GRENADA

2003 BUDGET SPEECH

PRESENTED BY

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Minister of Finance

To

The House of Representatives
November 15, 2002

“Stimulating Economic Growth – Promoting Investments and Human Development”
1.0 INTRODUCTION

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

“Whereas it is necessary to provide for the State of Grenada for the year 2003 by means of an Appropriation Act;
Be it resolved that the Estimates of Expenditure for the year 2003 be approved.”

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

Mr. Speaker, I wish to remind you, the Minutes of the Meeting of the Standing Committee on Finance that was held on 18th October 2002, which considered and approved the Estimates of Expenditure for fiscal 2003, have been laid on the Table earlier in these proceedings.

Mr. Speaker, permit me to commence the 2003 Budget Presentation by offering high praises to the Almighty God for His guidance and strength during what has been a challenging fiscal year.

We also thank God that there was no loss of life in our Country during the passage of tropical storm Lili in September and the tropical wave in October. The damages to infrastructure and the agricultural sector are now estimated at EC$22 million. This is an unfortunate development, for we must now undertake unplanned expenditures not for capital accumulation but for capital replacement. These events again underscore our vulnerability as a small state.

In light of these developments, flexibility is required. Government must adjust its plans and divert resources from some important projects to the areas now in dire need.

Mr. Speaker, I wish to place on record our Government’s gratitude to the many Grenadians who came out to assist with the clean up operations. Your acts of service were a wonderful demonstration of patriotism, for which we are eternally grateful.

Our people are resourceful and resilient. I cannot help but repeat the maxim:

“We do it best, when adversity puts us to the test”.

We are encouraged by the level of understanding of the current global and domestic economic situation, demonstrated by the vast majority of Grenadians. Our people recognise that tough times call for some sacrifices as we prepare for an even brighter tomorrow.

We have no doubt that our Country will overcome the current challenges. The New National Party’s Administration under the visionary and courageous leadership of our Prime Minister, Dr. the Hon. Keith Mitchell, has laid a solid foundation for continued economic and social progress.
Today’s Budget Presentation is an important contribution towards the realisation of our Government’s vision of a Healthy, Educated, Productive and Prosperous Nation.

I now turn my attention to the external economic environment.

### 2.0  THE EXTERNAL ECONOMIC ENVIRONMENT

Against a backdrop of huge losses in the stock markets caused by corporate accounting scandals; lower traveller confidence consequent upon the events of September 11, 2001; and anxieties about war in the Middle East, the recovery of the global economy has been sluggish.

The projection for global economic growth in 2002 has been again revised downward to 2.5 percent.

The US economy, the world largest economy, has not recovered as quickly nor as strongly as had been anticipated. It is, therefore, projected that the US economy will only grow by 2.0% in 2002, reflecting lower consumer and investor confidence.

For Europe, the forecast is for growth of 0.9 percent. The main factor is weak consumer demand particularly in Germany, Europe’s largest economy.

The oil market is subject to increasing volatility arising from concerns about a possible war in Iraq. The price of crude oil, which was US$20.40 per barrel at the beginning of the year, rose to US$28.87 per barrel at the end of September.

The weak growth performance in the global economy over the past two years has been most noticeable in the tourism industry, the main engine of growth and earner of foreign exchange in the Eastern Caribbean.

Against this background, economic activity in the currency union is projected to contract marginally by 0.1 percent in 2002.

Notwithstanding the current economic situation, the EC dollar remains strong. At the end of September 2002, the foreign exchange backing of the Eastern Caribbean currency was 96.8 percent. This means that for every EC dollar in circulation, there was 96.8 cents in foreign exchange reserves.

### 3.0  PERFORMANCE OF THE DOMESTIC ECONOMY

The Grenadian economy showed signs of recovery in 2002 following the economic contraction experienced in 2001. The partial recovery in 2002 is attributed to higher levels of activity in the agriculture, communications and banking and insurance sectors, as well as Government services.
As a result, the economy is projected to grow by 0.6 per cent in 2002, a turnaround from the negative 3.4 per cent growth registered last year.

Central Government fiscal operations are projected to result in a current account surplus of $10.7 million (1.0 per cent of GDP). This outturn is largely explained by lower than anticipated revenue collections and a higher level of current expenditure.

**National Debt Management**

Prudent management of the National Debt constitutes an important element of our Government’s economic management strategy. In recognition of this, the world-renowned Institutional Investor magazine has rated Grenada No.1 in the world for improved creditworthiness for the period March 2002 to September 2002.

As a result of the relatively good credit rating Grenada received from the international credit rating agency, Standard and Poor’s, Government was successful in raising US$96.2 million (after deduction for fees and expenses) on the U.S. capital market, through a bond issue.

As of November 1, 2002, Government had disbursed approximately US$48.9 million of these proceeds to pay off previously contracted higher interest commercial debts. By taking this step, Government will save millions of dollars each year in lease payments and debt servicing.

An additional US$10 million of the proceeds from the bond issue were used to pay off outstanding claims of many small contractors and ordinary Grenadians who provided services to Government. Outstanding obligations in the amount of US$8 million were also paid to the National Insurance Scheme.

Expenditures in support of the productive sectors and human resource development amounting to US$4.15 million have also been undertaken or committed. These include:

- Construction of farm roads - US$1.3 million
- Tourism marketing - US$1 million,
- Scholarships - US$150,000
- Expansion of TAMCC - US$1 million.

Other disbursements include expansion of the Trade Centre amounting to US$103,000 and payments to NAWASA of US$1.4 million.

**Capital Development Programme**

Government’s capital development programme in 2002 amounted to $148 million, which represents 74 percent of the approved capital estimates for 2002. This performance is commendable in light of the tight fiscal situation.

Within the capital programme, $72.8 million were spent on improving our physical infrastructure, mainly road construction and sea defenses.
One of the highlights of this year’s capital expenditure is the work on the Western Main Road.

Many of us would recall the devastation to our coastal road network caused by the storm surges of hurricane Lenny in November 1999. Many of us would recall the near fuel crisis resulting from the inability of our fuel trucks to transport fuel to our gas stations because of the destruction of key parts of the Western Main Road.

Our Government noted all of this and resolved to address the problem. In less than three years, a considerable amount of the work required to protect the Western Main Road has been done. The works, though costly, are essential to human life, infrastructure and private property.

This is the action of a diligent and decisive Government.

Our Government is delighted with the completion of Phase One of the New General Hospital, a modern and beautiful facility.

This is a remarkable achievement for our Country, as we seek to deliver high quality health care and medical services to our citizens and visitors alike.

You see, there are those who doubted our Government’s commitment to health. There were some who even suggested that this Government was more interested in sports than the sick. We have again proven our critics and detractors wrong.

The Government and People of Grenada are eternally grateful to the Government and People of the Republic of Cuba for their unwavering support for this important project.

Mr. Speaker, during the year, Government approved development incentives for 23 projects – 20 new and 3 expansions. These investment proposals totalled $297 million, with the potential to create hundreds of new jobs.

In 2002, actual private sector investments in hotel construction, services and manufacturing totalled $35 million, of which $17.6 million represents foreign capital inflow. Seventy one percent of these private investments were in hotel construction, 20% in manufacturing and 9% in the services sector.

Notwithstanding the economic downturn, there was no major plant closure in 2002.

Given the global economic recession, these investments demonstrate confidence in the economic management of our Administration, the appeal of our Country and the capabilities of our people.

I now turn my attention to the prospects for the Grenadian economy.
4.0 PROSPECTS FOR 2003 AND THE MEDIUM TERM

Mr. Speaker, prospects for improved performance of Grenada’s economy in 2003 and beyond, will depend to a large extent, on the pace of recovery in the global economy, and in particular, the economy of the U.S.A. – our principal trading partner.

A slow recovery is expected in the U.S economy, with growth projected at 2.6 percent in 2003.

For Europe, the forecast for growth in 2003 is 2.3 percent.

By all indications, global output is not expected to grow by more than 2.3 percent in 2003.

Based on global growth projections and planned local investments, growth in our domestic economy is projected at 2.5 percent in 2003. An average rate of growth of 4 percent is projected for 2004 and 2005.

Mr. Speaker, I now turn to the Estimates of Revenue and Expenditure for 2003.

5.0 2003 ESTIMATES OF REVENUE AND EXPENDITURE:

Mr. Speaker, against the backdrop of the current economic slowdown and consistent with our vision of a Healthy, Educated, Productive and Prosperous Nation, the theme selected for the 2003 Budget Presentation is “Stimulating Economic Growth, Promoting Private Investments and Human Development”.

Consistent with this theme, therefore, the primary objectives of the 2003 Budget are as follows:

1. To stimulate economic growth in the domestic economy by pursuing and promoting investments in our productive sectors, namely tourism, agriculture agro-manufacturing and knowledge-based services.

2. To encourage greater participation by Grenadians in the expansion of our domestic economy;

3. To expand our national capacity for food production, domestic consumption and export;

4. To accelerate the pace of human development; and

5. To maintain and improve the level of social safety nets for the poor and disadvantaged.

In furtherance of these objectives, the 2003 Estimates of Expenditure provides for a total expenditure (including amortisation) of $527.8 million distributed as follows:

Current Expenditure: $304.0 million
Mr. Speaker, of the $304.0 million in current expenditure, $128.4 million or 42.2 percent will be spent on personal emoluments; $67.6 million or 22.2 percent are earmarked for interest payments; and a further $36 million or 11.8 percent are provided for pensions and gratuities.

Mr. Speaker, of the $183.0 million estimated for capital expenditure, $60.2 million or 32.9 percent will be financed from local revenues while the remaining $122.8 million or 67.1 percent will come from external sources. Of the $122.8 million in external financing, $47.8 million represents grant financing, while $75 million will be funded through loans.

Total current revenue for 2003 is projected at $334.1 million. This projection includes $170.2 million from Customs and Excise and $133.4 million from the Inland Revenue Department.

Tax revenue as a proportion of Gross Domestic Product will rise from 24.1 percent in 2002 to 25.2 percent in 2003. This increase reflects improved growth prospects, lower levels of statutory concessions and improved tax administration in both the Customs and Inland Revenue Departments.

Non-tax revenue, as a proportion of Gross Domestic Product, will fall from 2.9 percent this year to 2.5 percent next year based on lower receipts from offshore financial services and the discontinuation of the Economic Citizenship Programme.

A current account surplus of $30.1 million, which is 2.5 percent of GDP at market prices, is projected.

Mr. Speaker, I now move to the Capital Expenditure Programme for 2003 commencing with the productive sectors.

**6.0 INVESTMENTS IN THE MAJOR PRODUCTIVE SECTORS**

**AGRICULTURE**

Mr. Speaker, Government is committed to developing a commercially oriented and viable agricultural sector that promotes the following objectives:

1. good nutrition and domestic food security;
2. internationally competitive exports of selected traditional and non-traditional crops
3. value-added products for domestic and export markets, and
4. stronger linkages with tourism.
Based on these objectives, agriculture remains a vitally important sector in Grenada’s economic and social development. The full realization of our stated objectives will result in additional employment creation particularly in rural communities; foreign exchange earnings; less foreign exchange leakages from tourism; and, ultimately, greater self reliance as a people.

Mr. Speaker, no one should be under any illusion about the magnitude of this task.

The new trading environment in which the agricultural sector must survive and thrive requires the removal of protection, thus exposing the sector to strong competition both regionally and internationally. This crucial point is often missed in emotional arguments that ignore the economic realities of this sector.

In many developed countries, the viability of the agricultural sector is predicated on significant and long term subsidies to the farming community. In small countries like Grenada, with limited resources, this is simply not possible. However, our Government is committed to supporting our farmers and the sector in whatever way we can. We believe that agriculture must remain an important pillar in the economic and social life of this Country.

In light of Government’s explicit support for the agricultural sector, professionals and other members of the local business community are coming forward with investments in the sector. Areas of investments include organic farming, poultry, horticulture, fruits and vegetables and aquaculture.

In my 2002 Budget Presentation, I articulated a comprehensive set of measures to promote food security and the development of the agricultural sector. During this year, Government began implementation of many of these measures. These programmes will continue and be expanded in 2003.

I wish, therefore, to take this opportunity to outline some of the strategic interventions planned for next year.

The Nutmeg Industry

The nutmeg industry accounts for approximately 80 percent of Grenada’s agricultural exports.

Government firmly believes that the full potential of this industry will only be realized when Grenada is directly involved in secondary and tertiary processing of nutmegs.

Government also believes that a strong farmers organisation is necessary to protect gains made in the past, and to safeguard the industry against external threats.

In this era of trade liberalization and the World Trade Organisation, the existing monopoly arrangements for Grenada’s nutmeg industry are not sustainable.
Private sector participation in the industry is not only inevitable, it is unavoidable.

Government, therefore, encourages the GCNA to organize itself to do business in a more competitive environment.

In this context, a joint venture approach, involving farmers, private investors and Government is the preferred strategy. Such an approach would provide maximum benefits to the farmers, and the Nation, by way of higher real income, employment, and technology transfer. Moreover, Government firmly believes that farmers should get their fair share of profits derived from the nutmeg industry.

**Cocoa Revitalisation Programme**

Government remains committed to the development of the cocoa industry, given its foreign exchange and employment generating capacity. Consistent with this commitment, Government will provide significant support to the Grenada Cocoa Association for its Cocoa Revitalisation Programme.

The Programme involves the rehabilitation of 1,105 acres of neglected or unproductive lands owned by 228 farmers. These lands are located throughout the Country.

The Programme will result in an additional one million, one hundred and five thousand (1,105,000) pounds of cocoa being produced in Grenada within five years. This means total cocoa production will increase to 3.3 million pounds over this period.

An additional $7 million will be derived from foreign exchange earnings and farmer income is projected to increase by $5.6 million over this same 5-year period.

The ultimate aim is to rehabilitate all cocoa farms in Grenada by 2006.

This Budget provides the sum of $1.3 million to directly support the Grenada Cocoa Association and its farmers in assisting them with replanting, soil and water conservation, plant production, pest control, farm inputs and labour.

**Farm Roads Rehabilitation**

Mr. Speaker, the Farm Roads Rehabilitation Programme involves several kilometres of farm roads in the main agricultural areas and is designed to increase agricultural production. The Budget provides $7 million for the construction, rehabilitation and maintenance of farm roads throughout the Country.

In addition to the provision of much needed infrastructure for the farming community, the Programme will provide employment opportunities for many rural citizens.
Rural Credit Scheme

A Rural Credit Scheme is expected to commence during the second quarter of 2003. Participating financial institutions would manage the Scheme, operating under the guidelines established by the Minister of Finance on the advice of a Financial Advisory Committee. This intervention is for the establishment of an efficient sustainable mechanism for rural credit for rural investors. The funds will be used in land development, farm improvements and small businesses including services to support borrowers. At least $3 million in funding for the Scheme will be provided through the European Union’s Special Framework of Assistance.

Irrigation Development

One of the major factors constraining agricultural productivity and food production in Grenada is inadequate irrigation. This results in the seasonality of many agricultural crops and the volatility of domestic prices for these crops.

This year, the Ministry of Agriculture established a Water Management Unit. Furthermore, it recruited a water irrigation specialist from the Republic of Cuba. This Unit will provide dedicated technical support to farmers in irrigation development.

Under the irrigation programme for next year, at least 375 acres of banana-cultivated land will be irrigated, together with approximately 250 acres of other cultivated lands. The banana areas include:

- River Antoine - 150 acres
- Seamoon/Paradise - 45 acres
- Other areas - 180 acres

Surveys will be conducted to determine the farms eligible for assistance. Approximately EC$1.6 million is earmarked for this programme.

The Ministry of Agriculture will work with farmers to ensure easier access to appropriate irrigation technologies and will provide training in the use of these technologies.

Furthermore, Government will provide duty concessions to farmers who purchase irrigation equipment such as pumps for their farming enterprises.

In addition to the EU financing, Government has earmarked $200,000 for support to irrigation and drainage in 2003.

Agro-processing

The long term viability and sustainability of the agricultural sector depends on the development of value added products from our traditional and non-traditional commodities.
After much delay, I am pleased to note that the Small Agro-processors Development Fund was launched last week. Small agro-processors can now receive support to begin, improve or expand their operations thereby increasing their income generating capacity.

The sum of $1 million dollars has been allocated to initially capitalise this Fund.

Under this Fund, eligible processors can receive loans ranging from $20,000 to $40,000 at an interest rate of 4 percent, with a two-year grace period. We urge agro-processors to make maximum use of this Fund, but at the same time, recognise that they have a legal and moral responsibility to repay their loans in order to keep the Fund operational.

Government is also fully committed to the resuscitation of the Grenfruit Women's Cooperative, situated in Grand Roy, St. John's. The Cooperative has the potential to create significant employment opportunities for the womenfolk of St. John's. In this regard, Government eagerly awaits the new business plan for the Cooperative, which is being prepared with assistance from the Inter-American Institute for Cooperation on Agriculture (IICA).

**Maran Acclimatisation Centre**

The modernization of the agricultural sector depends on Grenada’s ability to develop and implement a comprehensive propagation system that would boost and sustain its diversification efforts and, at the same time, resuscitate the traditional crops.

Government has approved the construction of a modern biotechnology acclimatization facility at Maran, St. Johns at a cost of $300,000.

The Centre will have the capacity to handle 2 million plantlets at any given time and will serve several important purposes. These include:

1. A reliable source of planting material for the national food security programme;
2. The capacity to export significant volumes of plantlets thereby generating foreign exchange; and
3. Better pest prevention and management, since the Centre will research and develop planting material resistant to local pests and diseases.

**Organic Farming**

Government regards organic farming as a very promising niche for the agricultural sector. It is within this context, that Government took the bold decision to guarantee a loan of $3.5 million for the River Antoine Organic Banana Project, the first of its kind in the Caribbean.
The first shipment of organic bananas is scheduled for early next year. In the very near future, the Estate will also produce other organic fruits such as mangoes, peanuts and passion fruit.

This exciting project in rural Grenada has already employed over 100 persons and more employment opportunities will be provided as the project expands.

**Fishing**

The fishing industry continues to play an important role in the Grenadian economy. In 2001, fish exports were valued at more than $10 million.

Only last month, Government signed a grant agreement with the Government of Japan for the construction of the Grenville Fish Market. This market will be built at a cost of $32 million and will provide a state of the art fish market with modern equipment and a new fish-landing jetty for the fishermen in St. Andrews.

The project will undertake improvements to approach roads to the bridges in Vendomme, Birch Grove and Balthazar, as well as rehabilitation of bridges at Birch Grove, Balthazar and St. Cyr Great River.

A provision of $300,000 is earmarked to upgrade fish market centers in St. John’s, St. Mark’s and St. Patrick’s. These improvements are essential to ensure Grenada remains on the list of countries authorized to export fish to the European Union.

The sum of $100,000 has also been allocated to the Fishing Communication Network to improve the safety of our fishermen at sea.

**Investment in Government Estates**

At present, Government has ownership of five estates. – Grand Bras, Bocage, Laura, Mt. Reuil and Belle Vue. The combined acreage of these estates is 641 acres.

As a demonstration of Government’s commitment to the development of a viable agricultural sector, $500,000 has been allocated for the development of these estates.

**The Poultry Industry**

Government is committed to the development of a poultry industry that can meet the local demand for poultry products.

As promised last year, Government has guaranteed a loan of US$6.9 million dollars to support a poultry project in St. Mark’s. This project will generate at least 100 new jobs in St. Mark’s and surrounding areas.
We are, therefore, pleased to announce that the groundbreaking ceremony for this very important project is scheduled for next Wednesday.

Government is currently pursuing a renegotiation of the bound rate for poultry products, as well as other products such as beer and malt, at the World Trade Organisation.

**Praedial Larceny**

Government considers the ongoing practice of praedial larceny as a major crime against our farmers, and by extension, our Nation. We heard the cries of our farmers and, therefore, we are duty bound to come to their assistance. In this regard, the process of registration of our farmers to trace illegal purchase and sale of farm produce will be accelerated. Once the registration process is completed, individuals caught in the practice of stealing, and or purchasing illegal farm produce will face the full force of the law.

As a means of safeguarding their farms against praedial larceny, Government is also encouraging our farmers to *strengthen* existing neighbourhood *farm watch* programmes, and to create such programmes where they do not now exist.

Government will grant 100% duty and tax concessions on all equipment purchased by farmers for farm surveillance.

Mr. Speaker, I shall now speak on tourism, the sector that generates the most foreign exchange earnings in Grenada and, indeed, the entire Caribbean.

**TOURISM**

Mr. Speaker, despite the current challenges facing our tourism sector, Government remains committed to its growth since this sector plays an important role in employment generation and foreign exchange and offers potential for the expansion of the agricultural sector.

In 2003, Government has earmarked a total of $15 million for the further development of this sector, an increase of 20 percent over the previous year. This allocation includes $9.0 million to the Grenada Board of Tourism for marketing and promotion and a further $4.8 million to the Ministry of Tourism for joint marketing and risk sharing with several major airlines.

Mr. Speaker, it is an undeniable fact that this Government has allocated more money for tourism development and marketing than any previous Administration.

Aggressive efforts by the Ministry of Tourism and the Board of Tourism resulted in agreements with three major airlines this year. Both Air Canada and US Airways will commence direct flights from Toronto and Philadelphia respectively next month while Virgin Atlantic will begin a direct service from Manchester in April 2003.
As a demonstration of Government’s commitment to support the revitalisation of small hotels, Government recently guaranteed a loan of US$8.9 million for the Garden Group of five small hotels. The Board of Directors of the Garden Group has been constituted with three Government-nominated directors, three directors from the small hotels and an independent chairman.

Other terms and conditions of this Government guarantee include recruitment of professional management, joint marketing and bulk procurement.

Mr. Speaker, our Government is mindful of the importance of the cruise tourism sub-sector to the livelihoods of many of our people. In this regard, the Melville Street Cruise Terminal will commence early next year at a cost of US$26.5 million. The signing ceremony to mark the commencement of this very important project will take place this afternoon.

It may be recalled that the Grenada Airports Authority recently invested $40 million to upgrade its existing facilities. Following the events of September 11, 2001 the US Federal Aviation Administration (FAA) issued new security standards that Grenada and other countries had to adopt quickly to ensure international airport certification.

The Authority will embark on a further expansion programme. The World Bank has agreed to finance some of this programme to the tune of US$1.3 million. On completion, the Point Salines International Airport will offer significant improvement to passenger comfort, safety and security.

A management study of the Forts in St. George’s will be conducted in 2003, sponsored by the United States Agency for International Development (USAID). This study will pave the way for a project funded by the European Union to rehabilitate Fort George and create a major tourist attraction in the Town of St. George.

Our Government is well aware of the need for considerable improvement in the quality of service offered to our visitors. In this regard, construction will soon begin on a new Hospitality wing at the T.A. Marryshow Community College. This facility is intended to enhance the skills of our workers in the tourism industry. The project will be done at a cost of EC$2.2 million with significant funding from the European Union.

As previously indicated, Government will move full speed ahead with the commercialisation of various attraction sites to improve the management and maintenance of these sites. Invitations will be issued to the private sector to tender for management contracts.

As part of the plan to make Grenada a more visitor-friendly destination, the programme of road signage will continue next year with support from USAID.
As part of our commitment to engendering pride among our people in their local communities and our desire to promote greater community involvement in tourism, a programme of community beautification will begin in 2003 for which $750,000 has been allocated.

**EXPORT PROMOTION**

The process of trade liberalization presents both threats and opportunities. In order to embrace the opportunities, an integrated Work Plan for promoting exports was prepared by the Trade and Industry Unit of the Ministry of Finance with support from the CFTC sponsored Export Promotion Advisor.

The Plan was preceded by consultation with all the key players, especially the Grenada Chamber of Industry and Commerce, the Grenada Marketing and National Importing Board, the Grenada Craft Centre, the Grenada Trade Centre and leading exporters.

The Work Plan, which has been approved by Cabinet, focuses on the export potential for agro-products, handicrafts, garments, bags, pasta products, fresh fruits and vegetables, cut flowers, fresh fish, wooden furniture and roofing sheets in regional and international markets.

In addition, this Budget provides $100,000 to assist small exporters with their participation in trade fairs and other promotional activities.

### 7.0 OTHER CAPITAL INVESTMENTS IN 2003

**Physical Infrastructure**

Mr. Speaker, our Government recognises that a well-developed economic infrastructure is necessary to promote domestic economic activity, as well as attract and optimize foreign investment.

The development of infrastructure will remain a high priority for this NNP Administration. Consequently, $61.7 million have been allocated to physical infrastructural development in 2003.

The major infrastructure projects for 2003 include:

1. Road Maintenance Programme - $14.75 million
2. Roads and Bridges - $5.45 million
3. ROC/GOG Multi-Project - $5.0 million
4. Emergency Recovery and Disaster Management - $4.75 million
5. Natural Disaster Management - $4.3 million
6. Emergency Works (Disaster Rehabilitation) - $3.0 million

**Road Maintenance**

The Road Maintenance Programme will repair and improve several kilometres of road throughout the Country.
In 2003, special attention will be paid to improved drainage, clearing of drains and dredging of rivers. More than 10,000 temporary jobs will be generated under this Programme.

Grenada Emergency and Disaster Management Project

This US$11.7 million Emergency Recovery and Disaster Management Project is designed to strengthen Grenada’s preparedness and response capability to natural disasters. The project is progressing according to schedule and will be completed by May 2004.

In 2003, the work on the sea defenses and road rehabilitation works at Grand Mal will be completed. In addition, the Emergency Operations Centre will be refurbished and properly equipped. Other activities include support to strengthen the National Emergency Relief Organisation’s disaster management procedures and response capabilities and studies for the improvement of drainage and flooding control in St. George’s and Grenville.

Bridges and Roads Improvement Project

This is a CDB financed project of US$21.8 million and will be implemented over the next two years. The project consists of the restoration of 20 kilometres of our principal road network and the replacement of 14 bridges. The roads to be rehabilitated include:

- Perdmontemps to Bellevue
- Mt. Gay to the Botanical Gardens
- Morne Jaloux Road

Natural Disaster Management Project

This project has been approved by the Caribbean Development Bank at a cost of US$4.1 million. It will provide rock armouring, 520 metres of sea defenses and 1.9 kilometres of roadwork from Palmiste to Mabouya. In so doing the beach at Palmiste and NEWLO will be better protected.

Education and Human Resource Development

Mr. Speaker, the development of our human resources constitutes the single most important element of our national development. In the context of an ever-changing global environment, it is imperative that our education system reflects our current national development priorities.

Government intends to continue the programme of expanding our existing schools capacity to make more places available for our children, particularly at the secondary level.

In 2003, the new St. Patrick’s R.C. School and the expansion works on the St. Andrews Anglican Secondary School will be completed.
Government is also pursuing financing to undertake expansion of secondary schools in St. Mark’s, St. Andrew’s, Happy Hill and Westerhall.

The T.A. Marryshow Community College will be strongly supported in its attempt to provide quality tertiary-level education to Grenadians. In addition to a recurrent allocation of $4.5 million, this Budget provides $4.1 million for capital expansion of the College.

In spite of these developments at T.A.M.C.C., our Government recognizes that our tertiary level institutions are not yet in a position to satisfy the educational demands of our people. This is manifested in the large amount of student loan applications to the Grenada Development Bank each year.

With this in mind, Government recently sought assistance from the Caribbean Development Bank. I am pleased to report that CDB approved a new Student Loan Scheme for Grenada in the sum of EC$9.5 million dollars, of which $1.35 million is allocated for the most needy students.

Mindful of the need for more scholarships for our needy and aspiring students, this Budget has earmarked $2 million for this purpose.

Mr. Speaker, $21.5 million have been allocated in the 2003 Budget for capital projects to be undertaken within the Education Sector. This sum is in addition to the recurrent expenditure of $53.8 million provided to the Ministry of Education. Compared with the recurrent provision of $30.2 million in 1994, this is an increase of 78% - a clear manifestation that this Government is serious about the education and human resource development of our people.

As a proportion of overall expenditure, education and human resource development will receive 15.5 percent.

Health

Mr. Speaker, to a large extent, the well being of our people depends on their health. The first phase of the New Hospital Project is now completed at a cost of approximately $30 million.

This first phase includes the completion of a four-story building housing five operating theatres, a recovery room, an intensive care unit and a medical and surgical ward. The newly refurbished Nurses hostel building will cater for the Obstetrics/Gynaecology Unit, Paediatric Unit, a 23-room nurse’s hostel and twenty private rooms. The New Hospital will have bed-capacity for 270 patients.

The sum of $10 million is allocated for the commencement of the second phase, which will include construction of administrative buildings.

It is important to note that the construction of the New Hospital is part of a comprehensive overhaul of the health sector in Grenada.
In addition to the new facility, the Ministry of Health will introduce a number of new management and information systems and practices.

The operation and maintenance of a modern health system is costly and our people must be prepared to make a contribution to the provision of these services. Nonetheless, our Government remains committed to ensuring that those who are unable to pay for these services will still have full access to the range of services offered at the New Hospital.

Construction will soon begin on the building of a multi purpose health facility in the Town of St. George, which will replace the old Health Centre that is being housed in the Town Hall. A provision of $1.2 million has been made for this project financed by a grant from the Republic of China.

Mindful of the deplorable state of several public toilet and bath facilities, a provision of $40,000 has been made to refurbish the facilities in greatest disrepair. Several medical stations will also be improved.

Mr. Speaker, HIV/AIDS poses a monumental threat to the development prospects of Grenada and the Caribbean.

All our efforts in education and human resource development will be undermined and severely eroded if urgent steps are not taken to deal with this epidemic. Consequently, our Government recently signed a loan agreement with the World Bank for the sum of US$7.2 million.

In 2003, an allocation of $2 million is provided to commence implementation of a National HIV/AIDS Strategy, an increase of 800 percent. The recently established National Infectious Diseases Control Programme of the Ministry of Health will work closely with the National AIDS Council to coordinate the National AIDS Strategy. The Project Coordinating Unit of the Ministry of Finance will coordinate the financial and procurements aspects of the Strategy.

Mr. Speaker, for 2003, the Ministry of Health has been allocated $15 million for capital expenditure. This sum is in addition to the $39.4 million provided to the Ministry of Health for recurrent expenditure.

As a proportion of overall expenditure, health will receive 11.2 percent.

**Housing**

Mr. Speaker, shelter is a basic human necessity. Accordingly, our Government is fully committed to improving access to housing opportunities for low and middle-income households.
Since its inception, the Housing Authority has constructed approximately 1,000 houses and sold more than 500 lots of land for housing purposes. Work will soon commence by a Cuban firm to construct 100 low cost houses in St. Marks, St. John’s, St. George’s and Carriacou, as well as a number of apartment buildings in Grand Anse. The Authority also intends to re-introduce mortgage financing to assist low and middle-income families.

The Dunfermline Housing Project in St. Andrew’s is now well advanced. Fifty-four 3-bedroom and 2-bedroom houses will be completed before year-end. The three apartment complexes will be finished during the first half of next year.

**Youth and Sports**

Mr. Speaker, the long-term success of a Nation resides in future generations. Consequently, youth development is of paramount importance in our development thrust. Several exciting programmes aimed at empowering our youth will be expanded and improved.

Earlier this year, our Government launched an important youth training initiative known as “the Imani Project”. From all reports, this Project has been well received by our young people and has generated much interest and hope.

Our Government has therefore allocated $3 million for the programme in 2003, an increase of $2 million over the 2002 amount.

Many of our young people have exciting ideas that need to be heard and supported. The Ministry of Youth and Sports recently launched a new programme called the Youth Enterprise Programme. This programme teaches and promotes entrepreneurial skills among our youths. Given the overwhelming interest in this programme, the sum of $100,000 has been provided. This sum represents a 100 percent increase over last year’s allocation.

Increased allocations have been made for Project Strong, the Youth Summer Programme and the Youth Parliaments.

Mr. Speaker, the recent Youth Parliament again demonstrated that our young people are intelligent and articulate with valuable opinions on a wide range of issues.

I have no doubt that some of these talented young people may one day serve our Country in this Honourable House.

In 2003, the Sports Division will focus on completing the Upgrading of Rural Sport Facilities in the parishes of St. David’s, St. John’s, St. Andrews’s and St. Patrick’s. The La Sagesse Playing Field will also be completed.

This Budget provides a further $3.1 million for this programme. Our Government is grateful to the Government of the Republic of China for the grant financing given to this crucial programme.
As we did this year, our Government will provide a number of athletic scholarships. Overall, the 2003 Budget provides a 32.7 percent increase for youth development.

**Carriacou and Petit Martinique**

Mr. Speaker, the islands of Carriacou and Petit Martinique are experiencing an unprecedented level of development. The progress in our sister islands in recent year in infrastructure and private sector development is both remarkable and unparalleled.

Some of the major projects to be undertaken in 2003 include:

1. Cultural and Sporting Complex - $1.5 million
2. Petit Martinique Maternity Ward - $200,000
3. L'Esterre Health Centre - $300,000
4. Renovation of Fish Markets - $200,000
5. Impounding Programme - $75,000
6. Belair Historical Site Visitation Centre - $75,000

The capital allocation is $3.8 million.

**8.0 MAJOR PRIVATE INVESTMENTS PLANNED FOR 2003**

I shall now outline some of the major private investments planned in 2003. Government has already approved incentives for these projects.

**Port George Project**

On September 20, 2002, the Government of Grenada signed an agreement with Poole Capital S.A., for the redevelopment of the GYS/Islander Hotel Site. The project involves the construction of a luxury marina in the Lagoon area, integrated with the development and construction of residential resorts, a commercial village and a 50-room hotel on the old Islander Hotel site.

The project will be developed in three phases. Phase One involves the clearance of the GYS buildings and all old marina piers and wrecks along the waterfront, maintenance dredging and the establishment of at least 100 berths on pontoons or piers. Temporary operational buildings and support services will also be established during Phase One. Construction work under Phase One, which is expected to cost EC $15 million, should commence within the first half of 2003.

Phases Two and Three involve construction of commercial and residential developments. Work on Phases Two and Three should commence by 2005.

**Carriacou Marina Project**

The project involves the construction of a 100-berth marina at Tyrell Bay. Facilities will be provided for berthing, boat storage and repair. Immigration and customs clearance services, duty free shops and chandlery will also be provided. Project cost is estimated at EC$14 million. Construction is expected to commence within the first half of 2003.
Woburn Marina
This project aims to provide berthing only marina facility for a maximum of 14 large pleasure yachts together with shore facilities. The project, estimated to cost EC$4 million, should be in construction during the first half of 2003.

Caribbean Sea Shrimp Project
The project involves the conversion of the experimental shrimp project at Paradise, St Andrews into a full-scale commercial salt-water shrimp production facility. The investment in the project is estimated at EC$1.3 million. Operation is expected to start by March 2003.

9.0 KNOWLEDGE ENHANCEMENT MEASURES

Information and Communication Technology (ICT) is the vehicle that Grenada is using to become a knowledge-based society. Government’s goal is to establish ICT as a dynamic force, and place it in the centre of Grenada’s social and economic development.

In 2002, Government began to implement several elements of the National Information and Communication Technology Strategy and Action Plan, including the networking of Government departments, website development and staff training.

In 2003, the Government website will be fully developed and launched to provide an important window through which Government can be seen by its citizens, its visitors and the outside world.

Government will also expand access to computer technology to more primary schools and community centres.

Work will continue on the conversion of Government records into an electronic format. The long-awaited automation of the Lands Registry will become a reality in 2003. Government has invested just over $1 million on this project and expects to fully recover its investment with appropriate user charges.

In the Inland Revenue Department, the computerization of all property tax records will be completed next year, thus facilitating a modern and efficient administration of property tax.

A budgetary provision of $1.2 million has been allocated for the Government Information Communication Technology Project.

10.0 PUBLIC SERVICE DEVELOPMENT

Mr. Speaker, this Administration remains committed to the principle of smaller Government and a more efficient Public Service. Consequently, Public Service Development remains an extremely high priority for this Government.
The policy of outsourcing or contracting out selected services now provided by Government is already delivering considerable improvements in the quality of public services and will be continued in 2003.

During the past year, Government sought assistance from the international community to accelerate the commercialisation programme. As a consequence, the World Bank will provide assistance to evaluate the programme and advise on how it can be further improved.

Government, in partnership with the Department for International Development (DFID), has revived the Public Sector Modernisation Programme. In 2003, the Programme will focus on the following:

(i) A well functioning Public Sector Modernisation Unit equipped to manage the overall Reform process;

(ii) Effective Cabinet systems serving the strategic needs of Government;

(iii) Effective strategic management systems employed by senior Public Service managers; and

(iv) A legal and regulatory framework that is conducive to Private Sector Development.

Pension Reform

Mr. Speaker, Government is aware that at the time of the enactment of the Pensions Disqualification Act in 1983, there were persons employed on a temporary basis or on the Unestablished Staff, who continued to serve in that capacity and were subsequently issued with letters of appointment to positions on the permanent Establishment on or after April 4, 1983.

Government recognizes that these persons have been disadvantaged by the Pensions Disqualification Act since under the existing pension laws they do not qualify for a government pension and gratuity.

This situation has resulted in hardship for many of those persons who thought that they would have received a Government pension to subsist in their golden years. It has also affected the ability of the Public Service to attract, motivate and retain quality staff.

Government is committed to reforming the pension system to address these inequities as it endeavours to develop an efficient, effective and well motivated Public Service.
To this end, Government appointed a Pensions Review Committee to examine this matter and submit recommendations. Having reviewed the Committee’s report, Government has decided to commission a comprehensive review of the system. A request for technical assistance has already been submitted to an international agency.

In the meantime, however, Government recognizes the need to provide some relief to the affected persons. Consequently, Government will enact special legislation to address the claims of those persons who would have retired on the ground of age from April 4, 1983 after giving at least 10 years service on the permanent Establishment, as well as those officers who are within 1-2 years of the compulsory retirement age and who would be disadvantaged by the Pensions Disqualification Act.

Provision will be made for the payment of a pension only to those persons using the pension formula in existence at the date of their retirement.

Payment of the monthly pension to those retirees will commence within the first half of 2003. The arrears will be paid over a period of time.

A committee will be appointed, with clear terms of reference, to examine the claims of other persons who may have been disadvantaged by the Pensions Disqualification Act with a view to making recommendations to His Excellency the Governor General.

After listening to the cries for justice, this NNP Government has moved decisively to solve this longstanding problem.

Mr. Speaker, this is a true manifestation of a Government that cares for its public officers.

11.0 IMPROVING THE REGULATORY FRAMEWORK

Mr. Speaker, Government has a critical role in providing the enabling environment for the private sector to grow and flourish. The elements of this enabling environment include sound economic policies, incentives and appropriate regulatory frameworks.

I now wish to highlight some important areas that will benefit from a stronger regulatory framework.

Financial Sector Reforms

Government is committed to developing and maintaining a financial services sector that meets the international standards of regulation and supervision. In this regard, Government recently signed a Memorandum of Understanding with the Eastern Caribbean Central Bank to give it an enhanced role in the licensing and supervision of offshore banks and trust companies.
Very soon, a Revised Uniform Banking Act and a new Offshore Banking Act will be enacted to better regulate commercial and offshore banks.

Work is now underway on the establishment of a single regulatory agency to regulate and supervise all financial services including commercial banks, offshore banks, insurance companies, credit unions, building and loan societies, and money transfer agencies in cooperation with the ECCB.

Government is grateful for the valuable support received from the Caribbean Regional Technical Assistance Centre (CARTAC) for some of these reforms.

In our attempt to strengthen accountability for the public finances, a new bill to be known as the Financial Management Bill will be introduced in the course of next year. This Bill, when enacted, will replace our current Finance and Audit Act.

Grenada will continue to cooperate with regional and regulatory authorities to combat terrorism, money laundering and other forms of financial crime.

In recognition of Grenada’s recent efforts to improve its anti-money laundering arrangements, the Financial Action Task Force has asked Grenada to submit an implementation plan. We expect Grenada to be removed from the list of non-cooperative territories following a country visit by the FATF.

Law and Order

Government is fully cognizant of the need to maintain a safe and peaceful country for our citizens, visitors and investors.

In this regard, this Budget provides additional resources to strengthen the capacity of the Police Force to move more effectively to prevent and detect crime.

Indeed, Government has made a departure from its policy of zero-growth in the permanent size of the Public Service and has approved an increase of personnel for the Royal Grenada Police Force. Areas for special attention include:

- Fire Services,
- Drug Interdiction, and
- Special Services

These areas will be given additional personnel, equipment and training.

In 2003, the Royal Grenada Police Force will implement the first fully integrated Police and Immigration Software Solution in Grenada. This technology will greatly improve the capacity of the Force to track suspects and criminals moving through our national borders and beyond.
Furthermore, a review of the Criminal Code and other relevant legislation will be also undertaken.

As a follow-up to the recommendations emanating from the recent National Consultation on crime, a committee has been established to develop a national crime policy.

**Labour Relations**

Mr. Speaker, in order for any country to develop on a sustained basis, a climate of stable industrial relations is critical. The imperative for such a climate assumes even greater significance in light of the current economic times.

For the first time since 1968, new legislation was recently passed in Parliament to establish minimum wages for the workers of this Country. As of September 1, 2002, minimum wages are enshrined in law for agricultural workers, domestic workers, shop assistants, catering assistants, security guards, construction workers, industrial workers, clerical assistants, vehicle drivers and bus conductors.

Consider two examples:

Male agricultural workers must now be paid $5.00 per hour while female agricultural workers must receive $4.75 per hour. All agricultural workers must be guaranteed a minimum of 5 hours per day. Where female workers perform the same task as men, they shall receive the same rate of pay as men.

Domestic workers are now entitled to a minimum of $400 per month.

This new law is yet another demonstration of the care and concern of this Government for the workers of this Country.

**Environmental Protection**

Mr. Speaker, environmental protection remains a high priority for this Administration.

After extensive consultation, the Physical Planning and Development Act was passed earlier in the year. It makes provision for the preparation of strategic plans such as the National Physical Development Plan, environmental protection and conservation through planning and land use zoning.

The new law empowers the Land Development Control Authority to take firm action against persons who insist on squatting or building without first seeking and obtaining planning approval. Persons who break the law will have to face the consequences of their action.

Mr. Speaker, Government will not support illegal developments.
Work on the National Physical Development Plan is now well advanced. After further consultation and refinement, the Plan will be submitted to Cabinet in the first quarter of 2003.

12.0 FISCAL POLICY MEASURES

Mr. Speaker, in these challenging economic times, it is important that those of who can make sacrifices do so while protecting the poor and vulnerable persons in our society. It is the philosophy of this Government that lower taxes promote growth and development. The economic progress since 1995 reflects the appropriateness of this philosophy.

Government is committed to sound fiscal and economic management. Our efforts in this regard have been validated by recent international recognition.

Government will strengthen the tax administration systems to enhance revenue collection. Technical assistance will soon be received from the International Monetary Fund to design a transactions-based tax. This tax is intended to be simple with a broad base and lower rates and will replace some of our existing taxes.

Government is very mindful of the need for adequate preparation for any new tax regime not only for our tax administration but also the business community and the general public.

The OECS Tax Reform Commission headed by eminent economist, Grenadian-born Sir Alister McIntyre, will submit its report in the first quarter of next year. The report will offer important recommendations for improved tax administration and revenue enhancement.

Government will continue to review its fiscal incentives regime to minimize revenue losses. Nonetheless, fiscal incentives will be offered to private investments particularly in agriculture, tourism, manufacturing and Information Communications Technology.

At Government’s request, the World Bank is currently undertaking a comprehensive Public Expenditure Review. The major components of this Review are:

I. Budgetary Systems;
II. Employment and Pay
III. Public Sector Investment Programme
IV. Social Development Expenditure

Mr. Speaker, I am pleased to announce that there are no new taxes or increased license fees in the 2003 Budget. Our fiscal management strategy for 2003 will be predicated on the following factors:

1. Greater efficiency in the collection of revenue
2. Tighter controls on recurrent expenditure
3. Further rationalization of concessions (exemptions)
4. Limited contraction of new debt
I now present the specific fiscal policy measures to be introduced in 2003.

**Incentive Package for Returning Nationals**

Many Grenadians living overseas are working hard, saving and eagerly anticipating their return to Grenada to resettle. Over the years, this experience of resettlement has been a very stressful and even traumatic experience for many of our returning nationals.

Furthermore, recent unsavoury developments in some metropolitan countries have prompted some of our citizens to seriously consider resettling in Grenada.

Mindful of the cries and complaints of returning nationals and prospective returning nationals, Government has decided to overhaul the existing policy for returning nationals.

This Budget Presentation will highlight some of the key incentives of this programme. Additionally, it is Government’s intention to finalise and publish a brochure on the new returning nationals programme.

Under the new programme to be known simply as the “Welcome Home Programme”, the following incentives have been approved:

1. The establishment of a “one-stop” Returning Nationals Facilitation Bureau in the Ministry of Finance. This Bureau will relieve the Customs and Immigration Departments of the administrative burden of processing applications of returning nationals thereby freeing them up to focus on their core mandates.

2. A 100 percent exemption on all household and personal effects whether new or used up to a limit of $75,000. The current allowance is $25,000.

3. A 100 percent exemption on one (1) personal vehicle instead of the current exemption of 50 percent. The exemption will be valid for three years.

4. If vehicles are sold before 3 years, the duties and taxes will be payable on the unexpired term of the exemption. Returning nationals will be able to purchase their vehicles locally if they wish to so do.

5. Environmental levy of $2,000 will be payable on vehicles, new or used, with no age limit. This flat fee will replace the 2% environmental levy on new vehicles and the 30% environmental levy on used vehicles over 5 years, for returning nationals only.

6. Returning Nationals desirous of setting up businesses will be allowed the usual tax incentives being offered to local and foreign investors. For the time being, these incentives will be handled by the Grenada Industrial Development Corporation.
6. The Customs Service Charge will continue to apply on all imports under this new programme.

Mr. Speaker, this programme was designed after consultations with returning nationals.

Government hopes that this new programme will encourage Grenadians living abroad to return home and directly assist in the development of their beloved or adopted homeland.

Mr. Speaker, this is a Government who listens and acts decisively. We care for all Grenadians including those who now live abroad. There is room for all in the new Grenada that we are now constructing.

**Reduction of Stamp Duty for Refinanced Mortgages**

Mr. Speaker, in July of this year, the Monetary Council of the Eastern Caribbean Central Bank decided to reduce the minimum interest rate on savings deposits from 4 percent to 3 percent.

This action was taken with the clear intention of causing a reduction in the lending rates of our commercial banks.

By so doing, it is our desire that businesses struggling to stay afloat during this period of recession will survive by paying lower rates of interest on their credit facilities.

I am pleased to note that at least three of our commercial banks have already effected, at least, a 1 percent reduction in their lending rates.

It is hoped that the lower cost of borrowing will be an incentive for investors to move ahead with planned investments or expansion of existing businesses thus stimulating our domestic economy.

Government wishes to go a step further by providing added incentive for businesses and homeowners to refinance existing mortgages. Accordingly, Government will reduce the rate of stamp duty payable on refinanced mortgages for businesses and the principal residence of private homeowners by 50%.

This means that instead of paying $1.50 on every $240 of a mortgage, persons refinancing will now pay 75 cents on each $240.

I want to make it clear this measure applies only to refinancing arrangements. Other transactions will attract the normal rate of $1.50 on every $240.

In making this decision, Government wishes to ensure that our homeowners in particular are in a better position to take advantage of falling lending rates.
Amendment to the Annual Stamp Tax

The Annual Stamp Tax No. 36 of 1992 is a tax on the gross sales of all businesses with a sales turnover in excess of $60,000 per annum. Section 15 of the Annual Stamp Tax Act imposes a rate of 0.5 percent on gross sales or a maximum of $100,000.

Government has decided to remove the tax ceiling of $100,000. The current rate of annual stamp tax at 0.5 percent will be maintained.

In taking this decision, it must be borne in mind that the rate of corporate income tax in Grenada is 30 percent, the lowest in the OECS, and most of the Caribbean. Furthermore, the annual stamp tax is an allowed deduction in the assessment of corporate tax liability. This means that the effective rate of corporate income tax is, in fact, less than 30 percent.

Let me make it clear, the rate of tax payable under the Annual Stamp Tax will remain at 0.5 percent. Consequently, there is no increase in the tax rate. However, the ceiling of $100,000 will be removed.

In 2003, annual stamp tax is projected to yield $7.0 million up from $5.3 million in 2002.

Reduction in the General Consumption Tax on New Cars

The purchase of new vehicles has declined with the rise of the used vehicle industry. This trend has led to lower Government revenues and increased risks to the environment.

Government wishes to provide more incentive for people to purchase new cars and at the same time reduce risks to the environment.

Consequently, the General Consumption Task on new cars will be reduced from 38% to 20%. This reduction applies only to cars as defined in the customs tariff heading 87.03. The tariff heading includes motor cars and other motor vehicles principally designed for private use including station wagons and some 4-wheel drive vehicles. This tax reduction will take effect from January 01, 2003.

Reduction in General Consumption Tax on Food Items

Government remains committed to poverty reduction. It has been observed that the prices of imported food items seem to rise faster than the rate of inflation in our domestic economy. It has also been observed that there are significant price differences for certain commodities among OECS states. This issue needs to be carefully analysed.

The recent harmonisation of the Consumer Price Index in the OECS should assist this process of investigation.
Government will give favourable consideration to reducing the general consumption tax on selected food items but only after it is satisfied that appropriate structures are in place to ensure that the reduction is fully passed on to our consumers.

**Reduction in General Consumption Tax on Computer Parts and Accessories**

It is this Government’s desire that every citizen be computer literate with access to computer and Internet facilities. The reduction in the price of computers globally and our Government’s decision to remove the GCT on computers have resulted in many Grenadians purchasing and using computers. This is a welcome development that this Government wishes to encourage.

At present, no General consumption Tax (GCT) is charged on computers imported to Grenada, but 25 percent is charged on computer parts and accessories. In further support of the Knowledge Enhancement Decade, Government will reduce the GCT on computer parts and accessories from 25 percent to 10 percent. Further reductions are likely in the future.

**Rationalisation of Concessions**

Mr. Speaker, we recognise that tax concessions can be an incentive for both local private sector development and foreign direct investment. However, we also recognise that concessions can also serve as a disincentive to improving operational efficiencies.

It may also be recalled that Government had signalled its intention to revise the statutory concessions granted to some large corporations. Progress has been made in this area. As a consequence, current revenue collection is expected to improve.

It may be recalled that in my last Budget Presentation, I informed the Nation of Cabinet’s decision to appoint a Fiscal Incentives Review Committee to review all incentives. The Committee has submitted a preliminary report but its work is not yet completed.

On receipt of the final report, Government will move swiftly to revise the fiscal incentives regime. Our aim is to better utilise concessions as a strategic tool to promote international competitiveness of our private sector.

**13.0 POVERTY ALLEVIATION MEASURES**

Mr. Speaker, we have intimated on several occasions that the prosperity of our Nation must be measured not by how much we increase the welfare of the few, but by the extent to which we satisfy the needs of the many, including the ordinary Grenadian man, woman, boy, and girl.
Even in the face of economic turbulence, our Government remains committed to addressing the needs of the poor and dispossessed in our Nation.

You would recall that our Prime Minister in his national address in October 2001 reiterated that Government will not increase the economic burden of the poor and disadvantaged but will increase the provision of social safety nets for the poor and needy. Consistent with this deeply held position, I now wish to outline some of the major social safety nets in the 2003 Budget.

1. **Old Age Pension**
   In the 2003 Budget, the allocation for Old Age Pension is $3.6 million and it is expected that more than 3,000 persons will benefit from this programme.

2. **House Repair Program**
   In the 2003 Budget, the allocation for House Repair Programme has been maintained at $2.5 million. It is estimated that more than 500 family units will benefit from this programme in 2003. Persons whose homes were damaged by tropical storm Lili will be given first preference.

3. **Special Projects**
   This Program provides for the financing of small projects such as village roads, footpaths, retaining walls and the provision of drinking water in rural communities and economically disadvantaged areas.

   It is anticipated that many more rural communities will directly benefit under this programme in 2003. The budgetary provision is $5 million.

4. **School Books/Uniforms for Needy Children**
   Mr. Speaker, the necessity for our children, particularly those in low-income households, to take advantage of their educational opportunities is paramount. As a consequence, the allocation of $500,000 has been made and will be maintained. Approximately, 1,000 persons will benefit.

   As a responsible Government, we are not promising to provide free schoolbooks and uniforms to every student attending primary, secondary and tertiary institutions because this is financially impossible. Not even the wealthy countries can afford to perform such an undertaking.

   However, we will continue to provide assistance to our poor and needy students.

5. **Basic Needs Trust Fund**
   The Basic Needs Trust Fund is an important poverty reduction programme jointly financed by the Government of Grenada and the Caribbean Development Bank. It provides for social amenities such as the refurbishment of schools, health centers, community centers, water supply and footpaths and skills training and community empowerment.
Government is pleased with CDB’s decision to approve the fifth phase of BNTF to cover the period 2002-2007. In this new phase, additional emphasis will be placed on skills training for income generation. CDB has also agreed to increase the maximum for small projects from US$20,000 to US$35,000. Also, the project unit will be strengthened to ensure faster preparation and implementation of approved projects. The provision for this programme in 2003 is $1.4 million.

6. National Employment and Skills Training Program
Government remains committed to the employment of all our people but particularly our youth and our women. The record of employment generation under the New National Party is nothing short of amazing. In five short years, this Government was able to promote such rapid economic expansion that unemployment fell from 27% in 1994 to 11% at the end of 2000.

The recent economic slow-down has checked our pace of employment generation. As a consequence, Government has decided to expand the National Employment and Skills Training Programme to give our youth some opportunities to acquire work experience and be gainfully employed during these challenging economic times.

In 2003, the allocation to the National Employment and Skills Training Programme will be increased from $1 million to $3 million, an increase of 200%. More than 1,000 young people will benefit from this programme in 2003.

Mr. Speaker, this Government cares about our youth and is committed to generating educational and employment opportunities for them.

We believe in our youth and their abilities and we will continue to provide them with opportunities to help them realize their dreams and aspirations.

7. Water for the Poor
Government recognizes that some of poor citizens cannot afford to pay for a steady supply of potable water. Mindful of our obligation to assist those in need, we have devised a programme to assist such persons by covering their water bills up to a maximum sum.

In several instances, the water supply of some of these persons had been disconnected because of their inability to meet their obligations to NAWASA. As a caring and compassionate Government, we have arranged to settle these bills with NAWASA to ensure these poor persons receive their water supply.

In 2003, over 500 households will benefit from this programme at a cost of $300,000.
8. **Rural Enterprise Project**

This project was launched at the end of last month. The project staff has been recruited and its offices are now fully established and open for business in Sauteurs, St. Patrick’s. The project aims to reduce rural poverty by community mobilization, enterprise development and the provision of innovative rural financial services. In the final analysis, it will raise the incomes of our rural producers such as fishermen, farmers and craftsmen and women.

During the six year life of the project more than 40 communities all over rural Grenada will benefit. In fact, the project will directly or indirectly impact the lives of more than 50,000 Grenadians.

Rural producers will receive support in the form of community empowerment, credit, training and other forms of assistance.

The total cost is estimated at US$7.5 million and is jointly financed by the International Fund for Agricultural Development (IFAD), the Caribbean Development Bank and the Government of Grenada.

9. **Free Medical for the Elderly**

One of the hallmarks of a caring nation is that it takes care of its senior citizens. Many of our citizens have worked hard in building this Nation and they deserve to be cared for in their twilight years.

As a caring and grateful Government, a programme has been developed to ensure that these persons receive the medical attention that they require. The programme will provide free medication for diseases such as hypertension, diabetes, and glaucoma.

A provision of $250,000 is available for this programme. Several of our senior citizens will be beneficiaries of this programme.

14.0 **ACKNOWLEDGEMENTS**

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

- The Government of the Republic of China on Taiwan
- The Government of the Republic of Cuba
- The European Union
- The Government of Japan
- The Government of the United Kingdom and the Department for International Development
- The Government of Canada and the Canadian International Development Agency
- The Government of France
- The Government of the United States of America and the United States Agency for
Mr. Speaker, I also take this opportunity to express my deepest appreciation to the Permanent Secretary and staff of the Ministry of Finance including the Government Printery, and to the public officers in other Ministries and Departments who have contributed to the preparation and delivery of this Budget.

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

Mr. Speaker, I extend my heartfelt gratitude to all community-based groups and organisations for their advice and support. I also extend our gratitude to the National Economic Council, the Multi-Partite Consultation Committee, the Sustainable Development Council and other community groups and organisations with whom we consulted during the past year. Your contributions have enriched today’s Presentation.

Sincere appreciation is extended to the thousands of Grenadians and friends and supporters of Grenada living abroad.

Thanks also to the many Grenadians and friends of Grenada who have provided constructive criticisms of our policies and programmes. Your criticism is a “mirror” through which we can see our strengths and weaknesses.

Mr. Speaker, my sincere thanks and appreciation are extended to my constituents of St. Patrick’s West and the entire population of Grenada, Carriacou and Petit Martinique.
Your patience, understanding and support during the past year were indeed a source of encouragement.

We look forward to your continued support and understanding as together “we aspire, build and advance, as one People,” a society of which we can all be proud, not only for ourselves, but our children, and our children’s children.

15.0 CONCLUSION – A TRACK RECORD OF OUTSTANDING PERFORMANCE

Mr. Speaker, the performance of the New National Party Administration since 1995 is outstanding and unsurpassed.

The facts speak for themselves!

From 1995-2000, Grenada experienced robust economic growth averaging 5.5 percent per annum.

Following a contraction in 2001, the economy returned to positive growth in 2002 and the prospect over the medium term is for growth of at least 4 percent per annum. The national per capita income has risen from EC$5430 in 1994 to EC$8700 in 2002, an increase of 60 percent.

Unemployment, which was recorded at 27 percent in 1994, has been reduced by at least 50%.

Grenada’s economic and social progress has been highly acclaimed by multi-lateral agencies and other agencies of international repute including the International Monetary Fund, the World Bank and the Institutional Investor magazine.

Visitors to our Country are amazed at the rapid pace of our development. For the first time visitor, it is a revelation. For Grenadians who have been abroad for a long time, it is a transformation.

Never before in the history of this Country have so many infrastructural works been commissioned and completed – major roads, concrete roads, air and sea ports expansion, the National Stadium, the Ministerial Complex, new Ministry of Education complex, Melville Street Fish Market and the new General Hospital are some of the many examples of this Government’s performance.

These are investments for our generation and the next and provide an enabling environment for private enterprise to thrive and flourish.

Grenada hosted the Caribbean Gift and Craft Show in October of this year. The Show was a roaring success. It attracted participation from twenty countries and provided significant business opportunities for our hotels, restaurants, local entrepreneurs and craft producers.
As a consequence, Grenada will again host the Caribbean Gift and Craft Show in 2003.

In agriculture, we have facilitated the implementation of the first organic banana project in the Caribbean. We have established a Small Agro-processors Fund to provide more revenue generating opportunities for our farmers, our women and youth. Our Rural Enterprise Project is now operational and will directly or indirectly impact the lives of 50,000 Grenadians.

In education, schools that were ignored and left to fall apart into disrepair have been refurbished and expanded. All our secondary students now have access to computer technology. Thousands of secondary school graduates are now equipped with computer skills. Many more scholarships are being offered for tertiary education. More student loans are available to help our students realize their dreams.

A new hospital with modern equipment has been constructed to ensure improved health care for all our citizens. In addition, we are training our local professionals to operate the state of the art equipment and providing opportunities for health professionals who want to return home to serve their Country.

The programme of contracting out certain Government services has further unleashed the entrepreneurial spirit of our people and empowered them to take control of their own destiny. Persons benefiting from this programme have formed cooperatives, companies and offered their services not only to Government but also the private sector.

After years of indecision, it was this Government that took the bold and courageous step of enacting the Labour Code to offer protection for the workers of this Country - the most progressive legislation on worker’s rights in this Country since Independence.

It is this Administration that recently brought legislation to Parliament to establish a new minimum wage for workers in this Country. Workers who have been exploited and mistreated by employers can now look forward to higher wages and improved working conditions.

This Government cares about the poor, the feeble and the forgotten.

It is this Government that introduced the most comprehensive package of poverty alleviation measures- old age pensions, house repair, special projects, housing developments, free transportation for our senior citizens, free prescription drugs for our senior citizens, pensions for former estate workers and water for the poor.

We are Government with a social conscience.

Even in the face of an economic slowdown, our Government has remained steadfast in our commitment to help the poor and disadvantaged in our midst. This is clearly reflected in the provision for social safety nets in today’s Budget Presentation.
We have not forgotten our youth. By the end of next year, many rural sporting facilities would be upgraded to encourage our sportsmen and women to exercise their God-given abilities and talents.

More scholarships are being offered and new employment opportunities have been created through the Imani Project.

Indeed, we must all be thankful to the Almighty God for His manifold blessings on this our beloved Nation of Grenada, Carriacou and Petit Martinique.

Under the visionary and courageous leadership of our Prime Minister, Dr. the Hon. Keith Mitchell, this Government has worked hard and well for every citizen of this Land.

This is a Government with a vision, a mission and a plan.

Let the record show that no other Government has done so much, in so short a time.

While others talk and promise, the New National Party Government delivers as promised!

We are a Government of the people and for the People.

We are a Government that cares for the needs of all of our people.

Together much has been achieved. Together much more can be done.

So let us press on.

We say, let us continue this good fight.

We say, let us continue to work together for a bigger and brighter tomorrow.

We ask, “if God be for us who can be against us”?

With the help of Almighty God, the unity of our people and the support of our friends, we shall do great and mighty things for this Country.

Let us be inspired by the words of the Holy Bible found in Daniel 11:32 and I quote, 

“For the people who know their God shall be strong and shall do exploits”.

May God bless our beautiful Nation of Grenada, Carriacou and Petit Martinique.

I thank you.
## APPENDIX I – SUMMARY OF RECURRENT EXPENDITURE

<table>
<thead>
<tr>
<th>VOTE</th>
<th>TOTAL</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Governor General</td>
<td>563,337</td>
<td>0.16</td>
</tr>
<tr>
<td>02 Parliament</td>
<td>1,123,001</td>
<td>0.33</td>
</tr>
<tr>
<td>03 Supreme Court</td>
<td>1,911,182</td>
<td>0.55</td>
</tr>
<tr>
<td>04 Magistracy</td>
<td>1,293,301</td>
<td>0.38</td>
</tr>
<tr>
<td>05 Audit</td>
<td>720,553</td>
<td>0.21</td>
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<tr>
<td>06 Public Service Commission</td>
<td>518,666</td>
<td>0.15</td>
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<tr>
<td>07 Director of Public Prosecutions</td>
<td>452,379</td>
<td>0.13</td>
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<tr>
<td>08 Electoral Office</td>
<td>443,544</td>
<td>0.13</td>
</tr>
<tr>
<td>09 Ministry of Legal Affairs</td>
<td>1,237,051</td>
<td>0.36</td>
</tr>
<tr>
<td>10 Prime Minister's Ministry</td>
<td>3,339,165</td>
<td>0.97</td>
</tr>
<tr>
<td>11 Prisons</td>
<td>4,069,801</td>
<td>1.19</td>
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<tr>
<td>12 Police</td>
<td>24,659,305</td>
<td>7.15</td>
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<tr>
<td>14 Ministry of Labour &amp; Local Government</td>
<td>938,244</td>
<td>0.27</td>
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<tr>
<td>15 Ministry of Tourism, Civil Aviation, Culture, Gender, Family Affairs &amp; Social Security</td>
<td>2,839,644</td>
<td>0.82</td>
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<tr>
<td>16 Ministry of Foreign Affairs</td>
<td>5,882,794</td>
<td>1.71</td>
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<tr>
<td>19 Ministry of Youth, Sports &amp; Com. Dev.</td>
<td>2,259,456</td>
<td>0.66</td>
</tr>
<tr>
<td>20 Ministry of Finance</td>
<td>16,593,690</td>
<td>4.81</td>
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<tr>
<td>21 Pensions and Gratuities</td>
<td>36,043,160</td>
<td>10.45</td>
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<tr>
<td>22 Public Debt</td>
<td>108,457,294</td>
<td>31.45</td>
</tr>
<tr>
<td></td>
<td>47,051,629</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20,591,552</td>
<td></td>
</tr>
<tr>
<td></td>
<td>29,849,194</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,964,919</td>
<td></td>
</tr>
<tr>
<td>23 Salaries and wages increase</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>25 Contributions</td>
<td>8,996,012</td>
<td>2.61</td>
</tr>
<tr>
<td>30 Ministry of Works, Comm. &amp; Public Utilities</td>
<td>10,804,984</td>
<td>3.13</td>
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<tr>
<td>32 Post Office</td>
<td>12,144</td>
<td>0.00</td>
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<tr>
<td>35 Ministry of Housing, Social Services and Co-op.</td>
<td>7,074,704</td>
<td>2.05</td>
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<tr>
<td>Ministry of Carriacou &amp; Petite Martinique Affairs</td>
<td>2,255,877</td>
<td>0.65</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------</td>
<td>-------</td>
</tr>
<tr>
<td>40 Ministry of Education</td>
<td>53,798,273</td>
<td>15.60</td>
</tr>
<tr>
<td>50 Ministry of Health &amp; the Environment</td>
<td>39,403,572</td>
<td>11.43</td>
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<tr>
<td>64 Ministry of Agriculture, Forestry, Lands &amp; Fisheries</td>
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<td>2.65</td>
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<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>344,864,514</strong></td>
<td><strong>100%</strong></td>
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</table>
## APPENDIX II – SUMMARY OF CAPITAL EXPENDITURE

<table>
<thead>
<tr>
<th>VOTE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>01. Governor General</td>
<td>47,640</td>
</tr>
<tr>
<td>02. Parliament</td>
<td>-</td>
</tr>
<tr>
<td>03. Supreme Court</td>
<td>486,700</td>
</tr>
<tr>
<td>04. Magistracy</td>
<td>38,500</td>
</tr>
<tr>
<td>05. Audit</td>
<td>4,500</td>
</tr>
<tr>
<td>06. Public Service Commission</td>
<td>6,000</td>
</tr>
<tr>
<td>07. Director of Public Prosecution</td>
<td>25,000</td>
</tr>
<tr>
<td>08. Electoral Office</td>
<td>10,000</td>
</tr>
<tr>
<td>09. Ministry of Legal Affairs</td>
<td>235,000</td>
</tr>
<tr>
<td>10. Prime Minister's Ministry</td>
<td>15,596,270</td>
</tr>
<tr>
<td>11. Prisons</td>
<td>893,000</td>
</tr>
<tr>
<td>12. Police</td>
<td>2,000,000</td>
</tr>
<tr>
<td>14. Ministry of Labour and Local Government</td>
<td>170,000</td>
</tr>
<tr>
<td>15. Ministry of Tourism, Civil Aviation, Culture, Gender, Family Affairs &amp; Social Security</td>
<td>16,386,555</td>
</tr>
<tr>
<td>16. Ministry of Foreign Affairs</td>
<td>35,100</td>
</tr>
<tr>
<td>19. Ministry of Youth, Sports &amp; Community Development</td>
<td>3,899,000</td>
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<tr>
<td>20. Ministry of Finance</td>
<td>25,511,902</td>
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<tr>
<td>30. Ministry of Works, Communications and Public Utilities</td>
<td>52,839,604</td>
</tr>
<tr>
<td>35. Ministry of Housing, Social Services and Co-operatives</td>
<td>1,944,000</td>
</tr>
<tr>
<td>36. Ministry of Carriacou and Petite Martinique Affairs</td>
<td>3,815,000</td>
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<tr>
<td>40. Ministry of Education</td>
<td>21,514,332</td>
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<tr>
<td>50. Ministry of Health and the Environment</td>
<td>15,047,300</td>
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<tr>
<td>64. Ministry of Agriculture, Forestry, Lands and Fisheries</td>
<td>22,445,943</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>182,951,346</strong></td>
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</table>
ANNEX III – CENTRAL GOVERNMENT DEBT (EC$MN)
(As of September 30, 2002)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Domestic</strong></td>
<td>209.3</td>
</tr>
<tr>
<td>T/Bills</td>
<td>56.3</td>
</tr>
<tr>
<td>Bonds</td>
<td>116.5</td>
</tr>
<tr>
<td>Loans</td>
<td>36.5</td>
</tr>
<tr>
<td><strong>Total External</strong></td>
<td>667.4</td>
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<tr>
<td>Bonds</td>
<td>327.2</td>
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<tr>
<td>Loans</td>
<td>340.2</td>
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<tr>
<td><strong>Total Domestic &amp; External</strong></td>
<td>876.7</td>
</tr>
</tbody>
</table>
# ANNEX IV – GOVERNMENT GUARANTEES (CONTINGENT LIABILITIES)

*(As of September 30, 2002)*

<table>
<thead>
<tr>
<th>Statutory Bodies</th>
<th>Outstanding 31.12.01 EC$</th>
<th>Outstanding 16.09.02 EC$</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grenada Ports Authority</td>
<td>662,379.00</td>
<td>68,162,379.00</td>
<td>Includes US$25m for Cruise Ship Terminal</td>
</tr>
<tr>
<td>Grenada Banana Cooperatives</td>
<td>115,144.01</td>
<td>115,144.01</td>
<td></td>
</tr>
<tr>
<td>Minor Spices</td>
<td>38,647.69</td>
<td>38,647.69</td>
<td></td>
</tr>
<tr>
<td>Marketing and National Importing Board</td>
<td>3,790,065.00</td>
<td>3,790,065.00</td>
<td></td>
</tr>
<tr>
<td>Gravel and Concrete Production</td>
<td>4,369,602.93</td>
<td>4,369,602.93</td>
<td></td>
</tr>
<tr>
<td>Housing Authority of Grenada</td>
<td>11,377,768.00</td>
<td>15,061,461.06</td>
<td></td>
</tr>
<tr>
<td>Grenada Development Bank</td>
<td>25,140,060.26</td>
<td>25,140,060.26</td>
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</tr>
<tr>
<td>Grenada Airports Authority</td>
<td>75,745,497.78</td>
<td>75,745,497.78</td>
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</tr>
<tr>
<td>National Water and Sewage Authority</td>
<td>22,867,000.00</td>
<td>22,867,000.00</td>
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</tr>
<tr>
<td>Call Centres Grenada Inc</td>
<td>2,000,000.00</td>
<td>2,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Grenada Cultural Foundation</td>
<td>1,300,000.00</td>
<td>1,300,000.00</td>
<td></td>
</tr>
<tr>
<td>Grenada Industrial Development Corporation</td>
<td>3,348,500.00</td>
<td>3,348,500.00</td>
<td>Industrial Park Development</td>
</tr>
<tr>
<td>Sub-total</td>
<td><strong>150,754,664.67</strong></td>
<td><strong>221,938,357.73</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Private Companies                             |                           |                          |                                                  |
| Grenada Electricity Services Ltd             | 9,878,692.50              | 9,878,692.50             | Power Generator                                  |
| RDF Enterprises Ltd                           | 3,531,970.00              | 3,531,970.00             | Organic Banana Project (River Antoine)           |
| The Garden Group Hotel                        | 24,030,000.00             | 24,030,000.00            | Small Hotels Support                              |
| Intercontinental Grenada Ltd                 | 20,250,000.00             | 20,250,000.00            | Mt. Hartman Hotel Development                     |
| Grenada Development Company                   | 29,700,000.00             | 29,700,000.00            | Levera Golf Course and Hotel Development          |
| La Sagesse Farm                               | 0.00                      | 2,700,000.00             | Agro-processing project.                          |
| Sunset Enterprises Ltd                        | 16,200,000.00             | 16,200,000.00            | Poultry Farm at Victoria                         |
| Sub-total                                     | **103,590,662.50**        | **106,290,662.50**       |                                                  |

| Total Government Guarantees                   | **254,345,327.17**        | **328,229,020.23**       |                                                  |