physical plant, improving border control, enhancing community policing and human resource development and planning.

Very importantly, the construction of the facilities to implement and operationalize the Advance Coastal Surveillance Radar System will begin this year. This system will significantly enhance our coastal surveillance capability. In this regard, we wish to recognize our partnership with the Government of Trinidad & Tobago which provides the equipment for this system.

Mr. Speaker, Prison Reform is necessary to achieve our goal of effective rehabilitation of inmates. In this regard, we will focus on three priorities this year: strengthening institutional capacity, strengthening our education programme and enhancing the physical facilities at Her Majesty's Prison.

## **6.9 Disaster Mitigation and Management**

Mr. Speaker, disaster management continues to be a major priority for our government given our vulnerabilities. NADMA has made considerable progress during the last year with a major focus on public information and building community disaster management capacity. However, there is much more work to be done. We will continue our community capacity building effort, the upgrading of our national emergency centre and the development of our staff.

Furthermore, we have begun discussions with the World Bank on another Disaster Risk Reduction Project that may include retrofitting of more hurricane shelters and disaster management training.

### **6.10 Information and Information Communications Technology**

Mr. Speaker, our Government has consistently articulated the important role that information and ICT can play in the growth and development of our country. Accordingly, the capacity of the ICT Unit in the Prime Minister's Ministry will be enhanced to adequately implement government's policy.

Several major ICT investments are being planned including the development of a National ICT Network and an ICT Centre and more details will be provided in due course.

Additionally, the Government Information Service will be restructured to ensure continued enhancement of its programming. Very importantly, Government will pursue the collaborative roll out of a national media policy to guide and monitor media standards and practice.

### **6.11 Culture**

Mr. Speaker, in keeping with our commitment to the preservation of our natural and cultural heritage the Ministry of Culture will seek to implement the following:

- Elaboration of a National Cultural policy
- Preparatory works for the construction of the Simon Cultural Centre
- Rationalization of the Grenada Cultural Foundation
- Development of a national Academy for the Performing Arts.

### **6.12 Environmental Management**

The Environmental Management and Sustainable Development Bill has been drafted and submitted to the Ministry of Legal Affairs. This Bill seeks to establish the coordinating framework for environmental management, and incorporates mechanisms for joint ownership and implementation among the agencies involved in environmental management.

With funding from the United Nations Office of Project Services, a project on the Economic Valuation of Ecosystem will be conducted.

Grenada has been selected for a Pilot Project on Climate Resilience with funding from the World Bank. Under this pilot, a Climate Investment Strategy will be developed.

The Sustainable Development Council will be also be reactivated this year.

In the area of Coastal Zone Management, several actions will be taken including:

- Policies and legislation for coastal zone management
- Inventories of critical coastal habitats will be conducted to collect data on conditions and status of critically impacted coastal habitats
- Development projects on the coast will be monitored to identify coastal hazards
- Public Education and Awareness
- Community Empowerment

### **6.13 National Export Strategy**

In 2009, the implementation of the National Export Strategy continued with the training component under the OAS funded Export Competency Development Component Project. The following components of the project were implemented in collaboration with the mentioned agencies:

- The Marketing and National Importing Board - Training workshops on Cluster formation for exports
- The Grenada Bureau of Standards - Training was conducted in the agronomy, harvesting and processing of herbs for exports. An additional workshop was conducted to train persons in the use of solar dryers for the processing of herbs for exports.

- The Agency for Rural Transformation - Three training workshops were conducted in 3 Communities in St Marks, St David and St John's where 56 persons trained and 20 recipes were developed in smoked fish products.
- The Grenada Bureau of Standards provided technical support for the formation and launch of the Grenada Exporters Association and the creation of a website for exporters to market their products.

This Ministry also hosted a seminar with service exporters which were facilitated by members of the Barbados Coalition of Service Industries. As a result, an interim Board of the Grenada chapter was established.

This Ministry has finalized the terms of reference for the implementation of two components of the National Export Strategy with support from the World Bank. These components: Trade Information and the Quality Management which will be implemented this year.

A National Coordinating Committee has been established to prepare for Grenada's participation in the Shanghai 2010 Trade Fair in China. Grenada is expected to exhibit the products of goods and services and a cultural delegation is also expected to participate in this activity.

As a result of the National Export Strategy, the International Trade Centre has offered technical assistance to develop a Nutmeg Sector Strategy. This strategy will be finalized this year.

## **7.0 ACKNOWLEDGEMENTS**

Mr. Speaker, on behalf of the Government and People of this Nation, I would like to thank the following Governments and Institutions for providing financial, economic and technical assistance during the past year:

The Government of the People's Republic of China

The Government of the Republic of Cuba

The Government of the Republic of Trinidad & Tobago  
The European Union  
The Government of the United States of America and the United States Agency for International Development  
The Government of Canada and the Canadian International Development Agency  
The Government of the United Kingdom and the Department for International Development  
The Government of France  
The Government of Japan  
The Government of the Bolivarian Republic of Venezuela  
The Caribbean Development Bank  
The Eastern Caribbean Central Bank (ECCB)  
The World Bank Group  
The International Monetary Fund  
The Kuwaiti Fund for Arab Economic Development  
The United Nations Development Programme  
The United Nations Children's Fund  
The Commonwealth Secretariat  
The Food and Agriculture Organisation (FAO) of the United Nations  
The Federal Republic of Germany  
The Government of the Republic of Korea  
The Organisation of American States (OAS)  
The Organisation on Economic Cooperation and Development  
The Inter-American Institute for Co-operation on Agriculture  
The Association of Caribbean States  
The CARICOM Secretariat  
The Caribbean Export Development Agency  
The Organisation of Eastern Caribbean States (OECS)  
The Caribbean Regional Negotiating Machinery (CRNM)  
The Caribbean Regional Technical Assistance Centre (CARTAC)

The Caribbean Financial Action Task Force (CFATF)

The Caribbean Anti-Money Laundering Programme (CALP)

Mr. Speaker, we are truly thankful to our citizens, labour unions, business and civil society, all of whom have made very thoughtful contributions to this Budget.

I am also indebted to the Prime Minister and my Cabinet Colleagues for their understanding and their spirit of cooperation in the preparation of this Budget.

I take this opportunity to express my deepest appreciation to the Permanent Secretary, Deputy Permanent Secretary, Chief Budget Officer and members of the Budget Unit, the Manager and staff of the Government Printery, my management team and staff of the Ministry of Finance.

I thank Permanent Secretaries and officers in other Ministries and Departments who have contributed to the preparation and delivery of this Budget.

We also thank the Clerk of Parliament and staff for their assistance in the preparations for today's Presentation.

## **8.0      CONCLUSION**

Mr. Speaker, navigating a crisis is the ultimate test of leadership.

When our country was in crisis in 1990, our Nation turned to the National Democratic Congress for leadership. The NDC Administration responded and returned our Country to credit worthiness.

On July 08, 2008, the people of Grenada chose the National Democratic Congress to lead them out of this current crisis. It was a difficult time to assume office. Some members of the Opposition even said it was a good election to lose.

The people chose the National Democratic Congress because they believed that we have what it takes to lead humbly, prudently yet productively.

This is the character of our Administration under the calm and resolute leadership of our highly esteemed Prime Minister, Tillman Thomas.

At his swearing-in ceremony, the Prime Minister told the Nation that he believed in the trusteeship aspect of governance. This means those elected to office are stewards of the people.

Fellow Grenadians, you placed us here to promote and protect your best interests.

As an Administration, we have sought to maintain your trust by prudent management of the economy and enhanced governance.

We have begun to deliver on our promise to deliver benefits for all the people.

We have put our children first and invested heavily in their education through our Free School Books.

We have begun to deliver on our promise to revive agriculture – agriculture grew by more than 9 percent last year.

In our first 18 months, we have done more than any other government to improve the business climate in Grenada with the aim of spurring job creation and economic growth – there is now a level playing field for all investors and a clear and predictable track on which to run.

In today's budget statement, we have again articulated a vision for Grenada.

We have a golden opportunity to transform our beautiful Country.

Fellow Grenadians, you must ultimately decide if you will embrace this vision.

As a credible and capable government we cannot achieve this vision, if you do not share this vision.

Then we must be willing to work. We must work hard, work smart, work together.

We must look back at this crisis as a watershed moment which transitioned Grenada from being a faltering economy and which propelled Grenada unto a sustainable path to transformation and prosperity.

We must act NOW; with a sense of purpose and true urgency – there is danger in delay.

We have outlined our plans to put our people back to work – at least 1,500 permanent jobs and 15,000 temporary jobs.

Of course, there will be constraints; there will be problems.

But lying side by side with those problems are opportunities.

Our best chance of success is through partnerships.

The critical nature of this fundamental imperative was most aptly captured by our Prime Minister when he addressed the Nation on March 31<sup>st</sup> 2009 from the Grenada Trade Centre. In outlining government’s plans to stimulate the economy, the Prime Minister had this to say:

“Ladies and gentlemen, if we are to fulfill the plans outlined above, we need to work closely together as a nation. The need for a multipartite approach is greater now more than ever in this crisis. For this to happen, we must arrive at a consensus hammered out on the basis of mutual trust and respect for all stakeholders.

“We must build a social pact in which we all recognize the need for unity and shared sacrifice. This pact should address all critical areas of concern to the social partners.”

I can add nothing of value to those words of wisdom.

Together, let us go forward and build.

May God bless the people of Grenada, Carriacou and Petit Martinique.

I thank you.

## ANNEXES

### Annex I

#### **ECCU Eight-Point Stabilisation and Growth Programme**

##### **1.0 Financial Programmes**

The development of Financial Programmes that are aimed at rebalancing the ECCU economies by bringing into alignment, the four basic macroeconomic accounts namely:

- i. Balance of Payments (External Sector)
- ii. National Accounts (Real Sector)
- iii. Fiscal Accounts (Public Sector)
- iv. Monetary Accounts (Financial Sector)

##### **2.0 Fiscal Reform Programmes**

The pursuit of fiscal reform programmes that seek to develop efficient and effective revenue and expenditure systems which are conducive to macroeconomic stability and growth throughout the ECCU.

Programmes for improving the revenue systems should be based on the recommendations of the Commission on Tax Policy and Tax Administration Reform headed by Sir Alister McIntyre while work on expenditure should be guided by the Commission on Pensions and Pension Administration Reform and the Expenditure Commission

##### **3.0 Debt Management Programmes**

The development of a debt strategy aimed at achieving a public sector debt target of 60% of GDP by 2020, through the following institutional improvements and in collaboration with partners such as ECCB, CDB, IMF and World Bank.

#### **4.0 Public Sector Investment Programmes**

The Public Sector Investment Programmes (PSIP) are intended to be a set of carefully selected projects that lay the foundation for the transformation of ECCU economies and are intended to act as a stimulus for these economies.

#### **5.0 Social Safety Net Programmes**

The implementation of well targeted social protection mechanisms that seek to mitigate the impact of the crisis on the poor and most vulnerable in our region.

#### **6.0 Financial Safety Net Programmes**

The development of Financial Sector Safety Net Programmes which concentrate on the following elements:

- (i) A comprehensive regulatory and supervisory system that covers all financial institutions, markets and instruments in the Currency Union;
- (ii) The rationalization of liquidity facility arrangements across the Currency Union involving the ECCB, the Interbank Market (IBM), and the Regional Government Securities Market;
- (iii) An investigation of the appropriateness of Deposit Insurance Schemes;
- (iv) The creation, through legislation, of institutions to restructure and recapitalize financial institutions and manage troubled assets.

#### **7.0 Amalgamation of the Indigenous Commercial Banks**

The consolidation of the indigenous banks to enable them to play a more meaningful role in the financial and economic development of the countries in the ECCU.

## **8.0 Rationalisation, Development and Regulation of the Insurance Sector**

- i. The problems encountered by CLICO and British American Insurance Company have highlighted the structural and regulatory deficiencies in this sector. The following actions are required to bring about the necessary changes:
- ii. A significant reduction in the number of insurance companies registered and licensed in the currency union to ensure the existence of viable institutions;
- iii. The development of a company as opposed to an agency market to provide for a improved quality of service and the creation of higher level jobs in the industry for OECS nationals;
- iv. The establishment of an appropriate regulatory framework to ensure the safety and soundness of the insurance industry.

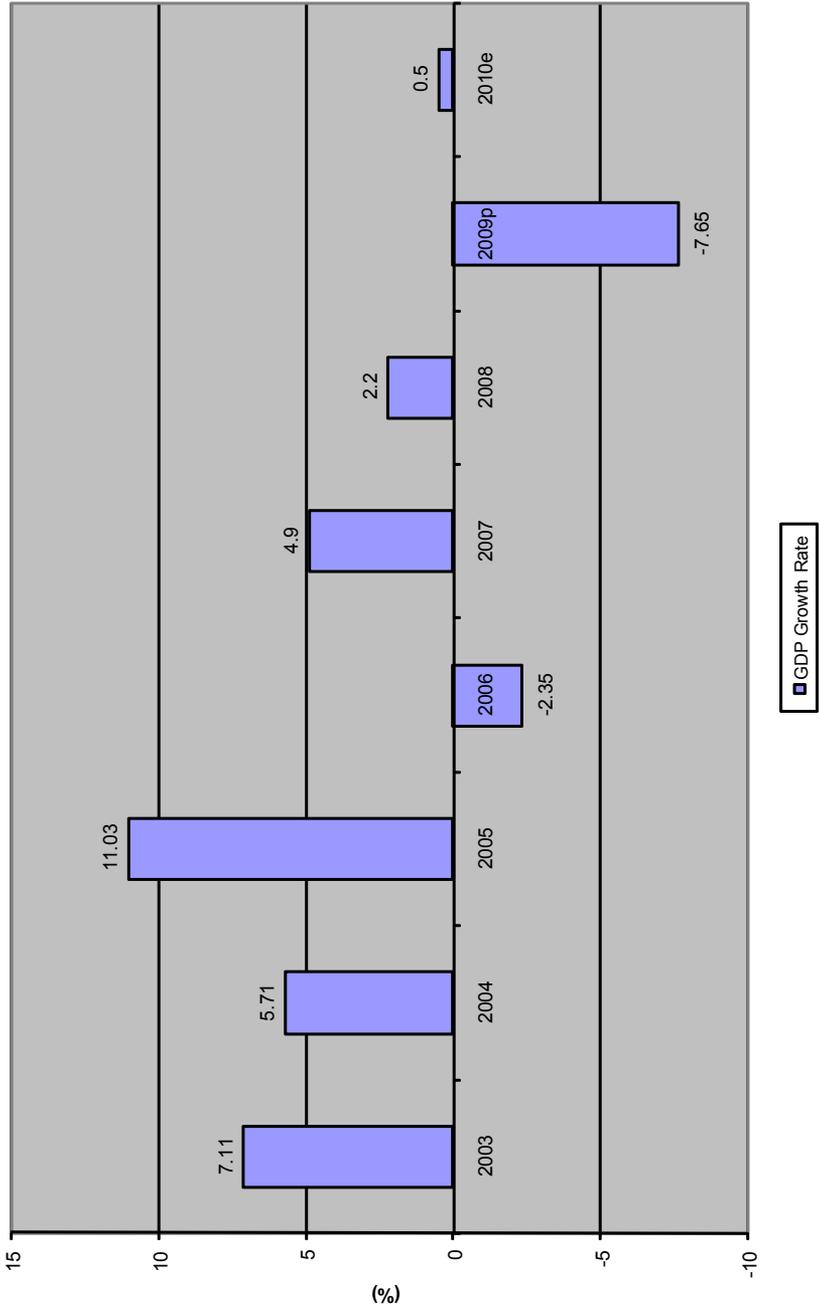
In respect of timeframes, the Monetary Council has agreed to a period of adjustment from 2010-2012 followed by a period of transformation from 2013 to 2020. At present, targets and indicators are being prepared to monitor progress of this important programme.

**ANNEX 2**  
**GRENADA STRUCTURAL MEASURES**

	Target Date	Comment	Macroeconomic Criticality
<b>Fourth Review</b>			
Recruit and begin training staff and adopt transitional procedures for bonded warehouses	May 2009	Benchmark: Met with delay; procedures were adopted in September	To ensure smooth implementation of the VAT
Submit new Excise Bill to Parliament	August 2009	Benchmark. Met with delay in October	To increase the efficiency and effectiveness of revenue collection
Complete the Country Poverty Assessment	August 2009	Benchmark. Expected to be met with a delay in November	To strengthen the ability of the Government to develop effective and well-targeted poverty reduction measures
Develop and begin implementing a Customs Fraud Control Plan	August 2009	Benchmark. Met with delay in October	To enhance Customs administration and revenue collection for sustainable financing of the budget
Establish a Public Procurement Authority	September 2009	Benchmark. Partially met; rephase to march 2010 <sup>1</sup>	To enhance transparency and governance in procurement and facilitate donor monitoring
Appoint a separate Registrar of Companies	October 2009	Benchmark. Met in July	To further improve the investment climate
<b>Fifth Review</b>			
Introduce a VAT	February 2010	Proposed Benchmark	To improve the buoyancy and efficiency of the tax system
Establish a Public Procurement Authority	March 2010	Proposed Benchmark	To enhance transparency and governance in procurement and facilitate donor monitoring

<sup>1</sup> A Director has been appointed, but a number of other steps still need to be taken, including finalizing procurement procedures.

Real GDP Growth Trends 2003 - 2010



## ANNEX 4

## GRENADA: FISCAL AND DEBT INDICATORS

	2005	2006	2007	2008	2009p	2010e
Current Revenue to GDP	24.3	25.0	26.1	25.4	23.3	24.5
Current Expenditure to GDP	20.4	21.3	21.7	22.9	23.2	23.5
Current Account than or equal to 5 % of GDP (greater)	3.9	3.7	4.4	2.5	0.2	1.0
Overall Deficit than or equal to 3 % of GDP (less)	0.5	-6.4	-8.2	-5.1	-4.0	-4.0
Interest Payments/Current Revenues (greater than or equal to 1.5 % of Current Revenue)	8.3	8.3	8.9	7.4	11.1	12.7
Debt Stock (EC\$ million)	1420.9	1493.9	1583.3	1614.0	1714.6	1828.1
				1831.92	1759.19	1827.29

**ANNEX 5**  
**SUMMARY OF RECURRENT EXPENDITURE AND CAPITAL EXPENDITURE 2010**

Vote	Recurrent	Capital	Total	% of Total
01 - Governor General	871,462	171,000	1,042,462	0.15
02 - Parliament	1,404,047	1,362,900	2,766,947	0.41
03 - Supreme Court	2,683,523	120,000	2,803,523	0.41
04 - Magistracy	2,005,159	44,100	2,049,259	0.30
05 - Audit	1,139,046	15,050	1,154,096	0.17
06 - Public Service Commission	836,937	13,200	850,137	0.13
07 - Director of Public Prosecutions	939,816	-	939,816	0.14
08 - Electoral Office	856,852	2,063,366	2,920,218	0.43
09 - Ministry of Legal Affairs	2,690,068	1,748,000	4,438,068	0.65
10 - Prime Minister's Ministry	6,749,715	7,941,106	14,690,820	2.16
11 - Prisons	7,266,145	351,000	7,617,145	1.12
12 - Police	45,377,011	2,210,000	47,587,011	7.01
13 - Office of the Ombudsman	625,720	15,000	640,720	0.09
14 - Ministry of Labour, Social Security and Ecclesiastical Affairs	1,258,418	137,221	1,395,639	0.21
15 - Ministry of Tourism and Civil Aviation	2,464,037	27,883,656	30,347,693	4.47
16 - Ministry of Foreign Affairs	10,875,982	1,074,560	11,950,542	1.76
	5,044,660	9,518,001	14,562,661	
19 - Ministry of Youth Empowerment and Sports				2.14
	41,977,768	16,765,995	58,743,763	
20 - Ministry of Finance, Planning, Economy, Energy and Cooperatives				8.65
	39,650,000	-	39,650,000	
21 - Pensions and Gratuities				5.84
	146,430,133	-	146,430,133	
22 - Public Debt.				21.57
23 - Salaries and wages increase				-
	10,217,973	-	10,217,973	
25 - Contributions				1.50
27 - Ministry of Environment, Foreign Trade and Export Development	2,465,884	1,541,183	4,007,067	
	6,433,750	28,203,765	34,637,515	0.59
30 - Ministry of Works, Physical Development and Public Utilities				5.10
	90	-	90	
32 - Post Office	19,627,456	3,266,226	22,893,682	0.00
35 - Ministry of Social Development				3.37
	9,134,903	2,313,500	11,448,403	
36 - Ministry of Carriacou and Petite Martinique Affairs				1.69
	2,841,110	9,615,000	12,456,110	
38 - Ministry of Housing, Lands and Community Development				1.83
	86,776,370	18,873,649	105,650,019	
40 - Ministry of Education and Human Resource Development				15.56
	49,690,522	6,031,036	55,721,558	
50 - Ministry of Health	11,622,443	17,757,433	29,379,876	8.21
64 - Ministry of Agriculture, Forestry and Fisheries				4.33
<b>TOTAL</b>	<b>519,957,001</b>	<b>159,035,946</b>	<b>678,992,947</b>	<b>100.00</b>

ANNEX 6  
REVENUE COLLECTIONS BY DEPARTMENT  
(EC\$M)

	2008	2009p	2010e
Supreme Court Registry	0.41	0.31	0.38
Magistracy	1.59	1.84	1.86
Prime Minister's Ministry	0.69	0.53	0.53
Ministry of Labour, Social Security and Ecclesiastical Affairs	1.22	2.15	2.17
Ministry of Finance	450.37	399.75	435.76
Customs & Excise	234.6	199.5	246.2
Inland Revenue Department	200.1	186.1	177.2
Other	15.70	14.15	12.35
Ministry of Works	0.55	0.45	0.61
Ministry of Education	0.09	0.13	0.13
Ministry of Health	2.34	2.58	3.66
Ministry of Agriculture	1.61	1.58	1.74
Ministry of Fousing, Lands and Community Development	6.29	1.17	1.23
<b>Total</b>	<b>465.17</b>	<b>410.49</b>	<b>448.07</b>

**ANNEX 7  
USE OF PETROCARIBE FUNDS**

*****	<b>Petro Caribe GDA</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
0044512	Aquatic Centre	-	-	500,000
0044516	Night Lighting Facilities & Construction of Hard Court	-	-	
0044518	Upgrading of Cuthbert Peters Park	-	-	250,000
0048526	Young Entrepreneurs Development Fund	-	-	800,000
0071505	Bacolet Project (Juvenile Centre)	1,245,188	271,984	1,000,000
0013521	Small Economics Programme (Food Basket Proj.)	1,119,860	-	
0013520	Grenada Training & Employment Programme	1,316,561	-	
0079506	Free School Books Programme	-	2,089,800	2,500,000
0014510	Scholarship Programme	2,450,000	489,228	1,000,000
0071514	Renovation to Homes for the Aged	-	-	
0071517	Multiple Projects for the Elderly	217,430	27,200	390,000
0071519	Multi - purpose Centre for Disabled	-	-	170,000
0073502	Cultural and Sporting Centre	905,217	178,850	
0013517	Emergency Housing Project Plan III	1,000,000	7,685	2,140,000
0069508	Sites & Services Project Plan II (Frequente, Black Bay, Diamond)	-	4,000	
0013501	House Repair Programme	6,000,000	-	
0080517	Renovation & Extension Programme	623,802	-	
0013525	Government Secondary School Transportation Programme	621,034	-	1,200,000
0013509	Government Information Technology Project	211,867	-	
0014508	National Youth Service, Training & Employment Programme	6,481,816		
0071518	Laborie Day Care Centre	104,013	-	
0071520	Half-way House	200,692	-	
0072507	Maternity Ward Petite Martinique	21,519		
0073511	Carriacou Multi Purpose Centre	24,198		
0044505	Rehabilitation & Upgrading of Playing Fields	305,720	-	
0080511	School Feeding Programme	2,408,288	2,416,077	2000000
*****	<b>Total</b>	<b>25,257,205</b>	<b>5,484,823</b>	<b>11,950,000</b>

