



GOVERNMENT OF GRENADA



BUDGET SPEECH 2007

Presented by
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Minister of Finance

To The House of Representatives
December 15th, 2006



**"Consolidating Growth, Enhancing Revenue and
Providing Safety Nets for the Vulnerable"**

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1. 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 2007 by means of an Appropriation Act, be it resolved that the Estimates of Revenue and Expenditure for the year 2007 be approved.” I also have the consent of the Governor-General to proceed with this Motion.

Mr. Speaker, I would like to begin this Budget Presentation in the usual manner by expressing thanks to Almighty God for having guided us safely through yet another year and to seek his continued blessing and guidance for 2007 and beyond.

Indeed Mr. Speaker, the last twelve months have been most challenging, as we continued the task of restoring livelihoods and rebuilding our country from the ravages of two major natural disasters, with limited human and financial resources.

This situation has been exacerbated by external shocks, such as rising fuel prices during the earlier part of the year, higher consumer prices and falling demand for our primary commodities. Notwithstanding these challenges, as a Government and people we have done a commendable job.

We have seen strong economic recovery in 2005, which continued in 2006; we have restored fiscal strength through a successful debt restructuring agreement with our Paris Club creditors; we have seen in recent times a resurgence in private sector interest by local and foreign investors alike, committed to fulfilling their plans for economic reconstruction; in short Grenada is open for business again.

These achievements could not have been possible without the strength of a team, headed by our Prime Minister, who demonstrated vision, commitment and clarity of thought and action in directing and leading the process forward. But most important of all, we must give ourselves credit; we all joined together in a common cause and unleashed our creative energies and worked for the good of all.

Of course, we were not alone in our efforts; we had the support, solidarity and generosity of the international community; of Grenadians abroad, of

friends and well wishers the world over, most important of all, the guidance of the Almighty.

Today, as we reflect on the achievements and shortcomings of the past year and compare our recovery with the destruction in 2004, we can safely say that, we are a far more united and patriotic people. In adversity there is Unity! This was clearly demonstrated in the large turn out and active involvement of thousands of Grenadians and friends of Grenada at our National Independence Celebrations earlier this year.

Mr. Speaker, while our recovery is doing reasonably well we are now faced with the major task of ensuring that it is sustained. We are mindful that some of our people are still living in vulnerable areas and in substandard conditions. We are also mindful that there are those who are unable to fully satisfy their basic needs. Morally, we are compelled to act, on their behalf.

Therefore as we applaud our efforts, we have to ensure that we do not lose our gains and that our friends do not lose faith in us. It is for these reasons that the theme for this 2007 Budget is: “Consolidating Growth, Enhancing Revenue and providing safety Nets for the Vulnerable.”

2. PERFORMANCE OF THE GRENADIAN ECONOMY 2006

Mr. Speaker performance of the domestic economy in 2006 was influenced primarily by developments in the major industrial economies to which our economy is linked. Those developments include:

- An increase in global output by 5.1 per cent, and
- Relatively high rates of inflation, fueled mainly by the high price of oil particularly during the earlier part of the year.

In this regard, preliminary data show that in 2006, the economy of Grenada recorded positive real growth of 1.3 per cent compared to an unsustainable rate of 12.1 per cent recorded in the previous year. All the major productive and services sectors of the economy have shown signs of recovery and are contributing to this growth. For example, the agricultural sector grew by 20.5 per cent in 2006 following decline of 38.1 per cent in the previous year, and reflected increased production of crops, livestock, forestry and fishing.

The Hotels and Restaurant sector, a proxy for the tourism industry grew by 65.0 per cent as most of our hotels are now up and running. On the other hand, value added in the construction sector declined by 20 per cent (as is expected) following substantial growth of 91 per cent in the previous year. In short, with all of our productive and service sectors contributing positively to growth, the economy of Grenada has become more diversified, and less dependent on one sector.

Undoubtedly, these higher levels of output have impacted positively on Government's revenue. Preliminary data indicate that Government will achieve a surplus on its current operations of EC\$63.8m (4.5 per cent of GDP), which is higher than what was achieved last year. Current revenues increased by 6.6 per cent to EC\$383.7m due mainly to higher collections from property tax and the National Reconstruction Levy. However, current expenditure grew by 5.5 per cent to EC\$319.8m on account of growth in all categories of current expenditure except outlays on discretionary spending on goods and services which declined relative to the previous year.

On the other hand capital expenditure increased substantially (and understandably so) by 31.8 per cent to EC\$270.5m, reflecting the acceleration in the implementation of ongoing and reconstruction projects.

This higher level of capital spending was financed in part by capital grants of EC\$98.8m and the current account surplus of EC\$63.8m, resulting in an overall deficit after grants of EC\$89.4m (6.3 per cent of GDP) which was financed by net loans from domestic and external sources.

In summary, in spite of the higher outlays on capital spending, the fiscal performance of Government in 2006 represents an improvement over 2005, to the extent that Government achieved a surplus on its current activity and as a result, was able to mobilize higher levels of capital grant to finance the country's capital programme.

3. MEDIUM TERM PROSPECTS

With reconstruction well underway the economy is projected to record positive growth of 5.0 per cent in 2007 and 4.0 per cent in 2008, i.e. averaging 4 per cent over the next two years. All the major productive and

services sectors of the economy are to contribute to this growth, as the economy returns to pre-Ivan performance levels. Government's fiscal position is expected to be strengthened and sustained with the deficit on the primary balance after grants in 2006 being converted to a surplus of about 2.5 per cent of GDP by 2008. At the same time the level of capital expenditure should return to the accepted benchmark of 10 per cent of GDP.

Inflation is to remain stable averaging 2.0 per cent over the next two years. The deficit on the balance of trade is to narrow with slight growth in export earnings and a reduction in imports. At the same time, huge receipts from travel would account for a smaller current account deficit by 2008. In addition, the expected growth in foreign direct investment in the tourism industry would lead to an overall balance of payments surplus by 2008.

4. ESTIMATES OF REVENUE AND EXPENDITURE FOR 2007

a) National Consultation

Mr. Speaker, the preparation and presentation of this 2007 Budget was preceded by a series of island-wide Budget Consultations involving our farmers, teachers, financial institutions, community groups, and the Parliamentary Opposition.

These Consultations are in keeping with Government's policy of Constructive Engagement of its Social Partners on issues of national importance.

I am pleased to report that the Consultations were a tremendous success, not only in terms of participation but also in terms of the quality of recommendations and suggestions that were presented. Many of these recommendations have been incorporated in this Budget presentation.

I therefore wish to place on record, the appreciation of the Ministry of Finance, of all who contributed to making the exercise a success.

Mr. Speaker the 2007 Estimate of Expenditure provides for a total expenditure (including amortization) of EC\$632.5m distributed as follows:

Current Expenditure:	\$350.7m
Capital Expenditure:	\$225.5m
Amortization:	\$56.3m

Mr. Speaker, this outlay for 2007 is only 3.4 per cent higher than the EC\$611.7m budgeted for last year, as the economy moves from a reconstruction stage to one of stabilization and consolidation.

For the fiscal year 2007, current revenue is budgeted at EC\$441.1m, approximately 9.9 per cent higher than the budgeted figure of 2006. This growth is largely due to measures contemplated in the Inland Revenue and Customs Departments to improve administration of tax collection. Mr. Speaker, I will elaborate in these measures later in my presentation.

On the other hand, current expenditure is budgeted at EC\$350.7m, approximately 6.9 per cent above the budgeted figure of the previous year. The rise in current expenditure is largely explained by higher anticipated outlays on wages and salaries, interest payments and current transfers. Notwithstanding these increases, the Ministry of Finance will continue its effort to exercise control on discretionary recurrent expenditure on goods and services.

It therefore means that in 2007 Government has budgeted for a current account surplus of EC\$90.5m or 5.9 per cent of GDP, which is above the established benchmark of 5.0 per cent of GDP.

This surplus on Government's current operations will be used primarily to finance the country's capital programme of EC\$225.5m or 14.8 per cent of GDP. It must be stated that now that the country is on its recovery path, Government can no longer continue to depend fully on donor support to finance the country's development. We have to continue to demonstrate to the international community our own efforts in rebuilding our economy as the basis for receiving their further support. Hence the importance of the current account surplus to be dedicated to financing the capital programmes.

In addition, the capital budget will be financed by capital grants from friendly Governments and institutions amounting to EC\$92.5m, leaving an overall deficit after grants of EC\$39.8m (or 2.6 per cent of GDP) which is just under the established benchmark of 3 per cent of GDP, and will be financed from external and domestic loans.

5. CAPITAL EXPENDITURE PROGRAMME 2007: CONSOLIDATING GROWTH

a) Introduction

Government has for many years enunciated its policy that the efficient implementation of a programme of capital spending can by itself stimulate growth and at the same time allow for the active participation of the private sector in the economy. Government shares the view that growth must be private sector led and the role of Government must be to create the enabling environment, physically, legally and otherwise for the private sector to grow and flourish. The tool used by Government to create this environment is the capital expenditure programme and it is for this reason that over the years, Government has embarked on an expanded capital programme. I will now proceed to outline the allocation of the 2007 capital budget.

b) Cricket World Cup 2007

Mr. Speaker, from March 11th to April 28th 2007, Grenada and the rest of the English Speaking Caribbean will host one of the biggest sporting extravaganzas in the Cricket World Cup 2007.

One year ago, when our economy was still in an early stage of recovery, many doubted our ability to stage this spectacular event. But once again, we have confounded the skeptics, and silenced the “doubting Thomases”.

Grenada has come in for high praise from ICC officials for its advanced state of preparedness to host CWC 2007. The National Stadium, which is now substantially structurally complete is rated as one of the most spectacular in the region, and maybe, in the cricketing world.

It stands as a monument to the strong desire of a people, as a vision of the country's future growth and development and of the commitment of our leaders to bring the best possible development to our country.

This Stadium does not only reveal the generosity of the Government of the People's Republic of China, but also it demonstrates through the Chinese workers, a work ethic that we as a nation and people must emulate. This positive work attitude, Mr. Speaker, notwithstanding the economic benefits

to be derived from this project, is perhaps the greatest lesson that we as a people can learn from the construction of the National Stadium.

Undoubtedly, the stadium will have a long lasting impact on the economic development of the country. In preparation for the games, hotels have been built back better resulting in an increase in the number and quality of rooms; the home stay programme has not only increased the number of rooms, but has given rise to a multiplying impact of the sector on the economy through the creation of a new kind of tourism in Grenada, i.e. community and village tourism. In this regard, our agricultural production is to increase, our taxi operators, rentals, restaurants, vendors, craft producers all stand to receive direct benefits from the activity; our cultural performers will also benefit from this event. Obviously, Mr. Speaker employment will increase as businesses have an opportunity to establish new contacts for their products.

On the financial side Government stands to collect substantial revenue from the event. For example, in keeping with the Host Venue Agreement, all gate receipts belong to the host Government. In the case of Grenada, Mr. Speaker, our Stadium has a seating capacity of 16,000; the average price of a ticket is EC\$195.75; and the games are to be played over a six day period; if we assume a 100 per cent attendance on each day, then Government can collect EC\$18.8m from gate receipts alone. When we subtract EC\$12.9M in expenditure incurred to date, there is a profit of EC\$5.9m.

But that's not all Mr. Speaker. Through WICB, Grenada is to receive a share of the profit from the entire event to be used for the development of cricket in the islands.

With the international media coverage of the Games, Grenada will receive exposure to the rest of the world which under normal circumstances would have cost the Government millions of dollars.

Our people have become much more aware of security issues and are now better able to deal with mass crowd control, traffic management, and disaster emergency response. Moreover, we have seen a strengthening of our national pride and patriotism through the volunteer programme. 327 Grenadians have registered and willingly offered their services to their country without asking for anything in return. Mr. Speaker, one of the legacies of the 2007 event would be the establishment of a National

Volunteer programme for future events ranging from sporting activities to national celebrations. We as a people will have the confidence in ourselves to show the world that we are capable of successfully organizing world class events.

I must inform the Nation that contrary to the views expressed by others, preparation for the hosting of the CWC games has to date cost the Government EC\$12.9m broken down as follows: EC\$6.5m preparation and secretarial support; EC\$2.7m preparatory works; EC\$3.3m rural sport facilities; EC\$0.3m cultural activities; and EC\$0.1m craft initiative. Expenditures related to security and anti-doping are covered by CARICOM. The cost of the Stadium, which is approximately US\$40m, is a gift to the People of Grenada from the Government and People of the People's Republic of China.

Let me therefore on behalf of the Government and people of Grenada express our profound gratitude to the Government and people of the People's Republic of China for having constructed the Stadium and to say to them that we remain eternally grateful for this and that every effort will be made to protect and use the facility in the best interest of the people of this country.

c) Agriculture, Fisheries and Forestry

Presently, the agricultural sector contributes 5.9 per cent to the country's GDP, as compared to the 4.9 per cent in the previous year.

In 2006, the Ministry continued to intensify its effort to revitalize the sector in a more organized manner. Under the Agricultural Enterprise Development Programme, over EC\$3m were approved as loans for distribution to 435 farmers involved in the rehabilitation of cocoa, nutmeg and banana fields. Farmers involved in livestock, poultry and cash crop production were also given special attention.

In addition to providing loan financing, the AEDP provided EC\$300,000 in support of drainage; EC\$433,000 for the purchase of fertilizer which were distributed to farmers; and EC\$986,000 for purchasing irrigation equipment and supplies. Some 27 farmers were trained in irrigation system management and operations.

Also during 2006, the Ministry implemented a programme to strengthen the extension service. A total of 90 persons were trained and were subsequently retained to provide support to the existing extension staff.

A number of activities were undertaken through the Food Security programme, these included:

- 10 cattle distributed to farmers to improve the breeding stock on the island
- 2,500 lbs of corn and 5,000 lbs of ginger distributed to farmers
- Peas, sorrel and ochro seeds distributed to farmers

Through the Agricultural Recovery Programme over 100,000 banana plants and 50,000 plantain plants were distributed to farmers. Ten power tillers were purchased to enhance the Ministry's capacity in providing ploughing services to our farmers.

Mr. Speaker you would recall that after Ivan the GCNA had severed a number of workers employed with the Association. These workers remained without employment for months and had no source of income to attend to their families. Mr. Speaker, this Government, being concerned about the welfare of our people, and with its goodness of heart distributed EC\$572,500 to these severed workers. In addition, Mr. Speaker you would recall that a few months ago, when workers of the Cocoa Association were left without pay for months, it was this Government again who intervened by providing EC\$500,000 to these workers. Mr. Speaker, this is a Government that undoubtedly cares for the agricultural workers of this country and about the development of the agricultural sector.

In 2007 the Ministry will receive (14.3 per cent of the capital budget) or EC\$32.3m, financed, mainly from external grants and from the NRL. The fundamental objective to be achieved with this allocation is the continued rehabilitation of the sector through the implementation of the Agricultural Enterprise Development Programme for which EC\$8m have been allocated. In addition, efforts will be concentrated on strengthening the institutional capacity of the Ministry, and on enhanced marketing.

Mr. Speaker, in last year's budget presentation I indicated that approximately 34 farm roads, totaling 39 miles would be rehabilitated with loan funds secured from the Kuwait Fund for Arab Economic Cooperation

and the OPEC fund. All preparatory works have been completed in anticipation of the early commencement of this Project. Government is now awaiting the “no objection” from the Kuwait Fund to proceed with tendering. We do apologize to our farmers for this delay, which is due to no fault of ours. We do look forward to a speedy implementation of this very important project early in the New Year.

In keeping with the suggestions expressed during the consultation on agriculture, the Ministries of Agriculture and Education are to work together to rehabilitate and reopen the Maribeau Farm School at an estimated cost of EC\$3m. Also in keeping with the suggestions from the consultation on Agriculture EC\$400,000 has been allocated for the elimination of the Black Sigatoka which is presently affecting our banana fields. In addition, under the Agricultural Marketing Improvement Programme, the Ministry will work closely with MNIB and the Food and Nutrition Council to promote the consumption of local production through the strengthening of the linkage with domestic supermarkets, hotels and restaurants. Efforts will also be made to increase the export of fresh fruits.

With World Bank funding, priority will also be given to the revitalization of the forestry sector through the restoration of key watersheds, the planting of 300,000 seedlings, and the rehabilitation of key forest recreation infrastructure.

In the area of fishing, emphasis will be on the coastal fisheries development project in Gouyave where just over EC\$0.5m has been allocated. Government will continue with its material assistance program, and training of fishermen and fish centers that were not rehabilitated in 2006 will receive attention in 2007. With these projects in 2007 agriculture should increase its contribution to GDP to about 8 per cent.

d) Tourism and Culture

Mr. Speaker, the Tourism industry in Grenada is poised for a spectacular take-off, and the impact on the economy in general will be monumental.

Over 90% of our hotel room stock has been rehabilitated at a much higher standard. In this regard, we must applaud the efforts of owners and proprietors of such facilities like the Spice Isle Beach Resort, Coyaba Beach Resort,

Grenadian by Rex Resort, the Flamboyant and the many other properties that have undergone significant upgrading over the past two years.

In preparation for CWC 2007 approximately 1,300 rooms will be added to the total room stock under the Home Stay Programme.

For both the Hotel upgrading and the Home Stay Programme, Government has provided support by way of duty and tax concessions on building materials, furnishings and equipment as well as corporate tax exemptions in excess of \$15m.

Mr. Speaker, this is a good example of Government/Private Sector Partnership working in the interest of the nation.

Much of the work of the Ministry of Tourism in 2006 concentrated on training and improvements to attraction sites. In this regard, a number of students from NEWLO and TAMCC were trained in hospitality arts aboard the Princess Cruise Lines. Some ten students have started one and two year hospitality training programmes in Antigua; and the Ministry also facilitated the recruitment of thirty one persons aboard the Norwegian Cruise Lines. Several Tourism attraction sites were upgraded including, Leapers Hill in Sauteurs, Concord Falls, Grand Etang, and Grand Anse. Work is continuing on others.

With regards to product development several private sector initiatives such as the Mollinere Marine Park and the Helvellyn ceramics projects were undertaken in 2006; the construction of lifeguard lookout towers started on selected beaches; a new vendor's booth is under construction at Concord; the national beautification campaign commenced and park benches and picnic tables were placed at public attraction sites.

Mr. Speaker, probably the greatest prospect for growth in this sector lies in the renewed interest by both local and foreign investors in undertaking major investment projects in the Tourism Sector.

One reputable British Newspaper, recently described Grenada as “the Millionaire's Playground”, in obvious recognition of the new found interest by reputable investors in our country.

Just over one month ago, we witnessed the historic ground breaking ceremony to mark the commencement of work on the EC\$1.6 billion Port Louis Project. This Project involves the construction of a World famous marina in the Lagoon Road area, a modern five star hotel and night life facilities.

The Renovation of a 250 room facility at Cinnamon Hill has also commenced. The same developer has also purchased the Mt. Edgecombe Plantation in St. Mark which will be transformed into a major eco-tourism facility.

Mr. Speaker, 2007 will also see the start of a Four-Season Hotel Project in Grenada.

Mr. Speaker, work is also progressing on a major hotel and marina project in the True Blue area, spearheaded by local Entrepreneurs. Construction work on the hotel project in Fort Jeudy will also commence shortly.

The Levera Hotel Project

I wish to make a special statement on the proposed Levera Hotel Project.

This project had commenced under a previous developer, but due to unforeseen circumstances was not complete.

Mr. Speaker, the proposed development was condemned, ridiculed and scoffed etc, by Members of the Opposition who did not have the vision, much less appreciate the tremendous benefits that such a project would bring to the northern and eastern parts of our country.

Mr. Speaker, I am pleased to inform this Honourable House and the nation that this very important project is back, although modified under a new developer.

Mr. Speaker, this new developer, a man of reputable international standing, and with strong Grenadian connection has decided to continue with the development of the three hundred and sixty acres site at Levera, as a High End Eco Tourism Project.

The entire project will provide 250 rooms on completion and will be undertaken in various phases. Phase one of the project shall include the following:

- 1) 40 room boutique hotel and villas.
- 2) The development of turtle watching.
- 3) The development of nature trails within the Levera National Park.
- 4) Promoting visits to Carriacou and the Grenadines as part of the marine experience offered by the Grenadines.
- 5) Integrating the local restaurants on Bathway beach and in the town of Sauteurs by providing assistance to the owners to blend with the standard of the restaurants at the resort.
- 6) Assisting farmers involved in Organic farming.
- 7) Horse back riding.

The developer has also agreed to undertake the underwriting of the guarantee of the outstanding debt. Bonafide claims of property owners whose properties were acquired will be satisfied.

Estimated cost of the project is US\$112million.

Mr. Speaker, hundreds of Grenadians will be employed during the construction and operational phases of these mega projects. We have already started to prepare our young people to take advantage of the opportunities these projects will bring, by sending our people abroad for advanced training.

Mr. Speaker, it was refreshing to hear the Leader of the Opposition express his support for these projects, by indicating that the reason for the renewed interest in Grenada by foreign and local investors is the ascendancy of the Opposition in Parliament. We urge the Leader and his team to continue their ascendancy in opposition.

Mr. Speaker, I must admit that in our eagerness to attract investors to our shores, we made some mistakes in the past, by not scrutinizing them more closely. We have paid a price, but we have learnt from our mistakes.

That is why I am confident that the investors behind the Port Louis Project, the Four Seasons project and the Levera Project will deliver, because they have been tested internationally, and have not been found wanting.

Mr. Speaker, our time has come!

Culture

In the area of culture, in 2007 Grenada's carnival will be given special attention. Not only will the allocations for mass bands, steel bands and for the carnival committee be increased, but also the business sector (including banks, insurance companies, hotels, shops, restaurants, taxi drivers, etc) will all be called upon to do their part in promoting Grenada's carnival for 2007. In fact, this task has already started as the Department of Culture has produced a document detailing the major cultural and entertainment activities to take place in Grenada during the staging of the CWC games. Government has allocated EC\$0.3m for cultural activities in 2007.

In keeping with the suggestions arising from the national consultation, Government has allocated EC\$1.6m for the rehabilitation of Seamoons Pavilion. In addition, again arising from the consultation, Government has allocated EC\$0.5m for a national beautification programme, which involves the planting of flowers alongside the main roads of the country.

With this heavy focus on tourism and its related activities in 2007, the allocation for marketing and promotion has increased to EC\$14m and the total Budget for Tourism is EC\$24.1m as compared to EC\$15.7m in the previous year. The industry is to increase its contribution to GDP to well over 10 per cent in 2007, and will be placed on a path of sustained growth and development.

e) Housing

In 2006, the Government continued to satisfy the housing needs of the population through the implementation of the Emergency Housing and Recovery Plan. This plan was funded by a soft loan from the Government of Trinidad and Tobago, a grant from the Government of Venezuela and from the National Reconstruction Levy. During 2006, 500 homes were built and 300 have had some repairs done to them. Additionally, some 10,000 families received material assistance for the rebuilding of their homes. A total of EC\$35.7m were expended on the project. In addition, under the Home Owners Soft Loan administered by the Housing Authority of Grenada, a total of sixty five (65) loans were disbursed. Nevertheless, there are still unsatisfied needs.

Therefore, in order to effectively plan and provide up to date information on the status of Grenada's housing needs, a list outlining the status of repairs to all residential, commercial and public buildings is essential. To this end, the Department of Housing in collaboration with the ARD initiated a Listing Exercise in July 2006.

As of November, the Exercise has been completed in 10 of the 15 constituencies. This information is vitally important. It will assist the National Disaster Management Agency in preparing an evacuation plan, allocating relief supplies and identifying buildings to be used as shelters. It will also assist the Government and others in identifying outstanding housing needs.

Mr. Speaker, the Government of the Peoples Republic of China has graciously offered 2,000 housing units to Grenada. A team from the Peoples Republic of China was recently in Grenada to visit the sites and obtain preliminary drawings. During the first year of implementation some 554 of these units will be constructed on six sites throughout the island.

Similarly, the Ministry mandated the ARD to provide Project Management Services for the infrastructural works at the Simon Bolivar Human Settlement at Lacalome. The ARD, in consultation with the Housing Authority of Grenada, has prepared the design works for roads and bridges, as well as completed the competitive tendering process for these works. Government will continue its support for the housing recovery programme in 2007, for which a budgetary allocation of EC\$17.8m has been made

f) Youth Development

Mr. Speaker, this Government continues to place great emphasis on the development of our young people as a basis for ensuring that our country remains in good hands, long after many of us would have contributed our part to nation building. The placing of the Department of Youth under the Prime Minister's Ministry did not only reflect the importance this Government gives to our young people in this country, but also served as the stimulus to ensure the programmes for youth development and training were effectively implemented. In deed, this Government is concerned about the holistic development of our youth and has therefore been implementing programmes and policies aimed not just at generating employment for our

young people, but more importantly giving them a voice and an opportunity to contribute to nation building at a young age.

In 2006 much of the work of the Ministry concentrated on the implementation of the National Youth Employment and Training Programme. An additional 700 young persons received employment under the IMANI programme; while others were trained in small business development and in some cases were provided with seed capital to start their own businesses.

During 2006, our young people were often called upon and responded positively to voluntary work; as a result, today we see our young people making a more meaningful contribution to, and being less alienated from society.

In the area of infrastructure work on the rehabilitation of the Grand Bacolet facility has started.

In 2007 a total of EC\$19.7m has been budgeted for the department of youth, as we continue to give our young people the necessary attention. The department will strengthen its leadership and social skills development programme by providing academic and skills training to over 250 young persons at 15 centres throughout the island. A number of youth groups will be given special support to ensure their efficient management, operations and sustainability. A major project to be completed in 2007 is the rehabilitation of the Grenada Youth Centre.

g) Sport Development

Mr. Speaker, in 2006 capital spending by the Ministry of Sport Community Development and Cooperatives amounted to EC\$6.7m. One of the main areas of responsibility was preparing for the CWC 2007 in conjunction with the Local Organizing Committee. With the Stadium now 85 per cent structurally complete work is now being focused on finishes and installation of services by utility companies.

In preparation for the event, training was provided to many persons in pitch management and preparation, in security and simulation exercises to ensure quality security. So far 11,806 tickets have been sold for the Grenada games.

As we all know, the Masters Cricket match was staged in September as a test to the quality of our preparation, and work on Phase II of the General hospital has commenced.

The Ministry was also involved in preparing a number of our athletes to take part in regional events. Grenada was once again champion in the Windward Islands Secondary School games. In the Sir Garfield Sobers Cricket Tournament in Barbados, the team from Grenada placed second. Our national cricketers reached the semi-finals in the 20/20 Cricket Tournament and four of our players were selected for the Stanford 20/20 West Indies team; this was a moment of glory for all of us here in Grenada; Grenada also won two Silver Medals at the CAC Games in Colombia.

In 2007, a total of EC\$10.4m have been allocated for the Ministry of Sport capital programme. The upgrading of our rural sporting facilities will receive priority attention in 2007. In this regard, budgetary provision of \$2.5m has been made available to facilitate the completion of the upgrading of the Cuthbert Peters Park in Gouyave. As was indicated in the consultation, this project is long overdue and Government will make every effort to have it completed in 2007. The Ministry will continue to work closely with the Local Organizing Committee to ensure that the twenty four deliverables are in place for the successful staging of the CWC Games. Work will continue on the preparation of practice venues at La Sagesse and Progress Park where two new pavilions are now in construction. The Ministry will continue to train young persons in pitch and field management and supervision. And very importantly, every effort will be made to provide night lighting facilities in major playing fields, starting in 2007 with at least one playing field in each parish. In collaboration with the Youth Division, the Ministry will embark on a community based programme that will provide some training and coaching for our young persons in different sporting disciplines.

h) Education and Training

Mr. Speaker, no one should have doubts about this Government's philosophy and approach to education in this country. Over the years, Government has been spending substantially to enhance the quality of teaching in our schools; to improve educational infrastructure; to expand the number and range of scholarships offered to Grenadians to pursue

higher studies at home and abroad; and to prepare our people to take advantage of the opportunities that would be available under the CARICOM Single Market and Economy.

In 2006, the Ministry of Education completed a plan of action identifying goals, activities and responsible departments for the implementation of the country's 10 year Education Plan. In addition, a strategic development plan has been completed for TAMCC and the topographic survey of lands for the proposed new campus of TAMCC is being commissioned.

Mr. Speaker, today, TAMCC stands out as the largest tertiary institution in the OECS with 2,710 full time students. The College has recently established strategic partnerships with the University of Guyana, St George's University, UWI, Florida State University and Metropolitan College. These alliances will allow for assistance in quality assurance and in admission of TAMCC students and staff in these universities for full time Masters and PhD courses. In addition, staff of TAMCC will serve as external examiners for these institutions.

In order to ensure that TAMCC satisfies the contemporary needs of our students, the College has just added two new courses to its curriculum: these are the Nursing Programme and an Associate Degree in Elementary Education. In keeping with the suggestions from the national consultation, I wish to inform the nation that TAMCC already has centers in Carriacou and St. Andrews and the plan is to extend these centers in 2007 to St. David's, St. John's and other parts of St. George's.

Mr. Speaker in 2006, the Ministry provided training opportunities for staff members to improve their competencies and to prepare them for future administrative responsibilities within the Ministry. In this regard some forty officers are either being trained or have been trained in different disciplines within the Ministry. Some 48 teachers participated in study tours in St. Lucia this year to gain further experience in the Caribbean Centres of Excellence for Teacher Training programme. Twenty teachers are participating in the UWI Distance Education Programme as a means of improving teacher competence in dealing with literacy among students. In an effort to improve the delivery of education and expand learning opportunities through the use of technology and electronic media, the ITC facilities at the Teacher Education Department has been upgraded and 6 persons have so far received training in computer hardware and software.

In the area of scholarships Mr. Speaker, in 2006, a total of 195 Grenadians were awarded training opportunities at higher institutions of learning at home and abroad. At present there are 8 Grenadians pursuing hospitality studies in Antigua; 4 in Venezuela studying Physical Education; 1 doing hospitality studies in Cyprus; 14 are at the St. George's University in Medicine and Arts; 11 are in Cuban Universities in different fields; 5 in China in Clinical Medicine and Civil Engineering, 10 are attached to the City of New York in different areas; 40 nurses are attached to the Nursing Programme in Grenada; 24 are presently in Mexico in Economics, Engineering and Nursing and 12 are at the Midwestern State University in different areas of study. Mr. Speaker, this is an example of a Government that is people centered and places education at the centerpiece of the country's growth and development.

Recognizing that literacy is still a major problem for many persons in Grenada, the Ministry of Education in collaboration with the Government of Cuba launched in November of this year, the “Yes I Can” Adult Literacy Programme. The programme aims at providing all persons in Grenada especially youths and adults who are unable to read and write with the opportunity to do so free of charge. The programme consists of providing 64 video classes of the four basic skills of language: listening, speaking, reading and writing. Classes will be held in schools, churches, homes, community centers, on days and time appropriate to the students. At the end of the programme certificates will be awarded to students at a graduation ceremony. Mr. Speaker, this programme is the first of its kind in the English Speaking Caribbean and the Ministry encourages everyone who needs help in reading and writing to fill out the application form and drop it off at the nearest Revenue or Post Office.

Another major programme implemented by the Ministry in 2006 was the Enhanced Learning Programme. The Ministry has recognized that many of our secondary school children in forms 1 and 11 leave primary schools with inadequate skills in Numeracy and Literacy. The programme therefore seeks to increase performance standards among such students in Mathematics and English by providing them with classes on Saturdays from 9.00 am to 12.30 pm. Students attending the programme have been demonstrating much improvement in their performance.

In the area of reconstruction, furnishing and equipping schools, in 2006, 51 pre-primary, primary and secondary schools have been reconstructed; work

is presently ongoing on six schools; 17 schools are in the preparation stage for reconstruction and an additional 29 have been identified for future reconstruction and upgrading. Over 60 per cent of the furniture has been replaced in all schools.

A total of EC\$15.3m have been allocated for the Ministry's capital budget in 2007, financed in part from loans and grants. The focus will be on completing the rehabilitation of ongoing schools, making greater use of existing facilities, especially ICT; providing adequate safety nets for vulnerable students; strengthening delivery and supervision of education at all levels, and establishing a student support unit in the Ministry of Education.

Under the BNTF grant funded by CDB, six schools totaling EC\$6.8m have been approved for implementation in 2007. These schools are as follows:

In St. Andrew; La Digue pre-school, Grenville pre-school and Paradise pre-school; in St. George's: Green Street pre-school and Riverview pre-school; and in St. Marks, the Victoria pre-school.

i) Health and the Environment

Mr. Speaker, this Government recognizes the close linkage between economic growth and human development since a healthy nation can contribute to a higher level of income, employment and output. In 2006 the Ministry of Health was actively involved in strengthening the delivery of its services, in renovating damaged health facilities, in completing a five year strategic plan, preparing for 2007 CWC, improving clinical governance in hospital services and implementing Phase II of the New Hospital project. In this regard, a number of officers received training in different areas of hospital management; and various departments were strengthened through the IMANI programme thereby improving the delivery of hospital services.

In the area of hospital infrastructure, a new roof was constructed at the Richmond Home; work commenced on the rebuilding and expansion of the Princess Alice Hospital and its adjoining doctor's residence, and the rebuilding of the Nursing School was completed. In addition, a temporary health care facility was established in Sauteurs. Repairs have begun on the

Sauteurs Health Centre, while the Mt. Rich Health Facility has been fully repaired. In St. Andrew, work has started on the Mt. Carmel and Grand Bras health centers.

In an effort to improve the community health services a District Medical Officer is now attached to the St. George's Health Centre to provide evening services for the population; primary health care teams have been re-established in St. George's and Carriacou and similar teams will soon be available in the other parishes.

In 2007, a total of EC\$12.1m have been allocated for capital spending in the health sector. Work has commenced on the Second Phase of the New Hospital with grant funding from the Government of Venezuela. Work will also begin on the Princess Royal Hospital, the Vector Control building and the Central Medical Stores with funding from the World Bank.

Under the BNTF, the Tivoli, Paraclete and Grand Anse Community health facilities will be rebuilt in 2007 at a total cost of EC\$2.0m.

The Ministry will continue to improve the delivery of its services with appropriate training of its staff by CARICAD. Work will also be intensified in the area of vector and rodent control and training programmes will be held for food handlers to ensure greater food safety in Grenada.

At the community level, Gynecology clinics will be extended to all parishes and extended hours of service will be instituted at some health centers.

With regards to the environment, following the adoption of the National Environmental Policy and Management Strategy in 2005, a number of activities have been undertaken in 2006 geared towards the implementation of the national policy framework. Among these were:

- Ongoing promulgation of the policy framework to focus groups and implementation partners including schools
- The drafting of environmental legislation
- Establishing an environmental coordinating committee
- Developing a land use policy in collaboration with ARD
- Developing an annual national environmental award programme

In 2007, the focus will be on introducing a community-based approach to environmental management and sustainable development and on developing a national environmental certification system.

j) Infrastructure Development

Mr. Speaker, for many years now this Government has been implementing an expanded programme of infrastructural development as the basis for creating the conditions for sustained growth and development and allowing for greater private sector involvement in the economy. It is not therefore by chance that when we look around this country we see such major transformation of the physical landscape, and in the social and public infrastructure. In 2006, the Ministry of Communications and Works spent over EC\$121.2m on improving the social and physical infrastructure of the country.

Close to EC\$1.0m was spent on upgrading the St. George's Market Square; over EC\$3.2m spent on refurbishing Government buildings including Police Stations; approximately EC\$15.5m spent on road maintenance; over EC\$11m spent on bridges and road improvement; and over EC\$350,000 spent on equipping and strengthening the operations of the Ministry.

In 2007, the Ministry's capital programme amounts to EC\$43.2m, which is almost 20 per cent of the total capital budget. Priority areas for the Ministry include completing the St. George's Market Square; the construction of Parliament building and the Governor General's official residence; rehabilitating Government buildings including the Sauteurs and Grenville Police Stations; completing all roads and bridges related to CWC; and continuing with its road improvement and maintenance programme. The Ministry will continue its effort to address the rock fall and land slippages especially on the western side of the country. For this just over EC\$1.5m has been allocated.

Mr. Speaker I wish to inform this Nation of a major project to be undertaken by Government as of 2007 to improve the town of Grenville. As we all know the Town of Grenville has over the years been affected by floods. There is also a need to improve and expand the market, as well as to facilitate easy flow of vehicular traffic in the town. With technical assistance from CDB Government has designed the Grenville Market Square, Abattoir and Bus

Terminal Project which will completely transform the town and solve the many problems presently affecting the Big Parish.

With this project, a new bus terminal will be constructed at Moon Shadow Park after all residents there have been relocated together with the persons living in vulnerable areas in Soubise. The market square will be expanded to provide more booths for vendors, thereby keeping the streets free for vehicular traffic and pedestrians. The present abattoir will be relocated to Maribeu where a modern abattoir will be built for the slaughtering of all animals including those in our backyard, for a small fee. There will therefore be no more slaughtering of animals at the market and in our backyard. All butchers would be required to slaughter their animals at the Maribeu abattoir and transport the meat to the market for sale in modern and advanced meat stalls. Our butchers will therefore receive special training in operating new equipment for the cutting and preparing meat for sale to the general public.

The project also involves the conduct of a study to identify the reasons for flooding in the Town and the implementation of measures to remedy this situation.

Mr. Speaker this project will provide opportunities to redevelop Grenville Town as the regional urban centre serving the northern and eastern parishes of Grenada. This will partially redress the imbalances in the development between the St. George's and other towns thereby stemming the rural drift that is now taking place in the country and which has been a major issue arising from the national consultation. The new abattoir will provide for the hygienic slaughtering of animals; bus operators will now operate in a less congested environment; the general aesthetics of the town will be improved; drainage works will reduce the risk of flooding and the resultant loss of revenue by vendors and other businesses. The cultural heritage of the market will be preserved and will be used for cultural shows and activities. In short, Mr. Speaker, this project will have an overall impact on economic activity and improve the quality of life in Grenville as well as contribute to sustaining rural livelihoods in the Parishes of St. Andrew's, St. David's and St. Patrick's.

Mr. Speaker, the estimated cost of the project is EC\$30m and is financed in the form of a concessionary loan from the Caribbean Development Bank. The project is expected to get started in 2007.

k) Ministry of Carriacou and Petit Martinique Affairs

In 2006 approximately EC\$1.2m was spent on different capital projects in Carriacou and Petite Martinique. Noted among them was the construction of the Carriacou Multipurpose Centre; the food security programme, the road rehabilitation programme and in the area of training, the youth employment and training programme.

In 2007, EC\$4.5m have been allocated, of which EC\$200,000 is for the expansion of the Petit Martinique Playing Field. Coming out of the consultation with the people of Carriacou and Petit Martinique, EC\$1.0m have been allocated for reconstruction of the cultural and sporting centre at Carriacou. Also in Petit Martinique the main road will be resurfaced in 2007.

In Carriacou, work will continue with the road rehabilitation programme, the rehabilitation of the upgrading of Hillsborough hard court, and the renovation of fish centers. Some of the new projects to be implemented in 2007 include the Windward Sea Defense and Concrete Road and Drain and the construction of the Carriacou Ministerial Complex. In addition, Government has allocated EC\$50,000 to conduct surveys on the lands in Dumfries, Limlair and Belair, to determine their most effective usage.

6. RESTORING FISCAL BALANCE:

1) Revenue Enhancement

Mr. Speaker, earlier in my presentation, I made mention of a number of measures contemplated by Government to raise revenue to meet recurrent and capital expenditure requirements.

I will now elaborate on some of these measures.

(a) The Establishment of a Recoveries and Collection Unit in the Ministry of Finance.

Mr. Speaker, the reconstruction effort has placed greater burden on Government in meeting the needs of the country. This in itself required additional financial resources. Government is aware that there are many

persons who can afford but have not been contributing their fair share to the consolidated fund. Some others have been delinquent in the payment of their taxes. A recent study reveals that the amount of outstanding arrears owed to Government by delinquent tax payers is in excess of EC\$170m. This cannot be right at a time when everyone needs to play his/her part in nation building. Government has therefore taken the decision to restructure the existing collection unit in the Ministry of Finance to a Recoveries and Collection Unit and to increase the number of tax collectors. This Unit will be charged with the responsibility of collecting all arrears of Government taxes, in addition to registering new and potential tax payers. The unit will become fully operational in January 2007 and is expected to raise an additional EC\$2.0m annually. The Ministry will be working closely with all persons owing Government money to decide on a payment schedule that is acceptable to Government and to the tax payer.

The Audit Division of the Inland revenue Department has also been strengthened with the recruitment of two accountants. Their role is to interface with corporate tax payers to ensure that they pay their fair share of taxes.

Mr. Speaker, the policy of this Government is not to impose any additional taxes on our people. Instead, Government will be relying heavily on higher levels of tax compliance and efficiency in collections rather than additional tax measures to meet its revenue needs. We therefore urge all registered and potential tax payers to comply fully with the Law.

(b) Implementation of Value Added Tax

In keeping with the Sir Alister McIntyre Report Government has taken the firm decision to reintroduce Value Added tax by October 2007, and not January 1st 2008 as previously announced. This new date coincides with most business' new financial year and would allow for a smoother transition to the new system.

For this purpose, a VAT Unit has been established in the Ministry of Finance with the sole responsibility for putting mechanisms in place for the coming into being of VAT by the stated date. A draft budget of EC\$6.9m has been prepared for the period 2006-2007 and arrangements have been finalized with CIDA for a grant of Canadian \$500,000. A preliminary list of

VAT registrants is completed. A White paper on VAT has been approved by Cabinet, and will soon be circulated for public discussions.

Efforts are presently being concentrated on completing the VAT and Excise Bill for consultation with stakeholders, recruiting a VAT publicity Expert and on upgrading Customs and Inland Revenue departments. Our intention is to have the VAT and Excise Bill approved by Parliament by February 2007, have all training completed, and have all IT systems for compliance in place for implementation in October 2007.

Mr. Speaker, I want to make it abundantly clear, that while VAT is being reintroduced, it is not intended to place additional burden on the population. This is because VAT Mr. Speaker will replace three existing taxes. These are the General Consumption Tax (GCT), the Airline Ticket Tax, and Motor Vehicle Purchase Tax. To the extent that VAT will be revenue neutral, its broad base would allow for an increase in Government revenue as more items will be taxable but at a lower rate. In addition, our preliminary calculations suggest that the introduction of VAT would lead to a reduction in prices on a wide range of goods.

To give an example; a bed imported for Christmas with a CIF value of EC\$1,000 will be sold for EC\$2,092.50 when GCT is applied. However, when VAT is applied the same bed will be sold for EC\$1,940.63. In other words, Mr. Speaker the price of the bed with VAT applied instead of GCT will be EC\$151.87 cheaper.

We therefore expect that businesses would pass on the lower prices to consumers.

Under GCT		Under VAT	
CIF Value	1,000.00	CIF Value	1,000.00
Import Duty (20% of CIF)	200.00	Import Duty (20% of CIF)	200.00
CSC (5% of CIF)	50.00	CSC (5% of CIF)	50.00
Sub-total	1,250.00	Sub-total	1,250.00
GCT (25% of CIF + Import Duty)	300.00	Input VAT (15% of CIF + Import Duty + CSC)	187.50
Landed cost of bed	1,550.00	Landed cost of bed	1,250.00
Company's Mark-up (35% of landed cost)	542.50	Company's Mark-up (35% of landed cost)	437.50
		Company's price	1,687.50
		Output VAT	253.13
Price to Consumer	2,092.50	Price to Consumer	1940.63

Mr. Speaker, I would like to thank the IMF, CARTAC and CIDA for their invaluable technical and financial assistance provided so far. I would also like to applaud the efforts and hard work of the members of the VAT Steering Committee and the implementation team for ensuring that we are on schedule for October 1st 2007.

The VAT is expected to raise approximately \$44.5m in 2007.

(c) National Reconstruction Levy

Mr. Speaker, one of the major policy measures of the Governments three-year Economic Reform Programme, was the implementation of the National Reconstruction Levy. After months of debate, and amendments to the original Act, the NRL Act was finally passed in Parliament in May 2006.

I am now pleased to inform this Honourable House, that at the end of November EC\$6.9m have been collected from the NRL of which EC\$1.7m were used for Agriculture, EC\$3.9m for Housing Reconstruction, and EC\$0.8m for Youth Development.

It is therefore likely that the minimum target of EC\$8m will be achieved by year end.

For 2007 we are projecting that the NRL will generate approximately EC\$12m, resulting primarily from an increase in economic activity, higher wages, and from the self employed, whose contributions are made in arrears (that is, one year later).

(d) Property Tax and Property Transfer Tax

Mr. Speaker, Property Values in Grenada are highly understated, and therefore, if Government is to collect its fair share of taxes then property values should be taxed based on present market conditions and not those of 1994.

In this regard, Mr. Speaker, I am to inform this Honourable House, that the Valuation Division of the Inland Revenue Department is in the process of carrying out a comprehensive nation-wide revaluation of all properties land

and buildings, so as to establish their true market values. It is expected that this exercise will be completed by January 2008.

Mr. Speaker, at present, lands designated for Agriculture use are not subject to Property Tax. However, it has been observed that some land owners are holding agricultural lands for purely speculative purposes. Government will be seeking an Amendment to the Property Tax Act to ensure that idle agricultural lands, held purely for speculative purposes, are subjected to Property Tax.

Mr. Speaker, several Property owners, particularly in the outer districts have complained of receiving demand notices with outstanding arrears, even in instances when they have produced evidence that they have paid their taxes on time.

We are aware of this problem, and I therefore wish to assure these property owners that steps are being taken to correct this problem, so that there will not be recurrence in 2007, or at the least such occurrences will be minimized.

Both the Property Tax and Property Transfer Tax are expected to yield in excess of EC\$32m in 2007.

(e) The Petrol Tax

Mr. Speaker, the Petrol Tax Act was amended in July of this year to allow for a transparent automatic fuel pricing mechanism.

Under this mechanism a flat tax of \$3.00 per gallon is charged on the C.I.F. values based on an eight (8) week average. In simple terms, the prices of fuel at the pump will change once in every eight (8) weeks. This tax is expected to generate EC\$16.3m in revenue in 2007.

Restoring Fiscal balance:

2) Expenditure Control

(a) Wages and Salaries

Mr. Speaker, Public Sector wages and salaries constitute the single largest element of Government's recurrent expenditure. The current Wage Bill is

EC\$134.3m per year, or 42% of total expenditure. In terms of revenue collected, it means that 35 cents out of every dollar collected as revenue goes towards the payment of salaries and wages.

Historically, salaries and wages have risen faster than inflation and productivity.

If this trend continues then there is a strong likelihood that by 2010 all of Government revenues will be just enough to cover civil service salaries and interest payments, with nothing left to meet other critical expenditures.

It is for this reason that Government has been actively engaging our trade unions on the issue of keeping salaries and wages increase in line with inflation and productivity.

Recently, Government solicited the assistance of the Eastern Caribbean Central Bank in holding dialogue with our Trade Unions on this very important issue.

Mr. Speaker, this Administration has always advocated for a smaller Government and greater efficiency in the public service. For this reason Government has moved towards the rationalization of the public service, and towards the introduction of a system that rewards performance, through a Performance Appraisal System.

In 2007, Government will be implementing a number of projects aimed at rationalizing the Public Service. One of these projects is the Pay and Grade System. The project involves conducting a review of all posts in the public service to address anomalies, and to bring compensation in the public service in line with that of the private sector. The intention is to recommend a Pay and Grade System which can allow Government to attract, retain and motivate qualified and competent public officers.

Mr. Speaker, we subscribe to the basic philosophy that those who work hard, should be paid well.

(b) Servicing the National Debt

Mr. Speaker, in addition to salaries and wages, interest payments on our debt obligations, constitute another major component of non-discretionary Recurrent Expenditure.

In 2005, Government was able to reduce its debt servicing obligations, as a result of a successful debt restructuring exercise with its commercial creditors. In 2006, Government received additional relief as a result of a successful rescheduling of its debt with its Paris Club Creditors.

The Ministry of Finance is continuing its dialogue with non-participating creditors to ensure that the best terms and conditions are obtained, in the interest of our country.

Mr. Speaker, it is instructive to note that during 2006 Government did not engage in any commercial borrowings, notwithstanding the tight fiscal situation.

Credit therefore must go to our Prime Minister for his instrumentality in raising significant grant funds and other forms of assistance from friendly countries to meet our financing needs.

Mr. Speaker, it is our intention not to engage in any commercial borrowing in 2007, as we work towards achieving the standard Benchmark of a debt to GDP Ratio of 60% by year 2015.

7. INSTITUTIONAL STRENGTHENING FOR PRIVATE SECTOR DEVELOPMENT

Mr. Speaker, you may recall that in last year's Budget Presentation, I also outlined a number of policy initiatives that Government would be putting in place to strengthen the business environment for private sector development, and to ensure sustained economic growth.

I am pleased to present a status update on these initiatives:

- (i) With regards to improving the effectiveness of the GIDC in promoting new investments; Cabinet has given its approval for the implementation of a number of measures in order to achieve these objectives; some of these measures include:-
 - (a) The Agency for Reconstruction and Development (ARD) to provide technical assistance to the GIDC to prepare an appropriate

Investment Promotion Strategy and Marketing Plan to execute an effective campaign of promoting additional investment from foreign or domestic sources.

- (b) The role of the Ministry of foreign Affairs to be redefined to support overseas investment promotion.
 - (c) The appointment of at least one Diplomat to work on foreign Direct Investment promotion.
 - (d) The establishment of an investment promotion/negotiation committee to strengthen capacity to negotiate investment deals, especially projects involving the use of Government lands.
- (ii) The Grenada Industrial Development Corporation (GIDC) and the ARD have collaborated in the preparation of a National Investment Policy and a Draft Investment Bill, both of which have been approved by Cabinet.
- (iii) The National Export Strategy was officially launched earlier this year, and is in the process of implementation, with external financial assistance.
- (iv) The Land Registry is in the process of being upgraded.
- (v) With regards to the New Executive Agency to manage issues relating to land use, we anticipate that this institution will come on stream in early 2007.

The Public Sector Modernization Project

Mr. Speaker, in March 2006 the Parliament of this country gave approval for the Minister for Finance to secure a credit of US\$3.5m from the World Bank to finance the implementation of the Public Sector Modernization Project. The project's main objective is to modernize Grenada's public sector and to improve the efficiency and effectiveness of the public service by the creation of Executive Agencies; by enhancing performance management systems; by facilitating economic opportunities for small and micro business through the Grenada Industrial Development Corporation and by strengthening the public sector reform capacity of the Government of Grenada.

Specifically, the Lands and Surveys Department of the Ministry of Agriculture and that section of the Registry that deals with Deeds will all be converted into Executive Agencies.

Under the GIDC component, the small Business Development Centre of the GIDC will be strengthened to provide technical assistance and training to the micro-small segment of the business community, through the provision of advisory services; entrepreneurial skills development (in key areas like accounting and advertising); diagnostic services; and start-up, all of which aim to build the capacity of the labour force and increase local employment.

In 2007, Government has allocated just over EC\$0.6m for this project. A legal expert has already been recruited and plans are well advanced for the recruitment of other senior positions.

8. REDUCING VULNERABILITIES OF THE FINANCIAL SECTOR AND TO NATURAL DISASTERS

Regulating the Financial Sector

Mr. Speaker, the management of the economy does not only require that measures be put in place to ensure growth in the midst of macroeconomic stability, but very important Mr. Speaker is that the financial sector, i.e. banks, insurance companies, credit unions, etc remain stable and do not pose a threat to the economic development of the country. As history has indicated in recent times, Mr. Speaker, the failure of a financial institution can have negative contagious effects not just on banks themselves, but also on the whole economy. It is for this reason that every effort must be made to ensure that financial institutions operate within established benchmarks.

As it is well known, all duly licensed commercial banks are regulated by the Eastern Caribbean Central Bank. In June of this year, the ECCB conducted an on-site supervision visit of all commercial banks in Grenada that are members of the ECCB Clearing House facility and concluded that generally the banking system has remained sound after the two hurricanes and their performance does not pose any threat to the financial stability of the economy.

With regards to regulating non-bank financial institutions, I am to inform this nation that the Bill for the Regulation of Non-bank Financial Institutions was finally passed in Parliament in May 2006. With this Act in place all non-bank financial institutions such as off-shore banks and companies, insurance companies, credit unions, development foundations and money transfer enterprises will now be regulated in order to ensure that our financial sector remains safe and sound and does not pose any threat to the economy. The Board of GARFIN has already been approved; plans are advanced for the recruitment of an Executive Director as efforts are concentrated on having GARFIN operational early in the first quarter of 2007.

Catastrophe Risk Insurance

Mr. Speaker, insuring public assets is a financial burden which many countries, particularly those in our region cannot afford individually. Therefore, following several natural disasters, particularly Hurricane Ivan in 2004, the CARICOM Heads of Government requested the World Bank to develop catastrophe risk insurance instruments.

I am pleased to report that the World Bank has completed the feasibility study and design of the Caribbean Catastrophe Risk Insurance Facility. The Facility will provide coverage for hurricane and earthquake events in participating countries and is intended to be launched in time for the next hurricane season. The Government of Grenada has advised the World Bank that Grenada will join the Facility.

At a time when the forecasts are for more severe and more frequent natural disasters, the Facility is part of a more pro-active and comprehensive approach to natural disaster mitigation and management in the Caribbean.

Some of the key advantages of the Facility include: the pooling of country-specific risks into one diversified portfolio; reduced premiums and rapid disbursement. The cost of coverage will be approximately 40% lower than what countries could obtain if they were to access the insurance market on their own. Moreover, Government will now be able to purchase coverage akin to business interruption insurance with an immediate cash payment after the passage of a hurricane or major earthquake.

Mr. Speaker, I want to make it abundantly clear that the coverage provided by the Facility will not replace traditional property insurance for specific assets such as Government buildings or private property. Nor will it eliminate the imperative for prudent disaster risk mitigation policies such as the strengthening and enforcement of the building code and the retrofitting of public and private buildings. As a Nation, we must continue to invest in improved disaster mitigation. In so doing, we will protect our hard earned gains and over time, reduce the cost of insurance. Several major donors have indicated their willingness to contribute to the establishment of the Facility. These donors are aware that the Facility will provide only partial coverage and that their assistance will still be required if a country is affected by a major hurricane or earthquake.

The Caribbean Catastrophe Risk Insurance Facility will be a captive insurance company owned by participating Governments and donors.

Strengthening the Physical Planning Unit

In the area of reducing vulnerabilities to natural hazards, special attention was given to the institutional strengthening of the Physical Planning Unit of the Ministry of Finance. A day-long retreat for PPU officers was convened in July, to address ways to improve the physical planning process in Grenada given the country's limited resources. Additionally, with assistance from ARD, a draft proposal for the restructuring of the PPU has been completed and is now being examined by the Ministry of Finance and the Planning Development Authority.

The Commonwealth Fund for Technical Cooperation (CFTC) has been a major partner in strengthening the PPU. CFTC has provided the ARD with a Physical Planner, who is working with the Physical Planning Unit. The CFTC has also provided the Unit with a Global Positioning System, two desk top computers and a colour printer to support Local Area Planning.

These efforts have been augmented by the commissioning of a Legislative Consultant to review the Regulations governing the Physical Planning and Development Control Act of 2002. The consultant held discussions with all relevant stakeholders. Given the fact that the regulations governing the Act date back to 1988, the review is very timely. Preparation of the draft regulations is now in progress, and follow-up consultations will be held early in the New Year, as a prerequisite for finalizing the new regulations for the consideration of Cabinet.

Government has also been working closely with the ARD to ensure that as we rebuild our beautiful Country, adherence to the Grenada Building Code and Guidelines becomes more widespread.

The Government is therefore very pleased with the support from the Organization of American States and the Canadian International Development Agency for the Grenada Hurricane Resilient Home Reconstruction Programme.

With this Programme, training and capacity building will be made available to all those involved in the construction sector. These include the financial and insurance community, relevant statutory bodies, contractors, draftspersons, engineers, architects and tradesmen. There will also be a public education component to ensure home owners are equally informed about the Building Codes and Guidelines.

9. GRENADA'S PREPARATION FOR THE CARICOM SINGLE MARKET AND ECONOMY

Mr. Speaker, on the 3rd of July, 2006, Grenada together with the rest of OECS countries signed on to the Single Market arrangement.

The necessary legislation was amended to give effect to the Single Market and to be compliant with the Revised Treaty. The Single Economy is expected to be launched in 2008.

Mr. Speaker, I am pleased to report that the CSME Unit in the Ministry of Foreign Affairs and International Trade has intensified its Public Education Programme throughout Grenada, Carriacou and Petite Martinique. During the period 1st January to 30th November 2006, a total of eighty-four presentations on the CSME were made by officers of the unit. Public education will again be given priority in 2007.

Mr. Speaker, I wish to inform this Honourable House that two new categories of workers for Free Movement have been added to the five I mentioned last year: these are Nurses and Teachers. The intention is that by 2008, there will be total free movement.

Mr. Speaker, the Revised Treaty makes provisions for disadvantaged countries, to enhance their prospects for successful participation within the

Community. Grenada will ensure that measures are put in place to address, to the extent possible, any negative impact of the establishment of the CSME on the economy.

10. GOVERNANCE

Mr. Speaker, this Government prides itself in practicing the principles of transparency and openness in matters of the State and of public life. We have now institutionalized the consultative process with our people in the preparation of the Annual Estimates of Revenue and Expenditure. The Ministry of Finance holds quarterly meetings with commercial banks, insurance companies and statutory bodies. The Prime Minister himself has sought to organize quarterly meetings with the Trade Union Council, and all forms of the media are widely used for persons to express their feelings and opinions without fear.

Mr. Speaker during this year, the Government sought to enhance the work of the Multipartite Committee by providing it with a Secretary and an annual budgetary allocation. We have sought technical advice from similar institutions within the region; in July, the ECCB made a presentation to the Government Negotiating Team and the Trade Union Council on the relevance and compilation of the CPI, since it was a major issue in the present round of salary negotiations for public officers; and only a few weeks ago, the Governor of the ECCB together with the leaders of similar organizations in the OECS made presentations to our local multipartite committee on issues of prices, wages, employment and productivity. These discussions will assist the multipartite committee in drafting its position on wages, prices, productivity and employment to be binding by all parties concerned. Earlier this year when the NRL was the most discussed issue in the country, Government first engaged the Chamber of Industry and Commerce and then the Conference of Churches of Grenada to mediate in the discussions with the unions.

Mr. Speaker, in order to ensure integrity in public life, two Bills are presently before the Parliament namely: the Integrity in Public Life Act 2006 and the Prevention of Corruption Act 2006. Mr. Speaker Government is committed in ensuring early enactment of these bills.

11. COST OF LIVING, POVERTY ALLEVIATION AND SAFETY NET MEASURES

Mr. Speaker this was another measure outlined by Government in the reform programme. Indeed it is the third aspect of the theme of this year's budget.

a) Cost of Living

Government has recognized and is concerned that the incidence of high prices has been falling disproportionately on the poor and vulnerable members of the society - the aged, sick, the physically challenged and school children. In fact, Mr. Speaker, the question of high prices has been one of the major issues arising from the national consultation on the budget.

Mr. Speaker, it must first be stated that Government is not in a position to regulate all prices. It can only exercise some control on the prices of items that are listed on the Price Controlled List of items. For this purpose the Ministry of Finance presently employs 12 price-control officers (including two in Carriacou), whose job is to monitor the prices of these items in supermarkets and shops, and to report on variances that are not in keeping with the agreed price. We would also like to urge the business community to keep the price mark-up on non-price controlled items within reasonable margins.

b) Poverty Alleviation and Safety Nets

Mr. Speaker, this Government has constantly demonstrated that it genuinely cares about the poor and disadvantaged in our society. In fact, the alleviation of poverty remains at the top of Government's Social and Economic Agenda, as it pursues the primary objective of achieving the Millennium Development Goals by 2015. In 2006, Government spent EC\$7.8m in providing assistance to the poor and disadvantaged.

In recent times, the poor and other persons on fixed income have been further marginalized as a result of rising prices. Recognizing the impact of higher prices on the poor and disadvantaged, Government has decided to increase its budgetary allocation to EC\$11.4m for poverty alleviation and implementation of safety net measures.

Specifically, Government has decided on the following:

- 1) the number of persons receiving public assistance will be increased from 4,500 to 5,500;
- 2) the number of persons entitled to “free water” under the Water for the Poor programme will be increased;
- 3) Subventions to day care centers and homes for the Aged have been increased;
- 4) Government will continue to assist needy students with books and uniforms, and with the payment of tuition and examination fees;
- 5) A disaster Fund for fire victims has been established;
- 6) Government will continue to provide assistance to persons in crisis and for the burial of the poor;
- 7) The programme of assistance to underprivileged and necessitous persons will be increased;
- 8) A Senior Citizen Outreach programme organized by the Ministry of Social Development has been implemented;
- 9) Government will continue to provide assistance to needy persons requiring medical attention (such as CT Scan, Dialysis, Chemo, radiotherapy, etc) that cannot be provided locally; and
- 10) The programme of providing free drugs to needy persons for certain categories of illness will be maintained.

Mr. Speaker, Government also recognizes that with the recent increase in fuel prices, our traveling public and in particular, our school children and elderly citizens have been placed at a disadvantage. In order to alleviate the financial burden on parents of needy children who have to travel long distances to school, Government has decided on the following:

- Effective from the first quarter of 2007 all students attending TAMCC from the outer parishes will be allowed to travel to and from school free of cost.
- A similar programme will be extended to all students from the outer parishes attending secondary schools in St. George’s, once the TAMCC programme is successfully implemented.
- Senior citizens in receipt of Public Assistance traveling from the outer parishes to St. George’s will be considered for free travel as well.

The Ministry of Transport in collaboration with the Ministry of Finance and the Grenada Port Authority are working out the modalities for an early implementation of these initiatives.

Mr. Speaker, Government also recognizes that our bus owners and drivers have been making a significant contribution in transporting our workers and children to and from work and school respectively.

Cognizant of the relatively high cost of purchasing a bus, and maintaining that bus on the road, Government has decided on the following:

- Effective as of the first quarter of 2007 all new buses purchased and designated for public transport will be entitled to a 25 per cent reduction of the GCT.
- Government will review its previous recommendation of granting a reduction on the duties and taxes of tyres for buses with a view to implementing the recommendation, once appropriate control mechanisms are in place.

Mr. Speaker, Government is prepared to give similar consideration to our taxi owners and drivers, once the appropriate structure is in place, as discussed with our Prime Minister.

Mr. Speaker, it is hoped that these measures will assist in stabilizing transport cost, thus providing much needed relief to our traveling public.

Mr. Speaker, these are the actions of a Government that cares and is prepared to work in the best interest of our Nation.

12. ACKNOWLEDGEMENTS

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

The Government of the People's Republic of China
The Government of the Republic of Trinidad & Tobago

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

Mr. Speaker, I also take this opportunity to express my deepest appreciation to the Permanent Secretary and staff of the Ministry of Finance including the Government Printery, and to the public workers in other Ministries and Departments who have contributed to the preparation and delivery of this Budget.

Mr. Speaker, I also thank the Acting Clerk of Parliament and staff for their assistance in the preparations for today's Presentation.

Mr. Speaker, I also extend my gratitude to the Multi-Partite Consultative Committee, and other community groups and organisations with whom we consulted during the past year. Your contributions have enriched today's Presentation.

Sincere thanks to the thousands of Grenadians and friends and supporters of Grenada living abroad, and to all of you who have provided constructive criticisms of our policies and programmes. We welcome your criticisms as they serve as a gauge through which we can measure the correctness of our policies and the extent to which we are satisfying the needs of the population.

Mr. Speaker, my sincere thanks and appreciation are extended to my constituents of St. Patrick's West, and the entire population of Grenada, Carriacou and Petit Martinique. In you I found mental strength, in you I found the motivation, drive and serenity that this work requires. I want to sincerely say to you that support has kept me strong.

13. CONCLUSION

Mr. Speaker, in the Book of Ecclesiastes Chapter 3 Verse 1, it is written:

“To everything there is a season, a time for every purpose under the heaven.”

As a Government and People, we have experienced difficult and challenging times, but we have prevailed;

We have had to contend with both man-made and natural disasters, for example:-

- The effect of global recession in the wake of 9/11 attacks in the USA;
- The destruction of our economy by Tropical Storm Lily;

- The negative effects of rising oil prices, and more recently,
- The devastating effects of major hurricanes on our economy: Ivan in 2004 and Emily in 2005.
- Destructive criticisms even by our own people, here, and abroad.

Amidst all of these difficulties and hardships, as a Government we performed reasonably well. Lest we forget, let me remind our Nation of the following:

1. Grenada led all other OECS countries in economic performance, prior to Hurricane Ivan;
2. Grenada was the first and still is the only country of the OECS to receive a positive credit rating from Standard and Poors;
3. Grenada was the only OECS country to be ranked No. 1 in the world on two separate occasions for improved credit worthiness;
4. This Government has done more to improve the physical and social infrastructure of this country than all other previous Governments combined;
5. This administration has provided more scholarships for our youth to pursue studies, locally and abroad, than any other administration;
6. Under this NNP Administration, Grenada was the first OECS country to introduce computers in Secondary Schools, and we are taking the lead in the Caribbean in implementing the Caribbean Learning Knowledge Network Project
7. We have done more to help the poor and disadvantaged than any other administration.

Today Mr. Speaker,

- More Grenadians now have their own homes than at any other period in our history- thanks to our enlightened fiscal policy;
- There are more motor vehicles per capita on our road, than in any other OECS country - testimony to our new found prosperity
- There are more newspapers, radio stations and T.V. Stations operating in Grenada today than at any other period in our history - testimony to our new found democracy

These achievements Mr. Speaker should never be taken for granted, because in our eagerness to bring prosperity to our people some mistakes were made, and for which we paid the price.

But, Mr. Speaker, as it is said: “Show me a man or a Government that does not make mistakes, and I will show you a man or Government that does nothing.”

And to all those who are overly critical of the mistakes that were made, I admonish you to take heed of the words of Jesus Christ, Our Saviour, who said:

“Let him among you who is without Sin cast the first stone.”

Or further still as is stated in Matthew Chapter 7, verse 5: *“First cast out the beam out of thine own eye; and then shalt thou see clearly to cast out the mote out of thy brother's eye.”*

Mr. Speaker constructive criticism should be welcomed by any Government that believes in the democratic process, since it is the mirror through which we can see our strengths and weaknesses.

On the other hand, Mr. Speaker, criticisms that are malicious and intended to destroy, can do our country no good.

When we criticize and condemn, it must be positive, based on facts and evidence and not on hearsay and rumors.

Mr. Speaker, today we stand on the threshold of a new beginning for our country!

The benefits to our country from hosting CWC 2007 can be tremendous; genuine investors are ready to invest billions of dollars into our economy.

These potential developments are sending shock waves into the “hearts” of a few. As far as they are concerned those developments should not take place under an NNP Government.

It seems therefore Mr. Speaker, that there is a sinister movement afoot to derail our progress train.

But let it be known to all Mr. Speaker that as a people we have seen our darkest days in October 1983. And one thing we know for sure Mr. Speaker, is that we are not going back there.

We have already crossed the Valley of Despair, having survived two major hurricanes. We are now moving up to the Mountain of Hope and with the protection of the Almighty and the commitment of the People, nothing Mr. Speaker will stop this train. The Promised Land cannot be far away.

I therefore put out a clarion call once more to all Grenadians to join together in building this beautiful Nation.

Mr. Speaker, this is not NNP time or NDC time or Prime time; it is the People's time; and the people are saying - time to settle down.

That is why we have formulated a budget that is people centered, one that reflects the hopes and aspirations of the vast majority of Grenadians.

We have to continue to demonstrate that togetherness and patriotism that got us out of the wrath of two major hurricanes.

We have to continue to remain focused and committed to our task of nation building. We need to have everyone on board. No one must be left behind. Each one of us has our part to play and we must play it to the best of our ability. In the end not only are we going to be proud of our efforts, not only our children and children to come would be thankful and grateful for what we would have done for them, but when the history of this country is written, we will be writing some of the most glorious pages of economic and political history in this country.

So let's once again join hearts and hands together and work and produce for the common good. In this budget we have presented the plans and programmes that would lead to continued growth and prosperity.

As the Lord declares in Jeremiah 29, verse 11: *“For I know the plans I have for you, ... plans to prosper you and not to harm you, plans to give you hope and a future.”*

May I take this opportunity to wish you all, and in particular, the brave and historic people of St. Patrick, a happy Christmas and a Bright and Prosperous New year.

May Good Bless Us All!

14. APPENDICES

Appendix 1
Central Government Debt (EC\$m)
As at December 31, 2006

Total Domestic	200.56
T/Bills	71.44
Bonds	29.56
Loans	38.06
Others	61.5
Total External	1278.69
Bonds	755.65
Loans	523.04
Total Domestic & External	1479.25

Appendix II
Summary of Recurrent Expenditure 2007

VOTE	TOTAL	% OF TOTAL
01 Governor General	812,296	0.20
02 Parliament	1,510,339	0.37
03 Supreme Court	2,096,551	0.52
04 Magistracy	1,457,811	0.36
05 Audit	1,034,719	0.25
06 Public Service Commission	719,113	0.18
07 Director of Public Prosecutions	753,248	0.19
08 Electoral Office	429,029	0.11
09 Ministry of Legal Affairs	1,512,837	0.37
10 Prime Minister's Ministry	8,518,013	2.09
11 Prisons	5,750,043	1.41
12 Police	38,477,424	9.46
14 Labour	847,659	0.21
15 Ministry of Tourism, Civil Aviation, Culture and Performing Arts	3,593,311	0.88
16 Ministry Foreign Affairs and International Trade	8,014,153	1.97
19 Ministry of Sports, Com. Dev. & Co-operatives	3,505,283	0.86
20 Min. of Finance and Planning	35,001,945	8.60
21 Pensions and Gratuities	32,600,000	8.01
22 Public Debt.	92,811,930	22.81
Foreign Interest Payments	24,436,326	6.01
Domestic Interest Payments	12,167,066	2.99
Foreign Principal Payments	31,255,129	7.68
Domestic Principal Payments	24,953,410	6.13
23 Salaries and wages increase	20	0.00
25 Contributions	11,381,686	2.80
30 Min. of Comm, Works and Transport	5,316,892	1.31
32 Post Office	10,790	0.00

APPENDIX III
SUMMARY OF CAPITAL EXPENDITURE 2007

VOTE	TOTAL	% of Total
01. Governor General	-	-
02. Parliament	23,000	0.01
03. Supreme Court	110,000	0.05
04. Magistracy	29,300	0.01
05. Audit	3,000	0.00
06. Public Service Commission	5,180	0.00
07. Director of Public Prosecution	-	-
08. Electoral Office	811,643	0.36
09. Ministry of Legal Affairs	220,000	0.10
10. Prime Minister's Ministry	45,588,374	20.22
11. Prisons	955,000	0.42
12. Police	9,195,000	4.08
14. Labour	25,000	0.01
15. Ministry of Tourism, Civil Aviation, Culture,	24,005,500	10.65
16. Ministry of Foreign Affairs	333,903	0.15
19. Ministry of Youth, Sports, Community Development & Co-op.	10,334,796	4.58
20. Ministry of Finance	19,065,453	8.45
30. Ministry of Works, Communications and Public Utilities	43,218,360	19.17
35. Ministry of Social Development	8,879,795	3.94
36. Ministry of Carriacou and Petite Martinique Affairs	4,489,257	1.99
40. Ministry of Education	15,222,000	6.75
50. Ministry of Health and the Environment & Social Security	12,099,670	5.37
64. Ministry of Agriculture, Forestry, Lands, Fisheries & Utilities	30,879,594	13.69
TOTAL	225,493,825	100.00

APPENDIX IV
GRENADA: ECONOMIC AND FISCAL SUMMARY

	2002	2003	2004	2005	2006 Prel.	2007 Estimates
Real Growth Rate	0.8	5.8	-6.9	12.1	1.4	5.0
CPI, End-of-year	2.3	1.6	2.5	5.8	2.0	2.0
CPI, Period average	1.1	2.2	2.3	3.5	4.2	2.0
Current Revenue	292.5	330.4	301.2	359.8	383.7	441.1
Current Expenditure	285.4	291.6	329.6	303.0	319.8	350.7
Current Account Balance	7.1	38.8	-28.4	56.8	63.9	90.5
Overall Balance (after grants)	-211.1	-57.6	-32.7	-7.5	-89.4	-39.8
Customs & Excise	153.8	174.8	167.1	210.9	210.4	194.9
Inland Revenue	117.3	123.4	111.8	132.5	142.8	216.6

NOTES

