

GRENADA – EUROPEAN COMMUNITY

**Country Strategy Paper
and National Indicative Programme
for the period 2001 – 2007**

26-10-01

- (1) The Government of Grenada, (represented by *<name and title>*), and the European Commission, (represented by *<name and title>*,) hereinafter referred to as the Parties, held discussions in Grenada and Barbados from October 2000 to August 2001 with a view to determining the general orientations for co-operation for the period 2001 – 2007. The European Investment Bank was represented at these discussions by *<name and title>*.

During these discussions, the Country Support Strategy and an Indicative Programme of Community Aid in favour of Grenada were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in Grenada.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to Grenada for the period 2001-2007, an amount of € 3.5 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 3.9 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The indicative programme under chapter VI concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which Grenada benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings, the B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the indicative programme.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Grenada, within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available under the general reserve of the eighth EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until entry into force of the Financial Protocol for the

Ninth European Development Fund. corresponding amount shall be provided as a supplementary allocation to the eighth EDF.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of term review shall be undertaken within four years from the date of signature of the Country Support Strategy and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within six weeks of the date of the signature, unless either party communicate the contrary before the end of this period.

Signatures

For the Government of Grenada
Commission

For the

TABLE OF CONTENTS

PART A : COUNTRY SUPPORT STRATEGY

7

0. EXECUTIVE SUMMARY

8

1. EU/EC CO-OPERATION OBJECTIVES

9

2. THE GOVERNMENT'S POLICY AGENDA

10

3. ASSESSMENT OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

10

3.1 Political Situation

10

3.2 Macro-economic Overview

11

3.2.1 Economic Structure

11

3.2.2 Trade

11

3.2.3 Recent Economic Performance

11

3.2.4 Fiscal Performance

11

3.2.5 Monetary Performance

12

3.2.6 Balance of Payments

12

3.3 Sector Priorities

12

3.3.1 Agriculture

12

3.3.2 Fisheries

13

3.3.3 Tourism

13

3.3.4 International Financial Services

14

3.3.5 Environment

14

3.4 Social Sector Analysis

14

	3.4.1	Health	15
	3.4.2	Education	15
	3.4.3	Gender	15
	3.5	External Challenges	16
	3.5.1	International Context	16
	3.5.2	Regional Co-operation	16
	3.5.3	OECD Harmful Tax	17
	3.6	Future Challenges and Prospects	17
4.		OVERVIEW OF PAST AND ONGOING EC CO-OPERATION	18
	4.1	European Development Fund	18
	4.2	STABEX and Special Framework Assistance to Banana Growers	18
	4.3	Regional Programmes	18
	4.4	The European Investment Bank	19
	4.5	Past Experiences of Community Aid	19
	4.6	Programme of EU Member States and Other Donors	19
	4.6.1	Programmes of EU Member States	19
	4.6.2	Other Donors	20
5.		RESPONSE STRATEGY	21
	5.1	The EC Support Strategy	21
	5.2	Activities proposed under the Focal Sector	21
	5.3	Coherence with EU Policy and Contribution to Poverty Reduction	22
	5.4	Consistency with Government Policy	22
	5.5	Involvement of non-State Actors	23
	5.6	Non-Focal Sector	23
	5.7	The European Investment Bank	

23	
5.8	Coherence and Complementarity: Regional Integration, Private Sector Development and Human Rights
23	

PART B : NATIONAL INDICATIVE PROGRAMME

25

6. THE NATIONAL INDICATIVE PROGRAMME

26

6.1 Introduction

26

6.2 Financing Instruments

26

6.2.1 9th EDF A-Allocation

26

6.2.2 9th EDF B-Allocation

26

6.2.3 Investment Facility

26

6.2.4 STABEX

26

6.2.5 Special Facility of Assistance (SFA)

26

6.2.6 Centre for the Development of Enterprise

27

6.2.7 Budget Lines of the Community

27

6.3 Focal Sector

27

6.3.1 Overall Objectives

27

6.3.2 Programme Purposes

27

6.3.3 EC Contribution

27

6.3.4 Results

29

6.3.5 Programme Indicators

29

6.3.6 Project Indicators

29

6.4 Activities Outside the Area of Concentration

29

6.4.1 IT Support

29

6.4.2 Other Activities

29

6.5 Intervention Framework

30

6.6 Activities/Commitments Timetable

32

ANNEX I: Donor Matrix

ANNEX II: Overview of EC Funding

ANNEX III: Key Economic Indicators

ANNEX IV: Overview of the Banana Sector

ANNEX V: Government's Policy Agenda

ACROYNMYS

ACP	-	Africa Caribbean Pacific
ACS	-	Association of Caribbean States
CARIBCAN	-	Caribbean-Canada Trade Agreement
CARICOM	-	Caribbean Community
CARIFORUM	-	Caribbean Forum of ACP States
CBI	-	Caribbean Basin Initiative
CDB	-	Caribbean Development Bank
CDE	-	Centre for the Development of Enterprise
CET	-	Common External Tariff
CGCED	-	Caribbean Group for Co-operation and Economic
	Development	
CIDA	-	Canadian International Development Agency
CSME	-	Caribbean Single Market and Economy
CSS	-	Country Support Strategy
DFID	-	Department for International Development
ECCB	-	Eastern Caribbean Central Bank
EC	-	European Commission
EDF	-	European Development Fund
EIB	-	European Investment Bank
EPA	-	Economic Partnership Agreement
EU	-	European Union
FAO	-	Food and Agricultural Organisation
FATF	-	Financial Action Task Force
FSAP	-	Financial Sector Assessment Programme
FTAA	-	Free Trade Area of the Americas
GDP	-	Gross Domestic Product
GIFSA	-	Grenada International Financial Services Authority
GIP	-	General Import Programme
GNP	-	Gross National Product
GOG	-	Government of Grenada
IFAD	-	International Fund for Agricultural Development
KFAED	-	Kuwait Fund for Arab Economic Development
MTES	-	Medium Term Economic Strategy
NAO	-	National Authorising Officer
NAFTA	-	North American Free Trade Agreement
NGO	-	Non-Governmental Organisation
OECD	-	Organisation for Economic Co-operation and
	Development	
OECS	-	Organisation of Eastern Caribbean States
PAHO	-	Pan-American Health Organisation
PSIP	-	Public Sector Investment Programme
RNM	-	Regional Negotiating Machinery
ROC	-	Republic of China
SAP	-	Structural Adjustment Programme
SFA	-	Special Facility of Assistance
WHO	-	World Health Organisation
WIBDECO	-	Windward Islands Banana Development Company
WTO	-	World Trade Organisation

Part I

Country Support Strategy

EXECUTIVE SUMMARY

Grenada, one of the four Windward Islands, is a small island state with an area of 340 sq km and 121 of coastline. The state of Grenada consists of the islands of Grenada, Carriacou and Petit Martinique and has a population of 89,000. Grenada is democratic with universal suffrage, has a well-established parliamentary democracy, free elections, a multiparty structure, equality of access to political activity and participative decision-making. Grenada achieved independence from the UK in February 1974.

Real GDP growth, which was negligible during the 1991-93 period, rose to an average of 3.5% in 1995-97, aided by a marked increase in construction and tourist arrivals. In 1998-2000, it grew by an average of 7.3%, largely due to the implementation of extensive construction projects as well as sustained growth in new residential housing. In Grenada, agricultural production is the single most important activity and is centred on the banana industry, cocoa and nutmeg industries. Grenada controls a quarter of the world nutmeg output and is the biggest earner of foreign exchange in the agricultural sector, pumping EC\$50 million (€ 21.638 million) into the economy last year.

Tourism, the main growth sector since the 1980s, continues to play an important role in the overall economic diversification strategy. In 1995, the tourism sector, as represented by hotels and restaurants ranked fifth in terms of importance to the economy of Grenada, contributing 10.6% of GDP, up from 5.8% of GDP in 1990.

According to the UNDP Human Development Report for 1998 Grenada is ranked 54 among 174 countries on the basis of adult literacy, school enrolment, life expectancy at birth, and per capita Gross Domestic Product (GDP).

On the regional front, Grenada is a member of CARICOM (the Caribbean Community) and the Association of Caribbean States (ACS). The medium term prospects for the economy of Grenada appear favourable. It is envisaged that real GDP will grow at an average annual rate of at least 5% over the 2000-2002 period.

Grenada's first three NIPs (Lome I, II, III) were devoted to infrastructure. The 7th EDF was concentrated on rural infrastructure. The secondary focal sector was tourism promotion and the remaining funds have been allocated to human resources development. The 8th EDF NIP for Grenada amounts to € 6.5 million with water supply as the primary focal sector while the remainder of the funds were dedicated to tourism development and drugs control.

STABEX transfers and the special system of assistance to ACP traditional banana producers (SFA) are being used by Grenada to support a major reform of the banana industry in parallel with the efforts undertaken to diversify both agriculture and the economy as a whole.

EC response

EC support to Grenada will concentrate on the tourism sector which is seen as instrumental for the repositioning of the economy. It is proposed that 90% of the "A envelope" of the 9th EDF (3.15 mios Euro) be allocated to the tourism sector. Assistance to the ICT sector is proposed outside the focal area. Support to the restructuring of the

banana industry which involves economic diversification and the social recovery programme will be continued through the SFA and Stabex funds.

1. EU/EC Co-operation Objectives

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the Community and Grenada shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement – especially the principle of encouragement of the development strategies by the countries and populations concerned - and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Strategy Paper, in accordance with the principle of national ownership of development strategies.

2. The Government's Policy Agenda¹

The overriding Government policy objective as enunciated in the Medium-Term Economic Strategy paper 2000-2002 is to respond to the challenges presented by globalisation, trade liberalisation and poverty reduction through the restructuring and re-positioning of the economy as a more diversified, competitive and knowledge-based economy. The key elements of the Government's development strategy are agriculture, tourism, education and human resource development, financial services and information technology. The tourism sector is to be promoted as the leading sector, greater emphasis is to be placed on agricultural diversification, the transition in the banana industry is to be supported by establishing an appropriate regulatory framework, and the international financial services and informatics sectors are to be developed.

The attainment of these objectives is to be pursued through a broad based economic and social strategy central to which shall be private sector investment, the continued pursuit of sound macroeconomic and trade policies and an acceleration in the rate of implementation of the Public Sector Investment programme (PSIP). The PSIP programme for the period 2000-2002 amounts to EC\$402 million (EUR 160 million) and will focus on infrastructural development thereby providing a platform for private sector investment.

3. Assessment of the Political, Economic and Social Situation

3.1 Political Situation

Grenada, one of the four Windward Islands, is a small island state with an area of 340 sq km and 121 of coastline. The state of Grenada consists of the islands of Grenada, Carriacou and Petit Martinique and has a population of 89,000. Grenada is democratic with universal suffrage, has a well-established parliamentary democracy, free elections, a multiparty structure, equality of access to political activity and participative decision-making. Grenada achieved independence from the UK in February 1974. The chief of state is Queen Elizabeth II and is represented by a governor general. The Cabinet is appointed by the governor general on the advice of the Prime Minister. The head of government, Prime Minister Keith Mitchell, leader of the New National Party (NNP) came to power in June 1995. In the January 1999 elections the NNP won all 15 seats in the House of Representatives. The bicameral Parliament consists of the Senate (a 13-member body, 10 appointed by the government and 3 by the leader of the opposition) and the House of Representatives (15 seats; members are elected by popular vote to serve five-year terms). The next elections are to be held no later than April 2004.

Grenada is not considered to have significant problems with human rights or protection of civil liberties and freedom of speech and freedom of press is maintained. A declaration of individual rights and freedoms is entrenched in the Grenada Constitution. Grenada is a signatory to the Universal declaration of Rights, the International Convention on the Elimination of all forms of discrimination against women and the American Convention

¹ See details in Annex V.

on Human Rights. Recourse to the death penalty still exists in Grenada though it has not been used for more than twenty years.

3.2 Macroeconomic Overview

3.2.1 Economic Structure

Grenada is a very small open economy, heavily dependent on tourism and exports of bananas and spices. In recent years, manufacturing paper products and electronic components, offshore financial services and telephone and internet-based marketing have become increasingly important. In 2000 it is estimated that agriculture accounted for about 7.1% of GDP, industry 23% and services 69.9%. The GDP per capita at purchasing power parity in 1999 was €4,323.44.

3.2.2 Trade

Grenada is a member of WTO. Grenada's main export partners are CARICOM 32.3%, the United Kingdom 20%, the United States 13% and the Netherlands 8.8% whilst its main import partners are the United States 31.2%, CARICOM countries 23.6%, the United Kingdom 13.8% and Japan 7.1%. The principal products for export are bananas, cocoa, nutmeg, fruit and vegetables, clothing, mace. The value of exports in 1998 amounted to US\$26.8 million (€ 31.3 million) whilst imports amounted to US\$200 million (€ 233.7 million). Grenada's main imports are food, manufactured goods, machinery chemicals and fuel. Over the past five years there has been no significant shift in Grenada's trading patterns. Grenada's real effective exchange rate has been appreciating since 1996, largely as a result of the appreciation of the US dollar against European currencies, and so export competitiveness has been declining. There is therefore a need for Grenada to pursue trade policies that will allow it to embrace the challenges and opportunities of a liberalised global environment.

3.2.3 Recent Economic Performance

The country experienced a period of virtual stagnation during the late 1980s, associated with political instability, strained relations with the U.S. and other donor countries, a sharp decline in private investment, and the weak performance of the banana and tourism sectors. The new administration that assumed office in 1990 undertook a number of reforms in the first half of the decade that included a reduction in the size of the civil service, privatisation of the main utilities, and trade liberalisation in the context of the Caribbean Community (CARICOM). These reforms, combined with generally prudent macroeconomic policies, helped increase private sector confidence and boost economic activity. Real GDP growth, which was negligible during the 1991-93 period, rose to an average of 3.5% in 1995-97, aided by a marked increase in construction and tourist arrivals. In 1998-2000, it grew by an average of 7.3%, largely due to the implementation of extensive construction projects as well as sustained growth in new residential housing. In addition, earnings from agricultural and manufactured exports and tourism increased whilst demand for other services, particularly communications and financial services, rose sharply. As a result of this rapid growth in activity, the average per capita income

rose from about US\$3,200 at the end of 1997 to an estimated US\$3,750 at the end of 2000, and the unemployment rate declined from 26.7% in 1994 to 11% at the end of 2000

3.2.4 Fiscal Performance

Economic recovery in the period immediately after the completion of the three-year structural adjustment programme (1992-95) was accompanied by a deterioration in the fiscal position. The deficit of the central Government (after grants) widened from less than 1% of GDP in 1995 to 6 % in 1997 and Government savings, which had averaged 2 % of GDP in 1995-96 turned negative in 1997 as the authorities embarked on an ambitious capital investment program, while at the same time, reducing the income tax and raising civil servant's salaries by an average of more than 8 % per annum in real terms in the 1996-97 period. The deficit narrowed to 2.5% and 2.0% of GDP respectively in 1999 and 2000, while central Government savings rose sharply to 6.1% of GDP in 2000, reflecting better revenue administration (mainly of the corporate income tax), increased fees from offshore financial companies, and efforts to limit the growth of current expenditure. In particular, the civil service wage bill rose by an average of less than 4 % a year during 1998-99 (reflecting, in part, a freeze on hiring), and declined to just over 12 % of GDP, from 13 % of GDP in 1997. Capital expenditure rose from an average of 9 % of GDP in 1996-98 to 11 % in 2000, reflecting improvements in infrastructure (roads, the port and health and education facilities), as well as repair and rehabilitation work late in the year following the damage caused by hurricane Lenny.

In order to provide for the replacement of duties which will be lost as a result of the introduction of the Common External Tariff and the further liberalisation of trade, an OECS sponsored study has been commissioned to look at possible alternative tax revenues including the possibility of re-introducing Value Added Tax (VAT) whilst the growing erosion of the tax base as a result of tax exemptions and discretionary concessions is also to be examined.

3.2.5 Monetary Performance

Grenada belongs to the Eastern Caribbean Central Bank (ECCB), which operates a fixed exchange rate regime. The Eastern Caribbean Dollar is pegged to the United States Dollar at the rate of US\$1 = EC\$2.70 since July 1976. Monetary policy in the Eastern Caribbean is thereby centralised under the Eastern Caribbean Central Bank where the focus of the policy is to maintain a strong Eastern Caribbean dollar so as provide a degree of certainty to the economic policy environment thus ensuring a predictable environment for investment and economic activity in general. The expansion of the Grenadian economy has led to strong growth in commercial bank credit.

3.2.6 Balance of Payments

The expansion of the economy in the mid-90s was accompanied by a widening deficit on the external current account with an increase from 10.2% of GDP in 1994 to 25% of GDP in 1997. The balance on the services account was positive, but insufficient to offset the large negative merchandise trade balance. Net capital inflows, consisting of loans and grants, migrant transfers and private direct investment remained relatively strong and so financing the current account deficit and maintaining a positive overall external balance. The external current account deficit narrowed from 25% of GDP in 1997 to 8% in 1999 reflecting the windfall gains from the increased price of nutmeg as well as output from a

new manufacturing plant that exports electronic components to the US market whilst imports declined following the completion of two large office complexes and a sports stadium. Figures predict however that the deficit has jumped again to almost 16% of GDP in 2000 as a result of an increase of credit in the banking system coupled with a sharp increase in imports associated with a pick-up in infrastructure and tourism projects.

3.3 Sector Priorities

3.3.1 Agriculture

In Grenada, agricultural production is the single most important activity and is centred on the banana industry, cocoa and nutmeg industries. Grenada controls a quarter of the world nutmeg output and is the biggest earner of foreign exchange in the agricultural sector, pumping EC\$50 million (€ 21.638 million) into the economy last year. Grenada also has a large subsistence sector producing fruits, vegetables and livestock for the domestic and regional markets. In 1990 agriculture was the second leading contributor to GDP, accounting for 13.4% of the total however by 2000, its contribution to GDP had dropped to 9%, the fifth largest component of GDP. The decline in the sector has occurred as a result of poor performance in traditional export crops with a consequent decline in the sector's contribution to employment, foreign exchange earnings and GDP.

Banana cultivation and exports, the main economic activity until the early 1990s, declined rapidly during the middle of the decade with the combination of pests and diseases, low returns and high production costs leading to the abandonment of estates while the situation has been exacerbated by the gradual phasing out of preferential arrangements under which bananas are traded. The banana price in the international market has fallen at an annual average of 4.4% over the 1990-1999 period.

To survive the banana industry needs to raise standards of efficiency such as to allow it compete in a global market governed by rules of free trade. To facilitate this, the Windward Island Action Plan, designed to support the commercialisation of the banana industry through the provision of assistance to viable growers only alongside diversification initiatives and social recovery programmes to absorb the drop-out of non-viable growers, has been adopted at the sub-regional level and is to be funded through the Special Framework of Assistance (SFA) and Stabex. It is predicted that production could recover to 15,000 tons (1992 level) by 2002. In 1997 Grenada had been forced to suspend exports of bananas for 18-months as a result of poor fruit quality. However in 1999 the effects of the rehabilitation efforts were felt and the industry generated \$0.13m (€ 0.0563million) in earnings. It is important to note that the decline in the value added from the agricultural sector, in particular the banana industry, has a significant impact on the overall economy as the domestic multiplier of the farmers income is relatively large. The sector will continue to play an important role in the economic and social life of Grenada

3.3.2 Fisheries

The export of fish products has been growing even if deep-sea fishing is under-exploited due to the lack of appropriate technology. Hurricane Lenny and a mysterious "fish kill" in 1999 brought fishing activity to a halt. However, the Government of Grenada is committed to rebuilding the industry and support has been received from the French and Japanese Governments towards this end. The key objectives are the further improvement

of the infrastructure for the fishing industry and the introduction of new quality assurance standards to ensure easier access to export markets.

Efforts are being made at a sub-regional regional level to establish a well developed and diversified regional fisheries sector, reflecting stakeholders participation and fishers safety with increased investment in sustainable production and marketing. In this context the OECS Secretariat is mandated to initiate the development of a Fisheries Strategy for Member States.

3.3.3 Tourism

Tourism, the main growth sector since the 1980s, continues to play an important role in the overall economic diversification strategy. In 1995, the tourism sector, as represented by hotels and restaurants ranked fifth in terms of importance to the economy of Grenada, contributing 10.6% of GDP, up from 5.8% of GDP in 1990. The sector recorded the second largest annual rate of growth over the period 1990-1995 (average annual rate of growth was 15.7%), more than three times that of the overall economy and more than five percent higher than the next fastest growing sector. The development of the sector however is restricted by a number of factors among which are inadequate airlift from major markets, lack of supporting tourism infrastructure such as high quality hotels, duty free shopping, entertainment and inadequate resources for marketing the destination internationally. The Government of Grenada has set about addressing some of these difficulties in its Tourism Development Master Plan 1997. Assistance for the development of intra-Caribbean tourist flows is being provided through the Caribbean Tourism Organisation (CTO) while the EC under the regional Caribbean Tourism Competitiveness and Sustainability Programme provides assistance for product development, marketing, promotion and training. In 1999, total visitor arrivals decreased by 3.2% compared with an increase of 6.3% in 1998. This fall was traced to a decline in cruise ship passengers and excursionists. However, despite these figures the intra-regional tourist market exhibited the strongest performance during 1999, growing by 17.5%. Despite some decrease of activity during 2001, tourism is expected to grow at an average of 7% per annum over the medium term.

3.3.4 International Financial Services

The offshore sector has expanded rapidly since 1996 and is expected to play an increasingly prominent role in the economy. It accounted for 1% of GDP in 1998 and by December 2000 this figure had risen to 5%. The sector is expected to grow by at least 5% every year over the medium term. In January 2000, the Grenada International Financial services Authority (GIFSA) was established to strengthen the regulation and supervision of the international financial services sector.

3.3.5 Environment

Government, in recognition of the importance of ensuring the sustainable development of the country, is in the process of finalising a National Physical Development Plan. The Plan addresses the major environmental issues including solid waste management, water supply and liquid waste management, land use management, coastal zone management, and the reduction of man-made hazards. The proposal also makes provision for the introduction of user fees for garbage collection and for the use of national parks and the inclusion of natural resources accounting in cost benefit analysis of projects. The government is to accord a consultative role to environmental groups and agencies

including the National Trust, the National Advisory Council for Nature Tourism etc. in the implementation of the National Environmental Action Plan.

The Government is currently implementing the Grenada solid waste management project which includes the construction of sanitary landfills and the expansion and upgrading of waste collection facilities and transportation. Other activities currently being undertaken by Government include: the development and implementation of strategies to reduce the build-up of greenhouse gases, the development of strategies to adapt to Grenada's vulnerability to climate change, the formulation of a strategy for the protection of Grenada's bio-diversity, the designation of a number of marine parks and protected areas, and the institution of management structures for the sustainable use of Grenada's forest resources. Furthermore, owing to the advanced nature of the country's regulatory and utility structure, Grenada has been selected from the Caribbean to participate in a 'Clean Energy Initiative for Caribbean and Pacific' being spearheaded by prominent international organisations active in this sector (Climate Institute, Winrock International, Counterpart International, Forum for Energy and Development).

3.4 Social Sector Analysis

According to the UNDP Human Development Report for 1998 Grenada is ranked 54 among 174 countries on the basis of adult literacy, school enrolment, life expectancy at birth, and per capita Gross Domestic Product (GDP). This represents significant progress from the 1993 position when Grenada was ranked 77. However social indicators in Grenada remain among the least favourable in the Caribbean.

The Government commissioned a Caribbean Development Bank (CDB) funded Poverty Assessment, which was published in 1999. The Assessment indicated that approximately 32% of the population live in poverty and of that proportion, 12% are indigent. In May 2001, Government commenced the process of elaborating a National Poverty Reduction Strategy. This process is likely to take at least twelve months. In the meantime, the Government is taking steps to alleviate poverty through such measures as an increase in the old-age pension, schooling and house repair assistance, micro-enterprise development and the introduction of a skills development programme.

Intimately linked to poverty is the unemployment rate. In 1994 more than a quarter of the labour force was unemployed. By 1999 however unemployment had fallen to 14%. The level of unemployment for women is almost twice that of men. As job growth in the formal sector has been well below that required by the growth of the labour force there is a growing tendency towards the informalisation and seasonalisation of the work force, which particularly affects women. Emigration of skilled persons also continues at a high rate. In response to these findings the Government launched a wide range of initiatives to tackle poverty and a national poverty reduction strategy is being developed based on the findings of the Poverty Assessment Report.

Data on proposed public sector investment allocations show a significant commitment to social services investment at approximately 45 % (the highest in the OECS).

3.4.1 Health

The Government aims at further enhancing health facilities with the development of a national health plan and the completion of a new hospital which is currently under construction.

In 1998, the infant mortality rate and the rate of population increase were all lower than at the start of the decade while life expectancy has risen for both males and females. The health profile indicates that communicable childhood diseases are virtually under control and the major health problems are related to chronic non-communicable diseases or so-called lifestyle diseases. However, levels of satisfaction with the quality of public health services are low leading to a drift towards private care.

The reported level of HIV/AIDS is low. However on a regional level, the HIV/AIDS epidemic is spreading alarmingly and could affect Grenada. Consequently a key objective for Grenada is to put in place more effective HIV/AIDS prevention programmes.

3.4.2 Education

Grenada has attained almost universal school access but there are still sizeable gaps above the primary level. The current level of secondary access is only 50%, while the transition rate to tertiary level training is much lower. The combined primary, secondary and tertiary gross enrolment ratio is 76%. In order to foster closer co-operation and to enhance the benefits from joint development of education, Grenada participates in the regional (CXC) examination system and pursues in addition, a joint OECS Education Reform Strategy which places an emphasis on the social aspects of education.

3.4.3 Gender

The proportion of female-headed households in Grenada is high and is related to the feminisation of poverty mentioned above. Grenada's record of female involvement in politics is slowly increasing though employed women are concentrated in traditional occupational areas with only 3.4% in professional and technical posts and 1.3% at administrative and management levels. It is estimated that the rate of unemployment for women is almost twice that for men.

The Government of Grenada ratified the 1979 UN Convention on the Elimination of All Forms of Discrimination against Women and in 1982 the Women's desk, in existence since 1979 was upgraded to a Department of Women's Affairs. The Department works in collaboration with the National Women's Organisation (NOW) which has increased its membership to an estimated 21.5% of the female population. A total of 23 non-Governmental organisations are affiliated. The key objectives of the Department of Women's affairs is the promotion of the principle of gender mainstreaming in all policies, programmes and plans of Government and to provide a safe environment to address the needs of women, children and men in abusive situations.

3.5 External Challenges

3.5.1 International Context

The Caribbean region is currently facing huge challenges on the external front as it grapples with the effects of globalisation and international trade commitments under the World Trade Organisation (WTO) alongside pressures arising from economic groupings such as the North American Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas (FTAA). Under WTO rules, the countries of the Caribbean have until 2005 to dismantle non-tariff barriers, progressively liberalise trade in goods and services, and

eliminate all discriminatory practices and tariffs. The system of preferences enjoyed by Caribbean bananas in the EU market has been successfully challenged by the United States and is to be replaced while further access by Latin American countries to North American markets through the establishment of the FTAA promises to erode even further preferences from the CBI (Caribbean Basin Initiative) and CARIBCAN (the trade agreement between the Caribbean and Canada). While bananas have been most affected by the WTO on account of the preferential market access situation, other sectors such as cocoa, nutmeg and non-traditional sectors which are subject to the Agreement on Agriculture (AoA) and the Agreement on Sanitary and Phytosanitary Measures (SPS) need to undergo significant restructuring if they are to become sufficiently efficient and competitive to survive.

In a context of globalisation and liberalization, WTO and EPA (ACP-EC Economic Partnership Agreement) negotiations can further enhance the credibility and transparency of Grenada's trade and investment regime, thus encouraging investment and bolstering reform. In accordance with the provisions of the Cotonou Agreement, negotiations on future trade arrangements between the EU and ACP countries in the form of EPAs should start in September 2002 at the latest.

3.5.2 Regional Co-operation

On the regional front, Grenada is a member of CARICOM (the Caribbean Community) and the Association of Caribbean States (ACS). CARICOM members are in the process of establishing a Common Single Market and Economy (CSME) that will include not only a fully functioning common market, but also the harmonisation of macroeconomic policies and eventual monetary integration. The new regional trade arrangements are expected to be finally in place by 2005 alongside those of the FTAA and WTO. The ACS, established as a mechanism for consultation, co-operation and concerted action, brings together all the countries of the Caribbean Basin (the sovereign states of Central America, CARICOM, Cuba, Colombia, Mexico and Venezuela) with an overall population of some 200 million. Together they have pledged their commitment to strengthen co-operation in trade, tourism, transport, the environment, language training, and cultural co-operation

Within the global context of liberalisation, Grenada's national trade policy, largely guided by that of CARICOM and the OECS, focuses on forward looking, outward oriented trade policy reform programmes geared towards the gradual removal of protectionist measures. The government has made considerable progress in liberalising its trade regime by reducing both tariff and non-tariff barriers. In keeping with its obligation to CARICOM, the government has implemented the fourth and final phase of the Common External Tariff (CET). The CET, which is geared at deepening the process of industrialisation in CARICOM, imposes tariffs on imports from third countries at rates of up to 35% for industrial products, and 40% for agricultural goods. Trade negotiations with respect to bilateral free trade agreements have been signed between CARICOM and Grenada and are ongoing between CARICOM and Cuba. A trade policy review was conducted by the WTO in June 2001.

In order to secure markets for its exports the Government's strategy is to negotiate CSME/WTO compatible agreements with its trading partners. Towards this end, the Government is highly supportive of, and actively participates in the work of the RNM (Regional Negotiating Machinery) and in collaboration with the OECS and Canada, is undertaking a programme for strengthening its trade negotiating capabilities.

3.5.3 OECD Harmful Tax

A further challenge facing the countries of the Caribbean is the issue raised by the OECD of harmful tax practices. According to the 1998 OECD report, harmful features of preferential regimes are to be eliminated before the end of 2005. In June 2000, a further report presented a list of jurisdictions that are deemed tax havens under the criteria of the 1998 report which included Grenada. Data from the CARICOM secretariat reveals that the offshore sector constitutes a significant percentage of revenue for the governments of the Caribbean. In Grenada the number of international banking companies registered in 1999 was 1,652 and the number of offshore banks was 31. The financial contribution from the offshore sector rose from EC\$70,000 in 1998 to EC\$ 250,000 in 1999. The offshore companies accounted for 1% of GDP in 1998 but by 2000 this had increased to 5.1%. In May 2000, the Prime Minister of Grenada called for assistance to help OECS countries regulate their offshore financial sectors. In the meantime, during its plenary of 7 September 2001, FATF included Grenada among the countries that are not co-operative in the fight against money laundering. More in particular, Grenada's supervisory authorities were deemed to have inadequate access to the customer account information and inadequate authority to co-operate with foreign counterparts. The Grenada International Financial Services Authority (GIFSA) is currently participating in an IMF-assisted self-assessment of the offshore financial centres and will subsequently participate in the World Bank/IMF Financial sector Assessment Programme (FSAP).

3.6 Future Challenges and Prospects

The government of Grenada needs to sustain rates of economic growth in order to alleviate high rates of poverty and unemployment. In order to achieve this it will be necessary to attract increased private investment, increase efficiency in the public sector and generate an adequate level of fiscal savings to ensure improvements in education and skills training, social services, and safety nets for the poor. The medium term prospects for the economy of Grenada appear favourable. Preliminary estimates for 2000 show GDP growth at 6% (well above the 5% target), driven by tourism, manufacturing, construction and agriculture with banana and cocoa production rising 35.6% and 23% respectively. It is envisaged that real GDP will grow at a satisfactory rate over the period 2000-2002, even if a slowdown of activities in the tourism and construction sectors was already visible during the first quarter of 2001.

4. Overview of Past and Ongoing EC Co-operation

Grenada signed the first Lomé Convention in 1975. The total amount of European Community aid given to Grenada since 1975 is estimated to be more than Euro 50m, of which 24m is EDF financed.

4.1 European Development Fund

Grenada's first three NIPs (Lomé I, II, III) were devoted to infrastructure. The 7th EDF NIP amounts to € 6.5 million and has rural infrastructure as its focal sector. The secondary focal sector is tourism promotion and the remaining funds have been allocated to human resources development. The 8th EDF NIP for Grenada amounts to € 6.5 million

with water supply as the primary focal sector while the remainder of the funds were dedicated to tourism development and drugs control.

4.2 STABEX and Special Framework Assistance to banana growers (SFA)

STABEX transfers and the special system of assistance to ACP traditional banana producers are being used by Grenada to support a major reform of the banana industry in parallel with the efforts undertaken to diversify both agriculture and the economy as a whole.

Grenada has qualified for a transfer under the STABEX system for loss of earnings in bananas, cocoa, nutmeg and mace. In the 1993 – 1997 application year period, STABEX transfers to Grenada amounted to € 6.754,842 million with accrued interest bringing this figure to € 7.708, 487 million. The country did not qualify for Stabex allocations for years 1998 and 1999.

The Special Framework of Assistance to Banana growers was approved by the Council in 1999 for a period of ten years. The SFA programme is based on a strategy document submitted and approved by the EDF Committee in 1999. The strategy for the implementation of the SFA aims to develop a more competitive agricultural sector, including the maintenance of the banana industry whilst also emphasizing the need to diversify rural income generation and the provision of social recovery for displaced farmers. The strategy shall be implemented within the context of national, sub-regional and international policy frameworks and in co-ordination with existing development programmes.

The activities programmed for the SFA and STABEX are listed in Annex II of this document.

4.3 Regional Programmes

In addition to the EDF, STABEX and SFA, Grenada also benefits from a wide range of regional programmes. The focal sectors for Community aid under the 7th EDF Regional Indicative Programme for which a global envelope of EUR 105 million was made available were agriculture/fisheries, trade, tourism, education, human resource development, environment and telecommunications. The 8th EDF Regional Programme had EUR 90 million available to it for activities in support of regional economic integration and co-operation, and human development, institutional strengthening and capacity building. Within these priorities special attention is given to the enhancement of the region's competitiveness and to private sector development. Outside the focal sectors, priority programmes include decentralised co-operation, regional disaster preparedness and the Caribbean action plan for drug control.

Alongside the regional funds above, Grenada has benefited through the Centre for the Development of Enterprise (CDE) whose aim it is to strengthen private enterprises and professional associations in the ACP countries. The CDE antenna in Grenada is the Grenada industrial Development Corporation (GIDC).

4.4 The European Investment Bank

The EIB has provided Grenada with a total of EURO 12.5m in financial assistance since 1982. Among the activities that have received support from the EIB are: the investment programme of GRENLEC, support to small- and medium scale enterprises in the private

sector from the Grenada Development Bank and the construction of a locally owned Resort Hotel.

4.5 Past experiences of Community Aid

Experience of co-operation with Grenada has in the past been relatively positive even if in more recent years the rate of disbursement of EU funds has dropped considerably. This is for the most part directly attributed to absorptive and implementation capacity problems of the government administration in Grenada. Much of this is not surprising given that the sharp increase in funds available to offset the decline in the banana industry has not been accompanied by the requisite increase in staff in the counterpart administration. In an effort to appease the implementation capacity problems in the local administration, a proposal is currently on the table to partly fund support services to the NAO (EDF PMCU).

On a broader level however the government itself has been unable to fulfil its commitments in terms of maintenance, repair, regular upgrading, recurrent expenditures, local contributions, supply of qualified personnel and in some instances, compliance with the terms of financing proposals has been an issue. While the structural adjustment programme completed in 1996 had a positive impact at many levels and led to an improvement in the country's fiscal situation, much has yet to be done in terms of developing an efficient and effective public sector. The Government has acknowledged this problem and last year launched the Year of punctuality and productivity by Government.

4.6 Programme of EU Member States and Other Donors

Apart from the EU, the principal donors are the Caribbean Development bank (CDB), UN agencies, UK (DFID), France, DFID, Canada (CIDA), USAID and the World Bank. Donor co-ordination plays an important role in the programming of STABEX and the SFAs with regular donor meetings to discuss the difficulties being experienced in the banana sector and the appropriate response of donors to this ever-evolving situation. Donor co-ordination mechanisms are also in place in the following sectors: drugs, education, environment, governance and disaster management, while consultations are held in other areas of common interest. The Government channels most donor assistance through the Public Sector Investment Programme. Of the \$401.9m planned investment for the 2000-2002 period under the Public sector Investment programme, the Caribbean Development Bank (CDB), the World Bank and the Republic of China will contribute 20.1%, 13.0% and 11.7% respectively.

4.6.1 Programmes of EU Member States

Member states active in Grenada include France and the UK (DFID) whilst Germany via GTZ has provided technical assistance to the OECS secretariat in St Lucia for the strengthening of technical/vocational training. French operations focus mainly on infrastructure (water sector and architectural preservation) while some support has also been given to marine park protection and trail development for selected tourism sites. DFID support has been largely targeted at community development, scholarships and technical assistance to different Ministries.

4.6.2 Other Donors

Activities of CIDA, DFID, UN agencies, USAID and the World Bank in the eastern Caribbean are conducted on the basis of sub-regional strategies. The principal areas receiving support from these agencies are regional strategic objectives such as institutional support, including support to the Regional Negotiating Machinery (RNM) which is charged with the responsibility of representing the members of CARICOM in international trade and financial negotiations, implementation of the Common Single Market and Economy (CSME), HIV/AIDS programmers, environment programmers, social recovery through economic diversification and job creation, emergency reconstruction and disaster mitigation, increased efficiency and fairness of legal systems, telecom reform, and the development of primary and secondary education.

The Caribbean Development Bank (CDB) is a significant donor to Grenada and in 1999 approved a mixture of loans and grants, the equivalent of \$87.1m, with emphasis on such sectors as agriculture/forestry/fishing, manufacturing, mining, tourism, power, energy, water, transportation/communication, housing, health, education and basic needs.

Funding received from the ROC in the 2000-2003 period is be allocated to the following sectors: secondary roads, St. George polyclinic, education, rural sports facilities, IT education and computerisation of the police network. A trip to Libya in August 2001 has resulted in the GoG securing grant funds from the Libyan government to the tune of US\$1 million and a loan of US\$3 million whilst a previous loan of US\$6 million has been written off.

The GOG, with assistance from donor organisations, is implementing a series of programmes and strategies designed to address the main issues raised in the Analysis.

Disaster Preparedness: Support to lessen the vulnerability of this small island state to natural disasters is provided by a number of donors including the Caribbean Development Bank and the World Bank which has funded disaster management and mitigation programmes.

Institutional Strengthening: The GOG is engaged in an effort to strengthen the organisational capacity and streamline the institutional framework so as to ensure the effective use of fiscal resources and quality in service delivery. This initiative is being supported by UNDP and DFID whilst all donors in the region are participating in the OECS public sector reform project and the regional institutional and capacity review. The management and implementation of EC supported projects is expected to be enhanced through the provision of support services to the National Authorising Officer.

Financial Services: Efforts to introduce the legislation required for the proper regulation and supervision of the financial services sector are being undertaken with assistance from the IMF/World Bank.

Environmental Management: Environmental management, including the adoption of legislation and the establishment of associated enforcement mechanisms to protect natural resources and address climate change and adaptation issues, is supported by a number of donors while the Government is expected to have completed it's National Physical Development Plan in the first quarter of 2002.

Human Resource Development: Central to the repositioning of the economy is the development of human resources to which the EC, World Bank, CDB and CIDA all contribute through projects at primary, secondary and tertiary level and vocational and ~~technical~~ training

Globalisation & the Private Sector: The Ministry of Finance with the support of the WTO has established a WTO reference centre to improve the private sector's access to information on the WTO and the new trading environment. This is to be complemented by seminars offered by the Trade and Industry Unit of the Ministry of Finance to the different types of private sector operators to improve their understanding of WTO standards and procedures. Resources for concessionary capital, business development and technology are available to the private sector through a number of EC mechanisms.

The funding distribution of the donors is included in the matrix in Annex I .

5. Response Strategy

5.1 The EC support strategy

The strategy proposed takes into account the different financial instruments available and includes existing uncommitted funds. It also takes into account and seeks to be complementary to the interventions of other Donors. Support to increase the competitiveness of the Banana industry is important for the country and should not be discontinued. The SFA and part of the remaining Stabex funds shall be dedicated to this. As far as the Poverty issue is concerned, the Government of Grenada has made significant efforts to introduce measures aimed at the reduction of poverty among which are the increase in the old-age pensions, the provision of free transportation and medication for welfare recipients. Other projects include a rural enterprise project and low-income housing. Much support to this sector is also being provided through the social recovery programme of the SFA. Efforts are currently underway to devise a poverty reduction strategy for Grenada.

Under these circumstances, EC response will focus upon assisting the Diversification and growth generation strategy of the Government. EC support to Grenada will thus concentrate on the tourism sector, which is seen as instrumental for the repositioning of the economy. Therefore it is proposed that 90% of the "A envelope" of the 9th EDF (3.15 mios Euro) be allocated to the tourism sector. Assistance in the ICT sector is also proposed outside the focal area.

5.2 Activities proposed under the Focal Sector

It is proposed to concentrate the A envelope on the Tourism sector. As has already been seen in Chapter 3 above, while tourism is not at present the leading sector of the Grenadian economy, the pace of growth in the tourism sector serves as an indicator of its importance particularly in terms of the economic diversification strategy which needs to compensate for the decline in the contribution of traditional crops to the economy. To this end, in 1996 the government produced a Tourism Policy Framework and in 1998 adopted the ten-year Tourism Master Plan 1997-2007.

Three Projects have been identified for support under the focal sector as follows:

- 1 Widespread training in tourism designed to address the deficiencies in skill availability within the tourism sector.
- 2 Technical assistance to small hotels which will include marketing, management and product design.
- 3 Restoration of Fort George

In the first two projects the EDF allocation will be used to complement the funds already committed by government, the benefits of which extend equally to the islands of Carriacou and Petit Martinique.

The possibility of a sector-based approach to support for Tourism in Grenada could be considered instead of the individual project approach detailed above.

5.3 Coherence with EU Policy and Contribution to Poverty Reduction

The selection of the tourism sector as the focal sector for EC support is justified by the following:

- Tourism constitutes an integral part of the ACP-EU strategies for the promotion of human and social development.
- Tourism is an important aspect of Trade in services where Trade Development is among the six priorities of the European Community Development Policy.²
- Tourism has a job-creation potential for the local population. This aspect of the tourism sector is becoming ever more crucial in view of the rise in rural unemployment as a result of the decline of the agricultural sector.
- SMEs and microenterprises could also gain from the expansion of tourism with the consequent boost to the food industry as well as possibilities for the further development of crafts, small shops, and local transport causing a greater portion of the local community to participate in the economy.
- The Cotonou Agreement recognises the need to promote cultural heritage, not simply as an end in itself but also for its contribution to the tourism industry.
- The EC has a comparative advantage in the tourism sector arising from past successful interventions and donor co-ordination on a region-wide basis in the sector.

5.4 Consistency with Government Policy

² *The parties underline the growing importance of services in international trade and their major contribution to economic and social development. (Part Three Title II: Economic and trade co-operation; Chapter 4: Trade in services: General Provisions Article 41.1, Cotonou Agreement)*

The Community shall support the ACP States' efforts to strengthen their capacity in the supply of services. Particular attention shall be paid to services related to labour, business, distribution, finance, tourism, culture and construction and related engineering services with a view to enhancing their competitiveness and thereby increasing the value and the volume of their trade in goods and services. (Part Three Title II: Economic and trade co-operation; Chapter 4: Trade in services: General Provisions Article 41.5, Cotonou Agreement)

The general objectives of the Grenadian government in the field of tourism focus on the implementation of selected aspects of the tourism master plan and the implementation of a new tourism product enhancement programme aimed at improving tourist sites.

The Tourism Master Plan places an emphasis on the development of strong linkages between tourism and the other sectors such as agriculture, fisheries, agro-industries, manufacturing, creative arts, handicrafts and services, so as to achieve a managed growth path and a sustainable level of tourism development. Forward linkages from tourism to agriculture, with the possibilities offered by Eco-Tourism are also to be taken into consideration.

The role of Government in the tourism sector is to provide the institutional/regulatory framework and infrastructure necessary to facilitate private sector activity and investment in the tourism sector, the monitoring and regulation of the development of the sector, as well as the marketing and promotion of the destination. Included in this are Government commitments in the field of environmental protection as enunciated in the National Environmental Action Plan. The overall management of the tourism industry is conducted under the aegis of the Ministry of tourism and Civil Aviation and its agent the Grenada Board of Tourism.

In 2000, the Government committed EC\$10m annually to the Grenada Board of Tourism to run for a three year period. This Government intervention has two main strands; the development of the small hotel sector and the conduct of marketing activities. In addition to initiatives in these two sectors, the government also undertakes to implement a new tourism product enhancement programme aimed at the development of new attractions/sites to improve and diversify the tourism product, enhancement of cruise tourism product offerings including duty-free shopping and other facilities, environmental management and implementation of selected aspects of the Tourism Master Plan.

Further, it has been recognised that sustained development of tourism requires an adequately trained workforce. To this end the allocation for education and training was raised to EC\$27m (3% of GDP) in the 2000 budget.

5.5 Involvement of non-State actors

Non-governmental organisations have been encouraged to integrate tourism issues into their programmes and to increase awareness about tourism issues, as well as provide a broader, participatory approach for the achievement of tourism goals. The Hotel Association and the Board of Tourism consider product development and training as top priorities on the tourism agenda and they support the efforts of the Government to improve the management and sustainability of the cultural heritage of Grenada.

5.6 Non-focal Sector

Assistance for the development of the Information and Communication technologies potential of Grenada will be the EC response outside the focal sector. This will be aimed at placing ICT at the centre of Grenada's economic development as a dynamic industry sector itself. The project is to be implemented in partnership with other donors / lenders. Further, it is hoped that experiences in this area in Grenada may be shared with and transferred to other countries of the Eastern Caribbean.

5.7 The European Investment Bank

EIB may consider continuing its support to activities such as Power System Development, specific Tourism or Industrial Projects and support to private sector small-and medium scale enterprises generally. EIB already participates in the funding of the Grenada component of the OECS waste management project alongside other initiatives designed to promote regional integration such as: CFSC and CDB (global loans), Tiona and CIF (venture capital funds). This sort of activity is also likely to continue in view of the importance of further economic integration for the survival of the region in a global market place. A particularly important objective will be to develop appropriate instruments for developing the financial sector of the OECS and wider Caribbean region in an integrative fashion.

5.8 Coherence and Complementarity: Regional Integration, Private Sector Development and Human Rights

The GoG is working closely with regional organisation such as the Organisation of Eastern Caribbean States, the Caribbean Tourism Organisation, Caribbean Hotel Association, the Caribbean Development Bank and the Caribbean Conservation Association in an effort to ensure that Grenada derives the maximum benefit from the grants and technical assistance that are available for the tourism sector from external agencies.

In the context of the Cotonou Agreement the Parties have agreed to conclude new trading arrangements, compatible with WTO rules, remove progressively barriers to trade between them and enhance co-operation in all areas relevant to trade. Grenada is member of CARICOM, has signed the FTAA agreement in Quebec and has to prepare itself for the REPA negotiations. A better understanding of the threats and opportunities will allow a better response of the private sector to new market possibilities, especially with regard to regional trade and trade with the neighbouring countries.

The support to be provided under the 9th EDF aims at addressing the following issues:

- Assessments of impact of further trade liberalisation, of the CARICOM Single Market and Economy and the FTAA on the private sector and on government revenues and formulating appropriate policy responses measures.
- Assist in preparing the REPA with the EC, involving broad consultations and studies on impact.
- Assist private sector initiatives to explore business opportunities in the region.
- Assist with improving the relations with the neighbouring countries and with exploring trade opportunities. This could include trade missions, identification of impediments to trade with neighbouring countries and addressing these impediments.

Besides the focal sector and support to the ICT and the challenges facing the banana industry through the SFA, assistance in the form of studies or technical support may be given to the regional integration process. In coherence with the regional support strategy, actions may be initiated to facilitate and strengthen regional integration through CARICOM and ensure the necessary complementarity between regional and national EC support. This may include the establishment of a monitoring system and technical support.

Human Rights: The Cotonou Agreement refers explicitly to the principles of respect to Human rights and fundamental freedoms. In Grenada, the Co-operation strategy will contribute to the consolidation of such values mainly through the different measures of support to institutional capacity.

PART B

National Indicative Programme

6 The National Indicative Programme

6.1 Introduction

Within the general framework of the present CSP and based on the analysis and strategies described in the preceding chapters, the Parties have agreed on the main priorities for their co-operation and the sectors in which the support of the Community shall be concentrated. A detailed indicative programme is presented in this chapter based on the resources of the A allocation of the EDF and, subject to the outcome of the mid-term review and emerging needs as covered by the relevant regulations, the B-allocation.

6.2 Financing Instruments

The implementation of the response strategy of the EC will be financed through a number of different financing instruments, which include the following:

6.2.1 9th EDF A-allocation Euro 3.5 million: This allocation is destined to cover the long-term development activities identified in the context of the response strategy, namely in the tourism sector while 10% of the allocation is to be used to for studies, audits and technical support in the area of regional integration, disaster prevention and monitoring. An indicative allocation for a project in the ICT is also foreseen outside the focal area of concentration.

6.2.2 9th EDF B-allocation Euro 3.9 million: This allocation is to be used for unforeseen needs such as emergency assistance where support cannot be financed from the Community budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse affects of instability in export earnings.

6.2.3 Investment Facility: Apart from the above mentioned financial instruments, of which the A envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the “Investment Facility” as a financing instrument managed by the European Investment Bank (see details in Part A, chapter 5). The Investment Facility does not form part of the Indicative Programme.

6.2.4 STABEX: STABEX transfers to Grenada for loss of export earnings from bananas, cocoa, nutmeg and mace are being used to support a major reform of the banana industry in parallel with efforts to diversify both agriculture and the economy as a whole. In particular efforts are underway to strengthen the national economy, improve the balance of payments, enhance the quality of life of the population in rural areas and reduce the rate of rural-urban drift. In the future it is envisaged that support for short-term fluctuations in export earnings will be decided by the Chief Authorising Officer and used in a way that is complementary to and consistent with the utilisation of resources under the agreed country support strategy, on the basis of annual agreements between the ACP country and the Commission's services.

6.2.5 Special Facility of Assistance (SFA): Funds available to Grenada under this facility are being used to develop a more competitive agricultural sector, including the maintenance of the banana industry whilst also emphasising the

need to diversify rural income generation and the provision of social recovery for displaced farmers and their families.

6.2.6 Centre for the Development of Enterprise (CDE): Support for Grenadian enterprises in the field of non-financial services to the private sector are available through CDE.

6.2.7 Budget lines of the Community: Specific activities can be supported through the various Community budget lines, including, inter alia, NGO co-financing, decentralised co-operation, European Initiative for Democracy and Human Rights, food security and disaster prevention. Humanitarian and emergency assistance shall be accorded to the Grenadian population concerned in case of serious economic and social difficulties resulting from natural disasters or man-made crises. Approval of proposals and implementation of support measures under the available budget lines will be decided in accordance with the procedures in place for each respective financing instrument.

6.3 Focal Sector

The concentration sector is Tourism to which 90 % of the indicative programme (3.15 million Euro) will be allocated. Part of the allocation may be utilised for accompanying measures under the reform process initiated by the government in the tourism sector.

6.3.1 Overall Objective

The overall objective of the EC intervention is to expand the contribution of the tourism industry to the national economy and increase the level of services provided by the industry both in terms of tourism product and human resource capacity.

6.3.2 Programme Purposes

The programme aims at strengthening the Human resources in all the areas of intervention as well as contributing to the tourism product development.

6.3.3 EC Contribution

The EC interventions are designed to complement those of the GoG in the sector. It has been agreed that the EC will undertake the following:

- enhance the tourism potential of St. George's by restoring Fort George,
- support the development of human resources in the tourism sector through the provision of training to all persons involved in the industry and technical assistance to the small hotel sector.

The immediate results of the intervention will be a functioning autonomous body to manage all heritage sites in Grenada, a restored Fort George, the implementation of a training programme for employees in the tourism industry, implementation of a plan to assist small and medium sized hotels and the implementation of an IT training programme.

Training Programme

Service orientation skills at all levels need upgrading. It is estimated that the expansion of the tourism sector within the next ten years will be between 2000 and 3000 more employees in the accommodation sector alone, the majority in the areas of food and beverage, housekeeping and maintenance, and security. Development of the sector as proposed in the Tourism Master Plan will require additional training in product knowledge for interpreters at visitor attractions, as well as the development of a cadre of interpreter/guides for new sites. The thrust in eco-tourism will also require additional managerial personnel with formal training in national park management and in the management of marine parks.

A study (EUR 150,000) is to be carried out to design a training programme, which will provide persons with the skills necessary to work in the tourism industry. This study will be conducted in the latter part of 2001 and early 2002 and is to be funded from the balances of previous EDFs. A consultant will be recruited through a restricted consultation. The training programme envisaged will include provisions for the training of the whole range of employees in the tourism industry from hotel managers to taxi drivers. The actual programme to be implemented will be based on the findings of the study. It is expected that the training programme will commence in the latter part of 2002 / early 2003. The funds to be allocated to the training programme are EUR 0.43 million. The study is also designed to incorporate an assessment of the needs of the small hotels. Once this study has been completed and the findings discussed, the recommendations will be implemented over a 3-4 year period starting in 2003. The project should complement GoG interventions providing support and guidance in the fields of marketing, management plans and product design. Funds allocated to the TA component amount to EUR 0.43 million.

Restoration of Forts / Implementation of management structure

An evaluation of natural resources concluded that Fort George and other natural attractions and landmarks are of a potential value for tourism purposes comparable to the beach and marine resources of the country. Fort George is one of a number of forts, which in addition to the outstanding scenic views presents an excellent illustration of the colonial history of Grenada and the French and British influence on the development of the country. The carrying capacity of the Fort George attraction is currently very limited due to problems of access, parking space and a shortage of interpretative facilities. In developing the fort it is recommended that adequate visitor reception facilities be provided alongside opportunities for revenue generation through user fees, sales opportunities etc. which should be maximised in order to provide for the ongoing maintenance of the Fort. In the Tourism Master Plan 1997–2007 it was concluded that historical landmarks need further development and management systems need to be put in place. Heritage resources are especially important for the growing cruise tourism sector: to add variety to the overall tourism offering of the country, to create additional opportunities for the generation of revenue and to spread that revenue across the country.

As a first step prior to commencement of this project a study (EUR 150,000) is to be undertaken which will make recommendations for the establishment of a management body to oversee the management and upkeep of all sites of cultural interest in Grenada including the Forts Mathew, George and Frederic. Early indications reveal that an autonomous body would best suit this function. The study being commissioned is

intended to clarify the composition of the structure of such a board and define its modus operandi. It is expected that legislation will have to be enacted to legally establish the aforementioned Body and assign to it the necessary powers to enable it to function effectively. It is expected that the study will take place in the latter part of 2001 / early 2002.

The above study will, in addition to the management recommendations, also provide the Grenada Board of Tourism with a clear indication of the extent and cost of the rehabilitation works to be carried out on Fort George. Once the study has been completed and the GoG has passed the required legislation, the tender for the rehabilitation works will be launched. Funds allocated to the restoration works, design and supervision total EUR 2.17 million.

6.3.4 Results

- Implementation of a Training Programme in tourism designed to address the deficiencies in skill availability within the sector.
- Technical assistance to small hotels in order to improve marketing, management and product design.
- Restoration of Fort George in order to open it to the public and enhance quality of the tourist product.

6.3.5 Programme Indicators

In the year 2010 it is foreseen that the portion of GDP generated by the hotel and restaurant industry will have increased significantly. Further indicators of the rising impact of the tourism sector will be an increase in stopover tourist arrivals and an increase in the level of employment generated in the tourism industry. By 2010, the number of tourism workers trained in institutions is expected to increase by 3000.

6.3.6 Project Indicators

- Number of employees trained per year will be increased by the end of 2005
- Small hotels will adopt business plans and improve their management performance. The study to be commissioned will define verifiable indicators.
- Fort George will be restored and open to the public by the end of 2005

6.4 Activities Outside the Area of Concentration

6.4.1 IT Support

In support of the recent GoG initiative on Information and Communication Technologies (ICT) it has been agreed to allocate EUR 0.65 million to a project in this field. Formulation of the EC precise intervention in the sector will take place when government has completed its ITC strategy (expected at the end of 2001) though the area of intervention is likely to be in Education, to complement the Human Resource and Technical Assistance components mentioned above.

6.4.2 Other Activities

10 % of the Indicative programme or 0.35 millions Euro will be earmarked for studies, audits and technical support in the area of regional integration, disaster prevention and monitoring.

6.5 Intervention Framework

Overall objective	Increase role of tourism in economy of Grenada	Overall contribution of tourism to GDP to increase to 15% by 2010 Stopover Tourism arrivals increased to 250,000 by 2010 Employment in Tourism Sector increased by 2010	<ul style="list-style-type: none"> Ministry of Finance Data Ministry of Tourism Data 	
Project Purpose	Human Resource and Tourism Product Development	<ul style="list-style-type: none"> Number of tourism workers trained in institutions increased to 3000 by 2010 Visitors to Tourism Sites increased considerably by 2010 	<ul style="list-style-type: none"> Ministry of Education Data National Tourist Board / Ministry of Tourism Data 	<ul style="list-style-type: none"> GoG continues support to Tourism industry through adequate legislation and Financial Backing Is there any specific legislation that has to be passed?
	Intervention Logic	Objectively Verifiable Indicators	Source of Verification	Assumptions
Results	<p>Restored Fort George</p> <p>Training Programme for employees in Tourism Industry implemented and functioning</p> <p>Technical Assistance Programme for Small Hotels Implemented</p> <p>ITC programme implemented</p>	<p>Quantity and quality of work executed as measured against the Bill of Quantities</p> <p>Number of employees trained per year is increased to 300.</p> <p>Small Hotels adopt business plans and increase management performances</p> <p>ITC skills and knowledge available to a wide section of population</p>	<ul style="list-style-type: none"> Reports of Supervising Engineer End of Project Report <p>Project Reports</p> <p>Official Journal of Grenada</p> <p>Project Reports</p> <p>Project Reports</p> <p>Mid Term Review of 9th EDF for Grenada</p>	<ul style="list-style-type: none"> Appropriate management structure for Forts of St. George's is established and given sufficient autonomy Training Programme adopted by GoG and allocated adequate counterpart financing GoG formulates ICT strategy
Activities	Tender for Design Consultant	Means	Budget	<ul style="list-style-type: none"> Successful contractor for

	<p>(October 2001 – January 2002) Design (January 2002 – May. 2002) Tender For Works Contractor (July 2002 – September 2002) Rehabilitation Work Supervision of Construction (October 2002 – October 2003)</p> <p>Tender for Consultant to Formulate Training Programme (August 2001 – October 2001) Consultancy (November 2001 – December 2001) Implementation of Training Programme (January 2002 -) Tender for Consultant to Formulate Management Structure for Forts of St. George (August 2001 – October 2001) Consultancy (November 2001 – December 2001) Implementation of Management Structure (January 2002 -)</p>	<p>Fort Restoration (Including Design, Works and Supervision)</p> <p>Human Resource Development Programme Project</p> <p>Hotel Technical Assistance Project</p> <p>ICT project</p>	<p>EUR 2.17 million</p> <p>EUR 0.43 million</p> <p>EUR 0.43 million</p> <p>EUR 0.65 million</p> <hr/> <p>Total EUR 3.68 million</p>	<p>restoration is technically competent and financially sound</p> <ul style="list-style-type: none"> • Adequate supervision of works is provided by consultant • GoG agrees to finance possible cost over runs • Successful consultants for studies are professionally capable
--	--	--	--	---

6.6 Activities/Commitments Timetable

	Indicative total.	Consumption of commitments (all amounts in EUR million)									
		2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2
NIP 7 th /8 th	0.861		0.5	0.2	0.161						
STABEX	1.395	0.0697	0.1395	0.279	0.279	0.279	0.209	0.0697			
NIP 9th Co-operation	3.5										
TA	0.43		0.15		0.28						
Tourism Training Programme	0.43		0.15		0.28						
Restoration of Fort George	2.17		0.15		2.02						
Non-Focal Sectors											
ITC project	0.65				0.65						
Studies, audits, monitoring, contingencies	0.35			0.25		0.1					
TOTAL	4.03		0.45	0.25	3.23.	0.1					
SFA 1999,2000,2001	1.5	0.25	0.25	0.25	0.25	0.2	0.2	0.1			
TOTAL											
GRAND TOTAL	7.786	0.32	1.34	0.979	3.92	0.579	0.409	0.1697			0.1

ANNEXES

ANNEX I DONOR MATRIX

National Development Matrix: Projected Annual Expenditure 2000-2003 (EC\$ '000)

	INFRASTRUCTURE	EDUCATION	HEALTH	AGRICULTURE	TOURISM	ENVIRONMENT	PRIVATE SECTOR	PUBLIC SECTOR	OTHERS	TOTAL
GOVERNMENT	67,011	9,210	22,534	26,594	53,500	768		150	14,030	193,797
PRIVATE SECTOR							3,000			3,000
NGOS										0
EC	16,200	1,950		6,372	3,443	1,450	6,521		115	36,051
CARIBBEAN DEVELOPMENT BANK	157,308	8,151			4,000		13,585	3,260	4,951	191,255
WORLD BANK	14,560	12,030							6,484	33,074
UN		254							796	1,050
DFID					1,855					1,855
FRANCE	20					360				380
ROC	40,800	21,200	4,100			100		3,800	5,560	75,560
USDOL/OAS		100						700	575	1,375
OTHERS	30,050	365	33,180	346		13,176		700	1,525	79,342
TOTAL	325,949	53,260	59,814	33,312	62,798	15,854	23,106	8,610	34,036	616,739

Note: Others include : multi donors (see below), Japan, FAO, CPEC, EXIM/PEFCO/South Thrust Bank, Cuba etc.

Example Multi Donors

Environment: OECS Waste Management – CDB/EIB/IBRD

Health: Strengthening Hospital Management System PAHO/UNICEF

Health training & Enhancement Project CDB/PAHO

ANNEX II OVERVIEW OF EC FUNDING

European Development Fund

EDF	EURO Millions
7 th EDF	6.5
8 th EDF	6.5
9 th EDF	3.5

STABEX

Article 186 of the Lome IV Convention provides compensation for loss of export earnings on certain agricultural products on which countries' economies are dependent and which are affected by fluctuation in price or quantity or both these factors. The use of the STABEX allocation is governed by a Framework of Mutual Obligations (FMO) which stipulates the objectives, obligations, actions and results which are expected to be achieved through utilization of the STABEX transfers, as well as the rules and procedures applicable to the allocation and disbursement of the funds, in accordance with Article 210 of the Fourth Lome Convention. The following are the STABEX allocations to Grenada for loss of export earnings from bananas, cocoa, nutmeg and mace:

Stabex year	Indicative allocation	Interest	Total €
Stabex '93:	€2,248,539	591,186	2,839,725
Stabex '94	€1,981,653	185,773	2,167,426
Satbex '95	€1,724,084	139,138	1,863,222
Stabex '96	€742,456		
Stabex '97	€57,354	37,548 ('96/'97 combined)	837,358 ('96/'97)
Stabex : <i>repayment art 195 2000</i>	€290,572		290,572
Total	€7,045,414	953,645	7,998,303

The sectors to receive support under the stabex for each year are as follows:

STABEX year	Support	Amount in €
1993 STABEX FMO	Support to the nutmeg association	718,750
	Farm roads rehabilitation	500,000
	Support to the cocoa association	312,500
	Support to the banana association	312,500
	Support to bio-technology center	156,250
	Livestock & abattoir development	78,125
	Support to the minor spices society	78,125
	Carriacou integrated land use & forest development	92,289
	Total	€2,248,539
1994 STABEX FMO	Support of the Nutmeg Industry	654,753
	Banana Farm Productivity and Quality Dev Project	578,125
	Cocoa Price Support	468,750
	Carriacou Integrated Dev Project	264,400
	Rural Poverty Study	15,625
	Total	€ 1,981,653

1995 STABEX FMO	Banana Producer Support Scheme	1,000,000
	Nutmeg Industry	475,000
	Cocoa Industry	249,084
	Total	€1,724,084
Stabex 1996/97	Cocoa industry	799,810
	Total	€ 799,810
Stabex:repayment art 195 2000	Total	€290,572

Special Facility of Assistance (SFA)

Council Regulation (EC) No. 856/1999 establishes a Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas, having regard for the commitments made by the European Union to the ACP countries under the Lomé Convention, and more particularly Protocol 5, which seeks to guarantee maintenance for the ACP States of their advantages on the European market in conditions that may not be less favourable than those that they have previously enjoyed. Following amendment of these trade arrangements by Regulation (EC) No. 1637/98 which has substantially altered the market conditions for traditional ACP suppliers and might, in particular, harm the most disadvantaged suppliers, the European Commission has recognised that particular efforts will be needed to adapt to these new market conditions in order to maintain a presence on the Community market. The Commission has therefore accepted that technical and financial assistance, additional to that provided for in the fourth ACP-EC Convention of Lomé should be granted to enable traditional ACP banana suppliers to adapt to new market conditions, and in particular to improve competitiveness. The SFA allocations to Grenada are to be utilised as follows :

SFA year	Project	Amount in €
SFA 1999	Provision of regional technical assistance	50,000
	Design and construct of farm irrigation	265,000
	Installation main lines for conveying water from source	35,000
	Construction of inland reception and distribution center	355,000
	Rehabilitation of farm roads in banana growing areas	232,000
	Development of strategic plans for agri-food sector development	60,000
	Regional Technical Assistance (share)	50,000
	Monitoring and Evaluation	3,000
	Total	€ 1,000,000
SFA 2000	Banana commercialization	447,000
	Regional Technical assistance	50,000
	Monitoring and contingencies	3,000
	Total	€ 500,000
SFA 2001	Total	€ 500,000

European Investment Bank

Region / Country	Project Name	Status	Convention	Contract number	Amount signed (m)		Date of signature	Amount outstanding (m)		Beginning Repayment	Comments	
					OR	RC		OR	RC			
Grenada	GRENADA ELECTRICITY	Disbursed	Lome - 2	70285		2,400,000.00	5/8/82		315,603.57	1/8/88		
	GDB	Disbursed	Lome - 3	70667		400,000.00	9/7/87		295,960.00	5/7/96		
	GDB GLOBAL LOAN	Disbursed	Lome - 3	70666		1,400,000.00	9/7/87		153,051.08	5/10/91		
	GDB II	Disbursed	Lome - 3	70773		1,000,000.00	22/3/89		285,328.32	30/6/93		
	RESORT HOTEL PROJECT	Disbursed	Lome - 4	70851		1,000,000.00	12/11/91		166,666.65	15/10/96		
		Disbursed	Lome - 4	70852			500,000.00	12/11/91		500,000.00	15/10/07	
	OECS WASTE DISPOSAL	Signed	Lome - 4	71011			1,800,000.00	8/10/95		0.00		
	GRENLEC II	Disbursed	Lome - 4	19129		4,000,000.00		26/11/96	4,106,680.08		20/5/00	
	Total					4,000,000.00	8,500,000.00		4,106,680.08	1,716,609.62		

Annex III Key Economic Indicators

Grenada - Key Economic Indicators

Indicator	Actual			Estimate			Projected			
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
National accounts (as % of GDP)										
Gross domestic product ^a	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	8.6	8.1	8.0	8.2	7.1	7.0	7.0	7.0	6.4	6.4
Industry	20.0	20.7	21.9	22.7	23.0	23.0	23.2	23.5	24.0	24.0
Services	71.3	71.2	70.1	69.1	69.9	70.0	69.8	69.5	69.6	69.6
Total Consumption	85.7	89.3	84.0	78.5	76.8	76.6	76.4	75.8	74.5	74.5
Gross domestic fixed investment	33.7	35.0	36.4	35.7	38.6	35.4	33.1	33.0	33.0	33.0
Government investment	9.5	9.2	13.7	13.7	14.2	13.5	13.6	14.0	14.0	14.0
Private investment	24.3	25.8	22.7	22.0	24.4	21.9	19.5	19.0	20.0	20.0
Exports (GNFS) ^b	44.6	45.0	51.5	65.5	64.5	65.0	65.7	66.2	66.9	71.8
Imports (GNFS)	65.6	70.8	76.6	73.5	79.9	76.8	74.8	74.1	73.3	78.1
Gross domestic savings	14.3	10.7	16.0	21.5	23.2	23.4	23.6	24.2	25.5	25.5
Gross national savings ^c	11.7	17.6	21.1	22.0	23.3	23.1	23.7	24.6	18.4	25.5
<i>Memorandum items</i>										
Gross domestic product (US\$ million at current prices)	294.7	314.9	335.5	360.1	386.9	416.6	444.0	474.2	506.9	506.9
GNP per capita (US\$, Atlas method)	2,940	3,080	3,130	3,300	3,520	3,752	3,959	4,186	4,431	4,388
Real annual growth rates (% , calculated from 1990 prices)										
Gross domestic product at factor cost	2.9	4.2	5.8	6.2	7.5	5.0	4.5	4.5	4.5	4.5
Gross Domestic Income	4.1	4.6	5.2	5.4	6.7	4.4	4.0	3.9	4.0	3.9
Real annual per capita growth rates (% , calculated from 1990 prices)										
Gross domestic product at market prices	3.5	4.1	4.5	4.5	6.5	4.0	3.5	3.5	3.5	3.5
Total consumption	13.2	8.4	1.8	-13.2	4.2	3.7	3.2	2.7	1.7	3.5
Private consumption	16.2	9.8	0.6	-15.9	-16.9	-17.6	-18.2	-18.9	-19.5	-20.2
Balance of Payments (US\$ millions)										
Exports (GNFS) ^b	131.4	141.7	172.9	235.8	249.6	270.9	291.7	314.0	339.1	363.9
Merchandise FOB	24.7	32.8	45.9	74.3	84.3	93.6	102.8	111.8	124.0	134.9
Imports (GNFS) ^b	193.2	223.1	257.0	264.8	309.2	319.9	332.0	351.4	371.7	395.7
Merchandise FOB	147.4	166.6	183.0	184.1	217.4	223.2	229.9	242.8	256.4	273.1
Resource balance	-61.8	-81.4	-84.1	-29.0	-59.6	-49.0	-40.3	-37.4	-32.6	-31.9
Net current transfers	18.9	19.9	29.2	28.0	28.9	31.0	31.0	32.5	32.0	33.4
Current account balance	-57.8	-78.5	-78.4	-30.3	-64.2	-49.7	-42.5	-39.9	-37.0	-34.5
Net private foreign direct investment	19.4	35.3	50.9	46.4	49.3	31.8	29.9	28.4	27.3	27.3
Long-term loans (net)	-0.3	4.8	3.9	11.4	11.5	11.5	13.0	15.2	17.5	6.7
Official	5.5	10.6	-1.3	9.2	-3.3	-0.7	-3.8	-6.1	-4.0	-3.8
Private	-5.8	-5.8	5.2	2.2	14.8	12.2	16.8	21.3	21.5	10.5
Other capital (net, incl. errors & omissions)	37.7	45.4	27.7	-23.5	-3.4	1.9	-4.7	-8.3	-12.7	-3.5
Change in reserves ^d	1.0	-7.0	-4.1	-4.0	6.8	4.4	4.3	4.6	5.0	4.0
<i>Memorandum items</i>										
Resource balance (% of GDP)	-21.0	-25.8	-25.1	-8.1	-15.4	-11.8	-9.1	-7.9	-6.4	-6.3
Real annual growth rates (Data-YR99 prices)										
Merchandise exports (FOB)	6.0	6.2	9.1	13.2	15.4	7.4	6.1	5.5	7.6	5.6
Merchandise imports (CIF)	8.1	7.1	7.4	2.8	17.8	-0.3	0.2	3.3	3.6	4.5

(Continued)

Grenada - Key Economic Indicators
(Continued)

Indicator	Actual		Estimate			Projected				
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public finance (as % of GDP at market prices)^a										
Current revenues	25.1	24.1	25.6	27.5	29.8	30.0	30.2	30.3	30.2	30.3
Current expenditures	23.0	24.4	24.3	22.8	23.6	25.0	25.2	25.2	25.2	25.2
Current account surplus (+) or deficit (-)	2.1	-0.3	1.3	4.7	6.2	5.0	5.0	5.1	5.0	5.1
Capital expenditure	9.7	8.7	9.4	10.7	11.9	10.1	10.1	10.1	10.1	10.1
Foreign financing	0.8	0.5	2.2	2.9	1.9	2.3	2.3	2.3	2.3	2.3
Monetary indicators										
M2/GDP	75.5	79.0	82.9	87.9	94.4	99.2	96.0	94.0	92.0	95.0
Growth of M2 (%)	9.1	11.8	11.8	13.9	15.4	13.1	3.2	4.6	4.6	3.3
Private sector credit growth / total credit growth (%)	75.6	82.9	126.1	142.1	91.5	86.7	86.7	86.7	86.7	86.7
Price indices (YR95 =100)										
Merchandise export price index	110.0	137.5	176.4	252.4	248.2	256.5	265.5	273.5	281.9	290.5
Merchandise import price index	99.8	105.3	107.7	105.4	105.7	108.8	111.9	114.4	116.6	118.9
Merchandise terms of trade index	98.4	104.8	137.2	205.5	198.7	199.4	200.8	202.3	204.6	206.8
Real exchange rate (US\$/LCU) ^f	101.8	105.3	102.9	106.2	114.0	114.0	114.0	113.8	113.4	113.1
Real interest rates										
Consumer price index (% change)	2.8	1.3	1.4	0.5	2.2	2.0	2.0	2.2	2.3	2.3
GDP deflator (% change)	2.5	2.2	1.2	1.9	2.2	2.0	2.0	2.2	2.3	2.3

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Source : World Bank

Annex IV: Overview of the Banana Sector

WINDWARDS' PRODUCTION BY ISLAND

1980 – 1999

Year	ISLAND								Total
	Dominica		St Lucia		St Vincent		Grenada		Windwards
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes
1980	7,606	11.2	29,462	43.3	18,901	27.8	12,012	17.7	67,980
1981	26,889	24.0	43,720	39.1	29,900	26.7	11,388	10.2	111,896
1982	27,236	25.6	42,923	40.3	26,284	24.7	9,993	9.4	106,437
1983	28,927	24.2	54,338	45.4	27,576	23.1	8,736	7.3	119,577
1984	31,639	22.8	65,610	47.3	33,011	23.8	8,585	6.2	138,844
1985	34,694	21.7	83,533	52.1	41,211	25.7	804	0.5	160,242
1986	51,707	24.5	112,540	53.4	38,450	18.2	7,990	3.8	210,688
1987	65,604	32.2	93,023	45.6	36,581	17.9	8,714	4.3	203,922
1988	74,194	26.3	135,727	48.1	63,072	22.3	9,240	3.3	282,234
1989	50,856	20.2	126,634	50.3	65,663	26.1	8,689	3.5	251,842
1990	57,867	20.5	135,367	48.0	81,155	28.8	7,552	2.7	281,941
1991	55,844	24.3	100,870	43.9	63,407	27.6	9,626	4.2	229,747
1992	59,220	21.2	135,291	48.4	78,779	28.2	6,522	2.3	279,812
1993	55,946	23.1	122,927	50.7	58,688	24.2	4,891	2.0	242,452
1994	43,046	25.4	90,909	53.7	30,925	18.3	4,544	2.7	169,424
1995	33,366	17.2	105,658	54.6	50,083	25.9	4,574	2.4	193,681
1996	39,956	20.9	105,547	55.1	44,038	23.0	1,866	1.0	191,407
1997	34,911	25.4	71,397	52.0	31,021	22.6	102	0.1	137,431
1998	28,640	21.9	73,220	55.9	39,886	30.5	94	0.1	141,839
1999	27,784	21.2	65,196	49.8	37,376	28.5	583	0.4	130,939

The common organisation of the market for bananas was introduced in 1 July 1993 and provided for separate arrangements for imports from the various suppliers: a tariff quota system and special arrangements for imports from traditional ACP suppliers. However, various elements of the regime were successfully challenged in the WTO and the EU banana regime was revised to take their findings into account. New arrangements come into force on 1 January 1999 but are in the process of being further modified following the Understandings reached with both the US and with Ecuador in April 2001. This was a significant step in resolving this long-standing dispute. The understandings provide for a transitional period of tariff quotas before a tariff only system comes into force in 2006.

In a **first phase** starting on 1 July 2001 and ending on 31 December 2001, the tariff quotas (TRQs) will remain at current levels, with an allocation of licences under the historical method. In a **second phase**, from 1 January 2002 to 1 January 2006, one of the quotas is reserved for ACP use only. This is conditional on obtaining an Article XIII waiver in the WTO. On **1 January 2006** at the latest, a tariff-only regime will be introduced.

It is too early to determine the precise impact of the new arrangements on Grenada as this will depend to a certain extent on traders' commercial decisions, on the management system for the ACP quota under phase II and on the response of the industry to continued competitive pressures. It will be important for Grenada to take advantage of the transitional phase before 2006 to adapt their industry in order to be able to cope with the new trading environment.

The change in market arrangements for Windward Islands bananas has been accompanied by an increasingly competitive environment in which higher quality, lower cost fruit from Latin America and elsewhere became much more readily available to consumers in the UK. This competitive pressure, together with an increasing volume of fruit have tended to hold prices down and increase the demand for higher quality bananas.

ANNEX V: GOVERNMENT'S POLICY AGENDA

SECTOR	OBJECTIVE	ACTIONS
SAVINGS AND INVESTMENT	INCREASE THE LEVEL OF SAVINGS AND INVESTMENT TO FACILITATE GROWTH AND DEVELOPMENT	ACCELERATE THE IMPLEMENTATION OF THE PSIP (10% OF GDP) Introduction of mutual funds Participation in the OECS money ad capital market
FISCAL MANAGEMENT	MAINTAIN STRONG FISCAL DISCIPLINE TO FACILITATE AND SUSTAIN ROBUST ECONOMIC GROWTH	ECONOMIC GROWTH OF AT LEAST 5% Generation of fiscal surpluses of at least 3% of GDP Strengthening of major revenue collecting centers such as the Departments of Inland Revenue and Customs via greater use of computer technology, staff training and legislative amendments Comprehensive fiscal review including the following: analysis of the possible re-introduction of VAT Public Expenditure Review Limit the wage bill to approximately 12% of GDP Closer monitoring and reporting on the performance of public sector enterprises
DEBT MANAGEMENT	IMPROVE THE MANAGEMENT OF THE NATIONAL DEBT PORTFOLIO	PURSUE DEBT CONSOLIDATION PROGRAMMES TO REDUCE AND/OR ELIMINATE COMMERCIAL LOANS Restrict new external debt obligations to projects in the PSIP and where possible on concessional terms Minimize government guarantees for investments of public and private enterprises particularly the latter
TRADE AND INDUSTRIAL POLICY	FACILITATE THE PROCESS OF TRADE LIBERALIZATION AND THE GROWTH OF EXPORTS AND PARTICULARLY SERVICES	VIGOROUSLY PURSUE OBLIGATIONS FOR THE CREATION OF CARICOM SINGLE MARKET AND ECONOMY Work with private sector to access resources, technical and financial to improve competitiveness of forms and industries
FINANCIAL AND MONETARY POLICY	Facilitate the process of growth via a stronger and deeper regional financial market. CONTRIBUTE TO THE SOUNDNESS OF THE EASTERN CARIBBEAN CURRENCY	Participate in the establishment and development of money and capital markets in the ECCB area including an OECS Stock Exchange and a Government Securities Market Pursue supportive fiscal and monetary policies
TAX ADMINISTRATION	IMPROVE REVENUE COLLECTION TO HELP ENSURE ADEQUATE LEVEL OF GOVERNMENT SAVINGS	Automate all tax types on SIGTAS Develop a fully computerised fiscal cadastre Re-establish the Audit Unit of IRD Rationalization of concessions regime (S.R.O. 18/1995 and Hotels Aid and Upgrading Act)
COMMERCIALISATION AND PRIVATIZATION	Commercialise selected government departments PRIVATIZE SELECTED PUBLIC ENTERPRISES	Commercialise the operations of the government printery Privatize the Grenada sugar factory
RE-ENGINEERING OF THE PUBLIC SERVICE	IMPROVE THE OPERATIONAL EFFICIENCY OF THE PUBLIC SERVICE	Review and modify the current performance appraisal system Introduction and establishment of a public service emulation programme Review and re-establish the corporate planning process in line ministries/departments Introductions and establishment of a productivity measurement process in line ministries/departments Introduction of a new public service act Introduction of a new education act Introduction of a new finance and audit act Establishment of electronic communications within the public service Roll-out of the standardized integrated government financial information system (SIGFIS) to all lines ministries and departments

Sectoral strategies

AGRICULTURE	<p>Rationalise the sustainable growth of the agricultural sector thereby increasing the foreign exchange earnings from traditional and non-traditional crops.</p> <p>IMPROVE NATIONAL FOOD AND NUTRITION SECURITY</p>	<p>Development of a proper agricultural land use policy for the orderly and efficient use of fertile arable lands</p> <p>Implementation of a national irrigation programme to ensure year-round production of selected crops</p> <p>Rehabilitation and expansion of the banana industry to 1000 acres with support from the banana trust fund and other resources of the European union to ensure WIBDECO standards are met</p> <p>Liberalization of the cocoa industry particularly in respect of post-harvest operations</p> <p>Construction of a quality assurance laboratory for nutmeg industry</p> <p>Construction of additional infrastructure for the fisheries industry via the Melville Street Fish complex and Grenville fish market</p> <p>Review incentives for the agricultural sector for private investment</p> <p>Provision of technical and financial support to the poultry industry via the establishment of a revolving fund</p> <p>Coordination of greater linkages between production and marketing in the agricultural sector via support for the newly established marketing unit in the ministry of agriculture</p> <p>Adoption of a national food and nutrition policy</p>
TOURISM	<p>Promote the sustainable growth and development of the tourism sector.</p> <p>REVITALISE THE SMALL HOTEL SECTOR</p>	<p>Increased provision by GOG to the Grenada board of tourism (EC\$10 million for the next three year)</p> <p>Implementation of a three year marketing plan to include:</p> <ul style="list-style-type: none"> Strategic marketing programmes with selected airlines Destination marketing in partnership with local private sector <p>Implementation of selected aspects of the tourism master plan</p> <p>Implementation of small hotels special assistance programme to improve the viability of this sub-sector</p> <p>Implementation of a new tourism product enhancement programme aimed at improving the tourism sites and introducing a passport/fee system</p> <p>Enhancement of cruise-ship tourism product offerings including duty-free shopping and other facilities</p> <p>Continuous training of the staff in the Grenada board of tourism and other players in the tourism sector</p>
MANUFACTURING	<p>ENCOURAGE AND SUPPORT THE DEVELOPMENT OF INTERNATIONALLY COMPETITIVE MANUFACTURING FIRMS</p>	<p>Provide market information and source technical assistance to assist manufacturers</p> <p>Improve the fiscal incentives framework to encourage firms with the potential to be internationally competitive</p> <p>Facilitate the expansion of operations at Frequente and other industrial centers</p>
INTERNATIONAL FINANCIAL SERVICES	<p>Promote Grenada as an attractive international financial services center for private sector investment</p> <p>IMPROVE NON-TAX REVENUE YIELDS FOR THE GOVERNMENT OF GRENADA.</p>	<p>Strengthening of international financial services legislation as required to ensure integrity of jurisdiction</p> <p>Establishment of a statutory body to improve the regulation of the international financial services sector in Grenada</p> <p>Collaborate with regional and international agencies to effectively regulate the sector</p>
ECONOMIC INFRASTRUCTURE	<p>Supply and maintain the economic infrastructure required to facilitate economic activity</p> <p>Improve road and bridges network</p> <p>Improve water supply infrastructure</p> <p>ENCOURAGE A MORE INTERNATIONALLY COMPETITIVE TELECOMMUNICATIONS SECTOR</p>	<p>Rehabilitate infrastructure (roads and sea defenses) on the Western Main Road damaged or destroyed by tidal surges triggered by Hurricane Lenny</p> <p>Rehabilitation of key bridges</p> <p>Construction of secondary roads</p> <p>Expansion of Vendomme water supply facilitate</p> <p>Expansion of the water metering programme</p> <p>Establish in collaboration with the other OECS member states the Eastern Caribbean telecommunications authority</p> <p>Enter a regional agreement with Cable & Wireless for the supply of certain telecommunications service</p>
POVERTY ALLEVIATION AND REDUCTION	<p>Reduce the level of national poverty</p> <p>Accelerate the level of rural development</p> <p>Promote the development of micro-enterprises</p>	<p>Increase the old age pension</p> <p>Expand school books and uniforms for needy children programme</p> <p>Expand the national house repair programme</p> <p>Expand the basic needs trust fund programmes with CDB</p> <p>Expand the school feeding programme</p> <p>Elaborate a national poverty reduction strategy with assistance from DFID</p> <p>Establish a national poverty monitoring committee</p> <p>Establish a rural development commission</p> <p>Establish a rural development fund</p> <p>Implementation of a rural enterprises project</p> <p>Establish a micro-enterprise development board</p>
EMPLOYMENT GENERATION	<p>Generate employment opportunities for all citizens who need jobs</p>	<p>Reduce unemployment from 12.5% to 9%</p> <p>Implementation of national employment training programme</p> <p>Support the establishment of telemarketing firms across the country</p>
EDUCATION AND HUMAN RESOURCE DEVELOPMENT	<p>Increase and improve access to education and training opportunities at the secondary level</p> <p>Improve the quality of education at primary level</p>	<p>Review and revise the education system to ensure its harmony with current national development priorities</p> <p>Completion of a national education plan</p> <p>Continuation of the reforms initiated via the basic education reform project and OECS education reform strategy including governance, planning and development, curriculum design, teacher training and examinations and testing</p>

	Improve the employment potential of the current unemployed	Continuation of the secondary schools expansion programme Use of computer technology to improve the learning experience of primary school students
--	--	---

HEALTH	Deliver quality health care to all citizens Improve health facilities Reform the health sector	Expansion of services offered at the hospitals Establishment of health care standards for private health care service providers Establishment of an executive agency to facilitate decentralized management of the services of the new hospital and its network External technical assistance for the preparation of a national health insurance scheme Completion of the construction of the new general hospital Improvement and expansion of the network of community health clinics to ensure adequate primary health care Construction of polyclinic in St. George's rebuilding/relocation of Carlton house Development of a strategic health sector plan Revision of health-related legislation Conduct of a human resource audit
YOUTH AND SPORT DEVELOPMENT	Special focus on the promotion of youth and sport development	Re-establishment of a national youth council with branches in each parish Formulation of a national youth policy Implementation of national sports development programme including coaching programmes in key sport areas such as cricket, football and athletics
GENDER AND FAMILY AFFAIRS	Promote the principle of gender mainstreaming in all policies, plans and programmes	Conduct of gender sensitivity and awareness training for government employees, NGOs and community-based organizations Training of staff of the division of the gender and family affairs in recent paradigm shift and strategic focus
SOCIAL SERVICES	Improve the targeting of social service administered by the Ministry of Social Services	Conduct of scientific needs assessment for existing programmes Introduction of systematic monitoring and evaluation of current programmes Training of requisite staff in participatory beneficiary assessments
LABOUR	Foster and industrial climate conducive to political stability and economic prosperity	Explore and establish as social pact with all social partners on issues such as prices, incomes and competitiveness Enactment of a labour code inclusive of a labour relations act and an employment act Development of a labour market information system with on-line access for both employers and potential employees
NATIONAL SECURITY	Maintain the rule of law, peace and order thereby securing an important dimension of the quality of life of all citizens Offer and attractive destination for foreign investors and tourists	Procurement of modern crime-fighting equipment for both police and coast guard Intensive training and re-training of police force Close collaboration with regional and international agencies to combat narcotics trafficking Constructions of a new police headquarters Rehabilitation of various police stations Full computerisation of police records and automation of selected services
GOOD GOVERNANCE	Promote and strengthen popular participation in national decision-making	Continuing commitment by government to the multi-partite consultation committee Arrangement of regular meetings with labour unions to discuss fiscal performance and other matters of mutual interest Continuation of programmes such as face-to-face and to the point to allow government representatives and officials to discuss matters of national interest with members of civil society
INFORMATION	Build a knowledge-based economy	Formulation of comprehensive technology and information policies Development of computer literacy and information processing capacities in schools, workplaces and communities Strong regulation to ensure telecommunications services and affordable and accessible for both education and business
ENVIRONMENTAL MANAGEMENT	Ensure the sustainable use of both terrestrial and aquatic natural resources thereby ensuring the sustainable development of the tri-island State of Grenada	Develop and implement strategies to reduce the build-up of green house gases from Grenada Develop and implement strategies to adapt to Grenada's vulnerability to climate change Formulate and implement a strategy for the protection and sustainable use of Grenada's bio-diversity Ensure the sustainable management of natural resources in coastal areas off Moliniere/Beasuejour, Mt. Hartman/Egmont as designated Marine protected areas Establish management structures necessary to ensure the sustainable use of Grenada's forest resources Implement measures to protect existing forest reserves. Establish forest reserves in Annadals, Morne Gazo and Mt. St. Catherine. Catherine Pursue a process of continuous identification or priority areas for conservation Preparation of a national physical development plan Implementation of the building code
PRIVATE SECTOR DEVELOPMENT	Promote and support a dynamic, enterprising, innovative and viable economic growth capable of generating high levels of economic activity and employment	Ongoing dialogue with private sector on national development and its own development via mechanisms such as the Multi-partite consultation committee Provision of requisite economic infrastructure including roads and a well-regulated telecommunication sector Collaborate with private sector to access resources for it capitalization, joint venture and technological improvements Offer seminars on WTO standards and procedures Mobilize technical assistance for private sector to make transition to global economic order Advocacy and negotiations by GOG for a fairer environment for small firms in Grenada and CARICOM