



GOVERNMENT OF GRENADA



2011 Budget Statement

Presented by

HON. V. NAZIM BURKE

Minister of Finance, Planning,
Economy, Energy and Cooperatives

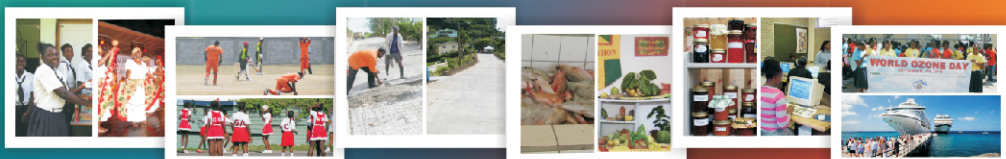
to

The House of Representatives

January 14, 2011



*"Working together for Economic
Recovery, Job Creation and Social Protection"*



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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 2011 by means of an Appropriation Act;

Be it resolved that the Estimates of Expenditure for the year 2011 be approved.”

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

Mr. Speaker, before I proceed with this Budget Statement, I take the opportunity to extend my best wishes for a healthy and productive new year, to you, members of this House, and to all citizens at home and abroad.

The year 2010 was, without question, a very challenging year for our Nation. That said, I am reminded of the words of I Thessalonians 5.18 (King James Version) and I quote:

“In everything give thanks for this is the will of God in Christ Jesus concerning you”. End of quote.

It was a year when Grenada experienced one of the most severe droughts in recent memory yet there was no major outbreak of disease or shortage of food.

It was a year when several of our CARICOM neighbours were struck by earthquakes and hurricanes, yet Grenada was spared.

It was a year when we witnessed massive layoffs in some Caribbean countries and in Europe yet we managed to preserve jobs.

It was a year when death seemed ever present. It started with the loss of approximately 240,000 lives in Haiti. Later, we mourned the passing of Caribbean soca icon, Arrow and then Barbadian Prime Minister David Thompson, just to name a few.

At home, many of us lost loved ones yet here we are blest with the gift of life at the start of a new year.

I say, despite the many challenges, our Nation has much to be thankful for.

We gratefully acknowledge the provision and protection of Almighty God during the difficult year just ended. For as Matthew 17:28 reminds us and I quote ***“in Him we live and move and have our being”***. End of quote.

Mr. Speaker, this presentation will be essentially delivered in four parts. First, we will take a brief look at the external economic environment. Second, we will provide an account of our Government’s stewardship in the past year. Third, we will articulate our Government’s vision for Grenada’s recovery and prosperity. Finally, we will indicate what we propose to do this year.

2.0 INTERNATIONAL AND REGIONAL DEVELOPMENTS

2.1 Recent Performance and Prospects of Global Economy

The global economy recovered slowly in 2010 amid fears in the first half that it could slip back into recession. However, the growth has been fragile and accompanied by considerable uncertainty.

This recovery has been led by large emerging economies such as China, India and Brazil.

The US economy is estimated to have grown by 2.6 per cent in 2010 lower than the global growth rate of 4.8 per cent. The UK economy is estimated to have grown by 1.0 per cent.

The United Nations publication entitled *World Economic Situation and Prospects for 2011*, issued in December 2010 notes the following and I quote:

“The road to recovery from the Great Recession is proving to be long, winding and rocky. After a year of fragile and uneven recovery, growth of the world economy is now decelerating on a broad front, presaging

weaker global growth in the outlook. Weaknesses in major developed economies continue to drag the global recovery and pose risks for world economic stability in the coming years. There will be no quick fix for the problems these economies are still facing in the aftermath of the financial crisis”.

End of quote.

In 2011, the global economy is projected to grow by 4.2 per cent driven by emerging countries such as China, India and Brazil. The USA is projected to grow by 2.3 percent and the Euro zone by 1.5 per cent.

The economic prospects for these advanced economies remain uncertain. Unemployment in the USA remains stubbornly high at 9.4 per cent. Moreover, many of these countries are now shifting from fiscal stimulus to austerity measures to address mounting debts caused by huge budget deficits.

In the UK, for example, these measures include a permanent increase in the VAT rate from 17% to 20%, cuts in the salaries of public servants, cuts in the number of government employees, rising tuition costs for university students and major cuts in some government programmes.

The global recovery is also being threatened by rising food and fuel prices in recent weeks.

2.2 Recent Economic Performance of CARICOM

In CARICOM’s final news conference for 2010, the current economic situation was summarized by Dr. Maurice Odle, Economic Adviser to the Secretary-General of CARICOM as follows and I quote:

“The problem with our economies is that they are very structurally dependent. They are very open economies and therefore they are vulnerable to any downturn in the world economy.

“In our case, the problem is that the economic recovery in Europe and the United States – who are our major economic trading partners – is

not accompanied by significant job growth. What you really have is what economists call a phenomenon of jobless growth.

Dr. Odle also pointed to the downturn in tourism as a major problem affecting economies in the region. He said and I quote:

“If you don’t have a job, it is very unlikely that you would want to extend your savings on a holiday overseas”. End of quote

He also stated that foreign direct investment has dried up because of the downturn in tourism. Finally, he referred to the serious unemployment situation in the Caribbean.

Table I

Recent Economic Performance of Selected CARICOM countries

Country	2008	2009	Forecast 2010	Forecast 2011
Barbados	-0.2	-4.0	-0.9	3.0
Belize	3.8	-1.5	2.0	2.3
Jamaica	-0.9	-3.0	-0.1	1.9
Guyana	2.0	3.0	2.9	3.1
Trinidad and Tobago	2.4	-3.5	1.2	2.5

Source: World Economic Outlook, International Monetary Fund, October 2010

According to the World Economic Outlook (October 2010), most of CARICOM’s larger economies declined in 2009. For example, Trinidad & Tobago contracted by 3.5 percent. Last year, these economies showed signs of a slow recovery. This year, the pace of recovery will continue albeit slowly.

2.3 Economic Performance of the Eastern Caribbean Currency Union (ECCU)

Mr. Speaker, last year, the ECCU declined by 3.2 percent following a contraction of 7.3 percent in 2009, the worst ever recorded in its history.

Table II

Recent Economic Performance and Forecast for the ECCU

Country	2008	2009	Preliminary Estimate 2010	Forecast 2011
	(%)	(%)	(%)	(%)
Currency Union	1.9	-7.3	-3.2	1.8
Anguilla	4.5	-24.2	-3.9	0.5
Antigua and Barbuda	1.8	-8.9	-6.3	0.1
Dominica	3.2	-2.2	-0.7	1.9
Grenada	2.2	-7.7	-1.4	2.2
Montserrat	5.4	1.0	-6.1	-0.1
St Kitts and Nevis	4.6	-9.6	-7.0	-0.5
Saint Lucia	0.7	-5.2	0.5	4.8
St Vincent and the Grenadines	-0.6	-1.1	-2.6	1.9

Source: Eastern Caribbean Central Bank, Basseterre, St Kitts, December 2010

Growth was positive for only one member of the Currency Union. The economies of all other members contracted, in one case, by as much as 7.0 per cent.

It is important to note that Grenada's decline of 1.4 per cent compares favourably with an average decline in the ECCU of 3.2 per cent.

Mr. Speaker, the data show that the Grenadian economy performed better than all but two of its peers in the ECCU in 2010.

2.4 OECS Economic Union

Mr. Speaker, the challenges of the Great Recession and its impact on the economies of the ECCU forced member States to craft regional responses and take collective action.

On 29 December 2009, member States signed The New Treaty of Basseterre Establishing The OECS Economic Union. This Treaty is expected to be ratified by all countries by 21 January 2011 and come into force by June 2011.

2.5 ECCU Eight-Point Stabilisation and Growth Programme

At the time of the signing of the New OECS Economic Treaty, the Heads of Government also signed the Eight Point Stabilisation and Growth Programme to guide the economies during the turbulent period of 2010 to 2012.

Under the Eight Point Stabilisation and Growth Programme, Governments must stabilize their fiscal position, provide appropriate economic stimulus through strengthening the Public Sector Investment Programme and address the challenges of the financial sector.

The key objective is to maintain economic and financial stability in the midst of the recession while preparing for the period of transformation from 2013 to 2020. I will return to this issue later.

2.6 The British American Insurance and CLICO Situation

We are keenly aware of the hardship that policyholders are experiencing and are working hard to find a solution.

The Government of Grenada is committed to finding a solution and is working with the other ECCU Governments in that regard.

We accept that this is a regional problem that requires a regional solution given the risk it poses to our entire financial system. For this reason, there is a major role for the Governments of Trinidad & Tobago, Barbados, ECCU and the policyholders in a final resolution.

The BAICO portfolio consisted of:

1. Property;
2. Medical Insurance;
3. Life Insurance; and
4. Annuities

Annuities account for 80% of BAICO liabilities.

According to the Judicial Manager's report in October 2009, the company is insolvent. This means liabilities exceed assets and that if the company were to be liquidated, persons would recover no more than five cents on the dollar.

Furthermore, liquidation is a lengthy process which means policyholders would have to wait a long time even for this small amount. All of this means, policyholders need to be patient as the Governments work towards a better outcome than a recovery of five cents on the dollar.

As we have previously indicated, the property insurance portfolio has been sold to Caribbean Alliance thereby ensuring policyholders have continued protection.

In respect of health insurance claims, we anticipate that the Health Support Fund will be launched next month to help persons whose claims have not been paid since the collapse of CL Financial.

In respect of the traditional life portfolio and the annuities, a revised proposal is before the Governments. We anticipate a full update on this issue will be given during the first quarter of this year.

3.0 LOCAL DEVELOPMENTS

3.1 Performance of Grenadian Economy

In 2010, Grenada's economy is projected to have declined by 1.4 per cent compared to a contraction of 7.7 per cent in 2009.

It should be pointed out that after the first nine months of the year, the economy was projected to contract by 1.8 per cent. However, during the fourth quarter, there was a pickup in activities in the following sectors: construction, hotel and restaurant, wholesale and retail trade and transport.

Mr. Speaker, a major factor for this expansion was the stimulus package announced by the Government last September. It provided special incentives to the tourism and construction industries. Government also expanded its labour intensive programmes such as Debushing and Farm Labour Support.

The agricultural sector continued to be a bright spot in the economy with growth estimated at 8.25 per cent. This performance is remarkable having regard to the severe drought experienced in the first half of last year.

Increased agricultural output was driven by a 12 per cent growth in crops. The main contributor was increased production of fruits and vegetables which grew by 26.3 per cent. The volume of Fish caught rose by 5.7 per cent.

Other sectors estimated to record positive growth last year are the manufacturing sector (25%), mining and quarrying (3%), electricity & water (3.5%), real estate and housing (1.5%), government services (2.0%), and other services (3.5%).

The hotel and restaurant sector which is used as a proxy for tourism contracted by 9% compared to a decline of 19% in the previous year.

The tourism industry is very sensitive to external shocks and events. Last year, Government supported the industry by assigning a special VAT rate of 10%, spending \$10 million in support for airlift and granting tax

concessions including a 50% reduction in VAT for September, October and November. These measures all helped to cushion the effect of the recession on the industry.

It should be noted, Mr. Speaker, the rate of decline in the construction, wholesale and retail trade, and hotels and restaurant sectors slowed noticeably compared to the previous year.

Employment

Based on statistics from the National Insurance Scheme (NIS) for the first ten months of year 2010, newly registered employees or first-time employees totaled 1,542, compared to 1,538 for the same period in 2009.

Approximately 73% of these first time employees belonged to the age group 16 to 24 years and are classified mainly in the construction, retail trade, real estate and business services, and community services.

In addition to these permanent jobs, Government was able to create 16,000 temporary jobs through its public works programmes.

Last year, a labour force survey was conducted by the Central Statistical Office in collaboration with the International Labour Office (ILO) and the OECS Secretariat. The results of this survey are being finalised, however, preliminary findings put the unemployment rate at 29%.

Mr. Speaker, the high rate of unemployment remains of great concern to Government. I will return to this issue later.

Inflation and Consumer Prices

Annualized inflation at October 2010 was 6.5 percent driven mainly by rising prices on most categories of consumer expenditure except educational expenses. With the introduction of VAT and Excise, it was envisaged that prices would initially rise by 5 percent (excluding the effect of oil prices) and would return to normal levels of 3 percent as new inventory entered the market.

In an effort to provide additional relief on the cost of living, Government expanded the list of zero-rated and exempt items. For example, VAT was removed from bread, medicine for chronic diseases, textbooks, agricultural produce, agricultural inputs, computers and water among others. If Government had not taken these actions, the rate of inflation would have been even higher.

Mr. Speaker, Government is pleased to note that the introduction of VAT has resulted in the reduction of prices on many basic items. For example:

- Baking (Flour) from \$7.71 to \$7.38 per pound
- Baby Milk (formula) from \$29.50 to \$24.00 per tin
- Cement from \$27.63 to \$21.00 per bag
- Lumber from \$4.56 to \$4.10 per square foot
- Paint (oil) from \$54.35 to \$50.14 per gallon

This year, we project inflation will be 4 percent largely due to rising food and fuel prices. Government remains committed to taking measures to mitigate the cost of living and will closely monitor this situation.

Recent Statistical Developments

Mr. Speaker, last year was a historic year for statistical services in the OECS. During the year, we launched two new series: Consumer Price Index and Gross Domestic Product.

Consumer Price Index (CPI)

The CPI is commonly used as a measure of inflation and by extension the cost of living.

The new CPI is based on a Household Income & Expenditure Survey conducted by the Central Statistical Office with funding from the Caribbean Development Bank (CDB) and technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC).

This new CPI is an advance over the old index in several ways:

- More retail outlets are now used to collect prices
- New consumer products such as mobile phones and computers are included.

- The CPI is now comparable across the OECS countries
- It adopts a new methodology that allows for introducing new items into the CPI basket and for adjusting for quality changes in the price of an item.

Gross Domestic Product

The Gross Domestic Product is a measure of the value of goods and services produced by a country in a given year. It is used as an indicator of the size of the economy.

The Central Statistical Office with assistance from ECCB and CARTAC recently concluded a revision of the methodology and coverage of computing Grenada's Gross Domestic Product (GDP).

This revision yielded the following results:

- New GDP series is now rebased from 1990 to 2006 to allow comparison across the OECS countries
- Nominal GDP is estimated at EC\$2.1 billion, an increase of 28.8% due to increased coverage.
- Grenada is now the third largest economy in the OECS, after Antigua and St. Lucia.

Going forward, these rebased numbers will be used for all reporting purposes.

3.2 Fiscal performance in 2010

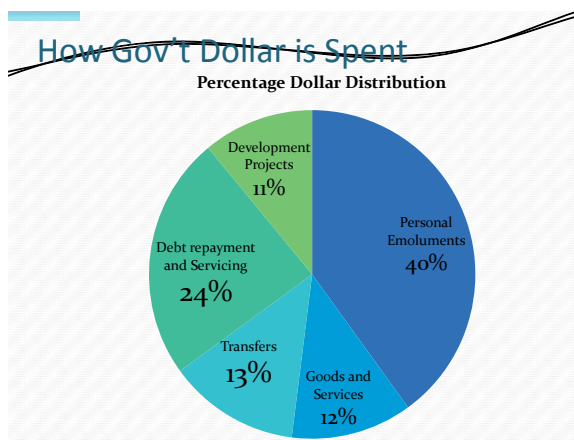
Mr. Speaker, 2010 was another very challenging year.

Recurrent revenue was \$423.6 million, a shortfall of \$24.5 million or 5.5% per cent of budgeted revenues. This shortfall was primarily due to further VAT concessions granted during the year. However, compared to the previous year, revenues grew by \$18.3 million or 4.5 per cent.

It is useful to understand how Government spends every dollar. Bearing in mind that Government spends more than it earns by supplementing its revenues with overdraft, treasury bills, loans and grants, this is **how every Government dollar was spent in 2010**:

- o Personal emoluments – 40 cents
- o Goods and Services – 12 cents
- o Transfers – 13 cents
- o Debt repayments and servicing – 24 cents
- o Development projects – 11 cents

Figure I – How Government Dollar is Spent



Personal emoluments refer to wages, salaries and allowances for Government workers.

Goods and Services refer to electricity, telecommunications, water, fuel and stationary.

Transfers refer to pensions, gratuities, public assistance, subventions and contributions to international organizations.

Debt repayments and servicing refer to both interest and principal repayments (amortization).

Recurrent expenditure was \$420.6 million, 2.3 percent less than budgeted. Compared to the previous year, current expenditure grew by 1.4 per cent.

Spending on all major categories was less than the approved budget, except for Personnel Expenditure which grew by 10.1 per cent. This increase is explained by the transfer of the wage, salary and allowance component of Category 340 – Professional and Other Services under Goods and Services to Personnel Expenditure. This reclassification/transfer was made in an effort to more accurately report Government's payroll. The decline in spending on Goods and Services is partly explained by this adjustment.

As a consequence, fiscal operations yielded a surplus of \$3.1 million, a marginal improvement over the previous year.

In respect of grants, Government was able to unlock budgetary support in the amount of \$36.8 million, an increase of \$8.4 million or 29.5% higher than budgeted. As was the case in 2009, Grenada applied and received assistance under the European Union Vulnerability Flex Facility which was established to assist ACP Countries in mitigating the impact of the global economic crisis. A disbursement of 3.5 million Euros or EC\$12.2 million was received last December.

Mr. Speaker, this grant demonstrates the benefits of Government's strong economic management.

Accordingly, total grants exceeded the budget by \$8.0 million (11.2%).

Total grants (budget support and capital) totaled \$79.5 million, \$11.2 million higher than the previous year.

Capital expenditure totalled \$150.2 million or 5.5% less than budgeted. Of this amount, \$20.1 million was from loans and \$43.3 million from grants.

The overall deficit (after grants) was \$67.6 million or 3.7 percent of GDP, \$2 million less than the budgeted deficit of \$69.7 million.

In sum, Mr. Speaker, the fiscal performance last year clearly shows an improvement over the previous year.

At the end of December 2010, Central Government Debt stood at \$1.88 billion consisting of:

Domestic Debt - \$357.8 million

External Debt - \$1.52 billion

Based on the revised GDP, Grenada's debt to GDP ratio is now 91.5 percent.

Since assuming office, we have placed special emphasis on debt management by ensuring we can mobilize resources in the most cost-effective manner. At present, we are finalizing a debt management strategy.

We will continue to mobilize concessionary financing for various development projects. In addition, we will continue to make use of the Regional Government Securities Market for short term liquidity needs.

Performance of VAT and Excise

Mr. Speaker as part of a major overhaul of the tax system, Government implemented VAT and Excise last February. These two taxes served as a replacement for the General Consumption Tax (GCT), Airline Ticket Tax, and the Motor Vehicle Purchase Tax.

VAT and Excise Taxes were designed to yield revenues at least equal to the taxes repealed. In this regard, \$164.5 million was approved in the 2010 Estimates of Revenue and Expenditure representing 41% of recurrent tax revenue.

I now present the results for the first year of implementation:

TABLE III – PERFORMANCE OF VAT AND EXCISE TAX 2010

Tax	Actual Collection (\$ million)	Approved Budget (\$ million)	Shortfall Concessions (\$ million)	Post-Budget (\$ million)
VAT	138.0	143.2	5.2	11.7
Excise	8.3	21.5	13.2	12.7
Total	146.3	164.7	18.4	24.4

Total VAT collected was \$138 million, \$5.2 million short of the approved estimate.

In respect of Excise Tax, \$8.3 million was collected, \$13.2 million short of the approved estimate.

These shortfalls can be directly attributed to additional concessions on VAT and Excise Tax made by Government after the presentation of the 2010 Budget.

For example, the zero-rated and exempt schedules under VAT were expanded to include bread and medicines for chronic diseases. Later, Government removed VAT on textbooks, lowered the rate on building materials and removed VAT on service charge for hotels. The revenue forgone from these additional concessions was \$11.7 million.

In the case of Excise Tax, Government granted a 10% rebate to manufacturers on their sales which they were allowed to offset against their excise tax liability. Moreover, in the final quarter of the year, Government agreed to temporarily remove excise tax on new motor vehicles. The revenue forgone from these additional concessions was \$12.7 million.

Without these concessions, the revenue collected from VAT and Excise Tax would likely have surpassed the approved budget of \$164.7 million by at least \$3.0 million.

Mr. Speaker, of considerable significance is the fact that VAT (net of refunds) and Excise Tax *exceeded the combined 2009 revenues from GCT, airline ticket tax, and motor vehicle purchase tax by \$16.1 million.*

In sum, we can conclude that VAT did well in its first year and is settling down.

Mr. Speaker, I wish to place on record our appreciation for the staff who implemented these replacement taxes. In particular, we thank Mr. Melville Hosten, the Comptroller of Inland Revenue, the VAT Unit led by Ms. Pauline Peters as well as the Customs and Excise Department led by Mr. Carlyle Felix.

We also thank businesses for their reasonably good compliance record. We note that the compliance rate on VAT was at least 80% throughout the year.

This year, our VAT Unit will intensify the public education campaign and will vigorously pursue persons who are attempting to defraud Government of its revenue after collecting it from consumers.

September (2010) Stimulus Package

The stimulus economic package announced by the Prime Minister last September is already having its desired impact.

The initial results show the following:

- Following the introduction of the Excise Tax, the average number of new vehicles sold each month was 24. After the removal of Excise Tax, the average number of new vehicles sold each month rose to 39, an increase of 63%.
- No VAT on service charge helped hotels improve their cash flow and preserve jobs.
- A 50% reduction in VAT on construction inputs has resulted in lower prices and improved sales on building materials such as cement and roofing material.

Most importantly, there was heightened economic activity in the final quarter of 2010.

3.3 Achievements and Shortcomings

Mr. Speaker, despite the difficulties of the past year, our Nation can point to several notable achievements. Allow me to cite a few examples:

Selected National Achievements

On the field of athletics, Kirani James was named Central American and Caribbean Junior Male Athlete of the Year after winning 400 metre titles at CARIFTA, NCAA Outdoors and the World Junior Championships.

In football, Grenada performed well to reach the semi-finals of the Digicel Cup and in so doing qualified for the Gold Cup.

In netball, our young ladies won the under 23 OECS Netball tournament. On this note, our Government extends its congratulations to Lottysha Cato of La Mode, St. Patrick on becoming Grenada's first professionally paid netball player.

In cricket, for the first time, Grenada had two cricketers on the West Indies test team at the same time – Devon Smith and Nelon Pascal.

On the global stage, Grenada once again played a lead role in negotiations on climate change as chairman of the Alliance of Small Island States (AOSIS) in Cancun, Mexico.

Selected Government Achievements in 2010

Stronger Economic Management

- Successfully completed the fifth and final review of the Poverty Reduction and Growth Facility with the IMF.
- Successfully entered into a new agreement with the IMF called the Extended Credit Facility and completed the first review in November 2010 resulting in a disbursement of \$5 million.
- Successfully implemented the Value Added Tax (VAT) and Excise Tax in February 2010.
- Received and or mobilized grants of \$79.5 million.
- Grenada's credit rating by Standard & Poor's was affirmed.
- Signed thirteen (13) Tax Information Exchange Agreements (TIEAs), surpassing the target of twelve (12) as set by the OECD, and is now 'white listed' by the OECD.
- Implemented a new Insurance Act which now ensures stronger regulation and supervision of the insurance industry.

Improving the Business Climate

- Grenada was one of the top ten reformers in business reforms worldwide and the best reformer in the Caribbean in the 2011 Ease of Doing Business Report.

- Grenada moved up six (6) points in its Doing Business Ranking. Specific improvements were recorded in:

- o Time to start a business: reduced from 20 days to 15 days
- o Time to register property: reduced from 77 days to 47 days
- o Time to import: reduced by 4 days

Job Creation

In the area of foreign direct investment, GIDC facilitated eight (8) new projects to start up operation:

- KM2 Solutions, a call center, started operation in January in the Seamount Industrial Park and currently employs 194 persons
- Baron Foods started operation in January in the Seamount Industrial Park and now employs 20 persons
- St Lu Metals started operation in the Frequent Industrial Park in April 2010 and now employs 17 persons.
- Five (5) other foreign projects started operation, a small restaurant, a marine food service, a data processing facility and the discovery train service now operating in the city of St George. In total, these projects created approximately 240 jobs at start up.

In the area of domestic investment, GIDC facilitated thirty-nine small projects to start operations. These projects generated an additional 100 jobs.

In terms of short term employment, **16,047 jobs** were created under the road maintenance programme's fortnightly rotations, with an expenditure of \$9.5 million.

Mr. Speaker, having regard to the information received from the NIS, GIDC as well as the Ministry of Works, we are satisfied that Government met its stated target of 1,500 permanent jobs and surpassed its target of 15,000 temporary jobs.

Accelerating Tourism Development

- Delta Airlines commenced operations in July thereby increasing direct flights from the USA to Grenada
- Similarly, Air Jamaica resumed operations in July and later transferred operations to Caribbean Airlines which commenced operations in November
- Facilitated the start up of new tourist attractions: Spice Basket and Discovery Train
- Completed Phase I of the cleaning of Grand Etang Lake

Carriacou and Petite Martinique

- Completed construction of the Top Hill Road
- Launched the Sandy Island Oyster Bed Marine Protected area
- Commissioned the new fish market in Hillsborough
- Established an office to oversee the process of the implementation of Local Government
- Approval of a package of concession measures for Osprey that would result in lower passenger rates. This arrangement will soon be effected.

Revitalising Agriculture and Fisheries

- Propagated and distributed over 200,000 plantlets including 43,078 cocoa plantlets, 12,000 fruits and 50,000 nutmegs.
- Employed 1,000 persons under the Farm Labour Support programme, a total of 201.8 acres of tree crops were established:
 - o 141.2 acres of nutmeg
 - o 30.5 acres of sour sop
 - o 8.5 acres of mangoes
 - o 2 acres of cherries
 - o 2.25 acres of cinnamon

- o 6 acres of avocados
 - o 10.6 acres of bananas
- Opened 398,673 feet of drains on approximately 1,075 acres of land primarily cocoa fields.
- Rehabilitated 27.75 miles of farm roads including clearing of overhangings, base work, slide removal, drainage and clearing of culverts.
- Distributed 3,225 bags of fertilizers to farmers at a subsidized price of EC\$75.
- Established 50 acres of Nutmegs, 14.5 acres of Tree Crops (including cocoa, breadfruit, bananas, avocados, mangoes and soursop).
- Planted 6 acres of pigeon peas and 3 1/2 acres of root crops (including cassava, yam and ginger).
- Established Cassava Experimental Plots with 11 different varieties at Laura Estate.
- Launched two (2) Marine Protected Areas sites (Molinere/ Beausejour MPA & the Oyster Bed in Carriacou).

Improving Health Care

- 600 clients received medical assistance for: medical treatment not available locally; medication, diagnostic procedures, special medical supplies.
- 21 patients received free Oncology treatment overseas. Mr. Speaker, if these patients had to pay for their treatment, **the average cost per patient would have been US\$223,809.52.**
- Provided duty free concessions on equipment to Island Health Services and a monthly contribution of EC\$1,000 per patient per month for dialysis.
- Forty (40) children received specialist care in cardiology and orthopedics provided by the International Hospital for Children in Virginia.

- Procured and installed key equipment at the General Hospital including:
 - **Alcon Infinity Vision System** to the tune of US\$60,000. *A modern piece of biomedical equipment which allows an Ophthalmic Surgeon to undertake and successfully complete cataract removal in 15 minutes with no sutures and no need for overnight hospitalization.*
 - **A new surgical C-arm** to the tune of US\$ 85,500. *An important piece of equipment in surgery when implanting screws for hip replacement thus reducing complications and increasing speed of recovery. This equipment is used when implanting cardiac pace makers and in urology for the removal of kidney stones.*
- Retrofitted the Elevator at the General Hospital at a cost of EC\$ 809,169.90
- Relocated and upgraded the Snug Corner Medical Station at Beaulieu in St. George's.
- Arranged for the passage of the Health Practitioners Act which provides for registration of Doctors and Allied Health Professionals.

Education and Human Resource Development

- Successfully completed the third consecutive year of the Free School Books programme
- Completed reconstruction of two pre-Schools: Victoria and Grenville
- Completed the Crochu RC School
- Completed second phase of Calliste Government School
- Substantially completed technical blocks and additional classrooms at St. Andrew's Anglican Secondary School, Anglican High School and St. Mark's Secondary

- Provided every primary and secondary school with new classroom furniture.
- Provided more than 40 computers and projectors to schools to assist with the teaching of literacy and numeracy.
- Awarded a total of 106 Scholarships including to new countries such as Morocco, Serbia, Austria and Indonesia.
- Increased Island Scholarships awards from three (3) to five (5).

Providing Affordable Housing

- Provided soft loans and housing material assistance to 150 families;
- Advanced phase one of the Affordable Housing Project funding by the People's Republic of China;
- Ensured the compliance of Building Codes and Hurricane Resistance Standards in the construction of all houses approved by the Ministry of Housing;
- Trained Housing Officers and small contractors in construction methods, techniques and project assessment;
- Regularised the tenure of 100 persons who were occupying Crown Lands illegally;
- Collaborated with the Ministry of Works for the rehabilitation of six (6) community centers;
- Constructed a multi-purpose resource centre in St. Andrew.

Fast Tracking Youth Empowerment and Sports

- Trained 300 young people in Small Business Management by the Small Business Development Centre at GIDC
- Trained 54 youth at NEWLO for seven months as part of their fulfillment of their requirement for the Caribbean Vocational Qualification (CVQ)

- 500 youth participated in the Youth Upliftment Programme
- 10 GYET participants accessed scholarships via the Scholarship Desk
- Work commenced on the lighting of three playing fields, one of which is now completed – Alston George Park in Victoria
- Sports Policy was completed
- Parish sports councils were established

Foreign Affairs

- Completed Maritime boundary delimitation negotiations with Trinidad and Tobago and signed the Treaty on April 21st, 2010
- Established diplomatic relations with the Kingdom of Morocco and Republic of Azerbaijan
- Signed Cooperation Agreements with Brazil, Morocco and Norway
- Negotiated several scholarships as part of bilateral cooperation
- Hosted the Preparatory Diaspora Conference in August 2010
- Commenced negotiations with the Government of Japan for project funding under the Climate Change Initiative
- Successfully negotiated for small projects (Market Square and Hospital) to be funded by the Government of Venezuela.

Energy Development

- Finalised National Energy Policy
- Secured funding for 3 projects

Poverty Reduction and Social Safety Nets

- 4,100 persons benefitted under the Public Assistance Programme
- Arranged the passage of landmark Family Law legislation including the Child Protection and Adoption Act and the Domestic

Violence Act – landmark legislation and the first of its kind in the OECS.

Shortcomings

Mr. Speaker, the foregoing achievements clearly demonstrate that our Government worked hard and accomplished much notwithstanding significant financial constraints. That said, we also acknowledge that we fell short in some areas. In that regard, Mr. Speaker, I wish to mention three areas in particular.

First, the implementation of two key public sector projects:-

Design and contractual issues resulted in delays of the Grenville Market Project and Agricultural Feeder Roads Project. I will return to these projects later.

Second, the commencement of Key Private Sector Projects:-

Regrettably, several major private projects mostly tourism developments including Levera, Bacolet Bay and Virgin Beach did not commence as we had hoped.

This was despite the best efforts of these prospective investors and constant communication and facilitation by Government. Financial institutions are cautious about supporting many investment projects due to the uncertainty of global economic recovery.

And finally, the delay in completion of Growth and Poverty Reduction Strategy: - I will refer to this issue later on in my presentation.

Mr. Speaker, I now turn to prospects for the Grenadian economy.

3.4 Prospects for the Grenadian Economy

This year, the global economy and the US economy are projected to grow by 4.2 per cent and 2.3 per cent respectively.

Based on these key projections and the Government's plans and projects for 2011 and beyond, economic activity in Grenada is expected to improve over the next two years. This year, the economy is projected to grow between 2.0 and 2.5 per cent. Next year, the economy is projected to grow by 3.0 per cent.

It should be noted that Grenada's prospects are tied, in large measure, to its major trading partners. Grenada has limited trade links with countries such as Brazil, India and China which are currently driving the global recovery.

The economic recovery which will begin this year will be fuelled by a turnaround in the construction and tourism sectors and the continued expansion of agriculture and manufacturing. Naturally, the growth in these sectors would have positive effects on wholesale and retail trade, transport, and communications.

Mr. Speaker, it must be noted that Grenada's projected growth of 2.0 -2.5 per cent this year is higher than the estimated 1.8 per cent for the Currency Union, lower only to Saint Lucia which is expected to benefit from the reconstruction efforts following the passage of hurricane Tomas.

Grenada's projected growth is also comparable with some CARICOM countries such as Barbados which is projected to grow by 3.0 per cent and Trinidad and Tobago by 2.5 per cent.

Mr. Speaker, we believe that the carefully crafted programmes which I will outline later will stimulate the economy and generate employment opportunities.

4.0 REPOSITIONING OUR ECONOMY- OUR VISION FOR THE WAY FOWARD

4.1 Our Vision

Mr. Speaker, in our previous Budget presentation, we expressed the view that the situation that we face in Grenada was not created by the crisis and will not automatically go away at the end of the crisis. They have merely been amplified, made worse by the crisis.

We pointed out that there are several structural defects standing in the way of our development which must be overcome.

We presented a picture of the Grenadian reality and showed why we cannot continue to live in the same old way, do the same old things and expect different results.

We need not repeat this reality today. It would suffice to say that our situational analysis has been validated by the findings of recent surveys on poverty and social safety nets.

What needs to be said unambiguously and emphatically is that we need to transform the Grenadian economy.

By transformation we mean moving from a two pillar economy consisting of tourism and agriculture to a five pillar economy that is more diversified and resilient to external shocks and capable of generating new and higher income opportunities for all our people.

Before we can embark on a transformation of our economy, however, certain realities must be acknowledged and certain prerequisites and pre-conditions must first be identified and established. I now wish to speak to a few of these.

First, our economy is too small and vulnerable to go it alone. The transformation of our economy is inextricably linked to the transformation of the economies of the other OECS countries. This is why we have entered into the **OECS Economic Union**.

Second, Grenada and the other OECS member States are in the throes of an economic recession that has not only resulted in job losses, fall in government revenues and general economic decline, but has shaken the financial, fiscal and macro-economic foundation of our economies.

While we have begun to witness some nascent signs that the recession has bottomed out, recovery remains fragile and our economies are still in intensive care. This is why Grenada has signed on to the **ECCU Eight Point Stabilization and Growth Programme**.

This programme, approved by the Monetary Council and endorsed by the OECS Heads of Government, contemplates a period of stabilization between the onset of the crisis (September 2008) and 2010, followed by a period of adjustment between 2010 and 2012 and then by a period of transformation between 2013 and 2020.

In the period 2008 to 2010, it was expected that member States would take steps to stabilize their economies that had gone into a tailspin following the sharp decline in tourism earnings and foreign direct investment, the fall off in remittances, the sharp decline in government revenues and the plummeting of business activity and consumer demand.

We are happy to report that we have stabilized the Grenadian economy having reduced the contraction from 7.7% in 2009 to 1.3% in 2010.

In the period of adjustment between 2010 and 2012, it is anticipated the member countries will undertake the structural, legal and institutional reforms necessary to embark upon a programme of transformation. It is also anticipated that during the adjustment period, governments would develop and elaborate the strategy that would underpin the economic transformation programme for the period 2013 to 2020.

We are pleased to report that rather than seeing through the period of stabilization before commencing the period of adjustment, we took the bold step of embarking on the stabilization and adjustment programmes simultaneously in late 2008.

Recognizing the strategic necessity for these structural reforms, we undertook them even while still trying to stabilize the economy, mindful that doing so successfully would give us a head start on the road to economic transformation.

We accordingly undertook a package of financial sector reforms including the passage of a new Insurance Act (with new Statutory Fund requirements), a new Cooperative Societies Act to regulate credit Unions, and a new Money Transfer Services Act to regulate money transfer agencies.

We undertook a package of reforms aimed at improving the business climate and making it easier to do business in Grenada.

We commenced the process of tax reform by introducing the Value Added Tax, which we intend to use as a catalyst to modernize our tax system.

We breathed life into a public sector modernization programme that was in a comatose state.

As part of that period of adjustment, we have also proceeded to identify and isolate the fundamental elements of our transformation programme by identifying those five sectors which, in our view, have the greatest potential to contribute to the economic transformation of Grenada (“the transformational sectors”). These sectors are:

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

We have begun to put in place a management structure for these sectors. Cabinet has appointed Ministerial sub-committees to provide policy oversight for each sector. The sub-committees are chaired by the relevant line ministers and, in every case, include the Minister for Finance and the Attorney General.

Cabinet has also approved the establishment of core technical committees to support the policy and programmatic work in each of these sectors. It is anticipated that these committees will be drawn from among persons with the best expertise and strongest commitment to success - whether in the public or private sector and whether resident in Grenada or not.

This year, we shall establish the Grenada Transformation Fund, around which we shall aggressively seek to mobilize resources for the development of these five sectors. We shall return to these sectors later in the presentation.

If we are to successfully pursue this programme of economic transformation, it is essential that we develop a strategy for sustained economic growth.

Indeed, sustained economic growth is a *sine qua non* for economic transformation.

Having regard to this, we have now begun the development of our **Growth and Poverty Reduction Strategy**, the draft of which we hope to complete by the end of March of this year, following which it shall be the subject of public consultations.

Given the critical role of growth in economic transformation and the incidence of poverty in our country it is useful to share with the Nation what is informing the development of this strategy as we go forward.

Before I do so, however, it is important to remind ourselves that in the face of the crisis, while looking at the bigger and longer term issues, we have continued to focus on stronger economic management, by adopting a more disciplined and prudent approach to the management of public finances; improving social safety nets to cushion the effects on the vulnerable and persons negatively impacted by the recession; providing short term employment through an expansion of the public works programs; supporting the private sector to encourage job preservation and job creation (as evidenced by the additional VAT relief provided to the construction, hotel and automotive industries); and collaborating with the prospective developers and investors to facilitate the implementation of several major tourism related projects.

I turn now to the Growth and Poverty Reduction Strategy.

The Growth and Poverty Reduction Strategy (GPRS) being developed is an outgrowth of the Poverty Reduction Strategy Papers (PRSPs) normally prepared by the member countries of the IMF and the World Bank through a participatory process involving domestic stakeholders as well as external development partners.

These strategies are typically updated every three years with annual progress reports and describe the country's macroeconomic, structural and social policies and programmes to promote broad based growth and reduce poverty as well as consider associated external financing needs and major sources of financing.

In preparing this strategy we have opted to change the name to bring into sharp focus the element of Growth and the critical role it must play both in fiscal consolidation and in economic transformation.

It was reassuring to hear the Managing Director of the IMF acknowledge, during the IMF/World Bank Annual meetings in October 2010 that **“the greatest threat to fiscal sustainability is low growth”**.

Needless to say, the imperative of growth is closely connected to job creation. As many of our unemployed return to gainful and productive activity, the size of our economic pie would be increased and every Grenadian would be in a position to get a larger slice. But, we must grow in a manner that is sustainable.

Sustainable growth can only be accomplished by a committed, credible and capable government. Serious policy makers understand that sustained growth does not just happen. It must be chosen as an overarching goal by a country’s leadership. To that end, Government must constantly seek to anticipate the actions required to sustain the economy’s momentum.

Government and citizens alike must realize that successful development always entails a long term commitment and a fundamental bargain between the present and the future.

To strengthen our performance, we must improve our competitiveness. We must use the global economy to our benefit by importing ideas, technology and know-how from the rest of the world and using it for productive purposes- not just for consumption.

At the same time we must exploit the increased global demand for goods and services by producing the goods and services for which there is significant demand and attracting investments to supply that demand.

Simply put, we must import what the rest of the world knows and export what they want.

In addition, we must maintain macro-economic stability, demonstrating a high level of fiscal responsibility and strong debt management.

Moreover, we must be prepared to maintain high rates of savings and investment.

Finally, to achieve sustained growth requires that we create a business climate in which firms and entrepreneurs feel that they have enough of a claim on their assets to invest heavily in them.

Only in that way, would we be able to achieve sustainable economic growth.

It is therefore intended that the Growth and Poverty Reduction Strategy will embody a comprehensive effort to transform our economy and serve as a roadmap to propel our Nation to a higher quality of life. It will cover the five transformational sectors and identify the projects and business opportunities that have the potential to directly and materially contribute to sustained economic growth.

So our approach to the management of the economy is not a mere fiscal accounting enterprise, as some may suggest. Instead, we have proceeded with considerable dexterity and creativity, combining fiscal prudence with enterprise.

The report of our performance over the past 12 months demonstrates that the approach of this Government has been considered, creative and comprehensive. We have sought to strike a delicate balance between immediate, medium and long term initiatives.

I respectfully submit that this is the right approach. It is propelled by a commitment to good governance but also by a clear recognition that Grenada needs to be repositioned to exploit new and emerging opportunities.

I wish to emphasise this point because it is the habit of some to think only in five year cycles which coincide with elections. This is a short-sighted approach which always shortchanges a country's development prospects. As a responsible and visionary Government, we recognize that our Nation's prosperity tomorrow depends on what we do today.

In concluding my remarks on repositioning our country and transforming our economy, it is necessary for me to say that the success of our efforts

will depend on two additional critical factors, namely, a sharper focus on foreign policy and a repositioning of our thinking as a nation. I wish to comment on these two factors.

4.2 *Foreign Policy Focus*

Mr. Speaker, in this era of rapidly decreasing grant aid, and an end to preferential arrangements, our diplomatic engagements must advance our vital national interests and development.

The Ministry of Foreign Affairs will continue to make concerted efforts to ensure that relations with Grenada's traditional allies are maintained and strengthened.

At the same time the Ministry will aggressively pursue the establishment and development of ties with non-traditional allies such as newly emerging powers like China, India and Brazil. Government will also continue to pursue bilateral cooperation with States in the Middle East and North Africa.

This year, the top priorities will be:

- Reviewing Grenada's Foreign Policy to ensure a greater focus on Investment and Resource Mobilization
- Expanding diplomatic relations with selected countries
- Engaging the Grenadian Diaspora to participate in and contribute to social and economic development of their homeland
- Reviewing the criteria for the appointment of Grenada's Honorary Consuls abroad and make appropriate adjustments where necessary
- Developing a Career Foreign Service; and
- Strengthening the capacity of the Ministry of Foreign Affairs and its overseas missions to implement Government's Foreign Policy more effectively.

4.3 *A New Mindset: Greater Self Reliance*

Mr. Speaker, we must understand the strategic importance of self-reliance in our quest for economic progress and sustained prosperity.

By self-reliance, Mr. Speaker, I mean the capacity and determination to seek and extract from within our own circumstances and environment, the resources, opportunities and energies that we require to advance as a nation.

This capacity and determination, Mr. Speaker, starts with the realization and belief that, ultimately, our success as a people depends, not on how much aid we can get from other countries, but on whether and to what extent we are prepared to take responsibility for our destiny.

The words of Ralph Waldo Emerson (an American essayist and philosopher writing in the 1830's) on self-reliance seems most appropriate and I quote

“There comes a time in every man’s education when he arrives at the conviction that envy is ignorance; that imitation is suicide; that he must take himself for better, or for worse, as his portion; that though the wide universe is full of good, no kernel of nourishing corn can come to him but through his toil bestowed on that plot of ground which is given to him to till”. End of quote.

Mr. Speaker, self reliance is an imperative for all progressive nations. It assumes even greater significance in times of adversity. We must embrace it with all our might.

Grenada is a blest country, the envy of many.

Our country is blest with fertile land, beautiful beaches, warm, intelligent and industrious people. We enjoy peace, tranquility and relatively low crime, a situation not seen in many of our Caribbean neighbours.

Our country is free.

Our democracy is flourishing more than ever before.

The individual freedoms we enjoy include the freedom to exercise our creativity, to unleash our inner potential and to create economic opportunities.

Against this backdrop, I call on all Grenadians, to work with **your** government to re-position **our** Country and to help **ourselves** emerge from this challenging period.

Let us explore new avenues for business, particularly small businesses, utilising our natural and human resources. Speaking of self reliance and small business, I cannot help but think of Mr. Lennon Mapson better known as the “Cane Juice Man”. His creativity and entrepreneurial spirit is amazing and one that should be emulated.

Let us exhibit national pride in our consumption choices, by buying local.

Let us eat healthier, by eating local.

Let discretionary backyard gardening become essential farming.

Let us cultivate our idle lands.

Let us develop the skills to manage our small businesses better.

Let us exercise more thrift.

Let us develop community based organizations, to support economic development initiatives in our communities.

Mr. Speaker, if each of us makes our contribution, we shall become a more self-reliant Nation and will be firmly set on a path of sustained prosperity.

This brings me to the theme for the 2011 Budget.

4.4 Theme for 2011 Budget

Our theme this year is “***Working Together for Economic Recovery, Job Creation and Social Protection***”.

Mr. Speaker, this is a most appropriate theme. It is a call to partnership. It also focuses on the most pressing issues confronting our Nation.

The theme recognizes that Government cannot do it alone. However, working together: Government, citizens (home and abroad), friends of Grenada, labour unions, the private sector, NGOs and external development partners, we can confront and overcome the challenges before us.

Without doubt, the most pressing socio-economic challenge facing us at this time is job creation. Indeed, this was the focus of the Prime Minister's National Address on September 07, 2010.

The challenge of job creation is not unique to Grenada. Indeed, it is the preoccupation of leaders across the globe. During this Great Recession, 30 million jobs worldwide have been lost and the current recovery so far has been fragile and jobless. Against that backdrop, we have not fared as badly in Grenada as in some other countries but we should not take this for granted. Job creation is the top priority of our Government.

As always, we are concerned about the effects of the crisis on the poor and disadvantaged hence the focus on social protection through improved safety nets and improved benefits from the National Insurance Scheme.

I now turn to the Estimates of Revenue and Expenditure for 2011.

5.0 OUR PLAN FOR 2011

5.1 The 2011 Estimates of Revenue and Expenditure

The 2011 Estimates of Expenditure provides for total expenditure of \$783.4 million, an increase of 15.3 per cent over the previous year. These include:

Current Expenditure: **\$446.0 million** (an increase of 3.6 per cent)

Capital Expenditure: **\$203.7 million** (an increase of 28.1 per cent)

Principal Repayments: **\$133.7 million** (an increase of 49.1 per cent)

The eight largest allocations are for:

Public Debt – \$188.3 million (or 24.1%)

Ministry of Education and Human Resources - \$115.7 million (or 14.8%)

Ministry of Finance - \$79.0 million (or 10.1%)

Ministry of Health - \$63.6 million (or 8.1%)

Police - \$46.9 million (or 6.0%)

Ministry of Agriculture - \$40.5 million (or 5.2%)

Ministry of Works - \$33.4 million (or 4.3%)

Ministry of Tourism - \$31.6 million (or 4.0%)

Mr. Speaker, you would note that the public debt accounts for 24.1% of total expenditure. I wish to specifically address this issue. I will return to it a little later in my presentation.

Of the \$446.0 million in current expenditure, \$240.7 million will be spent on personal emoluments; \$54.6 million are earmarked for interest payments; and a further \$79.1 million are provided for transfers to households including pensions and gratuities.

The \$203.7 million allocated for capital expenditure represents an increase of \$53.5 million or 35.6 percent relative to the estimated outturn for 2010. This is financed by \$135.5 million or 66.5 percent from local revenue; \$35.3 million or 17.3 percent from external grants and the remaining \$33.0 million or 16.2 percent from external loans.

Mr. Speaker, the significant increase of the capital budget is intended to spur economic recovery and job creation.

Total current revenue for 2011 is projected at \$454.2 million, 7.2 percent higher than collections in 2010. This projection includes \$213.5 million from Customs and Excise and \$187.9 million from Inland Revenue.

Non-tax revenue is projected at \$43.1 million, a 5.9% increase over 2010.

Government projects a current account surplus of \$8.1 million.

The budget has a financing gap of \$87.4 million. As we did last year, Government will do its best to close this gap with more aggressive resource mobilization.

Finally, the overall deficit (including grants) is projected to be \$148 million.

5.2 AGRIBUSINESS

Mr. Speaker, over the past two and half years, agribusiness has been a bright spot in the Grenadian economy. That said, much more needs to be done.

Government's main focus, this year, will be:

1. **Significantly increased provision of planting materials to facilitate increased food production and agricultural exports.** There is a growing demand for planting material as confidence in the sector grows. The Ministry of Agriculture will aim to increase its capacity to deliver larger volumes of high quality planting materials. Special focus will be given to planting materials and other inputs for bananas with the aim of ultimately eliminating the importation of bananas into this Country.
2. **Increased production in root crops, especially yams, dasheen, tannia, sweet potato and cassava by targeted programme for select farmers.** Over the past year, we have witnessed an increase in the importation of root crops contributing to significant foreign exchange leakage.
3. **Increased acreage in fruit orchards namely: Julie mango, golden apple, soursop, avocado and breadfruit.** With the increase of agro-processing activity and increased demand for fresh tropical fruits on the export market, there is an urgent need to establish more fruit orchards on the island. Farmers with large tracts of 'idle lands' will be targeted to increase acreages under fruit production.

4. **Improved marketability of fish products on the domestic and export markets.** Under this programme, the Ministry will focus on improving our fisherfolks' capacity to handle fish for the export market. The capacity of the Produce Chemist Laboratory would also be enhanced to contribute to improved quality of our fish products.
5. **More support for agro-processing.** This would involve the strengthening of capacity in the Produce Chemist Laboratory to enhance the delivery of technical services to agro-processors.
6. **More research and development in nutmeg and other spices.** Increased support will be given to the Establishment of Spice Research and Farming Systems Project to increase the competitiveness of the Nutmeg and Spices Industry.
7. **Institutional Strengthening.** The Ministry will seek to restructure and strengthen its extension services in order to deliver better services to farmers.
8. **Labour support.** Resources under the Farm Labour Support Programme will be used to provide labour for the priorities just mentioned.
9. **Government Estates.** A framework will be finalized to facilitate the deployment of these estates into more commercial and productive farms.
10. **Completion of the Gouyave Fisheries Plant.** Work is ongoing and is expected to be completed by year end.

This year, the allocation for agribusiness and fisheries is \$28.5 million up from \$17.8 million in the previous year.

5.3 HEALTH, EDUCATION AND WELLNESS SERVICES

In this sector, the priority focus is the establishment of a Teaching Hospital. Our Government believes this is essential to leverage the presence of St. George's University which according to recent surveys is regarded as the best medical school in the Caribbean.

Such a facility would provide opportunities for the students to remain in Grenada for longer period to do their clinical rotations and internship. This additional expenditure would have a significant impact on the domestic economy.

This thrust is also timely in light of the posture of certain teaching hospitals in the USA to attempt to limit the intake of students from Caribbean medical schools.

More importantly, Government believes that the establishment of a Teaching Hospital in Grenada would help to raise the standard and quality of health care for citizens at home, citizens abroad desirous of returning home to retire as well as our visitors.

Mr. Speaker, I am pleased to report that the Government and St George's University signed a new agreement late last year. This Agreement is the most comprehensive since the establishment of the University. The benefits for Grenada include more scholarships, equipment for the hospital and support for specialists at the Hospital.

As part of this Agreement, Government and the St. George's University have agreed on the necessity for a Teaching Hospital. As a first step, the University will develop a Clinical Teaching Programme at the General Hospital by September 2011.

During the course of this year, Government will engage the University and other potential partners and investors to move forward on this important project.

5.4 TOURISM AND HOSPITALITY SERVICES

Government recognizes the importance of the tourism industry as the single largest source of foreign exchange and an important generator of jobs and general economic activity.

In this regard, the allocation in 2011 is \$28.9 million, an overall increase of \$1 million. This sum includes \$17 million for marketing and \$10 million for airlift.

Support for Airlift

It should be noted that the allocation for airlift which includes some joint marketing with the airlines has been increased by \$2 million to \$10 million.

We will continue to provide marketing support to the airlines as a strategy in support of shared risk. The phasing out of these heavy fiscal commitments can only be realized with the construction of additional and appropriate hotel rooms.

Hotel Development

Government will continue to engage local and foreign investors on several stalled tourism projects. This would include as was done last December, joint investment promotion missions overseas.

Furthermore, Government has signed an agreement with the OPEC Fund for International Development (OFID) which can facilitate concessionary financing for some of these projects which have been on hold since the financial crisis.

Product Development

Upgrades to Heritage Tourism will continue with restorative works on our fortifications, including Forts George and Matthew.

The product has been enriched by the additional of several festivals in the past year. These include: the Maroon & Regional String Band Festival in Carriacou, the Spice Word and National Folk Festivals.

We will continue to work with villages and communities on the Parish Branding Initiative which aims to identify the unique features or products of each parish and market them to our tourists. In this regard, the Fish Fry in Gouyave is now established and frequently supported by our visitors.

This work will also extend to preparing Dive and Yachting Products to deliver what is promised in Marketing Promotions.

Grenada has been positioned as the “Wreck Diving Capital of the Eastern Caribbean” after completion of a dive strategy and marketing plan by the Ministry of Tourism, in collaboration with the Grenada Scuba Diving Association.

The list of new and upgraded products is as follows:

The Grenada Discovery Train, City of St. George Tour

The Spice Basket, Beaulieu

The Carriacou Maroon & Regional String Band Festival

The Spice Word Festival

The National Folk Festival

Opening of Fort George as a National Attraction Site

Opening of Fort Matthew as a National Attraction Site

Re-Opening of Bathway Visitor Center, St. Patrick

Upgrade of the Annandale Waterfall Road & Visitor Facility

Upgrade of the Grand Anse Craft & Spice Vendor’s Market

Cleaning of the Grand Etang Lake

Upgrade of the Camerhogne Park Visitor Facility, Morne Rouge

Marketing and Promotion

Grenada deploys a considerable sum for marketing and promotions of our destination. Government would like to do even more but is constrained by needs in other areas.

For that reason, Government is taking a very hard look at the way its marketing dollars are spent to ensure maximum value for money. In this regard, Government welcomes the Board of Tourism’s use of eMarketing technology. This thrust has resulted in the completion of a refreshed and interactive website www.grenadagrenadines.com, engagement of new social networking Internet sites – mainly Facebook, Twitter, and YouTube. In addition, the Board is making use of booking engines to aid

in securing vacations and is working towards a re-launch of the Spice Holidays Programme for the Grenadian Diaspora.

Industry Management

During the year, Government will continue with its thrust to build and maintain capacity to engage stakeholders at all levels of the industry and sharpen its policymaking capabilities to move the industry forward. A proposal is being considered to establish a separate and independent agency to develop and manage all aspects of the tourism product.

5.5 ENERGY DEVELOPMENT

As the world begins to recover from the global recession of the last two years, the year has started with the price of oil rising to a 26-month high of over US\$92 dollars per barrel. This recent price hike is partly due to unusually cold weather in the North but also in response to predicted increased demand from the manufacturing sectors in the USA and China. Analysts predict that 2011 will see the price of oil rise over US\$100 dollars per barrel.

Government remains convinced that the ultimate solution to the drain on our foreign reserves caused by the high costs of energy is to transition to a low carbon economy based on the use of indigenous sources of renewable energy and on the most efficient use of energy.

A National Energy Policy has been completed to guide this transition to a low carbon economy. The policy is now before the Cabinet and is expected to be laid in Parliament by the second quarter of this year.

The Government wishes to thank the Organisation of American States for its assistance in developing this important policy initiative, which sets the framework for sustainable and secure energy development and provides a detailed action plan to achieve **a 30% reduction in greenhouse gas emissions from fossil fuel combustion by 2020.**

This voluntary commitment provides Grenada with the moral authority to continue to play a lead role in the ongoing international climate change negotiations, the outcomes of which are vital to our very survival.

Let me now address our priorities for 2011.

Pursuing the potential discovery of geothermal energy and its exploitation is now the top priority for this Administration in the energy sector.

The successful exploitation of this potential resource will dramatically reduce our dependence on imported fuels, provide long term energy security, reduce our greenhouse gas emissions and ultimately allow the transport sector, which consumes the majority of fuel imports, to transition to electric vehicles and be powered by a clean electricity grid.

Last July, Cabinet appointed a Geothermal Energy Committee comprised of representatives of responsible Ministries and GRENLEC and has requested this committee to accomplish two major tasks:

1. To prepare drafting instructions for a Geothermal Resources Bill, which would, amongst other things:
 - a. Declare that the resource is the patrimony of the State.
 - b. Enable Grenada to grant exploration and production licenses;
 - c. Enable Grenada to charge Royalties and other Fees for the extraction of the geothermal resource.
2. To negotiate an exclusive Resource License and Concession Agreement with GRENLEC, subject to approval by Cabinet.

We have appointed a geothermal energy Project Manager to strengthen the Energy Division and to chair the Geothermal Energy Committee. The committee has been meeting.

The Government wishes to expedite these negotiations, cognisant of the need to make planning decisions on future generating capacity. Government is committed to facilitating the private sector investment required to have a 20 megawatt geothermal plant operational, as Phase 1, by the end of 2013.

We are working closely with the Office of the Attorney General to draft a Geothermal Bill to ensure all investments proceed within a sound legal framework.

Government will also seek funding through the fifth cycle of the Global Environmental Facility (using the flexibility mechanism under the new System for Transparent Allocation of Resources) to help defray the costs of the risky exploratory drilling phase and to allow for an equitable licensing agreement to explore for and use national geothermal resources.

This, Mr. Speaker, leads me to another priority of our administration, which is to secure grant funding and concessionary loans for renewable energy and energy efficiency projects.

During the recent Climate Change Negotiations in Cancun, our Prime Minister, on behalf of AOSIS, signed a Memorandum of Understanding, along with representatives of the World Bank, UNDP and the Danish Government for the operationalisation of a new financial mechanism called SIDS Dock in 2011. SIDS Dock is targeted at facilitating sustainable energy projects in small island developing states. The Danish government will kindly provide an initial capitalisation of this mechanism of US\$14.5 million and Grenada has already submitted a US\$1.0 million dollar proposal for funding of its geothermal programme

I am also pleased to report that we have been successful in securing 2.5 million Euros (EC\$ 8.9 million) in grant funding, under the ACP-EU Energy Facility, to partially finance the purchase and installation of wind turbines to provide up to 1.9 megawatts of electricity generating capacity and displace up to 68% of the diesel currently used to generate electricity in Carriacou.

The people of Carriacou will benefit from stable electricity prices in the future and will also benefit from being able to market Carriacou as a green and eco-friendly destination. A potential co-benefit of the wind project may be the generation of desalinated water and the production of ice for the fishing communities on our sister islands.

We wish to commend GRENLEC for their assistance in putting together the proposal to the EU and we look forward to the implementation of this

project over the next 15 months. This is a good example of public-private partnership.

Government, in association with the Windward Island Research Education Foundation of St. George's University, as part of a joint-venture entitled the Renewable Energy and Energy Efficiency (REEF) Initiative, is also in the final stages of submitting a proposal to the GEF (under the GEF 4) for US\$1.1 million for energy interventions in the building sector.

The buildings sector is responsible for over 90% of all of the electricity consumed in Grenada. Under this regional project, if approved by the GEF, energy efficiency standards (as promised in my 2010 budget) will be promulgated for refrigeration, lighting, air conditioning, standby plug loads and other major users of electrical energy within buildings.

Part of the grant funds will also be used to create a soft loan mechanism, which will be administered by a local financial institution. Loans will be made available, under very concessionary terms, to householders and businesses wishing to purchase and install solar photovoltaic systems and energy efficiency devices. Through this innovative financial mechanism, our Administration hopes to increase market penetration of solar PV from the current 0.3% to 10% by 2020, in line with the targets set in the National Energy Policy.

Government will formalise a long-term interconnection policy or what is referred to as a Feed-in-Tariff with GRENLEC to provide confidence to purchasers of PV systems and other renewable energy technologies.

Under the energy efficiency component of the proposed GEF 4 project, we also hope to conduct a pre-feasibility study on the use of cold seawater to air condition the True Blue Campus of SGU and perhaps the Maurice Bishop International Airport as well. This single project, if proven feasible, has the potential to reduce national energy consumption by 5%.

Another exciting project is the conversion of solid waste to energy either in the form of electricity or an alternative fuel. Last year, my Ministry drafted a terms of reference for a waste to energy project and later this month, officials from my Ministry and the Grenada Solid Waste Management Authority will meet with interested representatives of the private sector

to explore the technical and commercial feasibility of such a project. It is noted that the National Energy Policy calls for a waste-to-energy facility to be operational by 2016. We hope to achieve this target even sooner.

Mr. Speaker, Government wishes to see the electricity sector regulated by a competent and independent regulatory authority. Grenada and at least one other country have approached the World Bank for funding to operationalise the Eastern Caribbean Energy Regulatory Authority or ECERA.

Mr. Speaker, the final energy issue, I wish to address, is the Offshore Hydrocarbon Programme. As you are aware, Grenada settled its Maritime Boundary with Trinidad and Tobago last year. In 2010, Government again received a favourable decision from the International Center for the Settlement of Investment Disputes (ICSID) against a fresh legal action brought by RSM (Grynberg).

Detailed terms of reference for consultancy services to take the offshore oil and gas programme forward have been prepared and grant funding is being sought from the OPEC Fund for International Development.

Part of the work programme, in particular the gathering of up to date seismic data, is conditional upon clarifying some contractual issues with the Russian group – GPG.

Our Administration intends to press ahead with the legislative component and pilot a new Offshore Petroleum Bill, a Petroleum Fiscal Bill and Regulations in 2011. We are committed to expeditiously remove all legal obstacles to our hydrocarbon exploration and exploitation programme.

5.6 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

Mr. Speaker, recent global development trends make a strong case for ICT as a strategic enabler of economic and social development. A key lesson from the very successful small countries like Singapore and Cape Verde is that Government must play a catalytic role in exploitation of ICT.

As the CARICOM member State with lead responsibility for Science and Technology, Grenada is committed to deliver demonstrable results in this area.

We believe that appropriate investments in ICT infrastructure and eGovernment services are likely to result in hundreds of jobs. Moreover, it will create a platform for economic development, assist in the transformation of government, provide a vehicle for knowledge transfer and act as a catalyst for entrepreneurial activities.

In 2011, our priority ICT projects are:

ICT Centre of Excellence and Innovation

With assistance from the Government of India, this Centre will be launched in the first quarter of this year and will be housed at the GIDC's Industrial Complex in Frequente.

This Centre will be Grenada's prime facility for advanced ICT training.

Tutors from India will conduct classes with Grenadian counterparts and training will be offered at Diploma level in areas such as IT Project Management, Information Technology, Java and Linux Programming.

Our intention is to train sufficient Grenadians so that we can support and attract IT companies and develop a thriving IT sector capable of delivering good paying jobs especially for our youth.

Increased Access to Tertiary Education

Government in partnership with the Caribbean Knowledge and Learning Network (CKLN) has embarked on a project to increase access to tertiary education for the residents of St. Patrick's and Carriacou.

Under this project, CKLN will provide T.A Marryshow Community College (TAMCC) with connectivity between the Tanteen main campus, and its St. Patrick's and Carriacou sites. Using this infrastructure as the foundation, CKLN will provide videoconferencing equipment to TAMCC that will facilitate the real-time delivery of course offerings between

the three (3) sites, thus negating the need for students and/or faculty to physically share the same learning space in order for courses to be delivered.

This connectivity and equipment will be installed in the first quarter of this year.

Mr. Speaker, this is a welcome development. As a practical matter, it will allow students in St. Patrick and Carriacou to stay in their parish and or the sister isle and receive instruction thereby eliminating costly bus and boat fares to travel to St. George's for certain courses.

Outsourcing of Government IT Services

The existing Government IT architecture and service delivery leave much to be desired. Indeed, they are completely at odds with Government's decision to regard and leverage ICT both as an agent of transformation and as a transformational sector in and of itself.

In an effort to change this situation, the Government of Grenada has decided to consolidate and spin out its IT organization into a new IT services company and outsource its IT services to this new company.

This will be a public-private partnership and the outsourced services will include managed IT services, IT infrastructure management, managed network security services, connectivity solutions, data center services and the programme management of telephony services.

With the Government as a major customer, the new company will have the ability to establish an optimized service delivery model, strong partnerships with technology vendors, alliances with other service providers such as Lime, Digicel and Flow. It will also improve the focus and capabilities of the staff - all of which are important building blocks necessary to improve competitiveness and attract large local, regional and international customers.

This initiative is also expected to provide the following direct benefits to the Government of Grenada:

- Reduced cost of IT services. It is expected that significant IT cost savings (of 15 – 20 percent) will be realized beginning at the start of the third full year of the new company’s operation.
- Reduced IT capital expenditure as several capital equipment with unused capacity can be shared with other customers.
- Increased productivity as a result of improved responsiveness, improved network performance, increased system uptime and improved quality of service.
- Improved communication within Government.

Request for Proposals will be solicited in early March and a partner selected by the end of May. The transition is expected to take approximately 3–5 months and the new company is expected to be operational by October of 2011.

C@RIBNET

The United States, Europe, Asia, Latin America and now Africa are all connected and are part of the world’s global education and knowledge network. Grenada and the **rest of the Caribbean are not.**

This lack of connectivity constrains the development prospects of our region in education and innovation and must be addressed as matter of urgency.

In July 2006, at the 27th meeting of the Conference of Heads of Government of CARICOM, it was agreed that a regional network named C@ribNET be developed connecting all participating members of the community to the rest of the world and that the Caribbean Knowledge and Learning Network Agency (CKLNA) be established to implement and manage the network.

C@ribNET presents Grenada and other CARICOM countries with an opportunity to connect with and to leverage the world’s knowledge pool. The initial cost of this project is EC\$35 million.

In a real sense, C@ribNET is a catalyst that can help propel Grenada's thrust to become a knowledge and information driven economy as well as to achieve its Millennium Development Goals.

Specific benefits include:

- 1) C@ribNET will support the development of a national knowledge and learning network connecting all the tertiary and secondary educational institutions in Grenada together;
- 2) Tertiary institutions in Grenada, if they choose, could offer joint degrees online or give students the option of taking courses from a range of institutions together counting towards a degree
- 3) C@ribNET will also support functional cooperation in the areas such as:
 - Collaboration between Public Officials
 - Telemedicine (E-Health)
 - Disaster management and collaboration
 - Crime and security
 - Culture

We can think of C@ribNET as the bridge that connects Grenada to the information superhighway of the outside world. However, that bridge does not connect institutions inside Grenada.

As a consequence, the full potential of C@ribNET cannot be realized before Grenada develops its national ICT backbone to connect all public institutions.

Caribbean Regional Communications Infrastructure Programme (CARCIP)

Under this regional project, Grenada has formally requested World Bank financing for the establishment of a national ICT backbone. Among other things, this network will connect all public institutions in Grenada, Carriacou and Petit Martinique.

When implemented, this project will properly leverage the regional network that C@ribNET will deliver this year.

5.7 THE GRENADA TRANSFORMATION FUND

Mr. Speaker, to support the five transformational sectors and as a basis to mobilize additional grant and other resources, I am pleased to announce the establishment of a Grenada Transformation Fund. An initial allocation of \$2 million has been provided in this budget.

5.8 STRENGTHENING ECONOMIC MANAGEMENT AND IMPROVING THE BUSINESS CLIMATE

Mr. Speaker, our Government will continue to focus on stronger economic management.

The Extended Credit Facility

In April 2010, Grenada successfully completed the Poverty Reduction and Growth Facility (PRGF) with the International Monetary Fund which was signed by the previous Administration in April 2006.

On completion of this programme, Grenada entered a new three-year programme called an Extended Credit Facility.

Some have questioned why should Grenada enter a new programme with the Fund?

Mr. Speaker, it must be recalled that the previous programme negotiated by the former Administration was in response to the difficult economic situation facing Grenada after the passage of Hurricanes Ivan and Emily. At that time, the economy was expected to grow by at least **3 percent** per annum during the period 2006-2010. No one foresaw the Great Recession.

It is now a matter of public record that Grenada has experienced average growth of **-0.9 percent** during this period. According to the IMF, the impact of the crisis on Grenada in terms of loss of output has been worst than Hurricane Ivan. In short, the Great Recession can be described as an economic hurricane.

And Grenada is not alone.

Having regard to the impact of the crisis on the Eastern Caribbean Currency Union, all countries adopted the Eight Point Stabilization and Growth Programme to which I have already alluded.

Grenada successfully completed the first review under Extended Credit Facility in November 2010.

As I have done in my previous Budget Statements, the performance criteria and structural benchmarks for our arrangement with the Fund are appended to this Statement.

Why Grenada Must Pay Its Debts?

Mr. Speaker, in recent months some persons in Grenada have been arguing, with passion and strong emotion, that our decision to continue to pay our debts during this economic crisis is insensitive. They contend that since our first responsibility is to feed and provide jobs for our people, then the monies currently used to repay our debts should be invested in capital works for the time being, leaving the payment of our debts for a later date when our economy is doing better.

Despite its intuitive appeal, such an approach would be a recipe for disaster. Indeed, our political opponents, by whom this dangerous recipe was concocted, understand this only too well and this is why they have been peddling it and playing on the emotions of the people.

It is therefore necessary to spend a few minutes explaining why our debt is so high and why we cannot simply refuse to satisfy our debt obligations notwithstanding the pressure to increase capital expenditure.

The simple answer to the question why does such a large percentage of our budget go to debt servicing every year is that:

1. We have borrowed beyond our ability to service the loans;
2. The assumptions/forecasts made as to economic growth were either unrealistic or put another way, the present economic decline could not be anticipated;

3. The relief granted by the restructuring was only a flow treatment and the rates of interest increase every two or three years.

We must start with the realization that there are essentially four ways to raise monies to finance government expenditure - taxes and other imposts, excessive borrowing from the central bank (printing money), loans and grants. Let us briefly consider these options:

Printing money: Grenada is part of a monetary union through the Eastern Caribbean Central Bank so printing money is simply not allowed.

Taxes: Everyone agrees that now is not the time for tax increases.

Grants: Everyone knows that grants are limited and are being targeted to the poorest countries in the world.

Loans: Everyone agrees that the national debt is too high but that we must borrow prudently to supplement our limited revenue so we can implement development projects, create jobs and get our economy growing again.

Mr. Speaker, the question we must consider is what would happen if we unilaterally decided and communicated to the world that we would no longer be repaying our debts?

First it should be noted that any such signal to the international creditors would be met by a corresponding decision not to provide loans to Grenada or make further advances under existing loan agreements with Grenada. Indeed, it is the lending policy of all multilateral financial institutions including the CDB, IMF and World Bank that where a borrower is in default on their loan obligations, no advances will be made under existing loan agreements and no new loan agreements will be approved by the institution.

It follows that should Grenada decide to proceed in this way the resources that we now rely upon to undertake capital works will not be forthcoming:

Project	Funding (EC\$)
Grenville Market Development	\$35 million
Agricultural Feeder Roads Phase II	\$53 million
OFID/GOG Schools Rehabilitation	\$28.5 million
Market Access and Rural Enterprise	\$20.3 million
Total	\$136.8 million

Furthermore, monies expected by Grenada by way of grant funding from certain sources would be compromised. In particular, the funds from the European Union expected by way of Budget Support would not be forthcoming.

Last year, we received \$56.8 million in budget support and loans.

This year, Grenada expects to receive \$79.5 million in grants and \$35.3 million in loans for a total of \$114.8 million. Could you imagine what would happen to government's development projects if these funds dry up because we refuse to pay our debts?

Who would be hurt most if we cannot do our schools or launch the Rural Investment Fund for our farmers, fisherfolk and others?

Mr. Speaker, anyone who suggests we should not pay our debts, simply does not understand the ramifications. Or worse yet, does not have Grenada's best interests at heart?

Adoption of a Medium Term Budget Framework

The 2011 budget was prepared as part of a 2011-13 budget planning framework. Such a framework provides several key advantages over the existing annual budget plans:

- It enables Government to plan its fiscal strategy and expenditure priorities more effectively thereby strengthening fiscal discipline;

- It ensures that financial impacts in future years are taken into account when making policy decisions;
- By recognising that most government programmes and services continue from year to year, it enables line ministries/departments and Cabinet to focus on the changes to budget allocations such as new spending proposals or savings options.

The Estimates of Revenue and Expenditure will now include an additional table for the presentation of information on programme performance.

We propose to adopt a phased approach to performance reporting as follows:

- 2011: Ministries and Departments were asked to identify performance indicators for each programme;
- 2012: Ministries and Departments will set performance targets for budget and forward years for each programme; and
- 2013 Budget: Ministries and Departments will report on performance against targets.

5.9 JOB CREATION AND PUBLIC WORKS

Mr. Speaker, our Government is deeply concerned about high level of unemployment in our Country. As a consequence, we have given special focus to this issue in our budgets and in our stimulus packages.

There are those who willfully and mischievously peddle the idea that our unemployment rate stands at 40 percent. We must debunk this fabrication now!

The July 2008 poverty assessment Report showed that the labour force of Grenada at the time of the report was approximately 47,581. Of that amount, 11,859 or 24.9 percent were unemployed and 35,722 were employed.

The report showed that of the persons employed as at July 2008, approximately 24.4 percent were employed either in the Government service or in one of the state owned enterprises while 57 percent were employed in the private sector. It should be noted that self employed persons **without** employees accounted for 9.2 percent of those employed while self-employed persons **with** employees accounted for 2.7 percent of those employed.

Since July 2008, Government has not laid off any of its workers. If anything, there has been a marginal increase. Similarly, the state-owned enterprises have not laid off any workers.

While there has been some layoffs in the private sector this has been minimal and limited to a few businesses. Of course, some businesses have had to make adjustments such as staff rotations or pay cuts.

It follows that any increases in the unemployment rate since July 2008 is primarily due to new entrants into the labour force, namely school leavers.

We estimate that no more than 4,000 persons have joined the labour force between 2008 and 2010.

It may be reasonable to assume that some persons who were self employed in 2008 may no longer be so employed, we have seen nothing to support a dramatic change in the status of those persons, for example, market vendors, farmers and fishermen.

Even if we assume that not a single one of the new school leavers found a job (which is simply not the case) then the worse that would have happened is that the labour force would have increased from 47,581 to 51,581 and the unemployed would have increased from 11,859 to 15,859. This would put the unemployment rate at 30.7 percent.

The recent labour Force survey put the unemployment rate at 29 percent. These are the hard facts, Mr. Speaker. Everything else is mythology.

Mr. Speaker, I now wish to address the specific role of Government in the area of job preservation and creation this year.

Our Government's approach will be as follows:

1. Expansion of public works programmes
2. Acceleration of public sector projects
3. Expansion of Youth Empowerment programme
4. Improvement in the business climate
5. Support for small business development
6. Support for existing businesses
7. Collaboration with foreign direct investors on major projects.

I. Expansion of Public Works Programme

Mr. Speaker, Government is pleased that it was able to meet and surpass its target of 15,000 temporary jobs in 2010 through its public works programme which include Road Maintenance, Concrete Roads and Debushing. The surge in the last quarter in particular made a discernable difference to the level of economic activity and contributed to a more enjoyable Christmas season for many.

As a consequence, Government proposes to expand these programmes to provide more short term opportunities throughout the year and has allocated \$3 million for asphalt works, \$5 million for Concrete Roads and \$7 million for road maintenance.

II. Acceleration of Public Sector Projects

Government intends to make a concerted effort to expedite the implementation of several key public sector projects during this year.

Grenville Market Development Project

Mr. Speaker, we must express our regret that this project has moved much slower than anticipated. Upon assuming office, we were led to believe that the design works had been completed and that the stage was set for tendering of the project.

To our dismay, the design works were incomplete and much time and additional resources had to be expended in order to resolve these issues. This resulted in unacceptable delays in the commencement of this Project. However, the upside is that three Grenadian firms have now pre-qualified for bidding. Moreover, the designs are now far more functional and appropriate to our needs.

The Ministry of Works has assured us that it is doing all in its power to start this project as soon as possible. The Project comprises the Grenville Market, Bus Terminal and Mirabeau Abattoir. The Minister for Works will provide details on the likely start time of the various components.

Agricultural Feeder Roads Phase II

This project will include the following roads:

Mt. St. John, St. Andrew

Munich-Bacolet, St. Andrew

Claboney, St. Andrew

Bailles Bacolet – La Pastora, St. David

Morne Delice – Morne Gazo, St. David

Concord, St. John

Red Mud – Belle Vue Mountain, St. Mark

Plaisance, St. Patrick

Mon Repos, St. Patrick

Welcome Hall Road, Chantimelle, St. Patrick

Mr. Speaker, I wish to make it abundantly clear that the Government has done all that is required of it to facilitate the commencement of this project. That includes the following:

- Securing parliamentary approval for the loans from the Kuwait Fund and the OPEC Fund
- Signing a contract with the consultant, DIWI

- Entering and honouring a payment plan with CCC for arrears under the first phase

The agreement with the OPEC Fund was signed in October of last year.

Based on the last information received, we expect that the loan agreement with the Kuwaiti Fund will be signed early next month.

At this juncture, Government and CCC are finalizing the works contract. It is our expectation that work will start soon after this contract is signed.

Coastal Fisheries Development Project (Gouyave)

This project commenced in August 2010 and is ongoing. Civil works will intensify this year generating additional jobs. It is estimated that at least \$6 million will be spent this year.

New Houses of Parliament Building

The preparatory works will continue having received re-assurances from the Government of Australia that it is still committed to provide US\$5 million for this project.

Independent Offices Complex

The preparatory works on this project is ongoing and it is projected that ground breaking will occur by the third quarter of 2011. The Offices to be housed in this Complex include Public Service Commission, Department of Audit, Office of the Ombudsman and the Integrity Commission.

Market Access and Rural Enterprise Development Project (MAREP)

This project is the successor to the Grenada Rural Enterprise Project (G-REP). It is funded by the International Fund for Agricultural Development (IFAD), the Caribbean Development Bank and the Government of Grenada at a total cost of EC\$20.3 million.

Its development goal is to contribute to the reduction of poverty in fifty (50) rural communities including Carriacou by increasing the income of unemployed youth and self employed men and women in these communities.

Unlike, G-REP which focused primarily on community infrastructure projects, this project will focus on supporting livelihoods in rural communities and will have a strong emphasis on agricultural production, fishing and food security.

To this end, the project will establish a Rural Investment Fund. This Fund will have three windows: **the Social Window:** to finance investment in critical public infrastructure for production, processing and marketing; **the Enterprise Window:** to support business planning, production, processing and marketing targeted to legally constituted organizations; and **the Productive Window:** to provide financing for small scale sustainable revenue generating initiatives.

Given the scale of this project, the project steering committee will include community based organizations, a representative farmers' organization and a financial institution among others.

The headquarters for the project office will be in St. Patrick, the parish designated as the poorest parish by the last Poverty Assessment. This project will be implemented over 6 years and should commence no later than March of this year.

An allocation of \$1.65 million has been provided for the first year during which twenty (20) communities will be targeted. The number of communities targeted will increase in successive years of the project.

2011 Population and Housing Census

Mr. Speaker, most countries have decided to conduct their round of Population and Housing Censuses in 2010 or 2011. Grenada will conduct its Census of Population and Housing this year with May 12 to be designated as Census Day.

Census taking is an important exercise. The information collected is critical in planning the socio-economic development of this country for the next decade.

I urge all citizens to give their full cooperation to the enumerators by providing truthful answers to all questions asked. As usual, all information provided will be held in strict confidence and will be used for statistical purposes only.

The Census will employ at least 360 persons over a period of two to six months.

Since job creation is a major focus of Government at this time, priority will be given to recruiting unemployed young persons between the ages 16 to 25.

An allocation of \$1.5 million has been provided for this Census. It should be noted that the Census will be done in collaboration with other programmes such as the Youth Upliftment Programme.

III. Youth Employment Initiative

Mr. Speaker, the Poverty Assessment Report on Grenada published in July 2008, revealed that young persons between the ages of 15-24 account for 42.0 percent of all unemployed persons in Grenada. Young males in particular, were more likely than any other group, accounting for 47.6% of all male unemployment.

Mr. Speaker, our Government is very concerned about the high unemployment situation among our youth. We believe that the current focus of the Youth Upliftment Programme on education, training and certification is good and necessary. At the same time, it is far from adequate to meet the needs of the young school leavers and answer their cry for an opportunity to earn a decent living and preserve their dignity and self esteem.

This situation, Mr. Speaker, cannot be allowed to continue. As a consequence, our Government has made the important decision to launch a nation-wide **Youth Employment Initiative** under the Youth Upliftment

Programme. This initiative will target young unemployed school leavers between the ages of 16-25 and provide them with a basic monthly stipend, paid by Government while the young person is attached to a private business, state-owned enterprise or state sponsored programme or activity, where he or she can acquire work skills and experience.

The intention, Mr. Speaker is to bring 1500 young persons under this initiative in the first instance striving, as much as possible, to ensure a fair and equitable distribution of opportunity among the fifteen constituencies.

In order to ensure a singular focus, optimize resources and achieve greater synergies, the young persons currently participating in the Youth Upliftment Programme will be made a part of the Youth Employment Initiative.

Mr. Speaker, the allocation for this programme is \$12.6 million; more than triple the sum allocated last year.

IV. Improvement in the Business Climate

Mr. Speaker, there is an important nexus between improving the business climate and job creation. Reforms such as reducing the time to register a business, clear goods at the Port, pay taxes and receive construction permits are essential for persons looking to create employment opportunities for themselves and others.

For the man in the street, doing business reforms are a practical necessity as they impact, in a direct way, his ability to earn a living for himself and his family.

For the investor (local and foreign), it is an essential part of their competitiveness in a fiercely competitive marketplace.

According to the 2011 Doing Business Report and I quote ***“A vibrant Private Sector with firms making investments, creating jobs and improving productivity promotes growth and improves opportunities for the poor.”*** End of quote.

This NDC administration has embraced Doing Business Reform as an essential component of its support for the growth of Grenada's Private Sector, given the strategic role the Private Sector must play in meeting the macro-economic challenges which we currently face.

Encouraged by Grenada's impressive performance in the 2011 Ease of Doing Business Index, Government will pursue the following reforms this year:

1. The pilot launch of the computerised entry processing system at the Customs and Excise Department, known as ASYCUDA World. Business men and other users of the Customs services can attest to the fact that the reform train has been rolling at the Customs for some time now and the entry clearance time had been reduced from four days to one and a half even before the launch of ASYCUDA World. ASYCUDA World will reduce entry clearance time even further.
2. The creation of a Lands and Deeds Registry. This reform is a very important business facilitator, as property transfer often lies at the centre of business transactions, including Foreign Direct Investments.

V. Support for Small Business Development

This year, Government will seek to enact a Small Business Act to provide a stronger legal framework for small businesses.

Government has allocated \$1 million for Young Entrepreneurs Fund. This Fund seeks to address the problem of unemployment by providing opportunities for the unemployed to get involved in viable production and financially rewarding economic activities.

In an effort to encourage entrepreneurship among our youth and creating a smoother transition between school and business, Government will invite participants of the Junior Achievement Programme to approach the Fund for support. Under this initiative, the Fund would support the best business ideas and projects developed by the Junior Achievers.

VI. Support for Existing Businesses

Mindful of Government's commitment to work closely with the private sector and the representation made by various business associations and budget consultations, Government will continue to provide support to ensure job preservation and creation in several areas:

Construction

Mr. Speaker, it would be recalled from October 01, 2010, Government reduced the VAT by 50% on the following construction inputs:

- Cement
- Lumber
- Steel
- Roofing material

I am pleased to announce that Government has agreed to extend this special rate of 7.5% for this entire year.

Automotive Industry

Mr. Speaker, it may be recalled that Government removed the excise tax on new commercial and private vehicles for six months commencing October 2010 to end March of this year.

Today, I am pleased to announce that this measure will be extended for a further six months to September of this year. During the period, the impact of the measure which has already been positive for both the industry and Government will be further assessed.

Government believes that the current arrangement provides an opportunity to reduce the overall tax rate on new vehicles while at same time reducing tax concessions granted on many vehicles. Such an approach would streamline the system for all concerned.

Manufacturing

I am pleased to announce that Government has agreed to extend the 10% rebate to manufacturers on their VAT exclusive sales for the entire year.

As an incentive for small agro-processors which do not meet the current registration threshold of \$120,000, Government has agreed to register them so they can receive the benefit of claiming input VAT.

Mr. Speaker, by its actions this Government continues to demonstrate that it is business friendly and continues to listen attentively to the needs and concerns of the business community.

VII. Collaboration with Prospective Investors

Mr. Speaker, our Government has pro-actively pursued partnership with the Private Sector. Indeed, we have gone the extra mile to engage and facilitate investors, whether foreign or local.

As recent as last December, the Ministries of Finance, Foreign Affairs and the Grenada Industrial Development Corporation mounted a joint-investment promotion seminar in Brussels, in which representatives of major tourism sector projects participated. These developers, representing Bacolet, Levera and Secret Harbour, were provided with an opportunity to market their projects before representatives of financial institutions such as Kommerz Bank of Germany and KBC Bank of Belgium, for possible financing. These missions, when appropriate, will continue.

Government is also facilitating the attempts by local developers to raise capital from international institutions. In this regard, we recently signed an agreement with the OPEC Fund for International Development (OFID) to facilitate concessionary borrowing to at least two major local developments in the tourism sector. I want to make it clear that no government guarantees are involved.

The point, Mr. Speaker, is that the Government is taking extra-ordinary measures because these are extra-ordinary times. We understand only too well that the fiscal incentives and institutional fast-tracking are necessary

and we will continue to offer that. However, we know that these measures are still not sufficient.

This year, we will intensify our efforts to work with the local private sector and foreign investors in creative and purposeful manner to expand economic activity in Grenada with a focus on our five transformational sectors.

The Necessity for a Social Protocol

Of the 35,722 persons currently employed, 8,931 persons (25%) are employed in the public sector. The remaining 26,791 persons (75%) are in the private sector.

This picture confirms the often overlooked reality that job creation in Grenada and in most countries is driven by the private sector not Government. Indeed, it is estimated that between 40-50 percent of all jobs in Grenada are generated by small businesses.

This reality underscores that job preservation and creation is a shared responsibility that demands close collaboration among all social partners. Each partner makes an important contribution.

For Government, it is to create and maintain the enabling environment through macro-economic stability, pro-business policies and incentives.

For the private sector, it is to see opportunities and take risks using the enabling environment provided by Government.

For labour unions, it is a collaborative approach with employers to ensure workers produce optimally and are appropriately rewarded.

Having regard to the important role of civil society in national development especially in area of social protection, our Government has called for and continues to encourage a multi-partite approach to the challenges facing our Country. This means an inclusive approach with the following social partners – Government, private sector, labour unions and non-governmental organizations.

In this regard, we regret that a social pact has not been finalized even though a considerable effort was made by all the social partners.

Notwithstanding, we shall continue to reach out to all social partners with a view to strengthening the relationship and the basis for cooperation.

In recent months, concern has been expressed by some labour representatives that the interests of workers are not sufficiently taken into account in the formulation and implementation of Government policy.

Mr. Speaker, while there is undoubtedly room for improvement in the relationship and partnership between Government and Labour, this Government has honoured its responsibility to the working people of this Country.

As was previously indicated, we have maintained a number of social programs aimed at providing sustainable livelihoods for, and cushioning the impact of the recession on the poor and vulnerable, including unemployed and displaced workers.

In addition, over the past two years, Government has taken a number of concrete steps to improve income security of workers and provide a platform to improve worker representation in the decision making process. This includes:

- The enactment of legislation increasing the statutory limitation period from 3 to 20 years during which time the NIS will maintain a right of action against any employer who failed or refused to file contributions to the NIS on behalf of an employee.
- The enactment of legislation increasing the ceiling on which NIS contributions are payable from \$3,000 to \$3,500 allowing for an increase in benefits (pension and otherwise) of persons earning in excess of \$3,000 per month.
- Appointment of Union representatives on the Board of the Grenada Ports Authority and Gravel and Concrete.

Over the past two years, the labour unions have advocated for an amendment to the Income Tax legislation to grant a waiver of income taxes payable by

persons whose employment was involuntarily terminated by the employer and to whom the employer makes a severance or redundancy payment. The position of the Unions was that the severance or redundancy package should not be subjected to income tax.

Mr. Speaker, while Government expressed its willingness to be responsive to Labour's request, we remained mindful of our corresponding responsibility to be fair in the administration of the tax system and in the granting of income tax relief. We therefore determined that it was necessary to have the facts and carefully consider their implications before reaching any decision on the request.

Our investigations pointed us to only one business where this was an issue. In that case, approximately \$5.2 million was paid out to 40 workers, of which \$1.7 million went to 16 workers who had no tax liability and \$3.5 million to 24 workers who had tax liability. From this \$3.5 million, Government collected the normal 30 percent - \$1 million while \$2.5 million was paid out to these 24 workers.

Our investigations also suggest that despite their best efforts to find work, several of these persons remain unemployed.

In an effort to alleviate this situation, Government will immediately take steps to secure an amendment to the Income Tax Act to waive personal income taxes otherwise payable on income earned by an employee, where that income is received by way of a severance payment to such an employee whose relationship with the employer is brought to an end **on account of the current economic crisis.**

The purpose of this measure is to minimize the risk of catastrophic loss by a worker who, **during this economic crisis**, loses his or her job, is unable to find suitable or comparable alternative employment and is forced to deplete the severance payment received to meet daily living expenses.

The measure is not intended to provide an unexpected gain to an employee merely because the relationship with the employer has ended. The purpose of the measure is to put the employee, as far as is reasonably possible, in the same position that he or she would have been in, had the relationship with the employer not been severed on account of the crisis.

While showing the necessary sensitivity to one group of taxpayers, Government has the corresponding duty to be even handed, balanced and fair to every taxpayer. It is only in this way that Government can fulfill its duty to all taxpayers and preserve the integrity of the tax system.

In light of this, the amendment being sought should have retroactive effect from September 1st 2008 – the effective date of commencement of the crisis – to assist those employees who lost their jobs earlier in the crisis; and expire on December 31st 2012, by which time it is anticipated that Grenada would have overcome the crisis and be steadily growing.

Correspondingly, in determining the employee's tax liability in any given year, all income other than the severance payment, earned subsequent to the date of severance must be treated as taxable income as defined by the Income tax legislation and dealt with in accordance with the provisions of the Act.

We wish to assure our Labour partners that the policy measures adopted by this Government represent nothing more than a sincere attempt to handle this matter in the best interest of all concerned, including unemployed and displaced workers.

In closing this issue, I wish to state that in the face of the ongoing challenges confronting our Country, the necessity for a social protocol, as a key instrument of governance, remains real and urgent.

We urge the Labour Unions to recommit to this important effort.

5.10 SOCIAL PROTECTION

Mr. Speaker, I have already made reference to the improved benefits which we have facilitated under the National Insurance Scheme.

In my previous Budget Statement, I reported one of the key findings of an independent assessment of safety nets in Grenada is that as a proportion of national income: Grenada has the highest level of safety nets in the Western Hemisphere.

This year, Government will continue all of its safety net programmes including:

Public Assistance - \$9.6 million

School Feeding - \$4.0 million

Textbooks - \$4.0 million

Transportation for Needy Students - \$1.3 million

Government has requested technical and financial assistance from the World Bank to establish a comprehensive safety nets policy, central beneficiary registry as well as institutional strengthening including staff training for the Ministry of Social Development.

This year, the Child Welfare Authority will assume full responsibility for all aspects of Child Protection including adoption and foster care.

A new Parenting Policy will be prepared and the Policy on the Aged will be implemented.

5.11 EDUCATION AND HUMAN RESOURCE DEVELOPMENT

Mr. Speaker, education and human resource development has been a top priority of this Administration from day one. Our focus on this vital area of development will be maintained.

Consistent with the strategic plan, the four broad areas of focus are:

- Teacher Education and Training:
- Refocusing the curriculum:
- Upgrading and rebuilding of educational facilities:
- Creating and providing educational opportunities

This year, the priorities will be:

1. Continuing quality infrastructure for increased access: A total of approximately 15 schools have been identified, rehabilitation works will continue on a number of educational institutions including TAMCC.
2. Preparing adolescents for newly generated employment through appropriate technologies: Provision of training resources and equipment for the development of technical education skills in primary, secondary and post secondary schools and greater access to tertiary education.
3. Breaking the poverty cycle by building a strong foundation in early years and providing quality education at all levels: High Scope curriculum practices will be introduced in every pre-school, mechanisms will be put in place to improve the learning environment and student motivation.
4. Ready for school, Getting to school and Participating in school: Under this theme the Ministry will implement measures to strengthen safety-net measures such as transportation, school meals, school uniform and examination fees for needy students.
5. Improving student performance for gainful employment: This involves the implementation of the curriculum to parallel the world of work and establishing a National primary exit competency-based exam.
6. Continued access for vulnerable and at risk students through a Time Out Academy; provisions for special needs, expansion of the Programme for Adolescence Mothers, Prison Education Programme, Adult Literacy Programme.
7. Effective school management and succession through mentorship programme for aspiring principals, training for principals and teachers.
8. Work-study education programmes at recognized institutions, such as TAMCC, UWI Online Degree Programmes and St. George's University Degree in Primary Education.

9. Creating training and educational opportunities for lifelong learning.

5.12 HEALTH CARE

The key priorities this year are:

- Establish a patient relation/complaint unit at the General Hospital.
- Review and update all health sector legislation e.g. Mental Health Act & Hospital Act.
- Promote healthy lifestyle practices to delay the onset or reduce the incidence of Chronic Non Communicable Diseases such as diabetes, cancers and cardiovascular disease. School health programme.
- Staff three medical stations in the parishes of St. Andrew's, St. George's and St. Patrick's, with district medical officers services between the hours of 8:00am – 4:00pm Monday to Friday as a pilot project.
- Ensure the availability of essential medicines and supplies .
- Reduce the waiting time for care and services at the Accident & Emergency Department of the General Hospital and Princess Alice Hospital.
- Implement an apprenticeship training programme in collaboration with Ministry of Youth Empowerment.
- Train Emergency Medical Technicians (EMT) to support establishment of National Emergency Transportation (Ambulance) Services.
- Establish MOU/agreements with overseas hospitals for the care and treatment of health conditions that are unavailable locally.
- Promote partnership and collaboration with the private sector in the planning, provision of services.

- Enhance services at Princess Alice Hospital and Princess Royal Hospital to include laboratory and, X-ray services, basic surgical procedures.
- Establish a maintenance programme for Health Centers and Medical Stations.
- Undertake refurbishment works at the General Hospital and other health facilities.

5.13 YOUTH EMPOWERMENT AND SPORTS

Mr. Speaker, I have already articulated what we propose to do under the Youth Upliftment Programme. This youth employment programme together with our major undertaking in education and human resource development constitute a considerable investment in the children and youth of this Country.

When education and human resources and the youth allocations are combined, the investment in our children and youth this year will be \$138.2 million or 17.6 percent of the entire budget.

In the area of Sports, work will be completed on the lighting of playing fields which started last year.

The Youth Development Centre in Morne Rouge will be recommissioned.

The National Youth Council and the parish sport councils will begin to function as per the National Sports Policy.

5.14 HOUSING AND COMMUNITY DEVELOPMENT

Government recognizes the continued demand for decent housing in Grenada. It is estimated that as many as 70% of Grenadians own their homes but surveys also show the quality at the lower end of our housing stock leaves much to be desired.

The Grenada Home Improvement Scheme consists of two components: House Repair and Soft Loans. This year, an allocation of \$2.3 million has been made for this programme.

Chinese Housing Project

This project is jointly funded by the People's Republic of China (PROC) and the Government of Grenada. The first phase of this project is currently ongoing with construction at Mt. Gay (181 units), Frequente (28 units) and Soubise (158 units) for a total of 361 housing units. The cost of this phase is EC\$35 million and should be completed by June of this year.

In respect of the second phase, four sites: Frequente, St. George, La Calome, St. David, Diamond, St. Mark and Mt. Rose, St. Patrick have already been identified. These four sites would accommodate a total of 390 housing units. If the need arises Morne Delice in St. David or Dumfries in Carriacou could be added as a fifth site to increase the number of units in this phase. These sites were selected on the basis of:

- a) Availability of suitable crown lands.
- b) Proximity to existing residential and commercial subdivisions which would provide both social and commercial facilities to the new householders.
- c) Transportation links.
- d) Ease of development.
- e) Environmental factors,
- f) Lack of vulnerability to natural hazards,
- g) Compliance with land use zoning regulations and other recommendations as contained in the National Physical Development Plan (NPDP).

The table below gives a breakdown of the amount of land available for housing and the number of housing units to be built at each of the four sites mentioned above.

Parish	Site	Available Lands (Acres)	No. of Houses
St. George	Frequente	7	70
St. David	La Calome	12	110
St. Mark	Diamond	8	60
St. Patrick	Mt. Rose	10	150
TOTAL:		37	390

The planned housing will be a mix of detached single-family and multiplex (apartment) units.

Community Development

In an effort to improve livelihoods in communities around the Country, the budgetary allocation for community development is almost doubled from \$2.75 million to \$5.25 million. This budget will provide an average of \$350,000 for each of the fifteen constituencies. It will go a long way to provide short term employment for the local residents as well as improve their quality of life through community roads, drains, water courses, and other facilities.

5.15 CARRIACOU AND PETIT MARTINIQUE

Mr. Speaker, the priorities this year are:

1. To complete the first phase of the Lauriston Airport Rehabilitation;
2. To implement agricultural farm projects that will lead to job creation;
3. To complete the feasibility study on the establishment of a reliable potable water system for Carriacou;

4. To commence work on the Top Hill Senior Citizen's Home;
5. To rehabilitate some additional roads;
6. To complete all consultations and preparatory works for full implementation of local government in 2012;
7. To explore the potential investment for a Carriacou Free Zone and construction of new port and terminal facilities;
8. Complete all preparatory works for the construction of a Ministerial Complex.

The total allocation for Carriacou and Petit Martinique is \$13.4 million of which \$2.9 million is earmarked for capital expenditure.

5.16 FINANCIAL SECTOR REGULATION

The regulatory framework for the non-bank financial sector was strengthened in 2010 with the passage of the new Insurance Act in February and the new Cooperatives Societies Act in December. Together, these two pieces of legislation significantly enhance the powers of the Grenada Authority for the Regulation of Financial Institutions (GARFIN) to effectively supervise the insurance and credit union sectors.

These two Acts are uniform legislation being passed throughout the OECS and when coupled with the Memorandum of Understanding signed among OECS regulators in 2010 will further strengthen cross border supervision and the bonds of cooperation among regional financial sector regulators.

GARFIN continued its efforts at effective supervision in 2010 with its programme of onsite inspections of credit unions. Already, the first round of inspections has been completed. On-site inspection of insurance companies has also commenced.

This year, on-site inspections will be extended to money service businesses and registered agents.

The inclusion of pension funds in the new Insurance Act will ensure this area is brought under the supervision of GARFIN.

Finally, Government will move to ratify the various Tax Information Exchange Agreements that were signed last year.

5.17 ENVIRONMENTAL MANAGEMENT

The issue of the environment is a top priority for this Administration.

Science has established that Climate Change and biodiversity loss pose a threat to humanity. Every citizen of Grenada has a part to play as we issue a call for the reduction of the use of plastics and other non returnable containers. Citizens are urged to play their part in the protection of beaches and marine resources.

During the past year, the staffing in the Ministry responsible for the Environment was strengthened and will be further enhanced this year.

A major focus of the Ministry is the preparation of projects to grant funding for several projects. In this regard, the Ministry has already submitted project proposals in excess of \$20 million for consideration under various ‘adaptation financing’ programmes. During the Climate change negotiations; there were bilateral discussions with nine countries and international organizations to leverage the environment platform to advance our national development priorities.

In 2010, Grenada was elected President of the Bureau of the Parities of the Montreal Protocol, and continues to Chair the Alliance of Small Island States. This year, Grenada stands to benefit from funding on several projects developed by the Ministry of the Environment:

- Pilot Project on Climate Resilience
- Mainstreaming Climate change in the development Agenda
- Economic Valuation and Willingness to Pay
- Water

The Sustainable Development Council has been re-launched and now provides a democratic platform for citizens to actively participate in a range of national development policy issues. It also influences the National Climate Change Agenda with implications for agriculture, forestry, fisheries, tourism and the waste management subsectors.

In response to a clarion call made by stakeholders at a dialogue on the Environment in April 2010, Government will place more emphasis on public education this year.

5.18 TRADE AND EXPORT DEVELOPMENT

Government has actively pursued with its stakeholders the shaping and implementation of its trade policy with the reactivation the National Trade Policy Coordinating Committee.

Government has ensured that the interests of the private sector are represented in all trade negotiations, including the CARICOM-Canada Trade and Development negotiations.

At the same time, the conditions are being laid to prepare the private sector to benefit from existing trade agreements including the European Union – Economic Partnership Agreement. The Road Map for the implementation of the EPA in Grenada is now complete. In this regard, the EPA Unit will be established in the first quarter of this year to ensure Grenada benefits from this Agreement. Funding for the Unit will be provided by CARTFund which is a grant from the United Kingdom channeled through the Caribbean Development Bank.

Grenada has also led the discussions for the development of a proposal for Aid for Trade for the OECS which focus on policy support, infrastructural financing and support, trade adjustment assistance and supply side support. In addition, Grenada has been selected to host a Regional consultant in the EPA Unit with funding from the Government of Germany.

5.19 CULTURE AND ENTERTAINMENT INDUSTRIES

Grenada is undergoing a cultural revolution that will change our cultural landscape. We are finalizing a National Cultural Policy and will implement a diversified Cultural Calendar for the year.

This calendar includes the Grenada Independence Festival, a National Pan Festival, the Spice Island Festival of Words and the Camerhogne Celebration of Grenadian Folk Culture.

During the year, we will establish a National Performing Company as well as Spice Mas Inc., a permanent body to manage Carnival.

5.20 PUBLIC SECTOR MODERNIZATION

Government sees public sector transformation as the vehicle to transform the Grenada Public service into a more highly efficient and effective workforce bringing improved services to all.

The Public Service is one of the key sectors in the economy which must change the way it does business in the face of globalization and the economic downturn. The public sector reform agenda that will be implemented has as its ultimate goal the transformation of the Grenada Public Service from a slow service provider to a high performance workplace.

During 2011, Government will undertake several reform initiatives geared towards strengthening the public sector's ability to deliver better and faster services to the citizens of Grenada. These include:

- Public Sector Modernization project
- Public Sector Modernization Change Management Programme
- E-Government Regional Integration Project
- Strengthening Personnel Expenditures Management
- OECS regional public sector transformation programme (RPSTP) that ECCB is spearheading

The updated Public Service Rules and regulations and the Staff Orders will also be implemented

5.21 GOOD GOVERNANCE

Our Government remains fully committed to good governance, transparency, accountability and the rule of law.

This year, the key priorities are:

1. The commencement of operations of the Integrity Commission in the first quarter;
2. The staffing of the Office of the Ombudsman for enhanced effectiveness;
3. The adoption of a code of conduct for Ministers; and
4. The adoption of a code of conduct for senior managers in the Public Service.

5.22 CONSTITUTIONAL REFORM

A draft Constitution of Grenada has been prepared and a national consultative process is now underway. Consultation with the diaspora will take place this year.

5.23 LABOUR AND INDUSTRIAL RELATIONS

In 2011, the priorities are:

1. Employment Agency
2. Labour Market Information System
3. Revision of Labour Code
4. Occupational Health and Safety
5. Decent Work Agenda
6. Flexi-Time

Given the focus on job creation, the Ministry of Labour is committed to ensure that at least 100 Grenadians secure a job in the Canadian Farm Workers' Programme. The Ministry will also continue its efforts to have more Grenadians employed in the cruise industry.

The Ministry of Labour is in the final stage of revision of the Labour Code. It is Government's intention to have this exercise completed this year. As a consequence, discussions are ongoing among stakeholders including the Labour Advisory Board.

The Ministry of Labour has adopted the Decent Work Agenda and is encouraging employers to do the same. This Agenda promotes opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.

In an effort to boost economic activity and spur the recovery, Government is currently holding dialogue with stakeholders on the concept of Flexi-time. Discussions have already been held with Trade Unions, Employers Federation, Churches and the Labour Advisory Board.

The objective of Flexi-time is to encourage more business activity beyond 4 p.m.

Mr. Speaker, this is a necessity for a modern and vibrant economy which is what Grenada aspires to be.

5.24 LAW AND JUSTICE

Promoting good governance and advancing the administration of justice is the very essence of the operation of the Ministry of Legal Affairs.

This Government has succeeded in strengthening the Ministry of Legal Affairs to the extent that it has gained substantial respect for its work and increasing efficiency. The Ministry now has its best compliment of Legal Staff and the effectiveness of this is evidenced by the services and achievements of the past year.

These achievements included:

- Successful drafting of Bills resulting in 17 Acts and 27 SR &Os
- Revision of the Laws of Grenada up to 2008 being 60% completed
- Corporate Affairs and Intellectual Property Office development of a database for companies and business
 - o Amendment to company and business name fees
- Improved support to Supreme Court Registry, Magistracy and the Judiciary.
- Strengthening of its ability to provide legal services
- Confirmation of the Grenada site for the Eastern Caribbean Halls of Justice Project.

The priorities this year include:

- Drafting of bills for Parliament
- Computerization of Court Records
- Publication of Revised Laws of Grenada
- Relocation of the Ministry of Legal Affairs
- Reform of Deeds and Land Registry
- Establishment of Civil Status Registry
- Continuation of Preparatory work for construction of a Halls of Justice
- Revision of Fee Structure for Services provided by the Ministry of Legal Affairs
- Consultation on a Draft Constitution of Grenada.

5.25 PARLIAMENTARY ELECTIONS OFFICE

Having installed the New Voter Registration System last year, the focus will be on training of all the relevant officers and the commencement of continuous registration using the new System.

5.26 NATIONAL SECURITY

The Royal Grenada Police Force (RGPF) will be focusing on some critical areas to ensure that its mission to keep Grenada safe is achieved. Some of these areas include:

- Planning and preparation to ensure readiness for major disasters;
- Development of core competencies of the Force
- Improving the effectiveness of preventative/coordinated patrolling to reduce crime and anti-social behavior, speed of response to calls for service and to facilitate enhanced levels of service to community;
- Creating a greater awareness of road safety among road users to reduce speeding, accidents and congestion;
- Improving investigative procedures in all areas of investigation to increase the rate of detection and conviction of offenders;
- Targeting active drug traffickers thereby reducing the availability of illicit drugs and its associated spin-offs in Grenada; and
- Developing and sustaining partnerships through effective Community Policing Initiatives.

5.27 DISASTER MITIGATION AND MANAGEMENT

NaDMA is committed to its vision of *developing a population who understands and participates in the process of Disaster Risk Reduction, and the **Mission** of developing a culture of Disaster Risk Reduction among*

all sectors of our society.

NaDMA will continue with its priorities such as institutional strengthening, increased community awareness and participation, and enhancement of the linkage among major stakeholders involved in disaster management.

NaDMA will continue training in various disaster management disciplines along with public Education and Awareness. Mitigation is very important in Disaster Risk Reduction efforts, and the continuation of the Micro Projects for the Disaster Management Districts will enhance preparedness efforts throughout the State.

The Agency will also work more closely with vulnerable populations; assist with the assessment, review and development of disaster plans for ministries and other organizations; and review Memoranda of Understanding (MOUs) for food, fuel, and heavy equipment with various service providers.

5.28 CONSUMER PROTECTION

Government will focus this year on strengthening the legal framework for protecting consumers from unfair business practices. In this regard, public consultation on the CARICOM Draft Model Consumer Protection Bill will commence during the first half of this year.

Government will also encourage and support non-state actors in their pursuit of establishing a consumer protection agency. We believe such a body can partner with Government to ensure that the interests of consumers are adequately served and their rights protected.

6.0 ACKNOWLEDGEMENTS

Mr. Speaker, on behalf of the Government and People of this Nation, I wish 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 European Union
The Government of the Republic of Cuba
The Government of the Republic of Trinidad & Tobago
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 Japan
The Government of the Bolivarian Republic of Venezuela
The Government of France
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 OPEC Fund for International Development (OFID)
The CARICOM Secretariat
The United Nations Development Programme
The United Nations Children's Fund
The Commonwealth Secretariat
The Organisation of American States (OAS)
The Caribbean Regional Technical Assistance Centre (CARTAC)
The Food and Agriculture Organisation (FAO) of the United Nations
The Federal Republic of Germany
The Government of the Republic of Korea
The Inter-American Institute for Co-operation on Agriculture
The Association of Caribbean States
The Caribbean Export Development Agency

The Organisation of Eastern Caribbean States (OECS)
The Caribbean Regional Negotiating Machinery (CRNM)
The Caribbean Financial Action Task Force (CFATF)
The Caribbean Anti-Money Laundering Programme (CALP)

Mr. Speaker, we thank our citizens, labour unions, business and civil society, all of whom have contributed to this Budget.

I am grateful to the Prime Minister and my Cabinet Colleagues for their understanding and support in the preparation of this Budget.

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

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.

Finally, Mr. Speaker, I wish to thank you for permitting the use of technology to support my presentation today.

7.0 CONCLUSION

Mr. Speaker, after two difficult years, the Grenadian economy has been stabilized and is now poised to start growing again.

This Budget has been carefully crafted to spur the recovery and create jobs. It is also forward-looking; recognizing our prosperity tomorrow depends on what we do today.

It combines fiscal prudence and enterprise.

There are no new taxes.

There are no cuts in any social programmes including social safety nets.

We have expanded the capital budget from \$159.0 million to \$203.7 million. When compared with the \$150.2 million that was spent last year, this is an increase of 35.6 percent.

We have increased the allocation for tourism, the lead earner of foreign exchange.

We increased the allocation of Agriculture and Fisheries.

We have extended tax relief to the construction and automotive industries.

We have extended the 10% tax rebate to manufacturers.

We will waive personal income taxes on severance payment made to workers by employers upon involuntary termination of employment for a period of 4 years.

We have increased the allocation for community development projects by 90% from \$2.75 million to \$5.25 million thereby creating more jobs for our people and improving services in our communities.

We will launch a Youth Employment Initiative to provide employment opportunities for 1500 young people. In this regard, we have tripled the allocation for the Youth Upliftment Programme from \$4.0 million to \$12.6 million to provide hope, training and employment opportunities to our youth.

We will provide employment opportunities for a further 300 persons between the ages of 16-25 under the Population and Housing Census.

We will deliver 361 housing units to Grenadians on completion of Phase I of the Chinese Housing project in Mt. Gay and Soubise. Furthermore, we will commence work on 390 housing units in Frequente, La Calome, Diamond and Mt. Rose.

In preparation for the construction of these units, we will spend \$2.0 million on infrastructural works thereby create jobs for more Grenadians.

Mr. Speaker, we have articulated a clear and compelling vision for our country driven by our five transformational sectors.

We are confident that, working together as Nation, led by our servant-leader, Prime Minister, Tillman Thomas and with the help of Almighty God, we can achieve great things this year.

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

I thank you.

ANNEXES

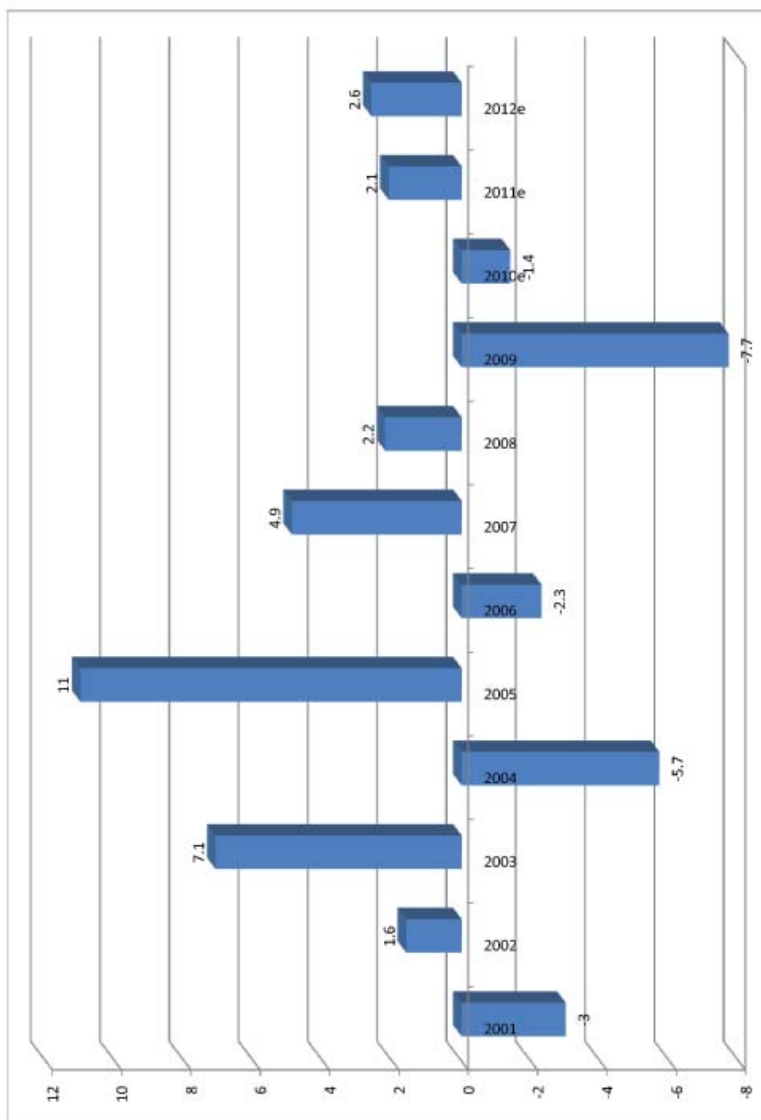
ANNEX I SUMMARY OF RECURRENT EXPENDITURE AND CAPITAL EXPENDITURE 2011

Vote	Recurrent	Capital	Total	% of Total
01 - Governor General	1,560,733	-	1,560,733	0.20
02 - Parliament	2,209,395	35,000	2,244,395	0.29
03 - Supreme Court	2,821,040	666,000	3,487,040	0.45
04 - Magistracy	2,338,188	51,300	2,389,488	0.31
05 - Audit	1,169,319	329,800	1,499,119	0.19
06 - Public Service Commission	821,578	17,000	838,578	0.11
07 - Director of Public Prosecutions	891,332	30,050	921,382	0.12
08 - Electoral Office	848,577	-	848,577	0.11
09 - Ministry of Legal Affairs	2,742,924	1,754,878	4,497,802	0.57
10 - Prime Minister's Ministry	6,415,538	2,801,500	9,217,038	1.18
11 - Prisons	7,614,436	8,241,224	15,855,660	2.02
12 - Police	45,413,176	226,000	45,639,176	5.83
13 - Office of the Ombudsman	-	1,470,000	1,470,000	0.19
14 - Ministry of Labour, Social Security and Ecclesiastical Affairs	1,234,908	161,104	1,396,012	0.18
15 - Ministry of Tourism and Civil Aviation	2,817,785	28,854,000	31,671,785	4.04
16 - Ministry of Foreign Affairs	11,508,135	981,000	12,489,135	1.59
17 Financial Intelligence Unit	459,533	20,365	479,898	
19 - Ministry of Youth Empowerment and Sports	5,347,109	17,557,152	22,904,261	2.92
20 - Ministry of Finance, Planning, Economy, Energy and Cooperatives	48,635,836	30,676,771	79,312,607	10.12
21 - Pensions and Gratuities	39,950,000	-	39,950,000	5.10
22 - Public Debt.	188,294,926	-	188,294,926	24.04
23 - Salaries and wages increase	-	-	-	-
25 - Contributions	8,845,013	-	8,845,013	1.13
27 - Ministry of Environment, Foreign Trade and Export Development	2,982,947	2,640,758	5,623,705	0.72
30 - Ministry of Works, Physical Development and Public Utilities	6,489,435	26,877,000	33,366,435	4.26
32 - Post Office	90	-	90	0.00
35 - Ministry of Social Development	17,819,831	3,261,393	21,081,224	2.69
36 - Ministry of Carriacou and Petite Martinique Affairs	10,514,194	2,884,250	13,398,444	1.71
38 - Ministry of Housing, Lands and Community Development	2,840,321	11,755,000	14,595,321	1.86
40 - Ministry of Education and Human Resource Development	87,822,253	27,499,541	115,321,794	14.72
50 - Ministry of Health	57,218,804	6,398,154	63,616,958	8.12
64 - Ministry of Agriculture, Forestry and Fisheries	12,063,027	28,515,310	40,578,337	5.18
TOTAL	579,690,385	203,704,550	783,394,935	100

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

	2010	2011e	2012e	2013e
Supreme Court Registry	0.36	0.34	0.37	0.38
Magistracy	1.50	1.61	1.73	1.87
Prime Minister's Ministry	0.52	0.56	0.61	0.65
Ministry of Labour, Social Security and Ecclesiastical Affairs	1.88	2.09	2.09	2.09
Ministry of Finance	410.15	439.61	476.10	523.62
Customs & Excise	198.8	217.8	236.1	256.7
Inland Revenue Department	184.2	193.3	211.4	238.4
Other	27.17	28.56	28.56	28.56
Ministry of Works	0.29	0.31	0.34	0.36
Ministry of Education	0.14	0.15	0.16	0.17
Ministry of Health	2.51	2.69	2.90	3.12
Ministry of Agriculture	1.89	2.05	2.29	2.47
Ministry of Housing, Lands and Community Development	0.78	0.83	0.90	0.97
Other Ministry's and Departments	3.64	3.91	5.31	7.43
Total	423.64	454.17	492.79	543.15

ANNEX III RECENT ECONOMIC GROWTH PERFORMANCE



ANNEX IV
GRENADA: FISCAL AND DEBT INDICATORS

	2006	2007	2008	2009	2010e	2011p	2012p	2013p
Current Revenue to GDP	25.0	26.1	20.7	20.0	19.7	20.0	20.6	21.5
Current Expenditure to GDP	21.3	21.7	18.7	19.8	17.4	17.2	17.0	16.3
Current Account than or equal to 5 % of GDP)	3.7	4.4	2.1	0.1	2.3	2.8	3.6	5.2
Overall Deficit (less than or equal to 3 % of GDP)	-6.4	-8.2	-4.1	-3.4	-6.6	-8.6	-4.8	-2.1
Interest Payments/Current Revenues (greater than or equal to 1 5 % of Current Revenue)	8.3	8.9	7.4	11.1	12.7	12.0	14.6	13.5
Debt Stock (EC\$ million)	1,662.4	1,716.4	1,783.7	1,851.8	1,878.6	1,981.8	1,955.1	1,914.2
GDP(Nominal)	1,893.3	2,050.2	2,241.8	2,055.9	2,152.1	2,271.4	2,392.7	2,529.0

ANNEX V
SUMMARY OF CENTRAL GOVERNMENT DEBT
In millions of EC dollars
(As of December 31, 2010)

	2009	2010
Total Domestic.....	339.31	357.82
Treasury Bills.....	99.71	133.45
Bonds.....	10.06	9.94
Loans.....	64.91	53.98
Others.....	87.69	85.41
Government Guarantees.....	76.94	75.04
 Total External.....	 1,512.50	 1,520.73
Bonds.....	766.69	766.69
Loans.....	696.75	704.76
Government Guarantees.....	49.06	49.28
 Total Domestic & External...1,851.81	 1,878.55

ANNEX VI
USE OF PETROCARIBE FUNDS

*****	Petro Caribe GDA	2010	2011e
0044512	Aquatic Centre	-	-
0044516	Night Lighting Facilities & Construction of Hard Court	-	-
0044518	Upgrading of Cuthbert Peters Park	-	-
0048526	Young Entrepreneurs Development Fund	-	500,000
0071505	Bacolet Project (Juvenile Centre)	-	1,000,000
0013521	Small Economics Programme (Food Basket Proj.)	-	-
0013520	Grenada Training & Employment Programme	-	-
0079506	Free School Books Programme	2,972,364	1,500,000
0014510	Scholarship Programme	919,856	1,000,000
0071514	Renovation to Homes for the Aged	-	-
0071517	Multiple Projects for the Elderly	355,073	300,000
0071519	Multi - purpose Centre for Disabled	-	80,000
0073502	Cultural and Sporting Centre	-	-
0014507	Human Resource Development	1,552,980	-
0013517	Emergency Housing Project Plan III	-	-
	Energy for the Poor	-	250,000
	Grenada Home Improvement Programme	-	2,140,000
0069508	Sites & Services Project Plan II (Frequente, Black Bay, Diamond)	-	-
0013501	House Repair Programme	-	-
0080517	Renovation & Extension Programme	-	-
0013525	Government Secondary School Transportation Programme	1,336,289	1,336,289
0013509	Government Information Technology Project	-	-
0014508	National Youth Service, Training & Employment Programme	-	-
0071518	Laborie Day Care Centre	-	-
0071520	Half-way House	-	-
0072507	Maternity Ward Petite Martinique	-	-
0073511	Carriacou Multi Purpose Centre	-	-
0044505	Rehabilitation & Upgrading of Playing Fields	-	-
0080511	School Feeding Programme	2,906,588	1,500,000
*****	Total	10,043,149	9,606,289

ANNEX VII
GRENADA'S RISE IN 2011
DOING BUSINESS INDEX

Improving the Business Climate

Grenada has successfully moved six(6) points in its 'Doing Business' ranking according to the World Bank /IFC.

- Business Startup : from 20 to 15 days
- Trading across borders: from 14 to 10 days
- Registering property: from 77 to 47 days

**ANNEX VIII - EXTENDED CREDIT FACILITY
STRUCTURAL BENCHMARKS**

Second Review				Target Date	Comment	Macroeconomic Criticality
Continue quarterly budget reviews					Structural Benchmark	To avoid overruns in spending and reduce expenditure arrears
Pass mended VAT law to reflect all permanent and temporary changes since its passage, including the expiration date for the temporary tax measures.				End January 2011	Structural Benchmark	To establish a legal basis for modifications to the law and to prevent undermining revenue collections.
Prepare debt management strategy outlining clear debt objectives and develop yearly borrowing plan.				End December 2010	Structural Benchmark	To improve debt management.
Implement ASYCUDA World pilot at the main port and establish a risk management unit in customs and excise department and start training staff.				End March 2011	Structural Benchmark	To modernize customs and improve revenue collection.
Make public procurement unit functional				End March 2011	Structural Benchmark	To ensure the efficiency of spending
Complete onsite inspection of two additional insurance companies including one that is systematically important.				End March 2011	Structural Benchmark	To safeguard the stability of the financial sector.
Complete onsite inspection of the money service company				End March 2011	Structural Benchmark	To safeguard the stability of the financial sector.
Third Review						
Integrate all public debt data, including guarantees in CS-DRMS, the commonwealth secretariat's debt recording system and produce a quarterly debt bulletin to be presented to cabinet.				End August 2010	Structural Benchmark	To improve debt management
Institute a comprehensive commitment control system that will restrict spending units from undertaking commitments without authorisation.				End August 2011	Structural Benchmark	To avoid overruns in spending and reduce expenditure arrears.
Implement ASYCUDA World at two other ports and begin risk-based inspections				End October 2011	Structural Benchmark	Increase the efficiency of customs revenue collection

