



Government of Grenada

2021 BUDGET STATEMENT

Presented by
Honourable Gregory Bowen

Minister for Finance,
Economic Development,
Physical Development,
Public Utilities and Energy



Theme:

*Towards Vision 2035: Recovery,
Transformation, and Resilience.*





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To

The House of Representatives

Grenada Parliament Building
Mt. Wheldale
St. George

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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 2021 by means of an Appropriation Act;

Be it resolved that the Estimates of Expenditure for the year 2021 be approved.”

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

Mr. Speaker, in compliance with the Fiscal Responsibility Act, and Regulations under the Public Finance Management Act and the Public Debt Management Act, I wish to advise that the following reports are being submitted to this Honourable House:

1. The Medium-Term Fiscal Framework 2021-2023, in accordance with Section 9 (2) (a) of the Regulations for the Public Finance Management Act No. 17 of 2015;
2. The Budget Framework Paper 2021, in accordance with Section 13 of the Regulations for the Public Finance Management Act No. 17 of 2015;
3. The Medium-Term Debt Management Strategy 2021-2023, in accordance with Sections 5(1) to 5(3) of the Public Debt Management Act No. 28 of 2015, as amended;
4. The Fiscal Risk Statement, in accordance with Section 12 (1) (e) of the Fiscal Responsibility Act No. 29 of 2015, as amended.
5. The 2020 Economic Review and Medium-Term Outlook; and,
6. The 2019 Annual Debt Report.

Mr. Speaker, as a nation and a people, we have once again demonstrated incredible resilience in the face of adversity.

For this Mr. Speaker, I am immensely grateful to the Almighty God for his continued mercies and guidance.

Indeed, I am comforted by his words in the Holy Scriptures in the book of 2 Corinthians 4: 8 and I quote **“We are hard pressed on every side, but not crushed; perplexed, but not in despair.”**

I am also extremely grateful, Mr. Speaker, to all our citizens for their sacrifice and patriotism, especially our frontline workers, for putting country above self in the fight against this deadly Coronavirus. It is through our collaborative efforts that we have successfully managed the pandemic thus far. I encourage us all to recognise our individual and collective responsibility as we continue to safeguard our beautiful country and all of its people.

I also wish to thank our friends and partners outside of Grenada for their strong show of support in helping us to navigate this extremely challenging period.

Mr. Speaker, I am grateful to the Hon. Prime Minister for the confidence reposed in me to lead the Ministry of Finance in this difficult period.

Permit me to also express, on behalf of the Government and people of Grenada, my deepest condolences to the families who have lost loved ones in the Diaspora due to COVID-19. Our hearts and prayers are with you all.

Mr. Speaker, the impact of the COVID-19 pandemic is unprecedented in scope and magnitude.

As I address this Honourable House today, over 63 million people globally have contracted this deadly virus and in excess of 1.4 million have sadly succumbed to its effects.

The pandemic is expected to shrink global output by US\$8.5 trillion this year alone and it has thrown tens of millions of people across the world into poverty and unemployment.

Here at home, forty-one cases have been recorded to date and our economy is expected to experience its worst economic downturn on record.

Mr. Speaker, this is the scope and magnitude of the challenge that we have been grappling with since March of this year. The road ahead will be extremely difficult as we reshape and renew our economy and society in this new and uncertain environment.

While we are proud of our response to the pandemic, much work lies ahead. We must therefore remain steadfast in our efforts to protect our people and rebuild our economy.

Rising from the ashes of this pandemic will require bold and decisive leadership, the kind of leadership that this Administration demonstrated previously, in rebuilding the economy in the aftermath of Hurricanes Ivan and Emily, and the Global Financial Crisis.

Mr. Speaker, I now turn to the economic and social context for the 2021 Budget.

2. ECONOMIC AND SOCIAL CONTEXT

2.1. International and Regional Developments and Outlook

Mr. Speaker, the 2021 Budget has been prepared against a backdrop of extraordinary uncertainty facing the global economy.

The International Monetary Fund (IMF), in its World Economic Outlook released on October 13th, noted that while the outlook for the global economy has improved slightly relative to its June 2020 forecast, the situation remains extremely grim.

Closer to home, the Caribbean region has not fared better. Except for Guyana, the rest of the region will see economic declines ranging from 4% to 20% this year.

The impact on the eight-member Eastern Caribbean Currency Union (ECCU) is particularly acute, given the small size of their economies, heavy dependence on tourism, limited resources, and inextricable link to the global economy.

Mr. Speaker, more details on the performance of the global economy, CARICOM and the ECCU can be found in Appendix II of the published copy of this Statement.

2.2. Impact of the Pandemic on the Domestic Economy

2.2.1. Economic Performance

Mr. Speaker, Grenada's economy expanded at a brisk pace in the past seven years, with economic growth averaging 4.4% in real terms over the period 2013-2019.

However, data for the first half of 2020 indicated major declines in all sectors of the economy, particularly the Tourism and Private Tertiary Education sectors. As a result, an overall double-digit contraction of 12.2% is estimated for 2020 in contrast to the 3.2% positive growth projected at the start of the year.

2.2.2. Fiscal Performance

Mr. Speaker, Grenada's solid fiscal position weakened considerably in the first half of 2020 as revenues declined sharply and expenditure needs grew to cushion the economic blow dealt by COVID-19; the combined effect exerting a serious strain on Government's finances.

By year end, the following results are expected relative to the Approved Budget.

- Current revenues of EC\$654.2 million compared to a target of EC\$786.2 million, a shortfall of EC\$132 million.
- Grants of EC\$114.6 million compared to a target of EC\$218.6 million, a shortfall of EC\$104 million.
- Taken together, current revenues and grants underperformed by EC\$236 million as a direct consequence of the pandemic.
- Current expenditure of EC\$620.1 million compared to a budget of EC\$633.7 million.

- Capital spending of EC\$122.1 million compared to a budget of EC\$196.4 million.
- A primary surplus of EC \$82.2 million compared to a target of EC\$246.2 million
- An overall surplus of EC\$26.6 million compared to a target of \$170.6 million

The negative impact on Government's fiscal position can be acutely seen when compared to the past 4 - 5 years.

The overall surplus of EC\$26.6 million or 0.9% of GDP pales in comparison with overall surpluses generated during the period 2014 – 2019, which averaged 3.8% of GDP.

Also, the estimated primary surplus of EC\$82.2 million, or 2.9% of GDP, is significantly smaller than those recorded in the past five consecutive years, which averaged 5.3% of GDP.

2.2.3. Public Debt Developments

Mr. Speaker, significant progress was made in reducing Grenada's debt vulnerabilities and in regaining international creditworthiness. Our public debt to GDP ratio fell from 108% in 2013 to under 60% at the end of last year. This is a significant achievement by any standards.

The severe disruption in economic activity this year necessitated new borrowings of long-term concessional loans from multilateral creditors to help address the socio-economic fallout from the COVID-19 pandemic. Accordingly, Mr. Speaker, and justifiably so, there will be a spike in our debt-to-GDP ratio by approximately 13%, to an estimated 69% of GDP.

Notwithstanding, our debt remains sustainable, and with the anticipated recovery in economic activity over the medium-term, it is expected that our debt would revert to its firm downward trajectory.

Once our economic recovery takes hold, Mr. Speaker, Government will redouble its efforts towards achieving the debt targets under the Fiscal Responsibility Law (FRL).

2.2.4. Unemployment and Social Dislocation

Mr. Speaker, the downward trend in unemployment in the past seven years which saw a historic low of 15.1% in the fourth quarter of 2019, was reversed to 28.4% in the second quarter of 2020, because of the economic shock, with 14,000 jobs being lost.

Many of our citizens who lost their jobs or source of income during this crisis, had nothing to fall back on and could not provide for themselves or their families.

3. GOVERNMENT'S RESPONSE TO COVID-19 AND STATE OF RECOVERY

Mr. Speaker, the fallout from the pandemic could have been far worse for Grenada had it not been for the proactive and comprehensive response by Government, coupled with prudent fiscal management which has generated surpluses over the past few years.

Mindful of the potential impact of the virus on the health of our people and our health system, Government took swift action to strengthen our health system, including by adopting new Public Health Regulations to govern the national response to the pandemic, and by accelerating our pandemic preparedness capabilities through upgrading health facilities and equipping them with isolation capabilities, and increasing health expenditure to allow for more environmental health officers, personal protective equipment as well as public awareness campaigns.

Government also took decisive action to save jobs and protect livelihoods. A Supplementary Budget was approved by Parliament in April 2020 to facilitate the rollout of a COVID-19 Economic Stimulus Package. A Secretariat was established as the dedicated and competent authority to oversee the rollout of the plan in an efficient and transparent manner. Through this package, Government provided temporary payroll support to hoteliers, restaurants, bars, and small travel agents in the tourism sector, and income support to public bus operators, taxi drivers, tourist vendors, and other hospitality-based businesses.

Additionally, Government increased funding to the small hoteliers' facility and the small business soft lending facility at the Grenada Development Bank (GDB), and, also, eased the terms and conditions to access the funds. Government also temporarily deferred the monthly advance payment on Corporate Income Tax and the instalment payments on the Annual Stamp Tax, all in a concerted effort to help micro, small and medium-sized enterprises (MSMEs) to maintain operations and preserve jobs.

Furthermore, support was provided to farming communities, including supporting incomes of workers in the agro-processing and food exporting industry and providing key agricultural inputs, including labour, capital, and financial assistance. Moreover, Mr. Speaker, Government has committed to provide price support to the Grenada Cooperative Nutmeg Association (GCNA) and Grenada Cocoa Association (GCA), aimed at ultimately protecting the livelihoods of male and female farmers. Mr. Speaker, as recently as Friday, November 27, a \$1.0 million grant was handed over to the GCNA as price support to our nutmeg farmers.

Going forward, Government will continue to ramp up support to the agricultural sector aimed at promoting food and nutrition security, reducing the food import bill, and improving operations of the two cooperatives, among other strategic priorities.

Mr. Speaker, the COVID-19 pandemic has laid bare social inequalities and exposed holes in our social safety nets, which have compounded gender disparities, with women being disproportionately affected. Therefore, to help cushion the social impact of the pandemic, Government suspended (for the period April to July 2020) the 2.0% increase in National Insurance Scheme (NIS) contributions that had been introduced in January 2020.

Additionally, Government, through the NIS, initiated a temporary unemployment benefit programme during the period April to September, 2020 at an estimated cost of EC\$10.0 million. During the period, a total of 3303 persons (1805 women and 1498 men) received unemployment benefits.

Mr. Speaker, given the continued impact of the pandemic on economic activity and unemployment, Government has approved an extension of the unemployment benefit programme to January 2021.

Given the absence of a formal unemployment benefit scheme, Government plans to develop a formal contributory unemployment benefit programme to be administered by the NIS. As a clear testament of Government's overall commitment to enhancing social protection systems and improving the delivery of social services, Cabinet has already approved a consultancy to design the framework for this programme.

Mr. Speaker, Government has worked assiduously to mobilise concessionary financial resources to offset the significant shortfall in its revenues and grants. To date, Government has mobilised EC\$160.9 million in financial support and debt relief from its regional and international partners to help cushion the effect of the pandemic. Mr. Speaker, Government will continue with these efforts to ensure that we continue to build our preparedness and resilience in this time of great uncertainty.

Mr. Speaker, our efforts in this regard have set the stage for a robust and inclusive recovery. Indeed, Mr. Speaker, the road to recovery has already begun, with real GDP expected to rebound in 2021, albeit from a low base. Further strengthening is expected in 2022 and beyond.

Mr. Speaker, preliminary data suggests that the unemployment rate is already declining, estimated to reach around 20% by year-end, as many sectors, including construction, agriculture and wholesale and retail, continue to normalise.

4. MAJOR ACHIEVEMENTS IN 2020

Mr. Speaker, despite the major disruption caused by the pandemic, which threatened to make 2020 a lost year, we can boast of several major achievements.

I wish to highlight some of the successes in health, education, agriculture, and youth empowerment.

Health

- **The upgrading of existing health infrastructure.** Several medical centres and health stations were refurbished, including in Woburn, Good Hope, Perdmontemps, and Grand Anse. The upgrading of the Nurses Hostel at Princess Royal in Carriacou was also completed. Despite delays, the replacement of one of the elevators at the General Hospital was completed.
- **The construction of new health infrastructure.** An Isolation Ward was constructed at the General Hospital, which enhances the capacity to respond to and provide essential care and services in the fight against communicable diseases, such as COVID-19.
- **Retrofitting of facilities.** As part of the Smart Healthcare Project, several health facilities, including the Hillsborough Health Centre and the Princess Alice Hospital, were retrofitted to incorporate climate smart technologies in the health infrastructure.
- **Laboratory systems upgrades** were also completed.
- On the issue of sustainable health financing, work advanced on the **National Health Insurance (NHI)** project, including the completion of the draft legislation.
- Mr. Speaker, progress was also made in **strengthening health care delivery and access to care**, including through the procurement of equipment and essential supplies.

Education

- **E-Learning Agenda.** Mr. Speaker, significant progress was made in advancing Government's e-learning agenda, through the procurement of a learning management system and 24,200 e-learning devices for use by teachers and students.
- **Capacity Building.** Seventy-seven (77) teachers received financial assistance to facilitate long-term training and degree completion.

- **School infrastructure.** Significant progress was made in upgrading school infrastructure through rehabilitation and maintenance.

Agriculture and Fisheries

- **Construction contracts at a value of EC\$46.8 million, under the Agriculture Feeder Roads Phase III** project, have been signed, and the sod was turned for the start of work in Grenada and Carriacou. Preparatory works for the construction of several other agriculture feeder roads, under the Smart Agriculture and Rural Enterprise Project (SAEP), were completed.
- Government approved EC\$5.0 million for twelve agriculture initiatives under the World Bank-supported **Agriculture Competitiveness (AGRICOM) project.**
- **Financing was provided through the Grenada Development Bank (GDB)** to the tune of EC\$1.7 million to Micro, Small and Medium-Sized Enterprises (MSMEs) within the agriculture and fisheries sector.
- Government **increased farm labour support** by over 330%, which created over 1,000 temporary jobs and benefited 442 farmers.
- The Ministry of Agriculture submitted a EC\$4.0 million **Agriculture Youth Entrepreneurship project proposal** to the CARICOM Development Fund (CDF), which will support Government's thrust to boost youth involvement in the sector. Preliminary feedback has been very promising.
- Government provided a **grant of EC\$1.0 million to the Grenada Cooperative Nutmeg Association** to provide price support payments to nutmeg farmers.

Youth Empowerment

- Over 2,000 young people benefitted from **on-the-job training and scholarship opportunities.**
- Several youth programmes were reintroduced at the parish and national levels, including the **Youth Parliament and the Youth Ambassadors.**

- **Training and entrepreneurial support** were provided under the M-Power 2.0 project to 360 young men, to help start their businesses or find gainful employment.
- Continued the **Community Youth Rehabilitation Programmes**, such as the Fostering Level-Headed Youths Project (Project FLY) and the Actively Committed & Empowered Project (Project ACE).
- Upgraded the **Youth Development Centre**.
- **Rebranded, strengthened, and expanded the small business unit** from the Grenada Youth Enterprise Initiative to YUTBIZ, to provide micro financing opportunities to young Grenadians.

These are only a few of our many achievements under difficult circumstances, Mr. Speaker.

While we are indeed proud of our many achievements this year, we are mindful of the challenging journey ahead.

I will now turn to the theme and strategic focus for the 2021 Budget.

5. THEME AND STRATEGIC FOCUS OF THE 2021 BUDGET

Mr. Speaker, our National Sustainable Development Plan (NSDP) for 2020 – 2035, which was laid before this Honourable House in November 2019, articulates the following shared vision: “Grenada, a resilient and prosperous nation, with a conscious and caring citizenry, promoting human dignity, and realising its full potential through sustainable economic, social, and environmental progress for all.”

The impact of COVID-19 has underscored the importance of steadfastly pursuing this shared vision for our people. It has also underscored the importance of being nimble, flexible, and adaptive as we plan for our future.

Indeed Mr. Speaker, the NSDP is crucially important to guide the formulation of strategic policies that prioritise inclusion, equality and

sustainability to support our economic recovery in the short-term and our economic transformation over the medium-to-long term.

In deciding on the strategic focus for the 2021 Budget, Government consulted widely with key stakeholders and there is consensus on the following:

The most urgent priority is restoring hope in our people and supporting the recovery of our economy.

Second, we must continue to push ahead with our efforts to modernise and transform our economy to meet the new demands of this dynamic global landscape.

And third, we must continue to strengthen community-level and nationwide resilience to various shocks, be they economic or environmental, or shocks to our health and education systems.

Without these efforts, our country will be trapped in a vicious cycle of low growth, high unemployment and rising debt.

This 2021 Budget must therefore address the immediate challenge of getting us out of the economic downturn that we are currently in and putting us back on track towards achieving our shared vision.

Mr. Speaker, I am pleased therefore to present the 2021 Budget under the theme: Towards Vision 2035: Recovery, Transformation, and Resilience.

6. OUTLOOK FOR 2021

Mr. Speaker, we are projecting a return to positive economic growth in 2021.

The agriculture, construction, wholesale and retail sectors will drive this recovery. Other key sectors, including tourism and private tertiary education, are projected to recover much slower and will continue to affect the speed of our recovery. Overall growth of 6.0% is projected next year.

Notwithstanding this relatively strong rebound in GDP, the nominal dollar value of national output in 2021 will be below pre-COVID-19 levels.

Mr. Speaker, we project that the growth in revenues will remain flat next year. While some areas are expected to show modest increases, many major tax types, including the Corporate Income Tax and the Personal Income Tax, will decline given that they are based on the 2020 economic performance.

Mr. Speaker, significant efforts will be made to contain discretionary recurrent spending to allow for greater recovery spending on the capital side.

In keeping with this objective, Mr. Speaker, the provision for recurrent spending, excluding the amount of EC\$13.4 million allocated as a Contingency Provision, is less than the estimated outturn for this year.

An expanded capital investment programme will be rolled out next year to support economic recovery and job creation.

Government will strategically prioritise the Public Sector Investment Programme and strengthen systems and capacity to increase the implementation rates of projects and programmes that are deemed to best support resilient, inclusive growth and job creation

Mr. Speaker, in light of the foregoing, an overall deficit after grants of EC\$18.2 million, is projected in 2021. This deficit will be financed from budgetary support from the World Bank and from monies that were being set aside to bolster our resilience to shocks.

7. FISCAL MEASURES

7.1. Revenue Measures

Mr. Speaker, there will be a strong drive to collect tax arrears. Our revenue collecting agencies will continue their efforts to improve the administration and collection of revenues to not only ensure that we all pay our fair share, but to also facilitate an improved taxpayer experience.

Furthermore, the Ministry of Finance will undertake a review of all Government services and fees by the first quarter of next year and make recommendations to the Cabinet for updating this list of fees and services.

7.2. Expenditure Measures

Mr. Speaker, Government remains committed to reducing wastage and improving the efficiency of spending.

In 2021, Government will be implementing recommendations from the recently completed Public Expenditure Review, to improve efficiency and ensure that expenditures are aligned with the Government's strategic development priorities. Government will also strengthen its internal audit capacity with support from the World Bank to conduct risk-based audits to help strengthen our expenditure management framework.

Additionally, Government will target specific areas for expenditure rationalisation, which will save millions of dollars.

1. A freeze on hiring in all truly vacant positions - **approximately ECS\$11.0 million in savings**. Mr. Speaker, it is important to clarify that these are positions for which there are no substantive holders appointed by the Public Service Commission, and no officers holding contracts, acting, or serving probationary appointments against these positions.
2. An overall 20% reduction in utilities (electricity, communication expenses, and water) - **approximately ECS\$6.0 million in savings**.
3. A 75% reduction in overseas travel - approximately \$700,000 in savings.

Government has made an appeal to public sector trade unions regarding a deferral of negotiated salary increases for 2021, estimated to add EC\$13.4 million to the wage bill. Further, Government is appealing for restraint in making any demands for wage and salary

increases in 2021. Mr. Speaker, these measures could go a long way in helping to preserve jobs in both the public and private sectors, in this extended period of economic uncertainty.

Government remains hopeful that as a nation we will find common ground on this issue of wage and salary increases to help protect jobs in this challenging period.

I now turn to the Estimates of Revenue and Expenditure and the specific areas of intervention for 2021.

8. ESTIMATES OF REVENUE AND EXPENDITURE FOR 2021

8.1. Overview

Consistent with the imperatives for recovery, transformation, and resilience, the 2021 Estimate of Expenditure provides for a total expenditure (including amortization) of **one billion, two hundred and thirty-two million, six hundred and seventy thousand, and forty-nine dollars (\$1,232,670,049)**.

The overall budget is summarised as follows:

Recurrent Revenue:	EC\$653.5 million
Total grants:	EC\$263.6 million
Current Expenditure:	EC\$629.6 million
Capital Expenditure:	EC\$305.6 million
Current Account Surplus:	EC\$23.9 million
Principal Repayments/Amortization:	EC\$297.4 million
Primary Surplus (after grants):	EC\$45.5 million (1.5% of GDP)
Overall Deficit (after grants):	EC\$18.2 million (0.6% of GDP)

The foregoing represents a loosening of Government's fiscal stance relative to the pre-COVID period. This expansionary fiscal policy is needed at this time to stimulate aggregate demand, support the speedy recovery of the economy and enable job creation. To facilitate this, we have again invoked the Escape Clause under the Fiscal Responsibility Law.

Mr. Speaker, once the recovery takes hold, Government will return to the rules and targets under the FRL. We anticipate that this will happen in 2022.

8.2. Allocations

Outside of statutory obligations, including public debt and pensions, the ten largest allocations, by Votes are:

1. Ministry of Infrastructure Development, Transport and Implementation - EC\$133.7 million (10.8% of total expenditure)
2. Ministry of Education, Human Resource Development, Religious Affairs & Information - EC\$124.0 million (10.1% of total expenditure)
3. Ministry of Finance, Economic and Physical Development, Public Utilities & Energy - EC\$119.9 million (9.7% of total expenditure)
4. Ministry of Health and Social Security - EC\$94.9 million (7.7% of total expenditure)
5. Ministry of National Security, Public Administration, Youth Development, Home Affairs, ICT & Disaster Management - EC\$73.3 million (5.9% of total expenditure)
6. Ministry of Housing, Social Services, and Community Empowerment - EC\$60.2 million (4.9% of total expenditure)
7. Police - \$51.6 million (4.2% of total expenditure)
8. Ministry of Tourism, Civil Aviation, Climate Resilience and the Environment - EC\$19.3 million (1.6% of total expenditure)
9. Ministry of Agriculture, Lands & Forestry - EC\$18.6 million (1.5% of total expenditure)
10. Ministry of Sports, Culture & the Arts, Fisheries and Cooperatives - EC\$17.6 million (1.4% of total expenditure)

More details on the 2021 Budget allocations are available in Appendix I of the published Statement.

8.3. Financing of the 2021 Capital Budget

As indicated earlier, Mr. Speaker, we will roll out an expansive capital investment programme next year, and justifiably so. Reducing investment in this period will only hurt the economy further.

Many countries across the world are pursuing this policy, and in some cases, are forced to borrow significant sums to finance their expanded investment programmes. Fortunately for us Mr. Speaker, our capital budget will be financed largely through grants from the National Transformation Fund (NTF), to the tune of \$172 million. The \$172 million will be secured from projected NTF grants for next year as well as the drawdown of NTF grants accumulated in previous years.

9. STRATEGIC INTERVENTIONS FOR 2021

9.1. Strategic Focus Area 1 - Economic Recovery

9.1.1. Agriculture

Mr. Speaker, promoting a strong and vibrant agriculture sector to ensure food and nutrition security continues to be a priority.

It is imperative therefore that we continue to appropriately invest in the sector to achieve the desired result.

Beyond the goal of food and nutrition security, a strong and vibrant agricultural sector will support economic growth, employment, and foreign exchange earnings.

In the current environment, the agriculture sector, already showing signs of a strong recovery, is one of the few sectors that offers the greatest potential to expedite our economic recovery.

We must therefore seize the opportunity to redouble our efforts to achieve a modern agriculture sector that includes value-added production, youth involvement, the application of relevant technology, capacity building, research & development, and adaptation to climate change.

Mr. Speaker, consistent with this thrust, Government will embark on the following key policies, programmes, and actions next year.

As part of the **Climate-Smart Agriculture and Rural Enterprise Programme (SAEP)**, funded jointly by the Caribbean Development Bank, the International Fund for Agricultural Development, and the Government of Grenada, several initiatives will be implemented in support of strengthening the resilience of the agriculture sector to climate change and other shocks. A sum of **EC\$10.8 million** has been allocated for implementation of this project next year. Approximately 140 persons will benefit from short-term employment opportunities under the Project, which will also support business development in rural areas, through the provision of grant financing to approximately 150 young people.

Mr. Speaker, youth involvement and the use of available technology are essential to achieving a modern agriculture sector.

Government, therefore, will continue to provide training and support to incentivise the participation of young people and the infusion of technology in the sector, including to address the long-standing challenges associated with praedial larceny.

The **OECS Regional Agriculture Competitiveness Project (AGRICOM)**, which seeks to address issues relating to market access by small-scale farmers, fisherfolks as well as aggregators and agro-processors, will continue to be rolled out next year. An amount of **EC\$1.2 million** has been allocated to support matching grants to eligible agricultural businesses.

Also, the enhancement of the Mirabeau Meat Harvesting and Processing Plant, with grant support from the CDF, is critical for the development of the livestock industry. This project will support the refurbishment of the facility and the procurement of equipment, along with training and improvements in procedures, to support the enhancement of meat harvesting and processing at the Plant.

Mr. Speaker, the agriculture sector is highly prone to climate change and weather-related shocks. Government will therefore continue to participate in the Caribbean Oceans Assets Sustainability Facility (COAST) and the Caribbean Catastrophic Risk Insurance Facility (CCRIF) to help protect the livelihoods of our farmers, fisherfolks, and agro-processors.

Additionally, Government is committed to engaging in public consultation on the subject of Cannabis. Research will be undertaken to determine the feasibility of the industry and develop proposals for the way forward. The investigations will be thorough, and science driven. An amount of EC\$ 10,000 has been allocated to commence stakeholder consultations.

Mr. Speaker, while the allocation directly under the Ministry of Agriculture, Lands, and Forestry for this year is EC\$18.6 million, the overall allocation for this sector is significantly larger.

Several projects, including the Agriculture Feeder Roads and the SAEP project, are allocated under various other ministries. When combined, agriculture's share of total spending in the 2021 Budget will exceed EC\$40 million.

9.1.2. Infrastructure Development

Mr. Speaker, high quality public infrastructure is a necessary condition for economic growth and transformation. In this crisis period, investing in resilient infrastructure will play a central role in driving the recovery, in creating jobs, and in preparing the economy for future take-off.

Against this backdrop, Mr. Speaker, Government will scale up its infrastructure development in 2021. A key component of this, Mr. Speaker, is increasing Government's capacity to prepare and implement capital programmes.

Several organisations, including the Green Climate Fund and the World Bank, are supporting Government's efforts in preparing designs and other preparatory works, as well as providing support to complete shovel-ready projects, which will help to boost the overall rate of project implementation.

In 2021, Mr. Speaker, the Public Sector Investment Programme (PSIP) will generate in excess of 4,500 direct jobs, creating a significant boost to economic activities and putting much-needed cash into the hands of workers.

Some of the major infrastructure projects for 2021 will include:

Grenada Climate Resilience Water Sector Project (G-Crews)

This EC\$125 million project, which is jointly funded by the Green Climate Fund, the German Government and the Government of Grenada, was officially launched in February this year.

The major infrastructure developments under this project include, improvement in the water supply at Mirabeau, Les Avocats/Petit Etang, Vendomme, Victoria and St. Patrick. The water supply in Gouyave and Carriacou, will be expanded. The procurement of key experts, development of operations policies and procedures, and personnel training, are ongoing. Construction components of this critical project will commence next year, and will generate at least 50 jobs.

Enhanced Direct Access (EDA) Project

This is a regional project financed through a grant of EC\$54 million from the Green Climate Fund (GCF). The objective of this project is to make accessible grant resources for climate change resilient investments to the public sector, NGOs and civil society organisations, and communities. Implementation of this project commenced in 2020 with the recruitment of a local project coordinator and technical officers. A sum of **EC\$3.2 million** has been allocated for the rollout of this project in 2021.

Maurice Bishop International Airport (MBIA) Upgrade:

Mr. Speaker, the EXIM Bank of the People's Republic of China has approved a concessional loan for the upgrade of the Maurice Bishop International Airport (MBIA). Construction cost, estimated at EC\$165 million, will include rehabilitation of the runway and bypass road, and upgrade of the passenger terminal to enhance disaster response capabilities. The project was officially launched in October, and construction activities will commence in 2021, and will generate close to 200 local construction jobs.

Additionally, Mr. Speaker, on November 11th the World Bank approved funding under the Caribbean Regional Air Transport Connectivity Project (CATCOP) in the amount of US\$17.0 million for additional safety and resilient works on the MBIA to be undertaken

concurrently with the Chinese funded project. CATCOP will provide a new cargo facility, runway end safety areas, capacity building, and advanced safety and landing instrumentation.

Grenville Commercial Complex

This project will be a major undertaking by Government in the town of Grenville. While the main aim of the project is to house our District Revenue Office and the Public Library, the project will also facilitate the rental of commercial space to support the growth and expansion of the private sector in the parish of St. Andrew and surrounding areas. The preparatory work for the project is well advanced and construction will commence early in 2021. An amount of **EC\$8.0 million** is allocated for spending next year, and an estimated 60 construction jobs will be created.

St. John's River Flood Control Project

The construction on this crucially important project with a total cost of EC\$27 million is scheduled to commence in February next year, generating in excess of 100 jobs. The consultant for the project has been engaged and design works are ongoing. An amount of **EC\$10 million** has been allocated for 2021.

St. Patrick Road Rehabilitation and Upgrading Project:

Mr. Speaker, this project is funded through a loan of **EC\$27 million** from the OPEC Fund for International Development (OFID). The scope of works entails the construction of 16 Km (9.94 miles) of roads, including all bridges, drainage and ancillary works from Duquesne to Sauteurs and from Poyntzfield to Morne Fendue. Construction works are ongoing. The Project is expected to generate up to 150 construction jobs over the next two years. The sum of **EC\$15.0 million** is allocated for the continuation of this project in 2021.

Natural Disaster Rehabilitation & Reconstruction/ Gouyave Extreme Rainfall Project.

During 2021, construction works will commence on this US\$8.6 million project with funding from the Caribbean Development Bank (CDB). The project involves slope stabilisation in areas such as

Brothers, Clozier, Gross Point, Maran, Market Square and Millette and the Brothers' Bridge reconstruction. A sum of **EC\$1.1 million** is allocated for the rollout of this project in 2021, which will generate 100 construction jobs.

Basic Needs Trust Fund (BNTF) Ninth Cycle

Mr. Speaker, the ninth cycle under the BNTF, with grant funding from the Caribbean Development Bank, commenced in 2020. A sum of **EC\$5.6 million** is allocated for the continuation of this major poverty reduction programme next year, with approximately 20 jobs to be generated from construction activities under this project.

Grenada Education Enhancement Project (GEEP) Phases 1 & 2

Mr. Speaker, rehabilitation and upgrade works under Phase 1 of this EC\$42.5 million, CDB-funded project, are progressing smoothly. Several schools were targeted this year, including the Bishop's College, the Presentation Brothers College, and the Grenada SDA Comprehensive, which generated in excess of 80 jobs. Phase II of the Grenada Education Enhancement Project, at an estimated cost of EC\$40.5 million, will be presented to the CDB Board later this month. The realisation of this project will see the construction and rehabilitation of several schools throughout the country, including the St. Andrew's Anglican Primary and the Grenada Christian Academy. A sum of **EC\$7.5 million** is allocated for the furtherance of this project, with additional jobs opportunities to come on stream.

Integrated Solid Waste Management Project (ISWMP)

Mr. Speaker, good progress, was made in advancing this EC\$40.9 million CDB-funded project during 2020, including the design and award of the tender for the landfill cell development, the completion of the composting feasibility study, and the engagement of the Planning and Capacity Building Consultants. Furthermore, Mr. Speaker, the procurement process was completed for the acquisition of one Compactor Truck, one Tipper Truck with Crane, one Skip Truck and one Air Compressor for use within the Authority. Several other activities are on schedule for completion in 2021, including the closure of the two existing dumpsites. This Project is expected to generate direct employment for 25 persons. Mr. Speaker, Government

will continue to push forward on this project next year to permanently relieve the problems being experienced, particularly by residents in the area.

Western Main Road Corridor Upgrade Project

This important project, Mr. Speaker, is financed through a grant of EC\$46.7 million from the Department for International Development (DFID) of the United Kingdom, under the UK-Caribbean Infrastructure Facility (UK-CIF). Mr. Speaker, the scope of works for the project has been finalised and includes land and road slippages in Molinere and Woodlands. To date, consultancy contracts for designs, including the geotechnical investigations, have been awarded. Construction activities will commence during the third quarter of 2021 and will generate approximately 250 jobs over a three-year period. A sum of **EC\$15 million** has been allocated for the rollout of this project next year.

Mt. Kumar Road Construction

Mr. Speaker, the Mt. Kumar Road Construction is critical to ease the flow of traffic through the Mt. Moritz by-pass road as we move forward with the works on the Molinere land and road slippage. This project will be funded from NTF grants to the tune of **EC\$5.0 million** and is expected to commence early next year, creating at least 30 jobs.

Grenada Water Supply Expansion System & Sewerage Improvement Project

This EC\$34.8 million project is financed through a grant from the UK-CIF, with National Water and Sewerage Authority as the implementing agency. The goal of the project is to contribute to the strengthening of the water sector in Grenada, reduce water sector risks, improve the sewer system in the town of St George, and build resilience to the impact of climate change in the sector's infrastructure.

To date, consulting firm Alpha Engineering from Trinidad and Tobago has been contracted to complete all storage, distribution, and pumping stations system designs for the project, with full construction anticipated to start during the third quarter of 2021.

Construction & Refurbishment of Government Buildings

Government will continue its drive to construct and rehabilitate Government-owned buildings to provide adequate space for its offices and reduce the outlay on rents. Preparatory works for several Government buildings are completed or underway. Work will commence on a cross-section of these buildings as early as January 2021, which will generate in excess of 100 construction jobs. Mr. Speaker, an allocation of **EC\$9.0 million** is provided for this project next year.

Concrete and Asphalt Works

Mr. Speaker, maintaining our road infrastructure is critical not only for road safety but for supporting economic activity. This year, over \$15 million was expended, which is a drop in the bucket in terms of what is needed. That said, it is impossible to do all that is necessary given our total resource envelope, and competing demands in other critical areas, such as health and education. Accordingly, Mr. Speaker, Government will continue to adopt a risk-based approach and address the most critical needs first. A sum of EC\$14.0 million is allocated for concrete and asphalt works next year, with the potential to create over 1,500 construction jobs.

Simon Culture Centre

This Project, Mr. Speaker, will involve the construction of the Simon Cultural Centre in St. Andrew at a cost of EC\$16.5 million. Financing will be through the National Transformation Fund, with up to 200 jobs created over three years. A sum of EC\$3.0 million has been allocated for the roll out of construction works on this project next year.

Renovation and Extension Programme - Schools

Mr. Speaker, EC\$2.7 million was spent on the renovation and extension of several schools during this year. An allocation of EC\$3.0 million is made for next year. Some 600 construction jobs will be created under this programme.

Agriculture Feeder Roads Phase III

The implementation of **Phase III of the Agricultural Feeder Roads Project**, which was delayed due to the pandemic, has commenced and major construction roll-out will be seen in January next year, with over 200 construction jobs to be generated. Mr. Speaker, in contrast to Phases I & 2, this phase is financed from domestic resources. As already mentioned, construction contracts to the tune of EC\$46.8 million have already been issued.

This phase involves the construction/rehabilitation of 44.2 km of roads, including bridges and ancillaries, in various communities across the island. A sum of **EC\$15.0 million** has been earmarked for spending next year.

Retrofitting of Traffic Lights

Government will use this opportunity, Mr. Speaker, to incorporate renewable energy technologies in the retrofitting of our traffic lights, which should result in significant savings and environmental benefits. Given that traffic has doubled since the installation of our traffic lights, the advice given by New York University (NYU), while investigating the traffic situation under their consultancy for making the town of St. George a climate smart city, will be incorporated in the new designs. A sum of EC\$3.0 million is allocated for this project.

Special Projects

Mr. Speaker, EC\$4.4 million was spent on critical small infrastructure works, such as concrete pavements and walkways, railings, bridges, and public baths and toilets, in various communities throughout Grenada, Carriacou, and Petite Martinique. An allocation of EC\$7.0 million has been provided for the continuation of this programme next year, which will create over 1,000 temporary job opportunities.

Mr. Speaker, I now turn to another key pillar that would drive economic recovery next year.

Support for Private Sector Expansion

9.1.2.1. Overview

Mr. Speaker, a vibrant private sector can play a major role in driving job creation and in bolstering the economic recovery.

In our interactions with stakeholders, several areas of support were flagged, including access to credit, concessions, and business facilitation services.

Some of this support has already been made available through the COVID-19 Economic Stimulus Package announced in March to cushion the adverse impact of the pandemic.

These include:

- The Small Hotel Facility at the Grenada Development Bank (GDB)
- The Small Business Soft Loan Facility also administered by the GDB

To complement this financing support, Government recently granted approval for the GDB to borrow \$10 million to provide access to credit to support recovery across a range of economic sectors.

Government is also considering approval for GDB to access a line of credit from the European Investment Bank (EIB) and the CDF to the tune of US\$10.0 million and US\$4.0 million, respectively, to further bolster access to private sector credit.

Mr. Speaker, despite the pandemic, investor confidence in Grenada remained at an all-time high as the GIDC continues to receive significant interest for new investment opportunities, with several new major projects given the greenlight to proceed.

As of November 2020, forty-one (41) applications for investment incentives were received across various sectors, including tourism, manufacturing, and services. The proposed investments in these new projects will exceed **ECS\$6 billion**, with the potential to generate **over 5,000 jobs**.

Mr. Speaker, Government will continue to support our farmers, fisherfolks, and agro-processors to access markets, both locally and internationally.

In this context, Government will work with the Marketing and National Importing Board to improve its governance and financial performance, enabling it to better serve farmers.

Moreover, Government, through the Ministry of Trade, Industry and Consumer Affairs and the Grenada Bureau of Standards, will continue to work to boost export of our local products and services. The upgrading of the Grenada Bureau of Standards' laboratory facilities, with EC\$2.0 million in funding secured from the CDF, is key in this regard.

9.1.2.2. Major Private Sector Investments

I wish to highlight some of the major projects facilitated by the Government during 2020 as well as projects in the pipeline for 2021.

Projects commencing operations in 2020:

Tourism facilities

- **SD Grenada Ltd. (Royalton)**

This EC\$300 million project, Mr. Speaker, involving the refurbishment and expansion of the “Grenadian by Rex Resorts”, commenced operation in March 2020. However due to the pandemic, the hotel closed its doors in the same month and is now scheduled to be reopened in January 2021, creating 300 direct jobs.

- **The Point at Petite Calivigny Resort**

Mr. Speaker, Phase 1 of this luxurious boutique resort commenced operation in January 2020, adding a total of 32 luxury rooms to Grenada's current room stock.

Despite the challenges of the pandemic, the facility is still open and employs 11 persons. Phase 2, which includes 65 hotel rooms and 15 villas, is scheduled to commence in early 2021. This phase

of the project is estimated at EC\$175 million and is anticipated to create construction jobs for up to 150 individuals. Estimated employment during operations is 65 persons.

- **Siesta Hotel Expansion**

This project located at Morne Rouge has added 20 rooms to the tourist accommodation sector and created construction employment for over 40 workers. It is expected to create employment for 7 persons once operation commences next year.

Students Accommodation facilities

- **Waldorf Apartments**

This project, Mr. Speaker, involves the construction of 120 apartments for student accommodation at True Blue, St. George. Total investment to date is EC\$32 million. Employment was created for 110 persons during construction and permanent employment is proposed for 7 persons. The project is expected to become operational once the St. George's University (SGU) resumes face-to-face classes.

Agri-business/Manufacturing operation

- **Renegade Rum Distillery Ltd**

This project commenced operations in September 2020. Total investment in the project was over EC\$100 million. Renegade Rum Group currently employs 150 persons: 25 within the distillery and 125 in the Cane Co side of the business.

Projects currently under construction

Tourism facilities

- **Range Development**

This EC\$300 million tourism development commenced construction in October 2020 and will create construction employment for up to 350 persons and permanent employment for about 150 Grenadians when completed. This project is scheduled to commence operations in the first quarter of 2023.

- **Kawana Bay**

Work is currently underway on the fourth and final building of this project which is scheduled for completion in 2021. Investment to date is over EC\$150 million, with up to 240 construction jobs created. The resort which will add 133 rooms and 31 suites to Grenada's room stock, is expected to be operational in 2022, creating 300 permanent jobs.

- **Grenada National Resort Project**

Mr. Speaker, to date, over US\$70 million has been invested in the acquisition of property and to undertake preliminary works, which included feasibility studies, surveys, site preparation and ongoing construction. The construction of this facility is expected to create employment for over 500 Grenadians within the parish of St. Patrick, of which 135 are currently employed. Once operational, up to 800 permanent jobs will be created for locals.

- **Mt. Hartman Resort Group Ltd.**

This US\$2 billion project commenced construction of its showroom in August 2020, creating 50 construction jobs. The showroom will be constructed as a mini resort to feature 17 suites, a restaurant, business centre, and offices for staff. It is expected to be completed in June 2021. Construction employment is expected to increase significantly with the start of construction of the main resort and university town in January 2021.

This phase, which is expected to be complete in June 2024, will provide at least 500 job opportunities.

- **Luxe Modern Residential Living**

Construction works on this EC\$9.7 million project located in Lance Aux Epines are currently ongoing, with over 20 persons employed. The facility is expected to become operational by March 2021 and will create permanent employment for at least 7 persons.

- **VK Holdings Inc.**

Mr. Speaker, this project involves the establishment of a small luxury eco-friendly tourism accommodation facility located in Quarantine Point. Phase 1 of the project which is estimated at EC\$5.5 million is 75% completed. Some 23 persons are employed in the construction of the facility. It is expected to be operational in August 2021, creating employment for about 15 persons.

- **Solomente Villas (Phase II)**

This EC\$10 million expansion project will add 10 rooms to an existing 10-bedroom luxury boutique villa resort and retreat centre at Lance-Aux-Epines. Construction employment has been created for 22 persons and permanent employment is proposed for 5-7 persons once operation commences next year.

- **Karnani Investments Limited**

Mr. Speaker, construction activities on this EC\$3.8 million project are ongoing, with 45 construction jobs created. Permanent employment will be created for 5 persons upon commencement of operation in 2021.

Students Accommodation facilities

- **Virgin Beach Development Co. Ltd**

This EC\$40 million project involves construction of 146 apartments for student housing at True Blue. Over EC\$35 million has been invested in the project to date, with over 150 construction workers employed.

The project is expected to become operational once St. George's University resumes face-to-face classes.

- **Xenia Apartments**

Mr. Speaker, this project involves the construction of a EC\$1.8 million student accommodation facility at Point Salines, creating permanent employment for 8 persons. Forty (40) construction jobs have been created.

- **Gafsons Investments (Grenada) Inc.**

This EC\$6.5 million project involving construction of 36 apartments for student housing at Lance Aux Epines, is ongoing, with over 35 persons employed.

- **Crystal Sand Apartments**

This student accommodation facility, Mr. Speaker, is estimated at EC\$2.5 million and involves construction of 30 self-contained apartments for student accommodation.

Construction employment is proposed for 20 - 35 persons, with 6 persons employed once operation commences in December 2021.

- **Lavo Housing Limited**

The project, Mr. Speaker, involves the construction of a 24-bedroom student accommodation facility. The facility, which is 90% complete, employs over 40 construction workers. Investment to date is more than EC\$6.5 million. The facility is expected to be operational in March 2021, creating employment for an average of five persons.

Agri-business/Manufacturing operations

- **Excellent Farm Ltd.**

Construction on this EC\$3.8 million poultry operation in St. Patrick is ongoing and will create permanent employment for over 20 persons once operational next year.

Grenada Tobacco Company Limited.

The proposed project cost is EC\$7.8 million and involves the manufacturing of cigarettes, using fine imported blends, for 100% export. The project is estimated to employ a total of thirty (30) persons.

I now turn to some major private sector projects in the pipeline with planned commencement dates next year.

Projects in the pipeline to be implemented in 2021

The Beach House Project

Mr. Speaker, construction on this EC\$54 million project will commence in the first quarter of next year, creating over 100 construction jobs. The commencement of operations is scheduled for the third quarter of 2023, which will provide permanent employment for 75 persons.

Silversands Legacy (at Mount Cinnamon)

The proposed construction start date for this EC\$216 million project is the fourth quarter of next year, with the commencement of operations likely in the second quarter of 2024. The project will generate up to 300 construction jobs and employ at least 250 persons during operations.

- **Grenada Chick Inn Farm Ltd**

This project, Mr. Speaker, involves the establishment of a poultry operation in Felix Park, St. Andrew. Proposed investment is EC\$4 million with the potential to create construction and permanent employment for over 80 persons. This project is scheduled to begin in early 2021.

- **Homa Limited**

Homa Limited is moving ahead with plans to develop a 240-room luxury resort, encompassing three properties located in True Blue. This EC\$60 million project is carded for implementation in 2021. The project will create permanent employment for 25 persons when completed.

- **Star Development Limited**

This project is a 60-room luxury hotel and spa to be developed in three phases on 3.67 acres perched above Dr. Grooms Beach in Point Salines. This EC\$56 million project, when completed, will create permanent employment for 15 persons.

Mr. Speaker, these and other private sector projects will generate in excess of 5,000 construction jobs and over 3,300 permanent jobs in 2021 and beyond.

9.1.3. Tourism and Private Tertiary Education

Mr. Speaker, our tourism and private tertiary education sectors, have been hit the hardest in this pandemic and are anticipated to be the slowest to recover.

This Budget provides for **EC\$19.3 million** to support a new thrust, including the renewal of our tourism product offerings.

One example of this, is the work that is unfolding under the OECS Regional Competitiveness Project. The project objective is to lay the foundation to improve the competitiveness of the tourism sector in Grenada.

With respect to the private tertiary education sector, Government will continue to collaborate closely with St. George's University to facilitate a full return of all students and faculty to the SGU Campus, in the shortest possible time.

9.2. Strategic Focus Area 2 – Transformation

Mr. Speaker, I will now proceed to outline some specific areas that will support the social and economic transformation of our country.

9.2.1. Education and Training

Mr. Speaker, I join in congratulating our students for the excellent performance in this year's CSEC examinations. This is a clear demonstration of the commitment and dedication of our educators and parents, the strength and tenacity of our students, and the resilience of our education system.

In 2021, the Ministry of Education will continue to build out these pillars.

Some of the key initiatives for next year include:

- The eBooks Programme - EC\$6.0 million;
- The e-Testing Programme at a cost of EC\$0.2 million;
- School infrastructure programmes (GEEP Phases I & II) - EC\$7.5 million;
- National Skills Development Programme - EC\$0.7 million; and,
- The STAR Programme - EC\$0.5 million

Government will continue to support the education of our teachers and students through various scholarships at local, regional and international universities. We have allocated EC\$124.0 million, to help drive the transformation agenda in the education sector.

9.2.2. Health

Mr. Speaker, Government reiterates its commitment to prioritise the health of the Grenadian people. The recent appointment of a second Minister in the Ministry of Health with responsibility for Hospital Services and Community Health Services, sends a strong signal about the seriousness of Government's commitment.

A key project in this regard is the World Bank supported OECS Regional Health Project, aimed at improving the preparedness of our health system to respond to public health emergencies. This project will strengthen health infrastructure, surveillance, laboratory systems, and health emergency operations.

Government will continue its efforts, Mr. Speaker, to ensure adequate dialysis services for our dialysis patients. Only recently, Cabinet approved the purchase of critical surgical and medical equipment and supplies to support the administration of dialysis.

The refurbishment of Carlton House to provide support to our citizens who are facing challenges with substance abuse cannot wait any longer Mr. Speaker. Government applauds the Grenada Co-operative Bank Ltd for recognising the importance of this facility and

for their stellar efforts in raising resources toward its reconstruction. Government has provided the sum of **EC\$1.0 million** to commence rehabilitation of the Carlton House next year.

Work will continue on developing an appropriate framework for a sustainable National Health Insurance (NHI) programme.

We have allocated **EC\$94.9 million** in this year's Budget towards improving health care delivery.

9.2.3. Youth Development

In 2021, the youth budget will see a 43% increase over the 2020 figure, to \$40.4 million of which **EC\$17.9 million** is allocated to the important New IMANI Programme.

Mr. Speaker, a significant change to the budget for youth development this year is the inclusion of a Transitioning Strategy Programme, which will complement the New IMANI Programme. This programme seeks to address the fundamental challenge associated with transitioning from the IMANI programme into sustainable jobs. Under the programme, service providers will be engaged to provide services to the Government and private sector, and they will in turn provide sustainable jobs to our young people. Several initiatives have already been rolled out, including a youth sewing cooperative that would be involved in the sewing of school uniforms and other clothing products, and a furniture-making cooperative. Mr. Speaker, a budget of **EC\$7.0 million** has been allocated to facilitate the roll out of this programme next year.

The M-Power programme, Mr. Speaker, continues to touch the lives of our young men at risk. The allocation for this programme has been increased from **EC\$4.0 million this year to \$6.0 million** in 2021.

9.2.4. Digital Transformation

Mr. Speaker, Government remains committed to aggressively pursuing a digital strategy to harness and leverage information and communications technology (ICT). Government sees ICT not only

as an enabler of economic activity, but, more importantly, as a new pillar of growth and transformation.

One of the key elements of Government's digital strategy is ICT infrastructure. Significant progress has been made in this area under the World Bank-supported Caribbean Regional Communications Infrastructure Programme (CARCIP), which facilitated increased access to regional broadband networks as well as the development of IT and IT-enabled services in Grenada and the Caribbean region.

Another key element of this strategy is the digital transformation of Government's operations and services. The continued roll out of the Digital Governance for Resilience Project (DG4R) will support developing the enabling environment to modernise service delivery; leveraging digital technologies to deliver selected services and strengthening institutions and managing change for digital literacy and inclusion.

9.2.5. Physical Development, Public Utilities and Energy

Mr. Speaker, Government will continue to implement key reforms and programmes in the area of physical development, public utilities, and energy.

Permit me to touch on these three areas briefly.

9.2.5.1. Energy Development and Public Utilities

Grenada has one of the highest rates of energy in the region at around US\$0.41 per kilowatt hour. Mr. Speaker, Government will continue its efforts to diversify Grenada's energy mix into renewable sources and to reduce the cost of energy.

The restructuring of the electricity sector, therefore, is of paramount importance. Significant progress has been made in this regard with the passage of the new Electricity Supply Act and attendant regulations. The Public Utilities Regulatory Commission (PURC) is now fully constituted and functional. Government will continue to press ahead with reforms in the electricity sector.

Mr. Speaker, plans for the development of a 15 Megawatt geothermal plant on the island are progressing smoothly. Government will continue to aggressively pursue this project, including by mobilising grant financing, to help support the reduction in the cost of energy to consumers.

The Solar PV/Battery Hybrid Project, with grant funding support from the United Arab Emirates - Caribbean Renewable Energy Fund, to the tune of EC\$8.6 million, is another important project that will support Grenada's thrust towards renewable energy. This project will facilitate the design, construction, and installation of a Solar PV/Battery Hybrid plant in Limlair, Carriacou. An allocation of **EC\$3.2 million** is provided for the commencement of this project next year.

Mr. Speaker, developments in the water and telecommunications sectors, as public utilities, and their key role in sustainable development and the economic transformation process have been examined earlier.

9.2.5.2. Physical Development

Mr. Speaker, the orderly, safe and effective physical development of Grenada is a critical element of our transformation agenda.

For this reason, in January of this year, Government took the bold decision to implement the transition of the Physical Planning Unit under the Ministry of Finance into a full-fledged statutory body - the Physical Planning and Development Control Authority, contemplated since 2017 with the enacting of the legislative framework. Mr. Speaker, the pandemic affected the speed of our efforts on this important reform. In 2021, Government will accelerate the finalisation of the transition.

9.3. Strategic Focus Area 3 - Resilience

Mr. Speaker, Government will continue to prioritise building resilience to shocks, both economic and environmental.

The 2021 Budget supports this thrust, with many of our policies and programmes designed with resilience considerations in mind.

Furthermore, Mr. Speaker, Government will continue to implement its Paris climate commitments in the fight against the threat of climate change.

Grenada's commitment through its revised Nationally Determined Contribution of reducing its emission by 40% of its pre-2010 level by the year 2030, will be pursued vigorously. With the electricity and transport sectors accounting for over 70% of our carbon footprint, efforts will be concentrated on reaching at least 30% of electricity generation through renewable energy, and 20% of vehicles being powered by renewable energy sources within the 2030 deadline. Additionally, Government will continue its efforts to reduce the leakage of plastics to our pristine but vulnerable coastal and marine environments as well as the amount of plastics that reach the landfill.

9.4. Cross-cutting Areas

9.4.1. Overview

Mr. Speaker, there are several cross-cutting areas, which are crucially important in supporting the three strategic focus areas for 2021. These include social safety nets, housing and community empowerment, disaster management, national security, developments on Carriacou & Petite Martinique, gender equality and women empowerment, among others.

I will now briefly touch on a few of these areas.

9.4.2. Safety Nets (Poverty Alleviation)

Mr. Speaker, notwithstanding the tight fiscal situation next year, Government will increase its social safety nets/poverty alleviation programmes.

Allow me to outline some of the major poverty alleviation programmes for 2021.

1. Support for Education, Empowerment and Development (SEED) - **EC\$18.0 million**, an increase by EC\$4.0 million relative to the 2020 Allocation.

2. Road Improvement and Maintenance Programme (De-bushing) - **EC\$10.0 million**
3. Farm Labour Support/Strengthening Rural Opportunities - **EC\$1.5 million**
4. Needy Assistance - **EC\$1.4 million**
5. Uniform Allowance - **EC\$1.0 million**
6. Burial Assistance - **EC\$0.3 million**

Mr. Speaker, Government will introduce a new safety net to provide support to single-headed households to cushion the impact of the continued adverse effects of the pandemic. An amount of EC\$2.0 million has been allocated for this programme. The total allocation, Mr. Speaker, for the Ministry of Housing, Social Services, and Community Empowerment is EC\$60.2 million, an increase of 28.6% over 2020.

9.4.3. Housing

Mr. Speaker, Government will continue to give top priority to the housing needs of our people, especially the less fortunate.

With support provided by the People's Republic of China, a total of 647 low-income housing units will be available for distribution during the course of next year.

Mr. Speaker, there are several other major areas of housing assistance available next year.

These include

- Housing Assistance programme - **\$5.0 million**
- Grenada Home Improvement Programme - **\$10.0 million.**
- The Soft Loan Housing Programme - **\$4.0 million.**

9.4.4. Disaster Management

Past events, Mr. Speaker, have mandated that we broaden our perspective of a disaster – weather, geological, technological (data loss), disease, etc.

With support from the United States Southern Command Humanitarian Assistance Programme, Grenada will benefit from two emergency operations centres - one on the mainland to also serve as headquarters for the National Disaster Management Agency, and one on the sister isle of Carriacou. Construction is estimated at a cost of US\$6.6 million. Mr. Speaker, EC\$4.7 million has been allocated in 2021 for the continued implementation of these two centres.

9.4.5. Pension Reform

Mr. Speaker, I am pleased to report that Government continues to make good on its commitment to provide relief to retired public officers, pending the legal outcome of the matter of pension for public officers. Close to \$340,000 was paid out this year. This is a clear testimony that this Administration is serious about resolving the long-standing issue of public sector pensions.

Government, once again, reiterates its commitment to working collaboratively to reform the public sector pension system in a way that balances the interest of the workers with the need to ensure long-term fiscal and debt sustainability.

9.4.6. Carriacou and Petite Martinique Affairs

Mr. Speaker, we are also making important strides in our sister isles of Carriacou and Petite Martinique to support growth and development.

Some of the major achievements this year include;

1. The rehabilitation of the Limlair Farm;
2. The construction of propagation bin and the installation of a hydroponic system at the Belair Nursery;
3. The re-establishment of fish exports to French Martinique;
4. The rehabilitation and construction of several roads across Carriacou and Petite Martinique;
5. Several families received housing support.
6. The Dumfries Housing project with support for the Chinese is nearing completion.

7. The award of a contract for a major agriculture feeder road in Cherry Hill.

Mr. Speaker, Government will continue to roll out critical projects in Carriacou and Petite Martinique in several areas, including agriculture and fisheries, infrastructure development, housing, social services, and community empowerment, youth development, among other areas.

The total Budget for Carriacou and Petite Martinique for 2021 is EC\$17.2 million, which represents a slight increase over 2020.

9.4.7. Sports, Culture & the Arts

Mr. Speaker, Government remains committed to the development of sports, culture, and the arts as a priority given their significant role in the transformation of our economy and people. While activities in these areas have been significantly curtailed by the COVID-19 pandemic, Government has allocated EC\$12 million for the continued development of these critical areas.

9.4.8. National Security

Grenada, Mr. Speaker, is considered one of the safest countries in the Caribbean region, given our relatively low homicide rates and crime levels. Moreover, we continue to see improvements in our crime fighting efforts, with a reduction in reported cases of all major categories of crime, except in areas such as praedial larceny and house-breaking. That said, we cannot rest solely on our reputation and become complacent.

Government notes with concern the increase in homicides in recent times and, therefore, appeals for greater tolerance, the use of alternative methods of conflict resolution, and more respect for the value of human life.

The Royal Grenada Police Force (RGPF) is committed to collaborating with stakeholders as part of a holistic approach to fighting crime. The allocation for the RGPF and Her Majesty's Prisons for next year, Mr. Speaker, is EC\$51.6 million and EC\$9.6 million, respectively.

9.4.9. Women Empowerment and Gender Equality

Mr. Speaker, I am pleased to report that the preparation process for the critical Spotlight Initiative project is ongoing. The focus of the project is to eliminate violence against women and girls. Support for the project is provided by the UN system, ILO and PAHO/WHO. A grant of 2 million Euros has already been committed.

Mr. Speaker, the EnGenDer programme, which is short for “Enabling Gender-Responsiveness Disaster Recovery, Climate and Environmental Resilience in the Caribbean” with support from the UNDP is another project in this area that will contribute to the achievement of several Sustainable Development Goals (SDGs). A sum of \$0.3 million has been allocated for this project in 2021.

9.5. Acknowledgements

Mr. Speaker, let me once again thank the Honourable Prime Minister for his confidence in me to lead the Ministry of Finance at this time. I also take this opportunity to thank my other Cabinet colleagues for their support.

Further, I wish to recognise the valuable contribution made by the Cabinet Secretary in handling the affairs of the executive branch of Government, and also Permanent Secretaries, for their collective contribution to national development.

A special thank you to the Permanent Secretaries and staff of the Ministry of Finance, as well as the Clerk of Parliament and his staff, who have given me their full support and who have had the enormous task of preparing the 2021 Budget and facilitating my presentation today.

Mr. Speaker, I recognise and thank all other public workers, and I look forward to their continued enthusiasm as we work collaboratively to execute the plans announced in this 2021 budget. In this whole of Government approach, **every link in the chain matters.**

I once again express thanks to stakeholders in the private sector, non-governmental organisations, faith-based organisations, trade

unions, civil society and youth organisations which participated in the consultations on the 2021 Budget in September, for contributing valuable ideas and suggestions for economic recovery, transformation and resilience.

Mr. Speaker, I wish to express sincere thanks and appreciation to my constituents of St. George South East, for the continued support and confidence in my representation in this Honourable House.

Mr. Speaker, on behalf of the Government of Grenada and people of our beautiful 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 Bolivarian Republic of Venezuela

The Government of the Republic of Trinidad & Tobago

The Government of the Republic of Cuba

The Government the Federal Republic of Germany

The Government of New Zealand

The European Union

The Government of Japan

The Government of the United Arab Emirates

The Government of Mexico

The Government of the Kingdom of Morocco

The Government of the Federative Republic of Brazil

The Government of the Republic of Turkey

The Government of the Republic of Kazakhstan

The Government of the Republic of Korea

The Government of the Russian Federation

The Government of the Republic of France

The Government of the Republic of Chile

The Government of the Argentine Republic

The Government of Costa Rica

The Government of the United Kingdom and the Department for International Development

The Government of Canada and the Department of Foreign Affairs and Development (DFAD)

The Government of the United States of America and the United

States Agency for International Development
The Federal Republic of Germany
The Caribbean Development Bank
The Kuwaiti Fund for Arab Economic Development
The OPEC Fund for International Development
The Eastern Caribbean Central Bank
The Organisation of Eastern Caribbean States (OECS)
The Caribbean Regional Technical Assistance Centre (CARTAC)
The CARICOM Secretariat
The CARICOM Development Fund (CDF)
The International Monetary Fund
The World Bank Group
The United Nations Development Programme
The United Nations Population Fund
UN Women
The United Nations Children's Fund
The United Nations Educational Scientific and Cultural Organization (UNESCO)
The United Nations Environmental Programme (UNEP)
The Food and Agriculture Organisation (FAO) of the United Nations
The Organisation of American States (OAS)
The Global Environmental Facility
The Inter-American Institute for Co-operation on Agriculture
The Caribbean Export Development Agency
The Commonwealth Secretariat and Commonwealth Fund for Technical Cooperation (CFTC)
The International Fund for Agricultural Development (IFAD)

9.6. Conclusion - Stronger Together, Under GOD

Mr. Speaker, this NNP Administration is once again faced with the great responsibility of leading our nation out of adversity.

On this occasion, we are confronted with a crisis of unprecedented proportions. This is unlike anything we have seen before.

The Great Lockdown, as it is referred to, has led to the worst economic downturn since the Great Depression of 1929.

All across the globe, governments are grappling with the social and economic fallout of the COVID-19 pandemic.

Here at home, the pandemic has triggered an unparalleled decline in our economy, resulting in serious hardship for many of our people. The pandemic has also compounded our major developmental challenges, including a still high rate of unemployment and continuing debt vulnerabilities.

If we are not vigilant, many of our hard-won gains will be permanently reversed.

Mr. Speaker, this is arguably the most difficult period we have had to face in our economic history.

Overcoming our current challenges, therefore, requires an extraordinary response.

Mr. Speaker, as a nation and a people, we are responding well.

Working together, hope in our nation and our people is being restored.

Our economy is beginning to show initial signs of recovery. Our people are demonstrating impressive resilience.

Mr. Speaker, as we have done before, with God on our side, we will prevail.

The policies, plans, and programmes announced today will help us recover in a robust and inclusive way, support our social and economic transformation, and further build resilience.

We have rolled out one of our largest capital budgets ever, which will generate thousands of employment opportunities for our people. Our private sector is energised and will also add thousands of new jobs.

Mr. Speaker, we are ready for the difficult road ahead.

The responsibility resides with all of us. As a caring and responsible Government, we will play our part. I call on each and every Grenadian to continue to do his or her part as we move forward in unity and from strength to strength.

The more united we are, the stronger will be our response and the sooner we will be able to put the pain and suffering of 2020 behind us.

Mr. Speaker, I end as I began in reverence to the Almighty God **“for in him we live, move, and have our being.”** We are not afraid of what the future holds. **For God is our refuge and strength, an ever-present help in trouble. Psalms 46.1.**

I want to also end by thanking my family for their love and unwavering support in my many years of service to our nation.

May God continue to bless Grenada, Carriacou and Petite Martinique. I thank you.

9.7. Appendices

9.7.1. Appendix 1: Allocation by Votes

Vote	Recurrent	Capital	Sum Not Exceeding	%
01 Governor General	1,520,397	-	1,520,397	0.1
02 Parliament	1,583,219	-	1,583,219	0.1
03 Supreme Court	3,611,936	-	3,611,936	0.3
04 Magistracy	2,427,077	-	2,427,077	0.2
05 Audit	1,755,078	54,338	1,809,416	0.1
06 Public Service Commission	987,757	-	987,757	0.1
07 Director of Public Prosecutions	813,329	-	813,329	0.1
08 Parliamentary Elections Office	1,476,345	580,000	2,056,345	0.2
09 Ministry of Legal Affairs	3,494,567	-	3,494,567	0.3
10 Office of the Prime Minister	6,228,204	230,000	6,458,204	0.5
11 Prisons	9,609,138	-	9,609,138	0.8
12 Police	50,445,453	1,170,000	51,615,453	4.2
14 Ministry of Labour	1,080,283	-	1,080,283	0.1
15 Ministry of Tourism, Civil Aviation, Climate Resilience and the Environment	15,664,528	3,603,649	19,268,177	1.6
16 Ministry of Foreign Affairs, International Business & CARICOM Affairs	6,955,733	1,560,018	8,515,751	0.7
17 Financial Intelligence Unit	567,750	-	567,750	0.0
18 Ministry of Nat. Sec. Pub. Adm. Youth Development, Home Affairs, ICT & Disaster Management	33,092,225	40,182,000	73,274,225	5.9
19 Ministry of Sports , Culture and the Arts , Fisheries and Co-Operatives	11,924,870	5,720,570	17,645,440	1.4
20 Ministry of Finance , Economic Development, Physical Development, Public Utilities and Energy	71,659,549	48,198,687	119,858,236	9.7
21 Pensions and Gratuities	72,704,335	-	72,704,335	5.9
22 Public Debt.	361,103,487	-	361,103,487	29.3
25 Contributions	21,275,929	-	21,275,929	1.7
26 Ministry of Trade, Industry, and Consumer Affairs	2,097,256	697,626	2,794,882	0.2
28 Ministry of Climate Resilience, the Environment, Forestry, Fisheries, Disaster Management and Information	-	-	-	-
30 Ministry of Infrastructure Development, Transport and Implementation	10,047,307	123,650,000	133,697,307	10.8
35 Ministry of Social Development , Housing and Community Empowerment	33,837,324	26,377,711	60,215,035	4.9
36 Ministry of Carriacou and Petite Martinique Affairs & Local Government	12,598,143	4,574,584	17,172,727	1.4
40 Ministry of Education, Human Resource Development, Religious Affairs & Information	104,213,498	19,764,000	123,977,498	10.1
50 Ministry of Health and Social Security	71,799,898	23,108,943	94,908,841	7.7
64 Ministry of Agriculture, Lands and Forestry	12,488,139	6,135,169	18,623,308	1.5
TOTAL	927,062,754	305,607,295	1,232,670,049	100

9.7.2. Appendix 2: 2020 Economic Review and Medium-term Outlook

1.0 Overview

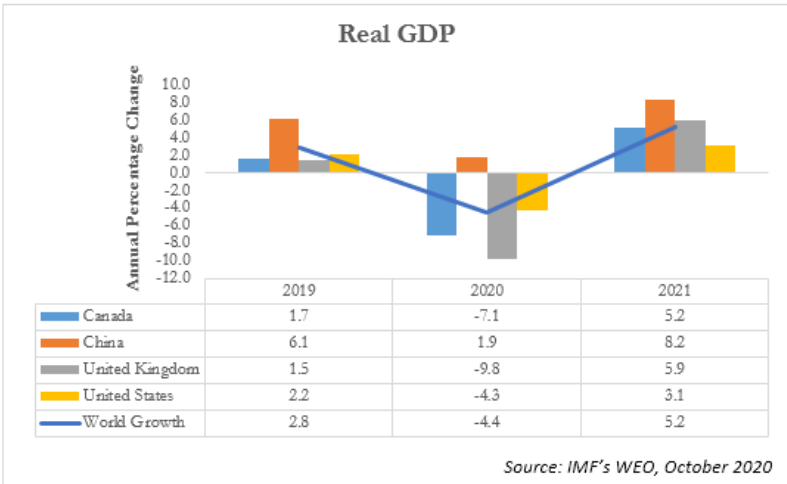
Consistent with global economic trends due to the impact of the coronavirus, Real GDP growth is projected to fall in 2020 by 12.2 percent underpinned by notable declines in key sectors such as Tourism, Wholesale and Retail Trade, and Transport. Activity in the Manufacturing Sector and the Agricultural Sector are also expected to fall relative to last year due to the effects of COVID-19. Average inflation, as measured by the Consumer Price Index was negative for the first 6 months of 2020 at -0.6 percent reflective of falling global oil prices. Preliminary data collected from the quarter two Labour Force Survey indicate increased unemployment at a rate of 28.4 percent compared to 15.7 percent in the second quarter of 2019.

Public finances have deteriorated in 2020, with the primary and overall surpluses estimated at 2.9 percent of GDP and 0.9 percent of GDP respectively, compared to 6.8 percent of GDP and 4.6 percent of GDP correspondingly in 2019. Public debt is expected to increase to 68.6 percent of GDP by year-end from 57.7 percent at the end of 2019.

2.0 International Developments

According to the International Monetary Fund's World Economic Outlook Report (WEO) released in October 2020, the global economy is recovering from the depths to which it had entered during the first half of this year because of the COVID-19 pandemic. Despite this gradual rebound, the world economy is projected to contract by an estimated 4.4 percent in 2020, compared to growth of 2.8 percent in 2019. However, this latest forecast is an upward revision relative to the June 2020 WEO Update where a decline of 4.9 percent was projected. The revision was driven by improved second-quarter GDP outturns in advanced economies, China's strong return to growth, and more signs of a rapid recovery in the third quarter. Global growth is projected at 5.2 percent in 2021, slightly lower than the June 2020 WEO Update of 5.4 percent.

Figure 1: Selected Real GDP Growth Rates - International



The United States (US) economy is projected to contract by 4.3 percent in 2020 before growing at 3.1 percent in 2021, reflective of better-than-anticipated GDP outturns in the second quarter. Despite the sudden-stop in economic activity that occurred in the first quarter, activity normalized during the second quarter as US authorities’ strong and proactive support to households and businesses took root whilst consumption and investment picked up.

In the United Kingdom, where authorities continue to grapple with the debilitating consequences of the pandemic, a sharp contraction of 9.8 percent is estimated for 2020, compared to a growth of 1.5 percent witnessed in 2019. Notwithstanding this decline, growth is projected to rebound to 5.9 percent in 2021 led by the eventual effects of the unprecedented levels of accommodative fiscal and monetary policies. Canada’s growth is projected to contract from the 1.7 percent achieved in 2019 to -7.1 percent in 2020, a direct result of weakened demand brought on by the COVID-19 viral outbreak and the downturn faced by the US, its largest trading partner. In 2021, growth is expected to return to 5.2 percent as the economy returns to some semblance of normalcy with the easing of restrictive measures and

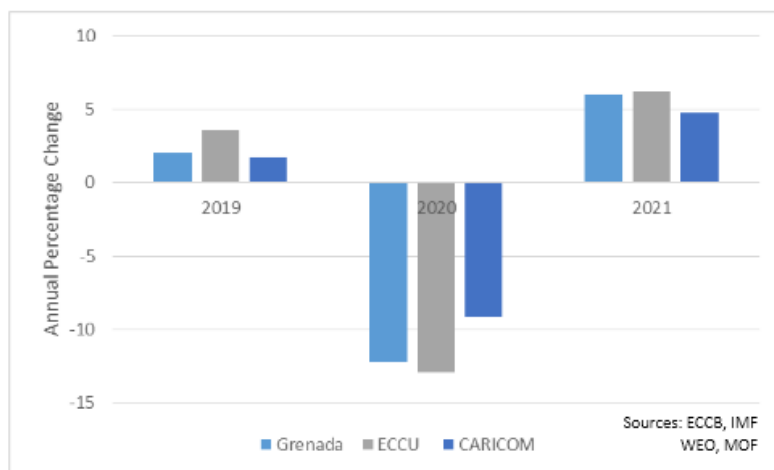
resumption of trade with the US. In China, where public investment was ramped-up and lockdown measures were eased in the second quarter, growth returned and is projected at 1.9 percent this year, 4.2 percentage points less than 2019. A stronger rebound is projected for 2021 with a growth of 8.2 percent catalyzed by an uptick in external demand and strong policy support by Chinese authorities.

The IMF warns that the path to growth ahead will likely be long, uneven, and uncertain and is hinged on public health and economic factors that are difficult to predict. Downside risks are significant and include; a recurrence of viral outbreaks; premature withdrawal of policy support; a resurgence of financial tightening in global markets; an escalation of geopolitical tensions; and weather-related natural disasters.

3.0 Regional Developments

In 2019, the average growth rate of the ECCU countries (3.4 percent) (not including Grenada) was higher than the growth rate in Grenada (2.0 percent) and the average of the CARICOM countries (1.73 percent). In 2020, it is estimated that all countries within the ECCU and CARICOM will experience negative growth. The average growth rate for ECCU countries is anticipated to decline by -12.9 (Figure 2). This noteworthy decline in GDP growth rates is significantly influenced by the COVID-19 pandemic, which put a pause in economic activities within the Caribbean region and caused a loss in production, jobs, and income.

Figure 2: Real GDP Growth Rates for Grenada, the ECCU and CARICOM



The data shows that the ECCU countries in 2020 have been significantly affected by the COVID-19 pandemic. Anguilla is expected to record the largest decline in the real GDP growth rate of the ECCU countries. A decline of 25.5 percent is estimated for that country in 2020. The country is also expected to record the largest growth rate in 2021 of 17.2 percent (Table 1).

Table 1: Real GDP Growth Rates (ECCU Excluding Grenada)

COUNTRY ¹	2019	2020	2021
ANGUILLA	5.4	-25.48	17.17
ANTIGUA AND BARBUDA	3.35	-17.82	4.69
THE COMMONWEALTH OF DOMINICA	3.56	-8.71	1.61
MONTSERRAT	5.92	-4.04	4.24
ST. KITTS AND NEVIS	2.84	-16.11	5.86
ST. VINCENT AND THE GRENADINES	0.49	-5.32	3.66

Source: ECCB

The global supply chain challenges have impacted the construction industry. The tourism sector has taken a major hit and is expected to

¹St. Lucia recently completed their GDP rebasing exercise which means their GDP growth numbers are not comparable to the rest of the ECCU at this time. The numbers will be comparable once rebasing is complete for the other territories.

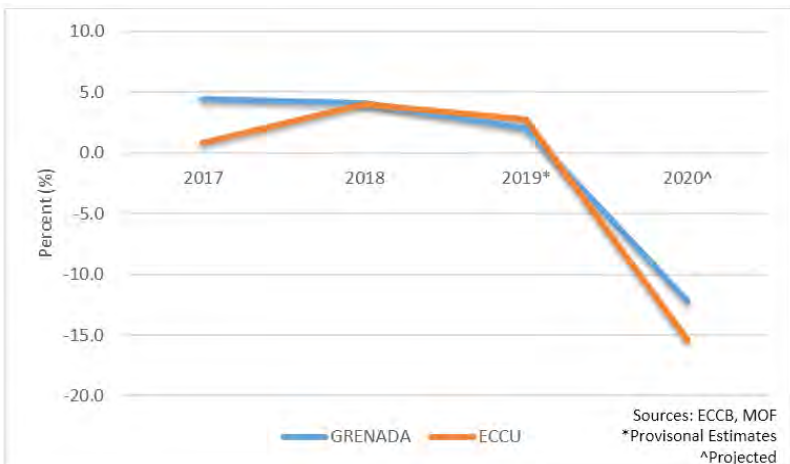
continue in the medium term. Tourism is expected to take a while to recover from the effects of the pandemic. However, in 2021, the economies are expected to recover as it is anticipated that the effects of COVID-19 would subside by then. The average growth rate of the ECCU countries is projected at 6.2 percent.

4.0 2020 Economic Review and Medium-Term Outlook

4.1 Real Sector Developments

Preliminary data for the first half of 2020 highlights the negative impact of the COVID-19 pandemic on the local economy. Despite being relatively diverse, most sectors of the economy recorded reduced activity from January to June compared to the same period in 2019. After seven consecutive years of growth averaging 4.4 percent, the economy is projected to register a double-digit decline of 12.2 percent in 2020, with notable declines in Tourism, Transport, Wholesale and Retail Trade, and Manufacturing (Figure 3). Prices fell an average of 0.6 percent during the first half of 2020 and inflation is projected to be -1.0 percent for the year, reflecting the steep decline in fuel prices due to the pandemic.

Figure 3: Real GDP Growth: Grenada vs. ECCU Average (2017-2020[^])



4.1.1 Agriculture & Fishing

Data for the first six months of 2020² shows varying levels of decline among crop categories in the agriculture sector. After reduced production of 7.3 percent in 2019, preliminary estimates indicate agriculture production will again fall in 2020 by 13.1 percent (Figure 4). The sector was affected by both demand and supply-side issues directly related to the coronavirus. The temporary closure of Hotels, Restaurants, and the St. George's University Campus (SGU) reduced local demand for products resulting in pricing and supply adjustments in the market. Additionally, restricted movement implemented as a measure to curb the spread of the virus impeded farming efforts for some time. Trade disruptions also negatively affected the farming efforts of the crops mainly harvested for export.

4.1.1.1 Nutmeg and Mace

For the first half of 2020, the volume of nutmegs harvested fell by 11.8 percent relative to the corresponding period in 2019 while mace production decreased by 14.7 percent. These decreases are consistent with the reduced harvesting effort as a result of restricted movement imposed for a period due to COVID-19. No nutmegs or mace are recorded as being harvested in April when lockdown measures were in place. The proximity of the majority of nutmeg trees from villages could have been a factor in this regard as trees are located largely in the island's mountainous interior. Moreover, with global trade disruptions, harvesting effort was reduced as the majority of nutmegs produced are for export.

Despite fluctuating international prices, nutmeg and mace exports resumed in May with the easing of COVID-19 restrictions globally. Exports for the first half of 2020 were 47.3 and 28.2 percent less than the same period in 2019 respectively.

²Latest period for which data is available.

4.1.1.2 Cocoa

Cocoa production for the period January to June 2020 declined by 16.5 percent relative to the corresponding period in 2019. Challenges for harvesting cocoa during the first half of the year were similar to that of nutmegs and mace. However, cocoa production was also affected by the closure of the borders to commercial air traffic and the early closure of the cruise ship season. Since a fair quantity of cocoa is processed into chocolate on the island for purchase by tourists and locals alike, reduced demand for chocolate and reduced business operating hours in the second quarter also negatively affected cocoa production.

Sales on the international market also fell by 40.5 percent in the first six months of 2020 compared to the same period in 2019 though prices remained fairly stable in the period under review.

4.1.1.3 MNIB Purchases of Other Crops³

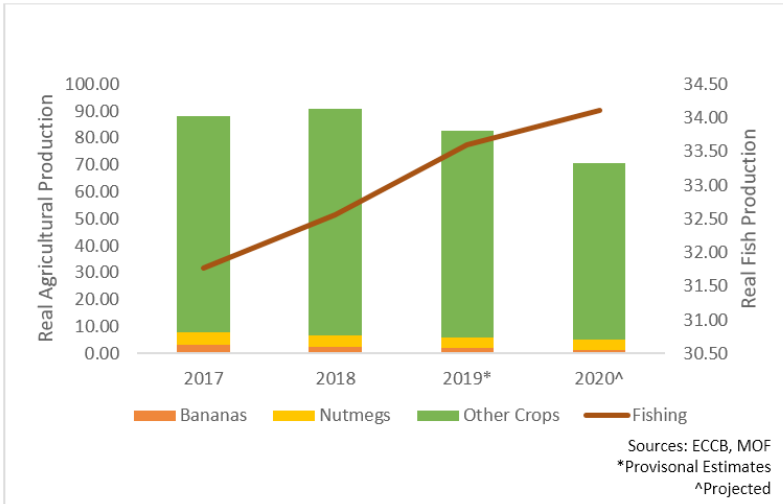
From January to June 2020⁴, the quantity of MNIB purchases of “other crops” fell by 16.0 percent compared to the corresponding period in 2019. MNIB’s purchases of other crops are the main indicator of the production of fresh fruits, vegetables, and root crops. However, it should be noted that an increased number of farmers and farmers’ cooperatives also market their produce independently, which affects the correlation between MNIB’s purchases and production in the “other crops” sub-sector.

The temporary closure of hotels, restaurants, and the SGU campus affected demand for these crops during the period under review, which resulted in farmers exploring various options for marketing their produce locally. However, reduced demand affected supply and farmers adjusted cultivation to match the prevailing demand.

³In this section, “Other Crops” means crops other than Nutmegs, Cocoa and Bananas.

⁴Latest period for which data is available

Figure 4: Agriculture and Fish Production (2017-2020[^])



4.1.1.4 Fishing

After recording growth of 3.2 percent in 2019, preliminary data indicates that for the first quarter of 2020⁵, fish production rose by 1.5 percent compared to the same period in 2019. The shut-down implemented in the United States as a response to COVID-19 reduced the external demand for fish to almost zero for a while. As the U.S. is our main export market for fish, these events created a glut of fish on the local market, which caused prices to fall by as much as 50.0 percent. Despite the price challenges, and the temporary interruption of fishing activities due to local restrictions on movement, fish supply on the island remains consistent while external demand is steadily recovering. However, more stringent quality standards being utilized in the U.S. could frustrate efforts to bring exports back to pre-COVID levels.

4.1.2 Tourism

The tourism sector is the sector most affected by the coronavirus pandemic to date. Stay over arrivals plummeted by 54.8 percent for the

⁵Latest period for which data is estimated.

first 6 months of 2020 compared to the same period in the previous year (Table 2). Before March 2020, stayover arrivals were up 2.1 percent and hotels reported increased activity at their respective establishments compared to the same period in 2019.

Table 2: Visitor Arrivals for Jan-Jun 2019 vs 2020

	2019	2020	% Change
	Jan-Jun	Jan-Jun	
United States	37,112	17,086	-54.0
Europe	4,866	2,826	-41.9
United Kingdom	13,882	6,857	-50.6
Canada	10,226	4,210	-58.8
Caribbean	13,819	5,060	-63.4
Other	2,494	1,234	-50.5
Stay-Over Arrivals	82,399	37,273	-54.8
Cruise Passengers	223,051	162,517	-27.1

Source: GTA

However, travel restrictions imposed from March 2020 as a response to COVID-19 brought activity in the sector to a virtual halt. Hotels reported mass cancellations of bookings and existing guests left the island before the closure of the Airport to commercial traffic. With no tourist traffic entering Grenada since the end of March 2020, most hotels on the island shut their doors and temporarily sent their staff home as they sought to navigate the crisis.

Through its economic stimulus package, the Government provided support to the sector in the form of payroll assistance which allowed hotels to retain most of their staff until activity restarts in the sector. Additionally, some properties implemented special products catered to locals to generate additional revenue during the second quarter.

The gradual reopening of the borders to commercial traffic and easing of restrictions is welcomed news for the sector. Most hotels have re-

opened after being inspected for “COVID-19 readiness” and tourists are slowly returning to the island. The Grenada Tourism Authority is also implementing targeted marketing strategies in light of the changing travel climate. However, flights have not yet returned to pre-pandemic scheduling as global travel is still affected by the pandemic. Consequently, a significant decline in arrivals is projected (Figure 5) resulting in a major decline for the sector in 2020.

Cruise arrivals for January and February 2020 were lagging behind 2019 arrivals for the same period before the effects of COVID-19. However, the early closure of the 2019/2020 cruise ship season in March 2020 due to the pandemic caused a much steeper decline than expected for the first half of the year of 27.1 percent. Additionally, with the delayed opening of the 2020/2021 cruise ship season, a major decline is anticipated for the fiscal year 2020. However, the authorities are in dialogue with cruise lines to safely welcome back cruise passengers to our shores in the last quarter of 2020.

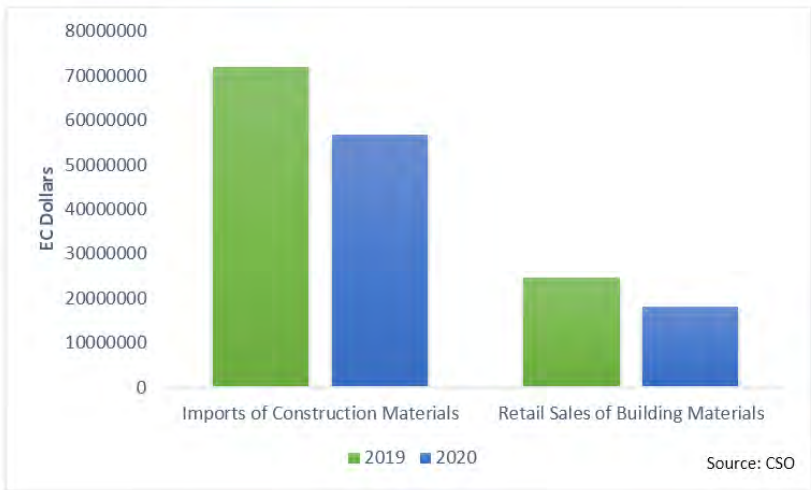
Figure 5: Visitor Arrivals: 2017-2020[^]



4.1.3 Construction

Construction-related imports is the main indicator used for activity in the Construction sector. Preliminary data indicates a 21.2 percent decline in the value of imports of construction materials for the first six months of 2020 compared to the same period in 2019. Furthermore, there was a similar decline in the secondary indicator, retail sales of building materials, of 26.2 percent during the same period (Figure 6). It is important to note that imports of construction material increased 8.0 percent in the first quarter, before the effects of COVID-19 being experienced locally. COVID-19 restrictions put in place from March to May 2020 froze all construction activity for several weeks and resulted in a loss of productivity in the sector. Construction has since resumed under new COVID-19 protocols to ensure the safety of workers on the job as far as possible.

Figure 6: Construction Indicators: Jan-Jun 2019 vs 2020



The sector faces some challenges with weakened investor confidence due to uncertainties related to COVID -19. Reports are that some projects have been put on hold as investors monitor events in the global economy. Notwithstanding, major private sector projects are still ongoing, including the Kawana Bay Resort and Six Senses

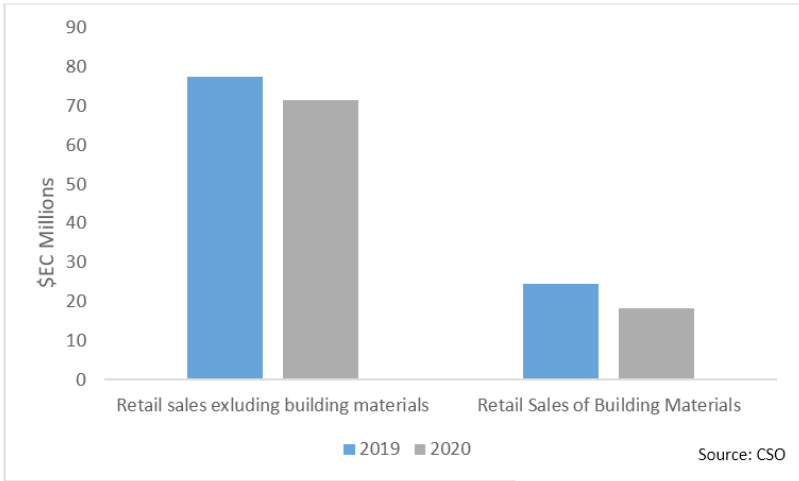
Resort. Additionally, the commencement of the Levera Resort project and the Grenada Resort in Mt. Hartman in the second half will boost activity in the sector. Additionally, public sector projects continue, including low-income housing projects in several parishes, the Gouyave Health Centre, road works, school expansions, and repairs to public buildings.

4.1.4 Wholesale and Retail Trade

Preliminary data for the Wholesale and Retail Trade sector indicates a decline of 12.2 percent in January to June 2020 compared to the same period in 2019. Retail sales of building material fell 26.2 percent and there was a 7.7 percent drop in retail sales excluding building materials (Figure 7). It should be noted that before the effects of the pandemic, retail sales excluding building materials were 12.9 percent higher than the same period in 2019. The sector recorded double-digit growth numbers in January and February 2020, which was a good start to the year. With the impact of COVID-19 being felt from March 2020, the sector was still able to record growth due to panic buying and persons stocking up on food during the mandatory lockdown. Though the grocery aspect of wholesale and retail trade continued during the pandemic, the sector was impacted by reduced operating hours.

The temporary closure of hotels and SGU, the cancellation of carnival and the overall slow-down in the economy, would reduce demand for products in the sector, including consumer durables. Though some improvement is expected in the fourth quarter during the festive season, a decline is expected in the sector for the year.

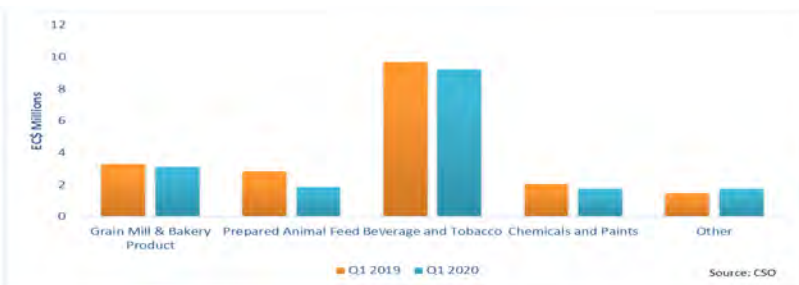
Figure 7: Retail Sales Jan-Jun 2019 vs. 2020



4.1.5 Manufacturing

The Manufacturing sector struggled in the first quarter of 2020 partly due to spill-over effects from the pandemic. The closure of local hotels and SGU, as well as restrictions placed on movement and social gatherings, reduced demand for some manufactured products. Preliminary data for the period shows an 8.9 percent decline in the value of products manufactured with the largest decline of 35.4 percent being recorded in animal feed. Additionally, Grain Mill & Bakery Products declined 6.3 percent while Beverage production fell by 4.9 percent. Production of Chemicals and Paints also fell by 13.9 percent during the period (Figure 8).

Figure 8: Industrial Production: Jan-Mar 2019 vs. 2020



In the second quarter, the manufacturing sector was negatively impacted by the lockdown, which completely halted production for some time. Local beverage manufacturers indicated that the disruption had a major impact on their ability to produce and are still experiencing difficulty getting their operations back to pre-COVID-19 levels. Additionally, a cluster of COVID-19 cases at a major local manufacturer caused that business to be shut down completely for two weeks with shortages being experienced in those products as a result. These disruptions resulted in entities losing local market share to regional and international competitors, and also lost market share in regional export markets which may take several months to recoup.

The production of goods under the category “other” increased by 19.9 percent in the first quarter of 2020 compared to the same period in 2019. This category includes products such as masks, hand sanitizers, and other sanitizing solutions that have increased in production since the pandemic.

4.1.6 Private Education

The St. George’s University, the largest provider of private education on the island, decided in March 2020 to cease face-to-face classes. The international students returned to their respective countries and conducted their studies online. This measure was implemented as part of the University’s strategy to cope with the COVID-19 pandemic. The University has yet to give a definitive date for the commencement of on-site classes and given that the crisis has persisted into the fourth quarter, it is unlikely that students will return in 2020. As classes continue online, the University continues to receive tuition and other applicable fees from students. There are also reports of increased enrolment for the 2020/2021 academic year given the increased interest in health globally since the pandemic. Therefore, a relatively moderate decline is projected for private education in 2020. However, the effect of the closure has been felt in other sectors, most notably the Real Estate sector and the Wholesale and Retail Sector,

which would have experienced decreased activity due to the absence of the students.

4.1.7 Other Sectors

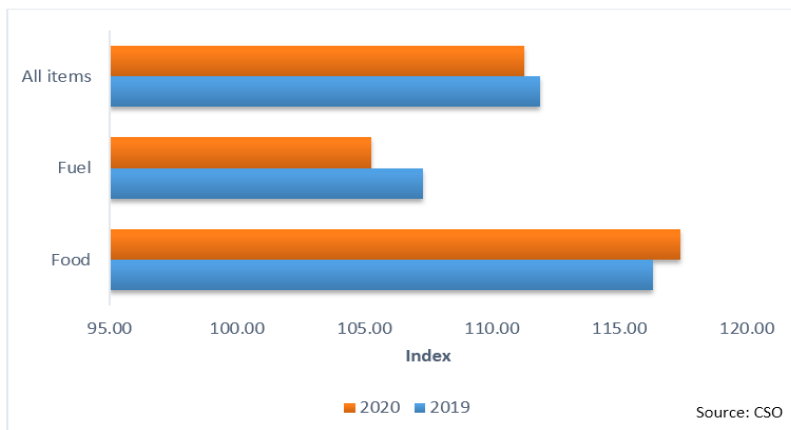
Data for the first half of 2020 show a decline in the use of public utilities compared to the same period in 2019. Electricity usage fell by 7.0 percent with industrial and commercial consumption falling by 11.2 and 12.8 percent respectively. Conversely, domestic electricity consumption increased during the period by 1.8 percent. This trade-off reflects the effects of the temporary lockdown measures and persons working from home due to social distancing protocols. Water usage fell marginally by 0.2 percent which is counterintuitive given the business closures which occurred in the first half. The marginal decline indicates greater domestic water usage, consistent with increased handwashing and sanitising practices due to COVID-19.

Despite the ports remaining open to cargo, the transport sector also experienced a decline in the first half with reduced cargo movements of 18.1 percent compared to the first half of 2019. Incoming sea cargo and air cargo fell by 6.8 percent and 19.7 percent respectively during the period reflecting the impact on imports due to the pandemic. Exports were also affected with outgoing sea and air cargo falling by 33.3 and 39.5 percent respectively.

4.1.8 Inflation

The consumer price index for January to June 2020 indicates a period average inflation rate of -0.6 percent compared to the same period in 2019. Local fuel prices fell 1.9 percent during the period reflective of international oil prices, which plummeted in the immediate aftermath of the global economic shutdowns. Conversely, food prices increased 1.0 percent also reflective largely of global supply chain disruptions (Figure 9).

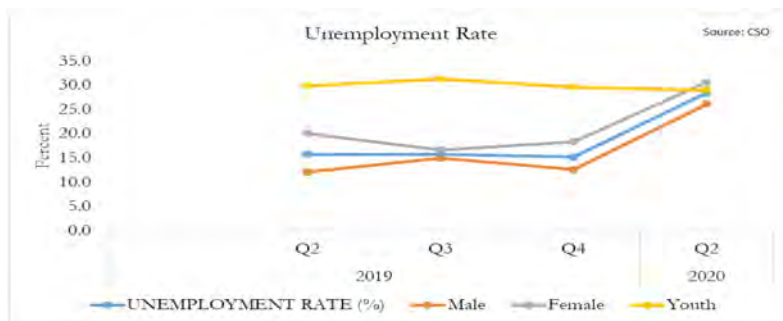
Figure 9: Consumer Price Index: Jan-Jun 2019 vs. 2020



4.2 Unemployment

The economic shock occasioned by the COVID-19 pandemic caused an implosion of the labour market, which saw the loss of close to 14,000 jobs from the employed labour force in Q2 2020 relative to the number in Q4 2019. This, based on Labour Force Survey conducted for Q2 2020, translated to a spike in the unemployment rate to 28.4 percent, reversing the persistent downtrend witnessed since Q2 2019 in which the unemployment rate reached a historic low of 15.1 percent in Q4. The unemployment rate remains higher for women than for men, though the rates for both sexes were falling pre-COVID-19. Similarly, though still high, the youth employment had been on a downtrend pre-COVID-19 (Figure 10).

Figure 10: Quarterly Unemployment Rate



4.3 Fiscal Sector

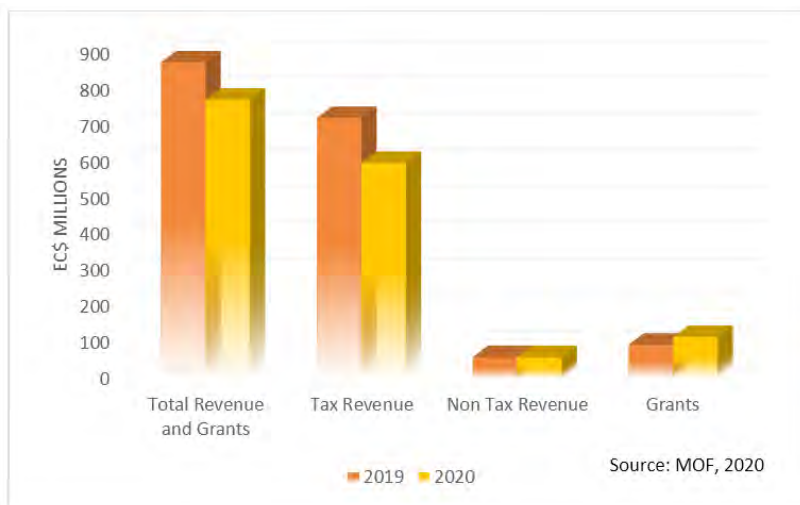
Grenada’s fiscal position deteriorated as the pandemic continues to batter the economy and world. During the first nine months of 2020, a primary balance (including grants) of \$62.6 million was recorded, which is \$89.1 million or 58.8 percent less than what was recorded for the January- September 2019 period. The Overall Balance (including Grants) in the third quarter of 2020 was \$25.7 million, \$87.4 million, and 77.3 percent less than what was achieved during the same period of 2019. At the end of 2020, the primary balance (including grants) is expected to be \$82.2 million, \$140.8 million less than what was achieved in 2019, while the overall balance (including grants) is expected to be \$26.6 million, \$135.8 million less than the 2019 total. (Figure 11). This weakened position was due to lower revenue collections and higher expenditures as a result of unavoidable COVID-19 spending.

Figure 11: Primary and Overall Balance After Grants 2019 vs. 2020



Total Revenue and Grants in 2020 is estimated to be \$ 768.6 million of which total revenue is \$654.2 million and total grants, \$114.6 million. Total revenue is estimated to be 15.9 percent less than the collections of 2019. This contraction in revenues is primarily as a result of a 16.9 percent decline in taxes on income⁶, most notably a 23.1 percent decrease in Corporate Income Tax, a 23.2 percent fall in taxes on property⁷, driven by a 34.9 percent contraction of property transfer tax, a 20.0 percent contraction in taxes on domestic goods and services⁸, motivated by a 16.7 percent downturn in VAT, and a 15.6 percent decline in taxes on international transactions⁹, driven by a 17.7 percent contraction in collections of import duty. At the end of 2020, Total Grants are anticipated to increase by 22.5 percent when compared to 2019 (Figure 12).

Figure 12: Total Revenue and Grants 2019 vs. 2020



Total Expenditure is anticipated to increase by 4.7 percent in 2020 when compared to 2019. It is expected that there will be a 0.5 percent

⁶Personal Income, Withholding taxes, and Corporate income tax

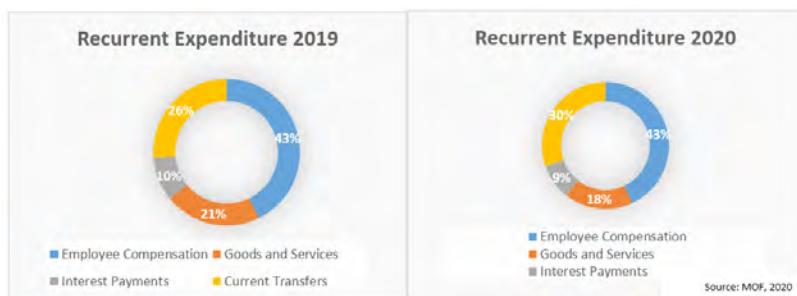
⁷Property Tax, Inheritance Tax, and Property Transfer Tax

⁸VAT, Stamp Duty, Embarkation Tax, Annual Stamp Tax, and Gaming Tax

⁹Import Duty, Petrol Tax, Customs Service Charge, Environmental Levy, and Miscellaneous Customs Revenue

decline in recurrent expenditure and a 42.5 percent increase in Capital Expenditure over the same period.

Figure 13: Components of Recurrent Expenditure 2019 vs. 2020




Of the components of recurrent expenditure, current transfers are estimated to record the largest increase (15.7 percent) as compared to 2019. This is reflective of the \$ 23.6 COVID-19 stimulus package rolled out in the second quarter of 2020, which included income and payroll support (\$ 13.3 million), contributions to Grenada Development Bank (GDB) for the small business support (\$3.0 million), and to Grenlec for bill payment relief (\$ 7.3 million). Employee compensation is anticipated to decline in 2020 by \$1.3 million (0.5 percent).

Goods and Services are estimated to reduce by 17.1 percent to \$110.2 million in 2020; this curtailing of expenditure is due to continued efforts by the Government to tighten its discretionary spending amid the economic downturn due to the pandemic. Interest payments are estimated at \$55.6 million in 2020, an 8.3 percent decline over the previous year; this decline largely reflects the Debt Service Suspension Initiative (DSSI), initiated by the World Bank and the IMF for participating bilateral creditors as a result of the COVID-19 Pandemic economic shock (Figure 13).

Relative to the 2020 Budget, the Primary balance (including grants) is anticipated to deteriorate by 61.3 percent to \$ 82.2 million and the Overall balance is expected to sharply contract by 81.7 percent

to \$26.6 million. Total revenue and grants are anticipated to be 23.5 percent lower than the budgeted estimate and total expenditure is estimated to be 13.6 percent lower than the budgeted amount (Table 3)

Table 3: Grenada Fiscal Projections 2020

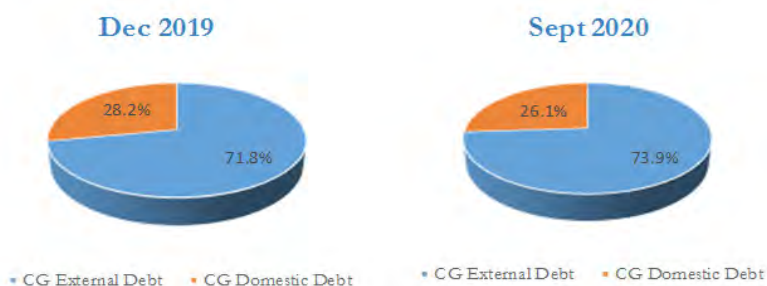
<i>In millions of Eastern Caribbean Dollars, unless otherwise stated</i>			
	2020		
	Esimated Outturn	Budget	Variance (%)
Total Revenue & Grants	768.8	1004.8	(23.5)
Total Revenue	654.2	786.2	(16.8)
Tax Revenue	594.8	727.7	(18.3)
Non-tax Revenue	59.4	58.5	1.6
Grants	114.6	218.6	(47.6)
Total Expenditure	742.2	859.0	(13.6)
Primary Expenditure	686.6	792.0	(13.3)
Current Expenditure	620.1	633.7	(2.1)
Employee Compensation	265.3	282.2	(6.0)
<i>o/w Wages, salaries and allowances</i>	252.4	268.2	(5.9)
Goods and Services	110.2	121.5	(9.3)
Interest Payments	55.6	67.0	(17.0)
Transfers	189.0	163.1	15.9
Capital Expenditure	122.1	225.3	(45.8)
Overall Balance	26.6	145.8	(81.7)
Primary Balance (including grants)	82.2	212.8	(61.3)

4.4 Public Debt

Grenada's Public Sector debt increased year on year from September 2019 to September 2020, moving from \$1,911.2 million or 58.4 percent of GDP to \$1,996.0 or 70.6 percent of GDP. When compared to the end of December 2019 however, the public debt-to-GDP ratio increased by 12.9 percentage points. This rise reflected the decline in GDP due to the COVID-19 and disbursements received during the period. The public debt in September 2020 consists of Central Government debt only, because all Government Guaranteed debts were

liquidated during the fourth quarter of 2019. External debt at the end of September 2020 was 73.9 percent of total public debt, a 2.2 percentage points increase relative to the end of 2019, whilst domestic debt was 26.1 percent of total public debt, a 2.2 percentage points decline. Preliminary estimates project public debt to increase by 10.9 percentage points from 57.7 percent of GDP in 2019 to 68.6 percent at the end of 2020.

Figure 14: Composition of Public Debt as at end December 2019 and September 2020



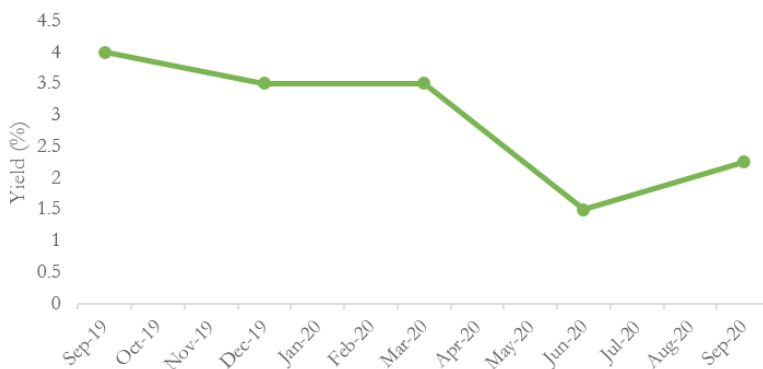
Source: MOF

4.4.1 Central Government Domestic Debt

At the end of September 2020, Central Government's domestic debt was \$520.3 million or 18.4 percent of GDP, an increase of 11.0 percent compared to September 2019. This increase is largely attributable to a reduced forecast of nominal GDP for 2020 because of the COVID-19 pandemic. So far during this fiscal year, Government reissued \$80 million in Treasury bills and notes on the RGSM, the proceeds from which were used as part of its liquidity management operations. These included the reissue of a \$10.0 million 2-year Treasury note with a yield of 5.5 percent; three re-issues of a \$15.0 million 91-Day Treasury bill. This Treasury bill, which was issued in March, yielded rates of 3.5, 1.5 and 2.25 percent respectively with each successive re-issue. Figure 15 shows the variations in the yields of the

91-Day Treasury bill from September 2019 to September 2020. In July, Government also re-issued a \$25.0 million 365-day Treasury bill at 2.25 percent.

Figure 15: 91-Day Treasury Bill Yields September 2019 to September 2020



Source: MOF

4.4.2 Central Government External Debt

Central Government’s external debt at the end of September was \$1,475.7 million or 52.2 percent of GDP, which represented a 24.8 percent increase relative to September 2019. Table 4 summarizes the new concessional loans contracted during the first three quarters of this year. Additionally, during this period, disbursements totaling \$44.5 million were received from existing external creditors.

Table 4: Summary of New Loans Contracted January- September 2020

Loan	Creditor	Amount (\$m)	Currency
Caribbean Regional Air Transport Connectivity	World Bank - IDA	17.0	USD
Caribbean Digital Transformation Project	World Bank - IDA	8.0	USD
Disaster Risk Management Development Policy Credit with CAT-DDO	World Bank - IDA	20.0	USD
Second Fiscal Resilience and Blue Growth DPC	World Bank - IDA	20.0	USD
OECs Regional Health Project (Additional)	World Bank - IDA	2.5	USD
Caribbean Regional Communication Infrastructure Program	World Bank - IDA	3.0	USD
Rapid Credit Facility	IMF	16.4	SDR
Coronavirus Disease Emergency Response Loan	CDB	5.9	USD

Source: MOF

4.4.3 Debt Service

Total Central Government's debt service for the first three quarters of 2020 was \$184.0 million, representing a 0.2 percent decline when compared to the corresponding period of 2019. Amortization payments accounted for \$147.1 million or 79.9 percent of total debt service, whilst interest repayments were \$36.9 million or 20.1 percent of total debt service. Domestic debt service, which was \$99.5 million for the first three quarters of 2019 increased by 4.8 percent during the same period of 2020.

External debt service declined by 4.0 percent to \$81.5million during the first three-quarters of 2020 when compared to the same period of 2019. External principal and interest repayments were \$54.2 million and \$25.5 million respectively. As part of the G20 Debt Service Suspension Initiative (DSSI), \$4.1 million of interest and principal repayments were suspended for Grenada from three participating bilateral creditors. This amount represented debt service payments that would have accrued to these creditors over the period May to December 2020. The savings realized from this suspension allowed the Government to redirect spending toward priority areas to thwart the adverse impacts of the pandemic on the local economy. Central

Government debt service as a percentage of total revenue for the first three quarters of 2020 was 36.4 percent, an increase of 3.6 percentage points relative to the corresponding period of 2019, mainly reflecting the decline in revenue relative to the comparable period in 2019.

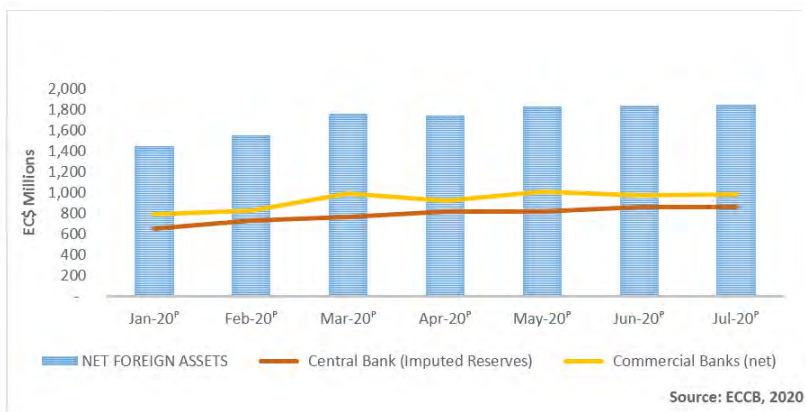
4.5 Monetary and Financial Sector

The Monetary and Financial System analyzed through the Bank and Non-Bank Financial Institutions continue to see improvements in its Assets. Despite COVID-19 financial pressures, deposits continue to increase at a faster rate than that of loans, further increasing already-high liquidity in the Sector. Domestic credit fell, but overall, the sector remains stable, with Non-Performing Loans remaining below the prudential benchmark.

4.5.1 Banking Sector

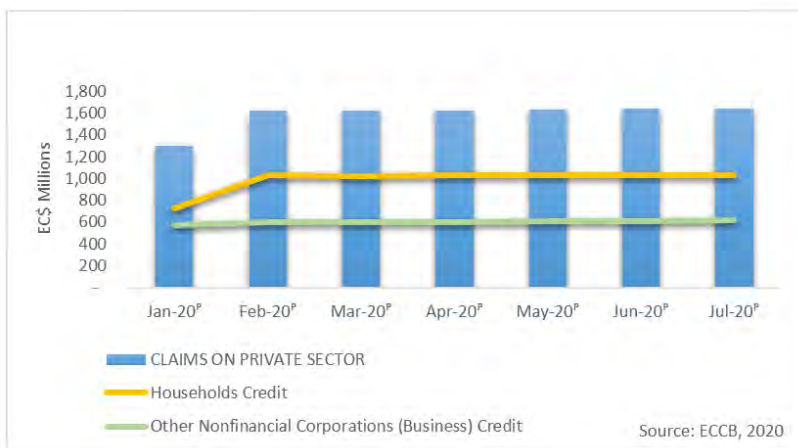
Net Foreign Assets at end-September 2020 increased to \$395.6 million, a 27.3 percent improvement from the start of the year. This increase was driven by strong improvements in both Central Bank (Imputed Reserves) and Commercial Banks (net), which improved by 31.3 percent and 24.0 percent, respectively (Figure 16).

Figure 16: Net Foreign Assets for the Period Jan-Jul 2020



Net Domestic Assets within the system continued a downward trajectory, moving from \$972.0 million at the start of 2020 to \$670 million at the end of July 2020 (31.1 percent decline). This decline was driven by a 3.7 percent or \$39.3 million contraction in domestic credit, chiefly motivated by a 99.7 percent decline in claims on other financial corporations. Notably, private sector credit improved by 26.6 percent during the first 7 months of 2020. The improvement is mainly due to a 41.6 percent and 7.6 percent uptick in household credit and Other Nonfinancial Corporations (Business) Credit, respectively (Figure 17), but was insufficient to sway a decline of overall domestic credit.

Figure 17: Components (some) of Private Sector Credit for the period Jan-Jul 2020



Monetary Liabilities for the banking sector showed modest improvement during the first 7 months of 2020, by \$93.0 million. During the same period, the money supply expanded by 4.1 percent to \$772.0 million, propelled by a 65.0 percent increase in “other” subcategories, which include Public and Private Corporations’ Demand Deposits and EC Cheques and Drafts Issued (Table 5). Quasi money also registered slight improvement throughout January-July 2020 (3.7 percent). The sharp decline of Other Financial

Corporations EC Dollar Deposits by 90.4 percent was offset by sustained improvements in other subcategories, resulting in the moderate uptick in Quasi money.

Table 5: Monetary Liabilities Jan-Jul 2020 in EC\$ Millions

	Jan-20 ^P	Jul-20 ^P	Variance
MONETARY LIABILITIES (M2)	2,420	2,513	3.9%
MONEY SUPPLY (M1)	742	772	4.1%
Currency with the Public	141	149	5.9%
Private Sector Demand Deposits and EC Cheques and Drafts	533	511	-4.2%
Other	68	112	65.0%
QUASI MONEY	1,678	1,741	3.7%
Other Deposits (EC\$)	1,450	1,517	4.6%
Other Financial Corporations EC Dollar Deposits	317	31	-90.4%
Private Sector Deposits	1,131	1,482	31.1%
Foreign Currency Deposits	229	224	-1.9%

Source: ECCB, 2020

Despite the financial strain placed on the economy as a result of the COVID-19 pandemic, liquidity continues to be excessively high in the commercial banking system. Liquid Assets/ Total non-interbank deposits plus short-term liabilities and Adjusted Liquid Assets to Total Assets continued on an upward trajectory, moving from 52.2 percent to 54.2 percent and 47.3 percent to 47.2 percent, respectively over the one year, June 2019-June 2020 (Figure 18). Deposits in the banking system continued on an upward trend at the end of July 2020, total deposits in the system stood at \$3,363 million, a 3.4 percent improvement from the start of the year. Savings deposits saw a 4.0 percent increase over the first 7 months of the year.

Figure 18: Liquidity Ratios (Mar 2019 - Jun 2020)



Commercial Banks' credit marginally improved by 0.9 percent over the first half of 2020. Credit remained buoyant because of increased loans to the Private Households (3.4 percent), Construction and Land Development (0.5 percent), Professional or Scientific and Technical Services (5.3 percent), and Accommodation and Food Services (5.0 percent). Notable declines were in the sectors of Public Administration and Social Security (\$1.03 million), Real Estate (\$9.7 million), and Wholesale and Retail Trade or Repair - of Motor Vehicles and Motorcycles (\$2.5 million), which all contributed to the dampening of the performance of the sector (Table 6).

Table 6: Credit by Sectors during Jan-Jun 2020 (EC\$ Millions)

Sector	Mar-20 P	Jun-20 P	Variance
Agriculture or Forestry and Fishing	28.5	30.7	7.7%
Manufacturing	26.2	32.5	23.9%
Electricity or Gas or Steam and Air Conditioning	36.8	35.6	-3.2%
Construction and Land Development	426.7	428.7	0.5%
Wholesale and Retail Trade or Repair - of Motor Vehicles and Motorcycles	68.3	65.9	-3.6%
Accommodation and Food Service Activities	82.3	86.5	5.0%
Real Estate Activities	576.2	566.6	-1.7%
Professional or Scientific and Technical Services	102.4	107.8	5.3%
Public Administration and Social Security	41.6	40.6	-2.5%
Private Households	299.8	309.9	3.4%
Other	42.8	42.0	-1.9%
Total Commercial Banking Sector Loans	1731.6	1746.6	0.9%

Source: ECCB, 2020

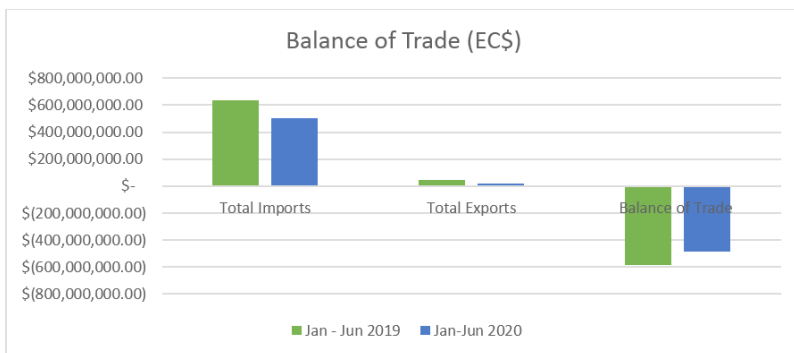
4.5.2 Non-Bank Financial Sector

Credit unions continued to register moderate improvement in assets of 3.9 percent for the first half of 2020. Amid the pandemic, cash in hand and bank at the end of June 2020 increased by 30.0 percent to \$91.4 million, total loans rose to \$ 751.3 million (2.2 percent), while investments for the period contracted by 9.2 percent to \$103.5 million. Deposits rose to \$881.3 million (3.8 percent) and capital and reserves rose by 7.3 percent to \$134.9 million.

Non-performing loans in the sector averaged 3.9 percent at the end of June 2020, just shy of the prudential guideline of 5.0 percent. Additionally, liquidity continues to present in the system despite the financial strain faced by members due to the pandemic, deposits to total assets for the period averaged 80.7 percent, slightly above the prudential guideline of 80 percent.

4.6 External Sector Developments

Figure 19: Balance of Trade Jan-Jun 2019 vs. 2020



A comparison of the data for the first half of 2020 (the latest period for which data is available), shows some disparities when compared to the first half of 2019. Total imports, for example, decreased by -20.2 percent in the first half of 2020, decreasing from a value of \$634.0 million to \$506.0 million (Figure 19). The value of total exports decreased from \$47.4 million at the end of June 2019 to \$21.2 million at the end of June 2020. The decrease in both imports and exports can be attributed to the COVID-19 pandemic, which affected international trade and the external sector of Grenada. The decrease in the trade balance of -17.4 percent, was contributed by both decreases in imports and exports for the first half of 2020. This figure is likely to continue decreasing as COVID-19 continues to affect international trade.

A closer look at the category of imports for the first quarter of 2020 compared to the first quarter of 2019 revealed that the decrease in imports was significantly contributed by the declines in the importation of commodities and transactions by 61.8 percent, machinery & transport equipment by 11.0 percent, and mineral fuel, lubricants & related materials by 3.8 percent. Despite these decreases, there were increases in the importation of crude material, inedible, except fuels by 27.9 percent, manufactured goods classified chiefly by material by 3.4 percent, and beverage and tobacco by 2.2 percent (Table 7).

Table 7: Imports by Category (EC\$ Millions)

CODE	SITC SECTIONS	Jan - Mar 2019	Jan - Mar 2020	Percentage Change
0	FOOD	60.6	58.9	-2.8
1	BEVERAGES & TOBACCO	8.1	8.2	2.2
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	6.5	8.3	27.9
3	MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	53.4	51.3	-3.8
4	ANIMALS & VEGETABLE OILS, FATS & WAXES	1.1	1.1	0.2
5	CHEMICALS & RELATED PRODUCTS, N.E.S	22.7	21.2	-6.6
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	49.7	51.4	3.4
7	MACHINERY & TRANSPORT EQUIPMENT	70.0	62.3	-11.0
8	MISCELLANEOUS MANUFACTURED ARTICLES	35.9	36.3	0.9
9	COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	0.0	0.0	-61.8
	TOTAL	308.0	299.1	-2.9

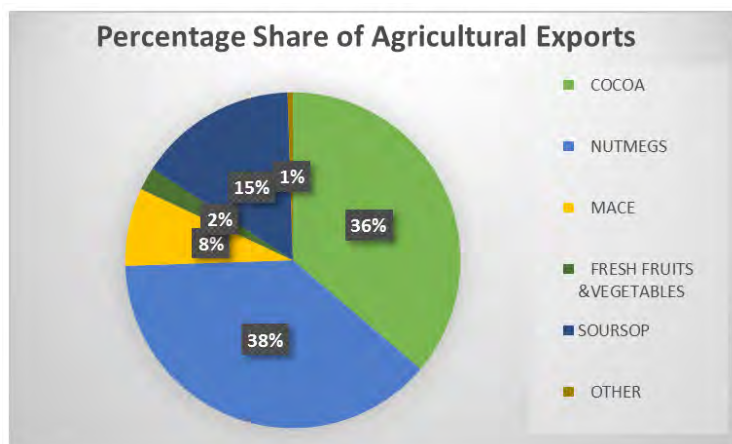
The value of domestic exports fell by 21.0 percent, which was the major contributor to the decrease in total exports. A deeper look shows declines in the exportation of animal & vegetable oils, fats & waxes by 100.0 percent, machinery & transport equipment by 76.9 percent, and miscellaneous manufacturing articles by 75.4 percent (Table 8). The only increase in exports realized, was that of food items, which rose by 3.6 percent.

Table 8: Domestic Exports by Category (EC\$ Millions)

CODE	SITC SECTIONS	Jan -Mar 2019	Jan - Mar 2020	Percentage Change
0	FOOD	9.1	9.4	3.6
1	BEVERAGES & TOBACCO	3.1	2.1	-33.7
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	0.4	0.1	-71.7
3	MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	0.0	0.0	0.0
4	ANIMALS & VEGETABLE OILS, FATS & WAXES	0.0	0.0	-100.0
5	CHEMICALS & RELATED PRODUCTS, N.E.S	1.7	0.5	-67.2
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	1.5	1.1	-26.3
7	MACHINERY & TRANSPORT EQUIPMENT	1.0	0.2	-76.9
8	MISCELLANEOUS MANUFACTURED ARTICLES	0.5	0.1	-75.4
9	COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	0.0	0.0	0.0
	TOTAL	17.2	13.6	-21.0

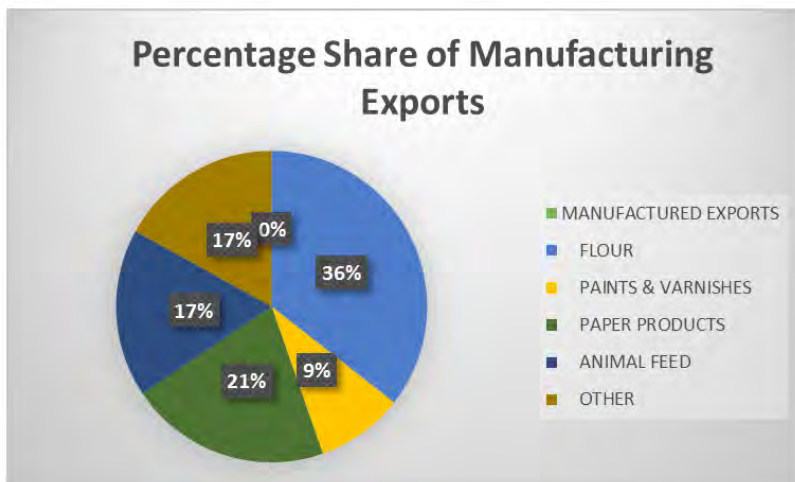
Agricultural Exports for the first half of 2020, made up 40.9 percent of domestic exports. A decline in Agriculture exports for the first half of 2020 by -72.0 percent compared to the same period in 2019, was recorded. This decline was a result of the reduction in Cocoa exports (-41.8), Nutmegs (-56.6), Mace (-28.5), Fresh Fruits & Vegetables excluding Soursop (-19.6), Soursop (-67.8) Fish (-100) and other products (-60.3) percent. For the first half of 2020, Exports in nutmeg occupied the largest share in total agricultural exports. Cocoa represented 36.0 percent, Soursop 15.0 percent, and Mace 8 percent (Figure 20). No exports in fish and bananas were recorded at the end of June 2020.

Figure 20: Share of Agricultural Exports (Jan-Jun 2020)



At the end of the second quarter of 2020, manufacturing products made up 59.1 percent of total domestic exports for the period. A -44.2 percent decline in total manufacturing exports at the end of June 2020, was realized when compared to the end of June 2019. Clothing recorded the largest decrease in manufacturing exports of -72.3 percent. Furthermore, declines in other exports were seen in Flour (-36.0), paints and varnishes (-25.6), animal feed (-41.9), and products classified as “other” (-71.9). On the other hand, two minor increases in manufacturing exports were seen in nutmeg products which increased by 46.2 percent, and paper products by 3.9 percent. Of the total manufacturing exports recording between January to June 2020, Flour represented the largest percentage share of 35 percent, which paper products occupied 21 percent, animal feed 17 percent, and “other” products 17 percent (Figure 21). Despite the increase in nutmeg exports at the end of June 2020, these products represented a small share of total manufacturing products of 0.02 percent, and clothing represented 0.5 percent.

Figure 21: Share of Manufacturing Exports (Jan-Jun 2020)



5.0 Economic Outlook

Economic growth is projected to average 4.6 percent over the medium term (Table 9). The main assumptions underpinning the projection are no further domestic lockdowns; the return (en masse) of SGU students to face-to-face classes; an acceleration in commercial activity, particularly construction and agriculture; favourable weather; and a rebound in global economic activity. The outlook for the tourism sector, in particular, is not sanguine. Indeed, COVID-19 has changed the nature of global travel, which has implications for tourism-based economies like Grenada. For this reason, a gradual recovery to pre-COVID levels is expected for the sector. Accordingly, the gloomy outlook for the tourism sector will weigh negatively on activity in other major sectors such as manufacturing, wholesale and retail trade, transport, real estate, and rentals.

Table 9: Real GDP Growth Rates and Medium-Term Projections

	Actual	Prelim	Proj	Forward Estimates		
	2018	2019	2020	2021	2022	2023
Agriculture, Livestock and Forestry	5.3	-7.3	-13.1	2.7	3.9	3.1
Fishing	2.5	3.2	1.5	7.2	7.1	7.7
Mining & Quarrying	3.4	4.8	8.0	5.4	5.4	5.9
Manufacturing	9.4	6.9	-12.0	4.8	4.3	4.0
Electricity & Water	5.4	3.1	-5.9	5.0	4.5	3.6
Construction	12.6	-0.6	-18.5	17.1	12.9	11.6
Wholesale & Retail Trade	7.8	1.6	-12.3	8.5	7.9	4.7
Hotels & Restaurants	9.9	0.6	-51.0	9.1	7.8	7.5
Transport and Storage	8.1	9.2	-26.4	11.4	7.0	6.5
Communications	8.4	2.0	7.3	3.2	2.8	2.6
Financial Intermediation	7.0	3.0	-6.2	2.1	2.2	2.3
Real Estate, Renting and Business Activities	1.8	1.6	-4.4	2.3	2.0	2.0
Public Administration	-3.8	1.3	-5.0	1.6	1.8	1.7
Education	-4.8	4.2	-5.9	5.0	4.9	4.6
Health and Social Work	5.9	1.3	7.3	-1.0	1.9	2.3
Other Community, Social & Personal Services	1.9	1.9	1.8	2.3	1.7	1.8

Activities of Private Households as Employers	1.5	0.7	0.6	0.6	0.6	0.6
Real Gross Value added (not GDP)	3.8	2.4	-11.8	5.9	5.1	4.6
Real Gross Domestic Product at Market Prices	4.4	2.0	-12.2	6.0	4.8	3.0
Other key indicators						
Nominal GDP (EC\$ Millions)	3152.4	3271.4	2825.9	3036.1	3259.6	3417.2
Inflation	0.8	0.6	-1.0	1.8	2.0	1.5

*Percent growth unless indicated

The trajectory for unemployment is expected to be downwards with the commencement of several public and private sector construction projects, though the projected lackluster growth in the short term is likely to thwart a sharp fall in the rate witnessed pre-COVID-19. Meanwhile, inflation is expected to strengthen over the medium term with forecasted increases in Grenada's top imports, namely, food and fuel. As economies recover, oil prices are expected to rise, while a shortfall in global production if supply chain disruptions persist, could see food prices rise in the coming years.

Fiscal performance is expected to improve in the short-to-medium term although it will not be back to pre-COVID-19 levels. Controls on discretionary spending will be strengthened in the context of expected weak growth in revenue. The Primary balance and Overall balance (after grants) are projected to average 3.9 percent of GDP and 1.9 percent of GDP respectively, while public debt is projected to average 62.6 percent of GDP over the medium term.

5.1 Risks to the Economic Outlook

A mix of upside and downside risks can affect Grenada's macroeconomic outlook, but risks are firmly tilted to the downside. On the upside, if Grenada's fiscal position strengthens more than anticipated and if concessional donor funding is accessed, public investment can be boosted significantly to support growth and job creation. On the downside, risks are linked to the current COVID-19 pandemic and its effects on the local economy should there be a second wave in

Grenada that necessitates lockdowns and repression of economic activity. Additionally, should there be a worsening of the current second wave of the virus in the economies of Grenada's main trading partners, tourist arrivals, remittances and foreign direct investment would be acutely affected and take a longer time to recover. Furthermore, uncertainties regarding a vaccine could adversely affect the private education and tourism sectors in particular. Anticipated rising international oil and food prices are also a significant risk to the economic outlook. Grenada's vulnerability to natural hazards is an inherent risk; adverse effects of climate change can significantly affect agricultural output (in particular) over the medium term as well as the fiscal outlook. Macroeconomic risks, Budget risks, and Public Enterprises risks (discussed in depth in the Fiscal Risks Statement) can also pose fiscal risks over the medium term.

